alphaland
CORPORATION

Annual Report 2012

Beautiful Balesin!

Alphaland Corporation is a joint venture between the Ashmore Group, a private equity fund based in London, with funds under management of about USD 71 Billion, and the RVO Capital Ventures Group.

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

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

ALPHALAND - UNIQUE!

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

Dear Valued Shareholders,

For others, the word "incremental" is enough, but for Alphaland, 2012 has been a year of reinventing the entire real estate industry. We have surpassed being known as a great local developer to being recognized as the company which has been delivering the most exciting and unique Philippine real estate products. The projects that your company has been completing for our investors, buyers, and members have been attracting a lot of international attention for achieving not only its lofty goals of genuine sustainability but also for their sheer desirability. Each one of these projects has been a complete game-changer.

Of our 7 major projects, Balesin Island, in a single year, has become the most exclusive island and sought after destination in the country. As planned, we are seeing not only more Filipinos and their families on Balesin's shores but also discerning members from our key foreign markets in Hong Kong, Taiwan, Japan, Singapore, United States, and Europe. By next year, they should be flying in directly to the island's E.L. Tordesillas Airport. Share prices of Balesin Island Club have increased 300% since our launching and our members are excited that our share price will increase to P4 million by the end of 2013. To meet the great demand of our members and their guests, we have acquired a twin-engine 19-seater British Aerospace Jetstream 32 with another Jetstream 32 on the way.

At our Makati Place development along Ayala Avenue, the City Club is close to being opened to its members. The development of the surrounding residential towers is right on schedule. With a membership at the two hectare City Club included in the purchase of each ready-to-move-in unit and a full community mall experience integrated into the development, there's really no reason to work, live, and play anywhere else in the city. Never again do our members and residents have to shuttle through traffic and waste precious time that they could be spending with their families and friends.

The gleaming Alphaland Tower is the most modern and sustainably built structure along Ayala Avenue and is likewise, close to opening its doors. With over 48,000 square meters of gross floor area in over 34 storeys, this building will be the prime office space for companies and embassies that not only require the most prestigious address in the Central Businesss District, but those that need the utmost security as well. Alphaland Tower is also a model of sustainability. The building is certified as a gold rated LEED building.

The Marina Club has also been launched for membership and just on its opening night, there was a 150% oversubscription to reserve shares that we had planned to release that night. This development will quickly and surely become the premiere waterfront destination on Manila Bay for business, relaxation and nautical leisure. Alphaland Bay City, which houses the Marina Club, is at the very heart of the greatest residential, commercial, hotel, and gaming investments to have ever been made in the Philippines.

Alphaland Southgate Tower, our first project has consistently been growing as a prime corporate and transport location as reflected by its P306.7 million in lease earnings; a full 19% higher than the previous year.

Alphaland Boracay Gateway Country Club, our other island project, is shaping up to be another world-class destination that will complement Balesin Island Club. Here, investors can get the chance to own a piece of paradise in a development that will evoke the purity and simplicity of what Boracay used to be 30 years ago.

Finally, Shangri-La at the Fort is Alphaland's foray into the premier hospitality property market. Located within the West Super Block of the Fort Bonifacio Global City development in Taguig City, Metro Manila, this superstructure will be a hub for business, hospitality, and residential options. The project is slated for completion in June 2014.

Alphaland's asset base grew 54% in 2012 to P52.0 billion, an increase of P18.2 billion from the previous year. Alphaland's investment property has increased from P18.0 billion to P21.8 billion. Total equity thus has increased 46% to P35.5 billion from the previous year's P24.3 billion.

Of course, these developments would not have been made possible without our integral partners since 2005, the Ashmore Group of London which now has over USD 71 billion funds under management. This has allowed us to make the timely investments in both properties and the successful development of these same properties.

Alphaland has, in a very short period, become a standard for the premium leisure, residential, and commercial markets. Our projects focus on the preservation of nature, create thousands of jobs, and energize local economies. We will continue to do all these things in your name. As our projects near completion and are indeed starting to be enjoyed by our investors, we are looking forward to another exciting new year of satisfying results and thank you for your continued trust and support.

Roberto V. Ongpin
Chairman

Eric O. Recto
Vice Chairman

Mario A. Oreta
President

ONE OF THE STRETCHES OF WHITE SAND BEACHES IN BALESIN

MAP OF BALESIN ISLAND

alphaland
BALESIN ISLAND CLUB

With more than seven kilometers of white-sand beaches, Balesin Island sits on the Pacific Ocean, 35 kilometers off the eastern coast of Luzon, and 20 minutes by plane from Manila.

Balesin Island Club, Alphaland's flagship project, will be fully operational by the first quarter of 2013. The club inhabits 500-hectare Balesin island, which is covered in a lush, tropical rainforest. It offers villas and amenities patterned after some of the world's most luxurious beachside resorts. There are seven themed villages, with a total of 288 villas and suites. The villages are inspired by the world-renowned seaside destinations of St. Tropez, Mykonos, Costa del Sol, Toscana, Bali, Phuket, and Balesin.

Balesin Island Club offers two different types of membership - 14 complimentary villa nights a year or 7 complimentary nights a year. Members and their guests can choose to use these complimentary nights at any of the seven villages. Each village has been authentically designed, from their architecture, landscaping, interior design, and cuisine.

Alphaland has also built an airport on the island. Boasting a 1.5 kilometer-long concrete runway, it can accommodate aircraft and private jets. The island is easily accessible from Manila via a 20-minute flight on Alphaland's airplanes, departing from the company's private terminal along Airport Road. The club operates two Cessna Grand Caravan airplanes that seat nine passengers, and has recently added two British Aerospace (BaE) Jetstream 32 airplanes that comfortably seat 19.

The Club's Welcome Pavilion, adjacent to the runway, is being expanded to include an additional area

ABOVE: THE BALESIN SPA
BELOW: GUESTS CAN TRAVERSE THE ISLAND ON HORSEBACK;
A CENTURY-OLD BALETE TREE; HENCE, THE NAME "BALESIN"

to handle the increasing number of arrivals and departures. Alphaland has utilized revolutionary technologies and concepts in developing Balesin Island Club. The concrete runway doubles as a rainwater catchment, diverting over 200 million liters per year into man-made lakes. The harvested water is then processed via ultrafiltration into potable drinking water which is then distributed to each of the seven villages. Used water is processed aerobically and anaerobically in modular sewage treatment plants producing Class A greywater. This reclaimed greywater is used for the island's lush landscaping during the summer months.

Location and ambience are key to Balesin Island Club's overall vision. In this regard, the resort's architectural design remains in harmony with its natural surroundings. This has been achieved by partnering with one of the world's eminent hospitality master planners EcoPlan of Florida, USA, and Filipino architects, Jorge Yulo and Meloy Casas. EcoPlan of Florida, USA has ensured that each structure never overwhelms its environment in any way possible.




LEFT (CLOCKWISE FROM TOP LEFT): MYKONOS; PHUKET; COSTA DEL SOL; BALI; ST. TROPEZ; BALESIN

BELOW (CLOCKWISE FROM TOP LEFT): TOSCANA; TABACALERA CIGAR DIVAN; BRITISH AEROSPACE JETSTREAM 32





Electric golf carts, mountain bikes, and horses are the modes of transportation while on the island. Members and guests can use any of these to visit the villages, spa, leisure areas, sports facilities, beaches, entertainment venues, and scenic points.

2012 was a year of development highlights for Balesin Island Club. Many of the Club's facilities were completed during the second and third quarters of the year. Four of the seven villages were completed before the year's end, including Balesin, Bali, Mykonos, and Phuket. The Main Clubhouse, The Sports Center, the Aquatic Sports Center, and several dining outlets were also opened in gradual phases for the use of members and their guests. St. Tropez has already been completed.

ABOVE: MYKONOS VILLAGE
MIDDLE: NUSA DUA BAR AT THE BALI VILLAGE
BELOW: CLUBHOUSE DINING AREA AT BALESIN

On or before the second quarter of 2013, Alphaland expects to complete the Costa del Sol and Toscana Villages.

Alphaland has partnered with IamAsia, a Hong Kong based firm, to help market Balesin Island Club throughout China as well as other PRC regions. The firm will also target highly specific members of the international community who live and work in Hong Kong.

Alphaland has also partnered with Linken International Services Corp. to market Balesin shares particularly to the Japanese market. They are exclusive agents for National Western Life and International Medical Group in the Philippines. They are also large insurance agents in Taiwan, Japan & Hawaii.

ABOVE: VIEW OF THE INDOOR BADMINTON COURTS AT THE SPORTS CENTER FROM THE SECOND FLOOR
MIDDLE: HOBIE CAT SAILING ON BALESIN ISLAND CLUB'S CLEAR BLUE WATERS
BELOW: AERIAL VIEW OF BALESIN ISLAND CLUB

ABOVE: THE BALESIN SALA
MIDDLE: PHUKET VILLA
BELOW: ST. TROPEZ VILLAGE

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

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

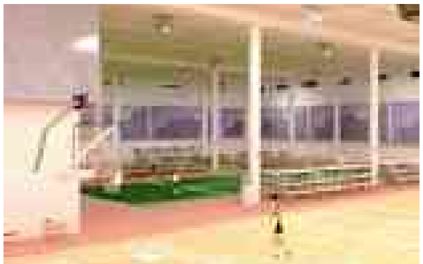
THE CITY CLUB
alphaland MAKATI PLACE

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

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

The top floor of the Club houses a spa, a main swimming pool, three lap pools, seven Jacuzzis, a pool sunbathing deck, a children's pool with a lifeguard post, a children's indoor play area and activity room, a children's outdoor playground and activity area, a daycare center, a learning center, a poolside restaurant with an al fresco area, a cafe', a pool bar, and a barbecue area. All these make this level of the City Club the ideal place for families.

The middle floor offers areas for getting together, staying healthy and doing business. Members will enjoy dining in the Club's specialty restaurants, which include Elbert's, Hai Shin Lou, Masseto, Salathip, Sakura, Marbella and Mona Lisa. There will also be dedicated spaces for Filipino cuisine and desserts. Staying in shape is not a problem as this floor houses a tennis court, three badminton courts, a basketball court, and a squash court. For after work get-togethers, members can relax and unwind at the cigar divan and wine room while those who want to hold private parties can make use of the bar/game room or one of the two KTV rooms.





ABOVE: RELAX AT THE CITY CLUB'S SPA WITH A REJUVENATING MASSAGE
BELOW: MEMBERS CAN ENJOY A DELICIOUS MEAL AT ANY OF THE CITY CLUB'S SPECIALTY RESTAURANTS

The entrance floor is home to even more fitness activities. There is a gym, a boxing ring, five studios for dance, aerobics, yoga, Pilates and martial arts, a table tennis room and an indoor golf simulator. Other amenities include two music rooms, a library, meeting rooms and conference rooms, an internet lounge, an electronic game room, a beauty salon and barber shop, a pro shop, a juice and salad bar, and a clinic. All these provide members of the City Club with healthy options and activities to live life to the fullest.

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

As of December 31, 2012, the price of a City Club membership share was valued at PhP 1,000,000.00, nearly double its value at the beginning of 2011. The City Club will open by the first half of 2013.

LEFT: THE GYM; RENDERING OF THE INDOOR BASKETBALL AND TENNIS COURTS; REPRESENTATION OF THE MALL; BOXING RING; SWIMMING POOLS; CHILDREN'S OUTDOOR PLAYGROUND

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

EXTERIOR PERSPECTIVE OF THE ALPHALAND MAKATI PLACE

Continued economic growth brings about the expansion of the Central Business District. Alphaland Makati Place, located on a premium one hectare property along Ayala Avenue Extension corner Malugay Street, leads the charge.

Alphaland Makati Place is a uniquely intelligent residential and leisure complex, with every detail planned for efficiency, sustainability and enjoyment. It is advanced in concept and execution.

Due to an expansion of the central business district, the area that was once dominated by warehouses and factories is now redefined by this project. The premium one-hectare property along Ayala Avenue corner Malugay Street is right in the middle of a newly vibrant quarter of Makati. Its strategic location is perfect for dynamic executives, young families, and upwardly mobile singles.

Wong & Ouyang, the top architectural firm that designed Alphaland Makati Place, also had a hand in designing Hong Kong's Pacific Place. Alphaland Makati Place consists of three residential towers atop an upscale six-storey podium. The bottom three floors of the podium will be made into a shopping center while the top three floors are dedicated to an exclusive urban sports and leisure membership club, The City Club. The result is an integrated urban lifestyle solution, with residential, sports and leisure, and retail necessities all in one complex, conveniently located in the central business district. This complete community will cut down on commuting, save time and energy for its residents, and minimize traffic all in a venue of security.

THE LIVING ROOM OF A TYPICAL 1-BEDROOM UNIT FOR UNBRIDLED SPACE EFFICIENCY

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

Tower One will have 52 levels, Tower Two will have 47 levels, and Tower Three will have 29 levels. The basement will have five levels of underground parking, designed to reduce the building's overall urban heat-island effect. Green and sustainable building technologies were utilized in the construction of Alphaland Makati Place. The building is targeted to achieve a 35% savings on water consumption and a 25% savings on power consumption compared to buildings that are constructed using conventional designs. This allows owners more savings to spend on their families.

THE LIVING ROOM OF A TYPICAL PREMIUM 2-BEDROOM UNIT IS SPACIOUS AND DESIGNED TASTEFULLY

The residential units consist of one-, two-, premium two-, and three-bedroom units with above-average sizes and 8.5 foot high (2.6 meter) ceilings. The layouts and details are uniquely well thought-out. The unit design makes an effort to properly utilize and not waste space or energy.

Each unit is fully fitted and will be delivered in a ready-to-move-in condition. All fixtures and major appliances are included in the unit price, and come installed and tested. This includes dishwashers, air conditioners, intelligent lighting, bathroom and kitchen fixtures, refrigerator/freezer and a washer and dryer. Premium units come with a wine chiller and a high-end wall-mounted coffee-maker. Extensive storage is provided, with each unit containing ample shelves, closets and bins. Fixtures for the units were hand-picked from leading global brands, such as Philippe Starck and Kuysen.

Units are fully-automated at no extra cost to the buyer. With the use of a provided tablet PC or any compatible device, unit owners can control

ABOVE: INDOOR WALL MOUNTS ALLOW FOR SPACE SAVING EFFICIENCY
MIDDLE: INTERIORS OF A MAKATI PLACE LIVING ROOM
BELOW: A TASTEFULLY DESIGNED MAKATI PLACE BEDROOM UNIT

appliances and lighting even if they are away from home. Lights can be turned off when not in use with motion sensor technology, the flat-screen TV can be hidden in a recess and the temperature of the air conditioner can be modified with a press of a button. Other applications on the tablet PC will connect to housekeeping, maintenance, security, billing, and other services. The complex incorporates a high speed fiber-optic infrastructure, ensuring that it will be technologically advanced for years to come.

The City Club and the mall will open in the first half of 2013 and the residential towers by the end of 2014.

ABOVE: ANOTHER VIEW OF A MAKATI PLACE BEDROOM
MIDDLE: A 32-INCH LCD CAN BE DROPPED DOWN INTO A RECESSED AREA WHEN NOT IN USE
BELOW: THE KITCHEN ISLAND COUNTER DOUBLES AS ANOTHER DINING ALTERNATIVE

RENDERING OF THE ALPHALAND TOWER

alphaland TOWER
6789 AYALA AVENUE

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

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

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


EXTERIOR PERSPECTIVE OF ALPHALAND TOWER

and productivity of its occupants. The use of efficient plumbing design and fixtures results in a significant decrease in water consumption.

The Alphaland Tower project is overseen by an outstanding team of builders and designers, in addition to the conceptual architects Wong & Ouyang, including architects of record

RENDERING OF THE ALPHALAND TOWER LOBBY

Rchitect's, Inc., structural engineers SY2 (Formerly Aromin & Sy), plumbing, sanitary, and fire protection engineers NBF Consulting Engineers, mechanical engineers LR Punzalan and Associates, electrical engineers RA Mojica and Partners, project construction managers RM Cabanela Construction Management Co., and environmental sustainability and commissioning authorities Ecosolutions, Inc.

The structure was topped off in July 2012. Water-tightness and complete curtain wall installation was completed by October 2012. The project is substantially completed and building energization is scheduled by February 2013.

RENDERING OF THE STREET ENTRANCE OF ALPHALAND TOWER

Alphaland Marina Club

RENDERING OF ALPHALAND MARINA CLUB

AERIAL RENDERING OF
ALPHALAND MARINA CLUB

alphaland MarinaClub

The Marina Club is the centerpiece of Alphaland Bay City.

The Alphaland Marina Club (AMC) was launched in a grand reception at The Alphaland Tents on November 8, 2012. Over 350 guests attended, and over 100 shares were sold. Alphaland presented a table-size scale model of the development, to give guests the look and feel of the project. The guests responded positively to the presentation, and many said they were eager for the opening of the club.

We have heard many times, from our members and the market, that there is a real need for a club like AMC. One that will bring public attention back to Manila's beautiful bay - a venue created for world-class social and sports events on the West side of the city, while boosting the nascent local boating and yachting industry. We believe the AMC will address all of these needs.

The construction of the AMC is divided into four projects: the 900-meter breakwater; the marina floating piers, anchor piles, and utilities; the clubhouse foundation; and the clubhouse itself. Each of these projects has been subjected to a bidding, and contracts have been awarded for the breakwater and clubhouse foundation.

The breakwater is an underwater mountain made of rock. When completed, less than 10% of the mountain will be visible above the surface. It will look like a wall about 4 meters high above the waves, with a flat crown about 3 meters wide. Underneath the water, however, the mountain is much more imposing in size, 45 meters wide at the base, and up to 9 meters high from the bottom to the waves, actually bigger than a typical section of the Great Wall Of China. To construct this mountain, we will need to quarry and transport roughly 220,000 cubic meters of rock, from different quarries in Rizal province, Bataan, and as far North as Zambales.

The marina involves a highly specialized type of construction. We are happy to report that several of the major marina construction firms in the world have joined the bidding for our project. We are certain that the marina will benefit from their world-class expertise.We are confident that we will deliver an excellent, state-of-the-art marina experience.

The iconic clubhouse, designed by prominent Filipino architect Carmelo Casas and partners will be complicated to build requiring the expertise of a seasoned contractor. The building of the structure is more challenging because it is over water, which more than doubles the complexity. But the challenge will be rewarded by the prestige of having built one of the most distinctive buildings in the metropolis.

Alphaland is on track to deliver the whole facility, operational, by May 2014. In the meantime, share sales continue to be brisk.

ABOVE: REPRESENTATION OF MEMBERS' BOATS WHILE DOCKED
MIDDLE: REPRESENTATION OF ALPHALAND MARINA CLUB DOCKING FACILITY
BELOW: ARTIST'S RENDERING OF ALPHALAND MARINA CLUB

RENDERING OF BAY CITY AS SEEN FROM MANILA BAY

RENDERING OF THE CITY'S COMMERCIAL AREA AT NIGHT

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

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

Proximity

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

The Bay City experience

Alphaland Bay City is designed to be environmentally friendly. The master plan takes into consideration the minimization of the use of energy and the resulting production of pollution whether it be waste or noise. Using your car to get around will not be necessary. Park at one of our central locations and walk or take a shuttle. Buildings are interconnected by walkways, protecting you from the weather making Alphaland Bay City truly a walking city. A broad central park cuts through the entire city in a crescent, not only providing greenery, shade and pleasant public space, but also providing a corridor for wind to circulate. It also allows the buildings to be arranged in a manner that opens the sea view to more of the units, instead of maximizing space utilization in favor of short-term profit. We strongly believe that this kind of planning gives better long-term value to the development as a whole and your property in particular.

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

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

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

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

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

Online when you want it

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

This account allows you to:

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

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

ABOVE: RENDERING OF THE BAY CITY SKY LINE
BELOW: RENDERING OF THE BAY CITY BOARD WALK


alphaland
unique!

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

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

alphaland SOUTHGATE

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

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

Alphaland Southgate Tower continues to prosper and has become an iconic establishment in the city of Makati. Its distinctive LED display, set against a blue glass facade, welcomes visitors to the metropolis' central business district.

The project began as an unfinished high-rise building that had remained idle for nearly 30 years. Alphaland reinvented it as a modern glass office tower with a podium mall, transforming a once ugly eyesore into one of the city's most recognizable and vibrant landmarks.

Alphaland Southgate first opened its doors in 2010, with the initial batch of tenants comprised of companies within the group, including Alphaland

itself, PhilWeb Corporation, ISM, and Atok-Big Wedge. Major BPO players such as Teleperformance, GHD Pty. Ltd., Genie Technologies, and Alorica Inc. soon followed. Later on, Anthem Solutions Inc., MRL Gold Phils., Jorge Yulo Architects, and Western Mindanao Power Corporation rounded out the rest of the building's occupants.

By the end of 2011, Alphaland Southgate had reached full occupancy.

Located on Southgate Tower's 6th floor are several establishments that cater to Alphaland's discerning clientele. These are The Alpha by Chef Billy King, Tabacalera Cigar Divan, and Ukiyo Japanese Restaurant.

The Alpha, Southgate's fine dining establishment, is run by the iconic Chef Billy King. The venue offers a private ambiance, a skillfully wrought menu, and a wide assortment of wines. Located next door is the Tabacalera Cigar Divan, offering the best hand-rolled Filipino cigars since 1881 and a selection of single malt whiskies and wines. Not to be missed is Ukiyo,

ABOVE: THE POLISHED WOODEN INTERIORS OF UKIYO RESTAURANT
MIDDLE: THE ALPHA BY CHEF BILLY KING
BELOW: THE RETAIL SHOPS AT THE ALPHALAND SOUTHGATE MALL

a modern Japanese restaurant and Shochu bar serving authentic Japanese food and drinks.

The sixth floor is also home to the Balesin and Boracay function rooms, both of which have a combined seating capacity of 140 people in a banquet-style layout. Named for two of Alphaland's projects, the Balesin Island Club and the Boracay Gateway Country Club, these rooms come fully-equipped with ceiling-mounted LCD projectors, a drop-down screen, banquet tables and chairs, and a podium with microphones, platforms, and Wi-Fi access.

THE ALPHA TENTS AND THE BALESIN AND BORACAY FUNCTION ROOMS

For larger functions, there are the Alpha Tents. Found on the same level, this magnificent 600 sq.m. events place is contained within an air conditioned glass structure, allowing for scenic views of Makati and Manila Bay. Because of its layout flexibility, the Alpha Tents allows event planners to conduct a variety of event formats such as conferences, seminars, social occasions, and corporate milestones.

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

Convenience is the main driver of Alphaland Southgate Mall. The building houses a supermarket, major bank branches like BDO and PBCOM, fast food and casual dining restaurants, food kiosks, computer shops, a hardware store, beauty and wellness shops, and fashion outlets. The mall's third level offers commuters direct access to the Magallanes MRT station.

Alphaland's very own property operations team addresses tenants' needs and requests. Supported by a qualified staff and a 24/7 concierge service, the group deals with any construction, engineering, housekeeping, parking, and security concern that may arise without warning.

ABOVE: EXTERIOR VIEW OF THE ALPHA TENTS
BELOW (LEFT): THE SCENIC ELEVATOR CAN BE USED FOR GUESTS
BELOW (RIGHT): THE THIRD ANNIVERSARY OF ALPHALAND SOUTHGATE

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

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

Alphaland Boracay Gateway evokes the purity and simplicity of the elemental island life that Boracay, a world famous island, once possessed.

Located in Caticlan, Alphaland Boracay Gateway features powdery white sand beaches that stretch up to 1.7 kilometers. The property is surrounded by abundant marine life and has a beautifully varied topography of hills, valleys, lakes, springs, waterfalls, and diverse flora and fauna. The property also features breathtaking views from the high points of the island overlooking the sea.

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

Boracay Gateway Country Club is a master-planned eco-resort community that features a wide range of options in the sports, recreation, residential, and retail/commercial areas. It will be a fully integrated leisure township similar to a large New England country estate, with grand villas surrounded by natural expanses, low density development, and assured privacy. The vacation estates will be marketed to affluent individuals, especially those

AERIAL VIEW OF BORACAY GATEWAY

REPRESENTATION OF THE POLO FIELD

passionate about the sport of polo, as the club will feature an all-weather polo field that can be used year-round. Getting there is extremely convenient and may even be quicker than a drive from Makati to Quezon City during rush hour, due to the number of flights servicing Caticlan. Access to Boracay Island itself will be as quick as a trip to the mall since the Caticlan jetty is just five minutes away by road and Boracay is another five minutes by speedboat.

As of January 2013, Alphaland has accomplished 90% of grading of 10 kilometers of roadways, both in the Spine Road and the Village Roads. 90% of grading of the polo field was accomplished as well. Despite all these, Alphaland ensures the preservation of the natural terrain and vegetation of the blocks. A grass and tree nursery has been started in preparation for the roadway tree planting and polo field grassing.

AERIAL VIEW OF BORACAY GATEWAY

Shangri-La at The Fort

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

Shangri-La hotel

AT THE FORT

MANILA

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

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

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

The Shangri-La Hotel features over 6,800 sq. m. of meeting and banqueting facilities, including a grand ballroom, junior ballroom, 14 function rooms, boardroom, business center, and an individual teleconferencing room. Horizon Homes has its own recreational facilities, including a

EXTERIOR PERSPECTIVE OF THE SHANGRI-LA AT THE FORT gymnasium, an outdoor pool, changing facilities, children's play area, and a lounge.

The Horizon Club will offer a host of special amenities, including a lounge for daily breakfast and cocktails, meeting rooms, and express check-in and check-out services. Plans for dining and entertainment options include an all-day café, deli café, specialty restaurant, Chinese restaurant, lobby lounge, poolside bar and barbecue, and an entertainment and bar area that will occupy two levels with private street access.

For recreational activities, an extensive sports club will be available that includes swimming pools, an indoor sports hall, boxing and basketball facilities, and several tennis courts; all of which are spread around two large floors. The club will also include a children's Adventure Zone and a Spa.

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

For the year 2012, construction milestones included the topping-off of the podium structure (eight levels) and the ongoing tower works. Exterior cladding works will also commence within the third quarter of this year.

The five existing Shangri-La Hotels in the Philippines all raised the bar for the hotel industry when they were launched. The Shangri-La at The Fort, which will be the largest of these, will once again redefine the industry standard. Shangri-La at the Fort is set to open in 2014.

ABOVE: 3D RENDERING OF THE SHANGRI-LA AT THE FORT
BELOW: EXTERIOR PERSPECTIVE OF THE SHANGRI-LA AT THE FORT

Balesin awarded in the South East Asia Property Awards
By Malaya
February 6, 2012

Winners of the inaugural South East Asia Property Award were recently announced at a Gala dinner held at Hotel Fort Canning in Singapore. The "Best Villa Development" award went to Alphaland Corporation for the Alphaland Balesin Island Club's destination villas.
The South East Asia Property Awards, introduced by Ensign Media, seeks to recognize the most innovative and interesting property developments in the region. Over 300 entries from 1,500 nominations were received.

The award is a testimony to the quality of services Balesin has in store for its members. Located in Polillio, Quezon, a mere 25-minute private plane ride from Manila, the project is a fully sustainable, masterplanned, 500-hectare, exclusive island resort divided into six themed villages. Each village takes its inspiration from world-class destination resorts: Bali, Mykonos, Phuket, Costa Smeralda, St. Tropez, and Balesin, Philippines.

To The Point
By Emil Jurado, Manila Standard Today
February 17, 2012

I have been getting inquiries from my friends, mostly CEOs and owners of companies, about Balesin Island off the eastern coast of Luzon.

The island is a mere 25 minutes by plane from Manila. It has seven kilometers of white-sand beaches. It is being developed by Alphaland as a tourist destination.

Alphaland chairman and CEO Roberto Ongpin says, in a letter to friends:
"By July, the Bali, Phuket and Mykonos Villages will be complete and we should have about 150 villas operational. The aquatic sports center and the huge sports center with its three tennis courts, badminton courts, two basketball courts, and many other sports facilities will also be completed. The children's facilities will also be fully staffed and operational by then. Thus, we plan to officially open the Balesin Island Club from July this year, a full year ahead of our original schedule. The last two villages (St. Tropez and Costa Smeralda) will be completed before yearend and Balesin Island Club will thus be fully operational by then, with some 250 villas and suites.

Mall Rejuvenates Chino Roces Area
By The Manila Bulletin
March 8, 2012

Manila, Philippines - In addition to giving rise to new office developments, the outsourcing and call center industry is also providing the critical mass for bustling commercial spaces that are now rejuvenating formerly overlooked areas in the metropolis. Nowhere is this more evident than at Alphaland Southgate Tower at the corner of major thoroughfare EDSA and Chino Roces Avenue in Makati.

Once the site of a building left unfinished for 30 years, the contemporary Alphaland Southgate Tower has led the rebirth of the district formerly called Pasong Tamo Extension. Visible to commuters on EDSA up to a kilometer away, the glass-clad 20-storey office tower is now fully occupied mostly by leading outsourcing and call center industry firms, which are forecasted to generate demand for at least 300,000 sqm. of office space annually up to 2015.

Alphaland Sets P11B For Projects
By James A. Loyola, Manila Bulletin
April 18, 2012

High-end developer Alphaland Corporation, a joint venture between Roberto V. Ongpin and the Ashmore Group, is spending over P11 billion for its two high-rise projects in Makati.

In a press briefing, Alphaland director for sales and marketing Joanna Duarte said they are investing over P8 billion for the construction of The Makati Place and the exclusive City Club, and over P3 billion for Alphaland Tower.

Alphaland investing P2.5B in yacht club

By Doris C. Dumlao, Philippine Daily Inquirer
April 23, 2012

Upscale property developer Alphaland Corp. is investing P2.5 billion in an "ultra-modern" yacht club, which is scheduled to open at the end of 2013 in the company's 32-hectare bayside property in Parañaque.

The Marina Club is the centerpiece of Alphaland Bay City, envisioned as a premium business and residential district, which is located between SM Mall of Asia and the upcoming Pagcor City.

Slugging It Out With The Big Boys

By Tricia V. Morente, Manila Bulletin
May 7, 2012

MANILA, Philippines — The grand plan, shares Alphaland Corporation President Mario Oreta at the recent Asia CEO forum, is to make a statement. "When we started Alphaland, Bobby Ongpin and I had the vision to be destination developers. We didn't want to be run-of-the-mill; we were going to be unique," says Oreta.

Barely five years into the real estate business, Alphaland Corporation has done exactly that and is poised to become the nation's leading developer in "Destination Real Estate." Funded by the deep pockets of the Ashmore Group, a U.K.-based private equity firm, Alphaland has seen the rise of projects that range from the luxurious to the audacious, with its most talked about project to date being Balesin Island, a 500-hectare paradise touted to be the "ultimate island getaway" with its six themed exclusive resorts.

Alphaland says 55-storey Makati condo a green building
By: MJC/VS, GMA News
July 5, 2012

Property developer Alphaland Corp. on Thursday said its 55-storey said Makati Place is a "green building" registered under the LEED (Leadership in Energy and Environmental Design) Green Building System of the US Green Building Council.

It was designed by architectural firms Wong & Ouyang and Casas + Architects.
"We have started selling the residential units. We expect sales to hit P700 million for the 545 units," project director Rafael Ongpin told reporters in a press conference in Makati City Thursday.

Makati Place – a 55-storey, three-tower building on a one-hectare property along Ayala Avenue Extension – will be turned over to buyers in December 2014

Alphaland allots P2.2 billion for Makati project
By Max V. De Leon
July 5, 2012

BUILDER Alphaland Corp. is investing P2.2 billion for the "Makati Place" development that will feature three high-end components: a hotel, two-tower condominium, and The City Club exclusive lifestyle facility.

Joanna Duarte, vice president for sales and marketing, said the condominium component alone is expected to rake in P5 billion in revenues.

The two-tower condominium will have a total of 540 fully fitted units, with prices ranging from P8 million to P20 million. About 30 percent of the units are already sold since the company started pre-selling late last year.

Alphaland sees P5.5 billion sales from condo tower
By Julito G. Rada, Manila Standard Today
July 6, 2012

PROPERTY developer Alphaland Corp. expects to register sales of P5.5 billion from its residential units in the Makati Place project.

“We have started selling the residential units. We expect sales to hit P5.5 billion for the 545 units,” Rafael Ongpin, Alphaland project director, told a press briefing in Makati City Thursday.

Alphaland targets P4.4-billion earnings from Makati project
By Miguel R. Camus, BusinessMirror
July 19, 2012

LISTED upscale builder Alphaland Corp. is targeting up to P4.4 billion in sales and recurring revenues from its first office building project rising on Ayala Avenue in Makati City. In a briefing with reporters on Thursday, Alphaland officials said the builder remains optimistic on its prospects for the 34-story Alphaland Tower as business confidence in the country picks up, allowing the project to attract both local and overseas corporations.

Alphaland Tower is slated for completion by the end of the year and will begin operations by January 2013. The company is also employing strategies to differentiate the project from the competition, said Marianna Ongpin, director for property management and leasing.

Alphaland's P3B, grade-A building nears completion: Selling property an option, says company exec

By Doris C. Dumlao, Philippine Daily Inquirer
July 20, 2012

Upscale property developer Alphaland Corp. is about to complete a P3-billion grade-A office building at the heart of the Makati central business district, which may be leased out to a single investor or sold in its entirety "at the right price."

In a briefing on Thursday, Alphaland officials said the 34-story Alphaland Tower along Ayala Avenue would likely be completed by December this year and operational by January 2013. This brings 48,000 square meters of additional office space to the property market and opens up a new stream of recurring income for Alphaland.

From eyesore to sustainable building: Developer at the forefront of going 'green'

By Theresa S. Samaniego, Philippine Daily Inquirer
July 27, 2012

The preference and bias for everything sustainable is being felt all over the world and the Philippines is no exception.

And such demand has led developers to lean towards that direction of putting up "green" projects.

Upscale property developer Alphaland Corp., for one, is certainly among the front runners.
Its latest development, Alphaland Tower at 6789 Ayala Avenue, whose office units will be turned over next year, has transformed what used to be an eyesore into a precertified green building.

Biz Buzz: Buying air rights
By The Staff, Philippine Daily Inquirer
August 6, 2012

Upscale property developer Alphaland Corp. topped out last week its 34-story Alphaland Tower, which company president Mario Oreta says will be the "newest, smartest and prettiest" building along Ayala Avenue, the country's version of Wall Street.

At a cocktail party that toasted the structural topping out (in construction, the ceremonial placing of the last beam at the top of the building), Oreta says the P3-billion skycraper will be open for business by January 2013.

A new hub at the 'New Makati'
By Michael Kho Lim, The Daily Tribune
August 11, 2012

The urban lifestyle in Makati City transforms anew when Alphaland's The City Club opens its doors to its exclusive members toward the end of the year.

The City Club is actually a part of Alphaland's newest project, Makati Place. This is a 55-storey residential building that will rise on a one-hectare property at the corner of Ayala Avenue Extension and Malugay Street, which is said to be the area for the Makati central business district's expansion-what Alphaland likes to call the "New Makati."

Business meets leisure at The City Club
By The Philippine Star
September 1, 2012

MANILA, Philippines - After a long, stressful meeting, you're torn between changing into your gym shorts for a quick basketball game down the hall, melting your stress away at the spa downstairs, or heading out to your favorite Japanese restaurant on the same floor for a bowl of delicious ramen. It's a dilemma worth having.

These are just some of the "hard" choices that you will have to make at Alphaland's exclusive City Club, part of the soon-to-rise Makati Place development. It is set to be the newest and most dynamic business and leisure hub in Makati's business district, boasting the most number of facilities in a three-floor, 20,000-square meter hub.

Alphaland invests P11B for more Makati projects
By Madelaine B. Miraflor, The Manila Times
September 26, 2012

Publicly-listed real estate developer Alphaland Corp. said that it is investing P11 billion to finish its pending several projects in Makati, the district considered as the top site for high-end real estate.

"Makati remains as the country's undisputed business and financial capital, particularly for real estate. Supply and demand for high-value business, residential and commercial properties continue to grow. Makati is still the location of choice for the upscale market," said Mario Oreta, president of Alphaland.

Alphaland to build P2B yacht club
By Jimmy Calapati, Malaya
November 8, 2012

Alphaland Corp. yesterday announced that it will start building a P2-billion yacht club that will serve as the centerpiece of its premium self-contained, seaside community, the Bay City.

Apa Ongpin, Alphaland project coordinator, said that Marina Club, which will be the country's biggest yacht club, is scheduled to open in the second quarter of 2014.

"The total cost of the club is around P2 billion. The breakwater alone will cost P700 million. We want to make sure that what happened along Roxas Boulevard will not happen here," Ongpin said.

Alphaland earning rise to P1.88B in 9 mos
By Neil Jerome C. Morales, The Philippine Star
November 11, 2012

MANILA, Philippines - Upscale property firm Alphaland Corp. grew its earnings more than seven times in the nine months to September, partially driven by higher value of its investments.

"The group posted a remarkable consolidated net income amounting to P1.878 billion for the nine months ended September," Alphaland said in a disclosure to the stock exchange.

This compares with a P272-million profit in the same period last year.
Consolidated revenues, derived from the rental income of its Alphaland Southgate Tower, reached P393 million, up from P308.8 million a year ago.

"The jump in revenues is on account of higher occupancy of the leasable areas during the current period," Alphaland said.

Alphaland Marina Club to position Manila as boating hub
By Jeni Bone, Marine Business World
November 20, 2012

Work has commenced on what is hailed as the most significant project in The Philippine s in more than 20 years - the Alphaland Marina Club.

Alphaland Marina Club is a members-only marina scheduled to open in 2014, located in Paranaque, about 15 minutes' drive from the Makati Central Business District.

According to its developers: 'The iconic clubhouse, built on pilings in the middle of the water, offers a new and unique nautical lifestyle based on nature. Manila Bay serves as a fabulous setting for the club, offering views and fresh air not available in the inner city. The clubhouse will offer many dining and entertainment options, including five private dining rooms, and is perfect for social and business gatherings.'

2012

January	• Started construction of Mykonos, Bali, and St. Tropez villages in Balesin Island
February	• Completed structural and civil works and on-going finishing works for the remaining 33 destination villas in Balesin Village on Balesin Island. • Alphaland Balesin Island Resort Corporation obtained endorsement for the development of Balesin Island from the Department of Tourism (DOT) for the Project's registration with the Philippines Economic Zone Authority (PEZA).
March	• Completed the Balesin Village and the Equestrian Center.
April	• Formation of Alphaland Bay City Corporation (formerly A.A. Land Properties Developers Corporation), which is a joint venture corporation of Alphaland Development, Inc. and D.M. Wenceslao and Associates, Inc. for the development of around 32 hectares of reclaimed land in Aseana Businsess Park, Parañaque City.
May	• The SEC approved the increase of authorized capital stock of Alphaland Balesin Island Club, Inc. • Preparation for slab concreting of the fourth level for The City Club. • On-going construction of the fifth level for The City Club.
June	• Alphaland Balesin Island Resort Corporation entered into a Memorandum of Agreement with the Department of Environment and Natural Resources (DENR) for the creation of a Multi-partite Monitoring Team Environmental Monitoring Fund and the Environmental Guarantee Fund. • On-going construction of the sixth level for The City Club.
July	• Alphaland Balesin Island Resort Corporation obtained a Certificate of Ownership and Certificate of Philippine Registry for MB "ALPHA ONE" from the Maritime Industry Authority (MARINA). • Alphaland Balesin Island Resort Corporation obtained a Zoning Certificate classifying the 50,000 square meters located at Balesin island Polillo Quezon as residential lots. • Topping out of the Alphaland Tower.

August

- Third year anniversary celebration of the Alphaland Southgate Tower.
- On-going construction of the swimming pools at the sixth level for The City Club.

September

- Alphaland Makati Place, Inc. obtained a Certificate of Registration from the Housing and Land Use Regulatory Board (HLURB) for the Makati Place Project.

October

- Alphaland Makati Place, Inc. obtained its permanent license to sell for Tower 1 of the Alphaland Makati Place from the Housing and Land Use Regulatory Board (HLURB).
- Alphaland Makati Tower, Inc. applied for a license to sell for the Alphaland Makati Tower with the HLURB.

November

- The City Government of Makati thru the passage of City Ordinance No. 2012 082 approved the Master Development Plan of the Makati Place Project, which includes among others the increase of the floor area ratio of the said project from FAR 8 to FAR 12.
- Launched the Alphaland Marina Club at the Alpha Tents in preparation for the pre- selling of shares in the Alphaland Marina Club.

First row (Left to Right):

Mario A. Oreta, President; Marriana H. Yulo, Chief Finance Officer; Rodolfo Ma. A. Ponferrada, Corporate Secretary & General Counsel; Maria Lourdes Arroyo-De Guzman, SVP and Group Internal Auditor

Second row (Left to Right):

Michael A.P.M. Asperin, Island Director; Josefino B. Siasat, SVP for Purchasing; Cyrano A. Austria, SVP for Projects; Cristina B. Zapanta, VP for Finance

First row (Left to Right):

Luis Miguel R. Villanueva, Project Director for Alphaland Makati Tower; Rafael A.S.G. Ongpin, Project Director for Alphaland Bay City & Alphaland Marina Club and SVP for Corporate Communications; Alejandro B. Hontiveros, Project Director for Alphaland Boracay Gateway Country Club

Second row (Left to Right):

Remmel R. Ortiz, Leasing and Makati Property Management Head; Emmanuel M. Maring, Director for Engineering; Romeo C. Velayo, Project Director for Alphaland Makati Place and The City Club

Left to Right:

Kenneth A. Go, VP for Planning & Design; Monica D. Olbes, VP for Interior Design; Enrico M. Sison, Consultant for Landscape and Interior Design; Ramonito E. Daz, AVP for Planning & Design

Left to Right:
Wilhelm Bolton, General Manager for Balesin Island Club; Joanna O. Duarte, SVP for Sales & Marketing; Philippe Bartholomi, General Manager for Alphaland Makati Place; Marco L. Diaz, AVP and Officer for Liaison, Documentation and Tours

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

ERIC O. RECTO was elected Director on November 11, 2009 and elected Vice Chairman on December 8, 2009. He is the Chairman of the Philippine Bank of Communications; the Vice Chairman of Philweb Corporation, The City Club at Alphaland Makati Place, Inc., Alphaland Balesin Island Club, Inc., Alphaland Marina Club, Inc. and Atok-Big Wedge Co., Inc.; the President of Petron Corporation and ISM Communications Corporation; a Director of Manila Electric Company and San Miguel Corporation; and a Member of the Board of Supervisors of Acentic GmbH. Prior to joining the Company, Mr. Recto served for three years as an Undersecretary of the Department of Finance of the Philippine Government in charge of handling both the International Finance Group and the Privatization Office. Before his work with the government, he was the CFO of Alaska Milk Corporation and prior to that, Belle Corporation. Mr. Recto has a degree in Industrial Engineering from the University of the Philippines as well as an MBA from the Johnson School, Cornell University.

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

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

JOANNA O. DUARTE was elected Director on April 20, 2012. She is currently the Director for Sales and Marketing for the Company. She is an entrepreneur with ventures in the retail industry. She is the founder of clothing brands Big & Small Co., Orange Juice and Spin. She ran her own ventures for 20 years before joining Alphaland. She has a degree in Interdisciplinary Studies from the Ateneo de Manila University and has attended an MA in Entrepreneurship from the Asian Institute of Management

MICHELLE S. ONGPIN was elected Director on May 26, 2011, and is also a Director of Atok-Big Wedge Co., Inc. She has an MA in Communication Sciences from the University of Vienna and a postgraduate degree from the Diplomatic Academy in Vienna.

RODOLFO MA. A. PONFERRADA was elected Director on April 20, 2012. He is also currently the Corporate Secretary and a Corporate Information Officer of the Company. He is also the Corporate Secretary and a Corporate Information Officer of Philweb Corporation, ISM Communications Corporation, Atok-Big Wedge Co., Inc., and Philippine Bank of Communications as well as Corporate Secretary of Alphaland Balesin Island Club, Inc., The City Club at Alphaland Makati Place, Inc. and Alphaland Marina Club, Inc. He is a Member (representing the private sector) of the Board of Directors of the Social Housing Finance Corporation. Mr. Ponferrada is a Member of the Philippine Bar.

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

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

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

MARRIANA H. YULO was elected Director on May 26, 2011. She is the Chief Financial Officer of the Company. She is also the Group CFO for PhilWeb Corporation, ISM Communications Corporation, and Atok-Big Wedge Co., Inc. She also serves as Assistant to the Chairman of the Philippine Bank of Communications. She is a Director of Atok-Big Wedge Co. Inc. and Acentic GmbH. She graduated with a degree in Business Administration, major in Management, at Palawan State University. She also holds an MBA from the University of St. La Salle and has successfully completed Level I of the Chartered Financial Analyst Program.

RAMON S. ANG was elected Independent Director on April 20, 2012. He is also currently Vice Chairman, President and COO of San Miguel Corporation, the Chairman and CEO of Petron Corporation, the President of PAL Holdings, Inc., the Chairman and President of San Miguel Properties, Inc., the Chairman of Liberty Telecoms Holdings, Inc. and Cyber Bay Corporation as well as the Vice Chairman of Manila Electric Company, Ginebra San Miguel, Inc. and San Miguel Pure Foods Company, Inc. He is also a director of PhilWeb Corporation. He holds the positions of Chairman, President or Director of over 35 companies related to subsidiaries of San Miguel Corporation, and is also the Chairman of Eastern Telecommunications Philippines, Inc., The Purefoods-Hormel Company, Inc., Philippine Diamond Hotel & Resort, Inc., and Magnolia, Inc. He was previously CEO of Paper Industries Corporation of the Philippines and the Executive Managing Director of Northern Cement Corporation, among others. He has a BS degree in Mechanical Engineering from Far Eastern University.

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

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

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

JOVITA D.S. LARRAZABAL was elected Assistant Corporate Secretary and Corporate Information Officer on May 26, 2011. She is also currently the Assistant Corporate Secretary, Corporate Information Officer, and Legal Counsel of ISM Communications Corporation and the Assistant Corporate Secretary of The City Club at Alphaland Makati Place, Inc., Alphaland Balesin Island Club, Inc., Alphaland Marina Club, Inc., Atok-Big Wedge Co., Inc. and the Philippine Bank of Communications. Ms. Larrazabal holds a Juris Doctor degree from the Ateneo De Manila University - Law School and a Bachelor of Arts degree major in Management Economics from the Ateneo De Manila University - College of Arts and Sciences. She is a Member of the Philippine Bar.

Financial Highlights 2012

- Alphaland Corporation and its subsidiaries (ALPHA or the "Group") ended 2012 with P52.1 billion in assets, reflecting growth of more than 50% from 2011's P33.9 billion. In particular, land and development ended at P1.2 billion, from P0.7 billion a year earlier, while investment properties added P3.8 billion in value to rise to P21.8 billion as of yearend 2012. On a grander scale, the group's Available-for-Sale (AFS) investments more than doubled from 2011's P10.7 billion to P24.6 billon in 2012, a 130% increase, mainly as the market value of club shares held for sale had appreciated greatly and as club shares inventory went up on account of additional subscriptions. While cash position is 58% lower at P0.4 billion, the growth in ALPHA's value of land and investment properties reflects the rapid development of its projects.

- Debt-to-equity ratio moved up slightly to 18% as of end 2012 from 12% as of end 2011 due to capital-intensive project developments of the Group. ALPHA's credit line facilities were utilized to ensure unhampered completion of the projects requiring massive construction activities and acquisition of required property and equipment. Total fund provided by loan proceeds during the year amounted to P3.5 billion. Trade and other payables also changed from P2.8 billion to P4.1 billion, as a result of movements in liability related to acquisition of AFS investments in Alphaland Balesin Island Club, The City Club at Alphaland Makati Place and Alphaland Marina Club; as well as due to deposits received from sale of AFS investments and pre-selling of condominium units.

- ALPHA's equity is up by 46% from previous year's P24.3 billion to P35.5 billion, driven by the P9.2 billion increase in unrealized gains on AFS investments as well as the appreciation of the group's landbank.

- Across the board, the group's total revenues went up to P0.5 billion for the year 2012 compared to P0.4 billion for the same period in 2011, with rent reflecting a 19% increase, P0.3 billion compared to last year's P0.2 billion; gain on sale of AFS investments, up by 58%, from P0.2 billion to P0.3 billion; and gain on fair value change of investment properties growing 4% to end at P2.4 billion. Income before taxes is up 5% at P2.8 billion, while net income is P2.0 billion, reflecting a 4% increase from 2011's P1.9 billion.

alphaland
CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong City

Gentlemen:

The management of Alphaland Corporation and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended 31 December 2012 and 2011, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

21 March 2013

ROBERTO V. ONGPIN
Chairman of the Board

MARIO A. ORETA
President

MARRIANA H. YULO
Chief Financial Officer

MAR 2 2 2013

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

NAME	PASSPORT ID NO.	DATE OF ISSUE	PLACE OF ISSUE
Roberto V. Ongpin	EB5765325	June 27,2012	DFA Manila
Mario A. Oreta	EB0611940	July 22, 2010	DFA Manila
Marriana H. Yulo	XX4182705	July 17, 2009	DFA Manila

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Book No. 127
Series of 2013

ATTY. VIRGILIO

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INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Alphaland Corporation

We have audited the accompanying consolidated financial statements of Alphaland Corporation and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2012 and 2011, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 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 financial position of Alphaland Corporation and Subsidiaries as at December 31, 2012 and 2011, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Maria Vivian C. Ruiz
Partner
CPA Certificate No. 83687
SEC Accreditation No. 0073-AR-3 (Group A),
January 18, 2013, valid until January 17, 2016
Tax Identification No. 102-084-744
BIR Accreditation No. 08-001998-47-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3670018, January 2, 2013, Makati City

March 11, 2013

ALPHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 6, 19, 25 and 26)	**₱408,033,924**	₱975,055,018
Trade and other receivables (Notes 7, 14, 19, 25 and 26)	**216,976,956**	167,723,644
Land and development costs (Notes 8 and 17)	**1,171,426,541**	685,887,592
Advances to related parties (Notes 19, 25 and 26)	**143,602,914**	24,929,300
Available-for-sale (AFS) investments (Notes 11, 25 and 26)	**1,166,318,831**	–
Other current assets (Notes 9, 14 and 28)	**1,663,511,858**	1,800,262,928
Total Current Assets	**4,769,871,024**	3,653,858,482
Noncurrent Assets		
Investments in and advances to associates (Notes 10 and 19)	**1,074,730,895**	928,511,430
AFS investments (Notes 11, 25 and 26)	**23,416,045,559**	10,747,425,000
Investment properties (Notes 4, 12 and 17)	**21,815,229,788**	18,046,169,798
Property and equipment (Notes 12, 13 and 20)	**296,881,321**	351,201,224
Other noncurrent assets (Notes 7, 9, 14, 25, 26 and 28)	**683,581,238**	128,420,211
Total Noncurrent Assets	**47,286,468,801**	30,201,727,663
	₱52,056,339,825	₱33,855,586,145
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 4, 11, 15, 20, 25, 26 and 28)	**₱3,978,060,617**	₱2,832,832,583
Loans payable (Notes 16, 25 and 26)	**2,000,000,000**	–
Current portion of long-term debt (Notes 8, 12, 17, 25 and 26)	**229,978,734**	193,750,100
Current portion of customers' deposits (Notes 20, 25 and 26)	**13,745,480**	19,551,074
Advances from related parties (Notes 19, 25 and 26)	**19,779,103**	9,297,589
Total Current Liabilities	**6,241,563,934**	3,055,431,346
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 8, 12, 17, 25 and 26)	**4,148,994,373**	2,833,716,202
Customers' deposits - net of current portion (Notes 20, 25 and 26)	**77,839,279**	57,995,948
Retirement benefits obligation (Note 22)	**21,719,332**	10,032,206
Deferred tax liabilities (Note 23)	**4,892,960,620**	3,115,165,012
Obligation under finance lease - net of current portion (Note 20)	**2,503,384**	3,790,556
Other noncurrent liabilities (Notes 4, 11, 20 and 28)	**1,149,433,058**	441,669,208
Total Noncurrent Liabilities	**10,293,450,046**	6,462,369,132
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 18)	**1,838,370,551**	1,838,370,551
Additional paid-in capital (Note 18)	**9,672,052,401**	9,672,052,401
Unrealized valuation gains on AFS investments (Note 11)	**16,288,147,877**	7,129,834,932
Excess of acquisition price over acquired interest (Note 4)	**(159,018,215)**	(159,018,215)
Retained earnings (Note 18)	**7,877,158,584**	5,857,759,524
	35,516,711,198	24,338,999,193
Less cost of 423,900 shares in treasury (Note 18)	**1,213,526**	1,213,526
	35,515,497,672	24,337,785,667
Non-controlling Interests (Notes 1 and 4)	**5,828,173**	–
Total Equity	**35,521,325,845**	24,337,785,667
	₱52,056,339,825	₱33,855,586,145

See accompanying Notes to Consolidated Financial Statements.

ALPHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2012	2011	2010
REVENUES			
Rent (Notes 12, 19 and 20)	**₱306,663,723**	₱257,730,242	₱110,045,959
Others (Note 12)	**224,253,158**	155,294,045	74,218,351
	530,916,881	413,024,287	184,264,310
COSTS AND EXPENSES (Note 21)	**425,944,903**	300,848,420	298,670,905
OTHER INCOME (EXPENSES)			
Gain on fair value change of investment properties (Note 12)	**2,454,298,860**	2,356,792,867	958,615,184
Gain on sale of AFS investments (Note 11)	**329,259,178**	208,631,416	–
Interest expense and other finance charges (Notes 16, 17 and 21)	**(123,392,861)**	(71,406,981)	(93,676,292)
Interest income (Notes 6, 7 and 9)	**31,549,489**	44,887,264	7,810,466
Equity in net income (losses) of associates (Note 10)	**(8,339,947)**	48,567	27,044,818
Foreign exchange gain (loss) - net	**(228,945)**	53,223	(5,720,557)
Gain on loss of control (Note 4)	**–**	8,939,415	–
Loss on sale of an investment (Note 5)	**–**	(1,298,081)	–
Gain on bargain purchase (Note 4)	**–**	–	761,886,845
Others - net	**–**	–	(5,030,352)
	2,683,145,774	2,546,647,690	1,650,930,112
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	**2,788,117,752**	2,658,823,557	1,536,523,517
PROVISION FOR INCOME TAX (Note 23)			
Current	**8,757,459**	5,220,444	1,967,708
Deferred	**760,133,060**	730,461,376	311,030,730
	768,890,519	735,681,820	312,998,438
NET INCOME FROM CONTINUING OPERATIONS	**2,019,227,233**	1,923,141,737	1,223,525,079
INCOME FROM DISCONTINUED OPERATIONS (Note 5)	**–**	12,907,072	26,336,041
NET INCOME	**2,019,227,233**	1,936,048,809	1,249,861,120
OTHER COMPREHENSIVE INCOME			
Net gains on AFS investments (Note 11)	**10,175,975,493**	6,416,346,188	1,000,000
Income tax effect	**(1,017,662,548)**	(641,634,618)	–
	9,158,312,945	5,774,711,570	1,000,000
TOTAL COMPREHENSIVE INCOME	**₱11,177,540,178**	₱7,710,760,379	₱1,250,861,120
Net income attributable to:			
Equity holders of the Parent	**₱2,019,399,060**	₱1,936,048,809	₱1,246,756,322
Non-controlling interests	**(171,827)**	–	3,104,798
	₱2,019,227,233	₱1,936,048,809	₱1,249,861,120
Total comprehensive income attributable to:			
Equity holders of the Parent	**₱11,177,712,005**	₱7,710,760,379	₱1,247,756,322
Non-controlling interests	**(171,827)**	–	3,104,798
	₱11,177,540,178	₱7,710,760,379	₱1,250,861,120
Basic/Diluted Earnings Per Share (Note 24)			
Income from continuing operations attributable to equity holders of the Parent	**₱1.017**	₱1.096	₱0.882
Net income attributable to equity holders of the Parent	**₱1.017**	₱1.103	₱0.901

See accompanying Notes to Consolidated Financial Statements.

ALPHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010

	Attributable to Equity Holders of the Parent											
	Capital Stock	Additional Paid-in Capital	Equity Reserves	Deposits for Future Stock Subscriptions	Gain on Sale of Preferred Shares of a Subsidiary	Unrealized Valuation Gains on AFS Investments	Excess of Acquisition Price over Acquired Interest	Retained Earnings	Treasury Shares	Total	Non-controlling Interests	Total Equity
Balances at December 31, 2009	₱150,588,900	₱–	₱6,892,686,762	₱–	₱–	₱–	₱–	₱2,674,954,393	(₱1,213,526)	₱9,717,016,529	₱26,930,179	₱9,743,946,708
Total comprehensive income	–	–	–	–	–	1,000,000		1,246,756,322	–	1,247,756,322	3,104,798	1,250,861,120
Issuance of capital stock (Notes 1 and 18)	8,897,346	80,076,114	–	–	–	–	–	–	–	88,973,460	–	88,973,460
Deposits for future stock subscriptions (Note 18)	–	–	–	2,147,819,426	–	–	–	–	–	2,147,819,426	–	2,147,819,426
Sale of preferred shares of a subsidiary (Note 4)	–	–	–	–	2,559,163	–	–	–	–	2,559,163	3,890,838	6,450,001
Acquisition of non-controlling interest (Note 4)	–	–	–	–	–	–	(159,018,215)	–	–	(159,018,215)	(30,034,977)	(189,053,192)
Effect of share swap agreement (Notes 4 and 18)	1,269,734,041	5,918,623,901	(6,892,686,762)	–	–	–	–	–	–	295,671,180	–	295,671,180
Increase in non-controlling interests	–	–	–	–	–	–	–	–	–	–	400	400
Balances at December 31, 2010	1,429,220,287	5,998,700,015	–	2,147,819,426	2,559,163	1,000,000	(159,018,215)	3,921,710,715	(1,213,526)	13,340,777,865	3,891,238	13,344,669,103
Total comprehensive income	–	–	–	–	–	5,774,711,570	–	1,936,048,809	–	7,710,760,379	–	7,710,760,379
Deposits for future stock subscriptions (Note 18)	–	–	–	1,933,683,224	–	–	–	–	–	1,933,683,224	–	1,933,683,224
Conversion of deposits for future stock subscriptions into common stock (Note 18)	408,150,264	3,673,352,386	–	(4,081,502,650)	–	–	–	–	–	–	–	–
Subscription - net of subscription receivable of ₱1,472.8 million (Note 18)	1,000,000	–	–	–	–	–	–	–	–	1,000,000	–	1,000,000
Effect of deconsolidation (Note 4)	–	–	–	–	(2,559,163)	1,354,123,362	–	–	–	1,351,564,199	(3,891,238)	1,347,672,961
Balances at December 31, 2011	1,838,370,551	9,672,052,401	–	–	–	7,129,834,932	(159,018,215)	5,857,759,524	(1,213,526)	24,337,785,667	–	24,337,785,667
Total comprehensive income	–	–	–	–	–	9,158,312,945	–	2,019,399,060	–	11,177,712,005	(171,827)	11,177,540,178
Increase in non-controlling interests (Note 1)	–	–	–	–	–	–	–	–	–	–	6,000,000	6,000,000
Balances at December 31, 2012	**₱1,838,370,551**	**₱9,672,052,401**	**₱–**	**₱–**	**₱–**	**₱16,288,147,877**	**(₱159,018,215)**	**₱7,877,158,584**	**(₱1,213,526)**	**₱35,515,497,672**	**₱5,828,173**	**₱35,521,325,845**

See accompanying Notes to Consolidated Financial Statements.

ALPHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax from continuing operations	**₱2,788,117,752**	₱2,658,823,557	₱1,536,523,517
Income before income tax from discontinued operations (Note 5)	**–**	18,409,725	37,726,399
Income before income tax	**2,788,117,752**	2,677,233,282	1,574,249,916
Adjustments for:			
Gain on fair value change of investment properties (Note 12)	**(2,454,298,860)**	(2,356,792,867)	(958,615,184)
Gain on sale of AFS investments (Note 11)	**(329,259,178)**	(208,631,416)	–
Interest expense and other finance charges (Note 21)	**123,392,861**	71,406,981	93,676,292
Interest income (Notes 6 and 9)	**(31,549,489)**	(44,887,264)	(7,810,466)
Depreciation and amortization (Note 21)	**44,530,696**	15,477,187	6,179,362
Equity in net losses (income) of associates (Note 10)	**8,339,947**	(48,567)	(27,044,818)
Unrealized foreign exchange losses (gains)	**228,945**	(53,223)	(104,578)
Gain on loss of control (Note 4)	**–**	(8,939,415)	–
Amortization of customers' deposits	**–**	(2,496,539)	–
Loss on sale of an investment (Note 5)	**–**	1,298,081	–
Gain on bargain purchase (Note 4)	**–**	–	(761,886,845)
Operating income (loss) before working capital changes	**149,502,674**	143,566,240	(81,356,321)
Provision for impairment losses on trade receivables (Note 7)	**1,147,070**	–	5,700,000
Decrease (increase) in:			
Trade and other receivables	**52,258,240**	103,564,307	145,005,965
Land and development costs (Note 8)	**(467,520,706)**	–	–
Other current assets	**163,478,001**	(1,297,768,626)	(101,747,933)
Increase (decrease) in:			
Trade and other payables	**(1,411,427,557)**	(787,480,962)	148,846,186
Customers' deposits	**14,037,737**	25,030,807	18,216,908
Retirement benefits obligation (Note 22)	**11,687,126**	5,112,506	4,919,700
Net cash generated from (used for) operations	**(1,486,837,415)**	(1,807,975,728)	139,584,505
Interest received	**30,924,875**	44,887,264	7,810,466
Income taxes paid	**–**	–	(4,007,642)
Net cash flows provided by (used in) operating activities	**(1,455,912,540)**	(1,763,088,464)	143,387,329
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of AFS investments	**342,569,217**	338,418,644	4,562,500
Decrease (increase) in:			
Investment properties (Note 12)	**(1,633,876,434)**	(972,890,166)	(1,699,271,709)
Investments in and advances to associates	**(154,559,411)**	(170,991,997)	(78,259,576)
Other noncurrent assets	**(557,670,995)**	(85,692,111)	11,821,278
Investment in a joint venture	**–**	–	(1,000,000,000)
Acquisitions of:			
Property and equipment (Note 13)	**(97,397,024)**	(137,796,827)	(110,284,414)
AFS investments (Note 11)	**(394,600)**	–	(10,600,000)
Acquisition of a subsidiary, net of cash acquired (Notes 1 and 4)	**6,000,000**	–	11,526,934
Proceeds from sale of an investment (Note 5)	**–**	124,157,782	–
Cash of subsidiaries disposed, net of proceeds from sale	**–**	(14,142,500)	–
Increase in subscription payable (Note 4)	**–**	–	523,549,500
Net cash flows used in investing activities	**(2,095,329,247)**	(918,937,175)	(2,346,955,487)

(Forward)

	Years Ended December 31		
	2012	2011	2010
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of:			
Long-term debt (Note 17)	**₱2,689,501,200**	₱1,568,297,885	₱227,917,217
Loans payable (Note 16)	**2,000,000,000**	–	128,000,000
Finance lease (Note 20)	**–**	–	6,279,400
Payments of:			
Long-term debt (Note 17)	**(1,343,016,019)**	(137,499,100)	(31,249,700)
Interest and other finance charges	**(265,505,447)**	(99,611,636)	(101,509,750)
Finance lease (Note 20)	**(1,142,232)**	(1,016,537)	(236,139)
Loans payable	**–**	(128,000,000)	–
Net changes in accounts with related parties	**(108,192,100)**	(37,265,669)	342,681,731
Movement in other noncurrent liabilities	**49,462,869**	76,622,048	–
Deposits for future stock subscriptions (Note 18)	**–**	1,933,683,224	2,147,819,426
Subscription of capital stock (Note 18)	**–**	1,000,000	–
Net cash flows provided by financing activities	**3,021,108,271**	3,176,210,215	2,719,702,185
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(228,945)**	53,223	(79,713)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(530,362,461)**	494,237,799	516,054,314
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and cash equivalents	**975,055,018**	566,642,921	55,151,107
Restricted cash	**90,388,202**	4,562,500	–
	1,065,443,220	571,205,421	55,151,107
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and cash equivalents (Note 6)	**408,033,924**	975,055,018	566,642,921
Restricted cash (Note 9)	**127,046,835**	90,388,202	4,562,500
	₱535,080,759	₱1,065,443,220	₱571,205,421

See accompanying Notes to Consolidated Financial Statements.

ALPHALAND CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Organization and Business**

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

ALPHA's shares of stock are publicly traded in the Philippine Stock Exchange (PSE) (see Note 18).

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

The accompanying consolidated financial statements were authorized for issue by the Executive Committee of the Board of Directors (BOD) on March 11, 2013.

ALPHA's Significant Legal Subsidiaries as of December 31, 2012

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

b. *Alphaland Development, Inc. (ADI), 100%-owned by ALPHA*, was incorporated and registered with the Philippine SEC on May 29, 2007. After its incorporation, ADI became 40%-owned by Alphaland Holdings (Singapore) Pte. Limited (AH), a company incorporated in Singapore, and 60%-owned by other companies incorporated in the Philippines [namely, Masrickstar Corporation (Masrickstar), Boerstar Corporation (Boerstar), and Azurestar Corporation (Azurestar)]. On April 7, 2010, ADI became a wholly owned subsidiary of ALPHA as an effect of the Share Swap Agreement (SSA) (see Note 4). ADI's primary purpose is to engage in real property acquisition and development. ADI's acquired property pertains to a 20-storey office tower building with a 6-storey podium shopping mall known as Alphaland Southgate Tower (see Note 12).

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

Care's 5.88% interest in AMPI was transferred to ADI, making AMPI a 100% subsidiary of ADI.

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

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

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

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

g. *Aklan Boracay Properties Inc. (ABPI), 100%-owned by ALPHA,* was incorporated in the Philippines and registered with the SEC on May 19, 2010, and primarily engaged to invest in, purchase or otherwise acquire and own, hold use, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose, as may be permitted by law, of real and personal property of every kind and description. ABPI is the Group's project company for the Alphaland Boracay Gateway venture with Akean Resorts Corporation (see Note 12).

h. *2258 Blue Holdings, Inc. (Blue Holdings), 100%-owned by ADI,* was incorporated and registered with the Philippine SEC on November 17, 2012 and its primary purpose is to purchase, own and hold the stock of other corporations, and to do every act and thing covered generally by the denomination of "holding corporation", especially to direct the operations of other corporations through the ownership of stock therein.

i. *Choice Insurance Brokerage, Inc. (CIBI), 70%-owned by Blue Holdings,* was incorporated in the Philippines and registered with the SEC on November 6, 2012, and is primarily engaged to, conduct, carry on and maintain insurance business, to act as a broker, and to do other related activities. In 2012, Blue Holdings subscribed to 70% of CIBI's shares of stock for a cash consideration of ₱14.0 million.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

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

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

The equity structure appearing in the consolidated financial statements (i.e., the number and type of capital stock issued) reflects the equity structure of ALPHA, the legal parent.

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

Statement of Compliance

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

Changes in Accounting Policies and Disclosures

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

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

  The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16 always be measured on a sale basis of the asset. The Group sets up deferred tax liability on the fair value gain on investment properties based on the regular corporate income tax rate of 30% applicable for sale transactions which is consistent with the requirement of this standard. Hence, the amendment has no impact on the Group's financial position or performance.

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

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

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

Effective in 2013

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

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

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

  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The amendments become effective for annual periods beginning on or after January 1, 2013. Once effective, the Group has to apply the amendments retroactively to the earliest period presented.

  The Group reviewed its existing employee benefits and determined that the amended standard has impact on its accounting for retirement benefits. The Group obtained the services of an external actuary to compute the impact to the financial statements upon adoption of the standard. The effects are detailed below:

	Increase (Decrease)	
	As at December 31, 2012	As at January 1, 2012
Consolidated Balance Sheet		
Net defined benefit liability	(₱2,965,789)	₱–
Deferred tax asset	(889,737)	–
Other comprehensive income	2,965,789	–

Adoption of this standard has no impact on the retained earnings as at December 31, 2012 and January 1, 2012 and on the consolidated net income for the year ended December 31, 2012 since there were no actuarial gains or losses recognized.

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

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

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

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

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

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

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

  The amendments to PFRS 7 are to be retrospectively applied and are effective for annual periods beginning on or after January 1, 2013. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

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

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

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

  PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will impact the financial position of the Group because of the discontinuance of proportionate consolidation of the joint venture in Alphaland Bay City Corporation (ABCC, formerly A.A. Land Properties Developers Corporation) (see Note 4). With the application of the new standard, the investment in ABCC will be accounted for using the equity method of accounting. The impact of PFRS 11 on the current period (which will be the comparative period in the financial statements as of December 31, 2013), of certain line items, is estimated to be a reduction of gain on fair value change of investment properties, net of tax, of ₱731.4 million and a reduction of the costs and expenses of ₱0.7 million as the share in the income from joint ventures will be presented as equity in net income of joint ventures. There is no effect in the statement of comprehensive income. Investment properties and liabilities will be reduced by ₱10,796.2 million and ₱650.1 million, respectively, with a corresponding increase in investment in joint venture by about ₱10,146.1 million.

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

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

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

  PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The Group is currently assessing the impact that this standard will have on the financial position and performance.

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

  This interpretation applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs").

If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. This interpretation is not applicable to the Group and has no impact on its financial position or performance.

Effective Subsequent to 2013

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

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

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

  PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive assessment of the impact of the standard.

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

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

- Improvements to PFRSs (effective for annual periods beginning on or after January 1, 2013, with retrospective application)

  - PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*

    The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

  - PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*

    The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

  - PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*

    The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment will not have any significant impact on the Group's financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*

  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The Group expects that this amendment will not have any impact on its financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*

  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

The Group continues to assess the impact of the above new, amended and improved accounting standards and interpretations effective subsequent to December 31, 2012 on its consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the Group's consolidated financial statements when these amendments are adopted.

Basis of Consolidation and Non-controlling Interests

Following is a list of the legal subsidiaries as of December 31, 2012, 2011 and 2010:

		Percentage of Effective Ownership		
Company	Nature of Business	**2012**	2011	2010
ADI	Real property development	**100**	100	100
AMPI [a]	Real property development	**100**	100	100
AMTI [a]	Real property development	**100**	100	100
AMC [a]	Real property development	**100**	100	100
ABIRC	Real property development	**100**	100	100
ARC [d]	Real property development	**100**	100	–
ABPI	Real property development	**100**	–	–
Blue Holdings [a] [f]	Holding company	**100**	–	–
CIBI [f] [g]	Insurance brokerage	**70**	–	–
Macondray Plastics Products, Inc. (MPPI) (see Note 5)	Plastics manufacturing	**–**	–	100
The City Club at Alphaland Makati Place, Inc. (TCCAMPI) (see Note 4) [b] [e]	City club operation	**–**	–	99
Alphaland Balesin Island Club Inc. (ABICI) (see Note 4) [c] [e]	Island club operation	**–**	–	100

[a] *Through ADI*
[b] *Through AMPI in 2010*
[c] *Through ABIRC in 2010*
[d] *Incorporated in 2011*
[e] *Ownership of TCCAMPI and ABICI was transferred to Alphaland Property Management Corporation (APMC), a commonly-controlled entity, as a result of the Deed of Assignment dated August 12, 2011 (see Note 4).*
[f] *Incorporated in 2012*
[g] *Through Blue Holdings*

All subsidiaries are incorporated in the Philippines.

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

Non-controlling interests represent the portion of net results and net assets not held by the Group. They are presented in the consolidated balance sheet within equity, apart from equity attributable to equity holders of the parent and are separately disclosed in the consolidated statement of comprehensive income. This includes the equity interest in CIBI in 2012 and in TCCAMPI in 2010.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

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

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

Business Combinations and Goodwill

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

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

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

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

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

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

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

Cash and Cash Equivalents

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

Financial Instruments

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

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

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

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

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

As of December 31, 2012, the Group has AFS investments measured based on Level 1 fair value measurements.

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

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

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

Financial Assets

The Group's financial assets consist of loans and receivables and AFS investments.

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

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

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

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

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

Classified under this category is ALPHA's investment in shares of stock of Wack Wack Golf and Country Club, Inc. (Wack Wack) and preferred shares of TCCAMPI, ABICI and AMCI (see Notes 11 and 25).

Financial Liabilities

The Group's financial liabilities consist of other financial liabilities.

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

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

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

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

Impairment of Financial Assets

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

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

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

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

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

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

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

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

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a pass-through arrangement; or

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

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

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

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

Classification of Financial Instruments Between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Offsetting Financial Instruments

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

Land and Development Costs

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value (NRV).

Cost includes:

- Land cost;
- Amounts paid to contractors for construction; and
- Borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

Land is stated at the lower of cost and NRV. Expenditures for development are capitalized as part of the cost of the land. Borrowing costs are capitalized while development is in progress. NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated specifically identifiable costs of completion and the estimated costs of sale.

Other Current Assets

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

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

Input VAT is stated at its estimated NRV.

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

Advances to Contractors and Suppliers. Advances to contractors and suppliers represent advance payments on services to be incurred in connection with the Group's operations. These are charged to expense or capitalized to projects in the consolidated balance sheet, upon actual receipt of services or supplies, which is normally within 12 months or within the normal operating cycle. These are considered as nonfinancial instruments as these will be applied against future billings from contractors and suppliers normally within one year. Advance payments to contractors and suppliers, relating to the portion of the project that is classified as investment property and to advance payments that will be applied against future billings beyond 12 months from the reporting date, are presented as part of "Other noncurrent assets" account in the consolidated balance sheet.

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

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

Assets Held for Sale

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

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

Interests in Joint Ventures

The Group has interests in the following joint ventures: jointly controlled entity and jointly controlled operation.

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

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

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

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

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

Investments in Associates

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

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

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

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

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

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

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

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

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

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

Property and Equipment

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

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

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

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

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

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

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

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

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

Intangible Assets

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

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

Impairment of Nonfinancial Assets

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

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

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

Capital Stock and Additional Paid-in Capital

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

Retained Earnings

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

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

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

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

The Group accounts for any cash received from buyers as deposits from pre-selling of condominium units when the construction is not beyond a preliminary stage. Construction is not beyond a preliminary stage if engineering and design work, execution of construction contracts, site clearance and preparation, excavation, and completion of the building foundation are incomplete. Proceeds shall be accounted for as deposits until the criteria for percentage of completion method are met. Excess of collections over the recognized receivables under the percentage of completion method, if any, are included in the "Trade and other payables" account in the consolidated balance sheet, based on percentage of completion expected to be reached within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent liability under "Other noncurrent liabilities" account in the consolidated balance sheet.

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

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of condominium units sold before the completion of the project is determined based on actual costs and project estimates of building contractors and technical staff.

Contract costs include all direct materials and labor costs and those direct costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

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

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

Interest Income. Interest income comprises interest from bank deposits and from accretion of trade receivables (using the effective interest, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset). Revenue is recognized as it accrues using EIR method.

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

Costs and Expenses

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

Retirement Benefit Costs

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

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

Income Taxes

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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

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

Foreign Currency Transactions

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

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

Leases

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

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

Borrowing Costs

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

Provisions

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

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

Contingencies

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

Events After Reporting Date

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

Earnings Per Share

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

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

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

Segment Reporting
The Group's operating businesses are organized and managed separately into two business activities in 2011 and 2010. In 2012, for purposes of segment reporting, the Group does not have other reportable segments other than real property development. Such business segments are the bases upon which the Group reports its operating segment information. The Group operates in one geographical area where it derives its revenue. Financial information on segment reporting is presented in Note 27.

3. Summary of Accounting Judgments, Estimates and Assumptions

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

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

Judgments

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

For the years ended December 31, 2012, 2011 and 2010, no revenue was recognized in the sale of real estate because the development is not yet beyond the preliminary stage.

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

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

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

The carrying value of the transportation equipment under finance lease agreements amounted to ₱4.0 million and ₱5.5 million as of December 31, 2012 and 2011, respectively (see Notes 13 and 20). Obligation under finance lease amounted to ₱3.8 million and ₱4.9 million as of December 31, 2012 and 2011, respectively (see Note 20).

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

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

AFS investments classified as current assets amounted to ₱1,166.3 million and nil as of December 31, 2012 and 2011, respectively. AFS investments classified as noncurrent assets amounted to ₱23,416.0 million and ₱10,747.4 million as of December 31, 2012 and 2011, respectively (see Note 11).

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

- The carrying amount of the net assets of MPPI will be recovered principally through a sale transaction rather than through continuing use;

- The net assets of MPPI is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and the sale is highly probable based on signed Memorandum of Understanding (MOU);

- The sale is expected to occur within one year from the date of the MOU and it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn; and,

- Shareholders' approval would be obtained in relation to the sale no later than in May 2011.

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

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

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

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

Transfers from investment properties amounted to ₱480.8 million and ₱685.9 million in 2012 and 2011, respectively (see Note 12).

<u>Estimates and Assumptions</u>

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

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

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

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

Provision for impairment loss on receivables and advances amounted to ₱1.1 million, nil and ₱5.7 million in 2012, 2011 and 2010, respectively. As of December 31, 2012 and 2011, the aggregate carrying amount of trade and other receivables (including noncurrent portion), net of allowance for impairment losses and advances to associates and related parties, amounted to ₱432.3 million and ₱206.7 million, respectively (see Notes 7, 10, 14 and 19).

Fair Value of Investments in Preferred Shares. The Group establishes fair value by using recent arm's length market transactions between knowledgeable, willing parties. The fair value of investments in preferred shares is determined based on the current selling price to third parties.

The fair value of investments in preferred shares amounted to ₱24,564.4 million and ₱10,736.1 million as of December 31, 2012 and 2011, respectively (see Note 11).

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

The Group's AFS investments amounted to ₱24,582.4 million and ₱10,747.4 million as of December 31, 2012 and 2011, respectively (see Note 11).

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

Depreciation and amortization (including capitalized depreciation expense) amounted to ₱90.1 million, ₱46.3 million and ₱6.2 million in 2012, 2011 and 2010, respectively. As of December 31, 2012 and 2011, the aggregate net book values of property and equipment and software costs amounted to ₱299.7 million and ₱356.5 million, respectively (see Notes 13 and 14).

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

- Significant underperformance relative to expected historical or projected future operating results;

- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and,

- Significant negative industry or economic trends.

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

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

The carrying values of nonfinancial assets that are subjected to impairment testing are as follows:

	2012	2011
Other current assets (see Note 9)	**₱1,032,584,592**	₱1,415,408,883
Investments in associates (see Note 10)	**86,464,679**	94,804,626
Advances intended for future stock subscription (see Note 10)	**979,500,000**	824,000,000
Property and equipment (see Note 13)	**296,881,321**	351,201,224
Other noncurrent assets (see Note 14)	**609,226,283**	59,833,335
	₱3,004,656,875	₱2,745,248,068

Revaluation of Investment Properties. The Group engaged an independent appraiser to determine the fair value of its investment properties. In 2012, 2011 and 2010, fair values of investment properties were based on the valuation performed in November 2012, November and December 2011, and August and October 2010, respectively. Management evaluated that the fair values of investment properties determined in November 2012 and 2011, and August and October 2010 approximate the fair values as of reporting date since there were no significant changes in the condition of these properties between those dates. The fair values of investment properties (including properties held for lease in 2011 and 2010) were determined using the Market Data Approach for the land and Cost Approach for the improvements. Market Data Approach involves the comparison of the land to those that are more or less located within the vicinity of the appraised property and are subject of recent sales and offerings. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element. Cost Approach involves the estimate of the reproduction cost of the improvements based on prevailing cost of labor, materials, contractor's fee and other costs necessary to build the improvements. Depreciation brought about by physical wear and tear, functional obsolescence and economic obsolescence are deducted to arrive at the market value of improvements. In 2012, the fair value of properties held for lease, was determined using the Income Approach which involves estimating the present value of the expected future cash flows based on current market conditions in rentals occupancy rates and expected growth rate of the Group.

Fair value change in 2012, 2011 and 2010, which was recognized in the consolidated statements of comprehensive income, amounted to ₱2,454.3 million, ₱2,356.8 million and ₱958.6 million, respectively. Carrying values of investment properties amounted to ₱21,815.2 million and ₱18,046.2 million as of December 31, 2012 and 2011, respectively (see Note 12).

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

As of December 31, 2012 and 2011, the liability related to acquisition of AFS investments amounted to ₱3,158.8 million and ₱2,256.1 million, respectively (see Notes 11 and 15).

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

Retirement benefit cost amounted to ₱11.7 million, ₱5.1 million and ₱4.9 million in 2012, 2011 and 2010, respectively. Retirement benefits obligation amounted to ₱21.7 million and ₱10.0 million as of December 31, 2012 and 2011, respectively (see Note 22).

Assessing Realizability of Deferred Tax Assets. The Group reviews its deferred tax assets at each balance sheet date and reduces their carrying amounts to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment of the recognition of deferred tax assets is based on the projected taxable income in the following periods. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Unrecognized deferred tax assets amounted to ₱148.1 million and ₱130.0 million as of December 31, 2012 and 2011, respectively (see Note 23). Management believes that it is not probable that sufficient taxable income will be available to allow all of the deferred tax assets to be utilized.

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

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

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

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

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

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

b. SSA between ALPHA and Stockholders of ADI

In 2010, ALPHA issued 1,269,734,041 new shares with par value of ₱1 per share to all ADI stockholders. The issue price for the new shares of ALPHA is ₱10 per share which is based on the valuation of ADI's total assets as of September 30, 2009 amounting to ₱12,697.3 million. Each ADI share was exchanged for approximately 5.08 shares of ALPHA. In effect, 1,269,734,041 new shares of ALPHA were issued in exchange for 250,007,500 shares of ADI representing its entire issued and outstanding common shares.

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

In applying the revised PFRS 3, acquisition date is determined to be April 7, 2010 which is the date the SEC approved the increase in ALPHA's capitalization. The Group engaged the services of an independent appraiser to determine the fair values of the consolidated assets and liabilities of ALPHA (as accounting acquiree) as of acquisition date. Goodwill arising from the acquisition amounted to ₱23.2 million (see Note 14). The acquisition is treated as a non-cash transaction in the 2010 consolidated statement of cash flows. Cash acquired with the subsidiary amounted to ₱11.6 million.

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

c. Acquisition of Non-controlling Interest in AMPI

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

d. Interests in Joint Ventures

i. ABCC (Jointly Controlled Entity)

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

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

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

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

On December 23, 2010, ABCC, Wenceslao and ADI executed a Deed of Assignment and Memorandum of Agreement to form ABCC as a jointly controlled entity (the Joint Venture Company), that is, 50-50 owned by Wenceslao and ADI. By virtue of these agreements, ABCC is in substance, a 50-50 owned entity of Wenceslao and ADI as of December 31, 2012 and 2011.

Through various Deeds of Exchange and Memorandum of Agreement dated October 14, 2010, Wenceslao and ADI conveyed a total of 28 hectares of land in Aseana Business Park to ABCC in exchange for the latter's shares of stock. Wenceslao and ADI have filed with the Bureau of Internal Revenue (the BIR) a request for a confirmation that the mentioned transfer is tax-free. On April 13, 2012, the SEC approved ABCC's amendment of the Articles of Incorporation and increase in its authorized capital stock. As of March 11, 2013, the confirmatory ruling has not yet been issued by the BIR.

The Group's total initial investment cost in the Joint Venture Company of ₱7,979.5 million represents 10 hectares of land, more or less, with fair value of ₱6,456.0 million, cash of ₱1,000.0 million and subscription payable of ₱523.5 million. The Group's proportionate share in the net assets of the Joint Venture Company, which primarily consists of investment properties (see Note 12), amounted to ₱10,146.1 million and ₱9,415.5 million as of December 31, 2012 and 2011, respectively. The excess of ADI's share in the Joint Venture Company over its investment cost amounting to ₱761.9 million was recognized as "Gain on bargain purchase" in the 2010 consolidated statement of comprehensive income.

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

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

	2012	2011
Cash and other current assets	**₱14,250**	₱14,050
Investment properties	**21,592,352,500**	19,502,770,000
Trade and other payables	**88,111,704**	86,717,514
Other noncurrent liabilities	**1,211,957,850**	585,083,100
Deposits intended for equity subscriptions	**–**	17,552,493,000
Equity	**20,292,297,196**	1,278,490,436

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

	2012	2011	2010
Gain on fair value change of investment properties	**₱1,044,791,250**	₱975,138,500	₱–
Expenses	**(696,995)**	(8,529,577)	(34,892,992)
Income tax	**(313,437,375)**	(292,541,550)	–
Share in net income (loss)	**₱730,656,880**	₱674,067,373	(₱34,892,992)

ii. AMPI and BSP (Jointly Controlled Operation)

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

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

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

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

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

The Group accounts for the joint venture agreement as a jointly controlled operation. As of December 31, 2012 and 2011, the Group recognized its share in the development costs of the Project (excluding the costs related to the City Club - see Note 11) in the following accounts:

	2012	2011
Land and development costs (see Note 8)	**₱913,880,042**	₱533,644,509
Investment properties (see Note 12)	**2,332,536,420**	1,393,137,986
	₱3,246,416,462	₱1,926,782,495

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

5. Assets Held for Sale and Discontinued Operations

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

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

Further to the spin-off of MPPI, ALPHA signed a MOU on December 23, 2010 with MPCI where the latter offered to buy ALPHA's entire interest in MPPI upon completion of the Assignment, which ALPHA accepted for a reasonable consideration to be determined nearer to the Assignment. With the foregoing agreement, ALPHA presented the assets of MPPI as "Assets held for sale" and liabilities as "Liabilities directly associated with assets held for sale" in 2010, and reported the operations of the plastics manufacturing segment as "Income from discontinued operations" in the 2011 and 2010 consolidated statement of comprehensive income.

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

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

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

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

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

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

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

6. Cash and Cash Equivalents

	2012	2011
Cash on hand and in banks (see Note 19)	**₱310,842,479**	₱226,147,173
Short-term placements (see Note 19)	**97,191,445**	748,907,845
	₱408,033,924	₱975,055,018

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

Interest income earned related to cash and cash equivalents amounted to ₱17.2 million, ₱39.3 million and ₱6.2 million in 2012, 2011 and 2010, respectively.

7. Trade and Other Receivables

	2012	2011
Trade receivables from:		
Tenants (see Note 19)	**₱52,467,075**	₱50,530,600
Sale of club shares - net of noncurrent portion (see Note 14)	**124,375,164**	78,486,851
Officers and employees (see Note 19)	**43,640,972**	40,014,884
Others	**2,345,830**	3,396,324
	222,829,041	172,428,659
Less allowance for impairment losses	**5,852,085**	4,705,015
	₱216,976,956	₱167,723,644

Receivables from tenants are noninterest-bearing and are generally on a 30 to 90 day term.

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

Receivables from officers and employees and other receivables arise in relation to the Group's operations and are noninterest-bearing. Receivables from officers and employees are subject to liquidation and other receivables will be settled within one year.

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

	2012	2011
Balance at beginning of year	**₱4,705,015**	₱5,700,000
Provision during the year (see Note 21)	**1,147,070**	–
Reversal	**–**	(994,985)
Balance at end of year	**₱5,852,085**	₱4,705,015

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

8. Land and Development Costs

Movements in land and development costs are as follows:

	2012	2011
Balance at beginning of year	**₱685,887,592**	₱–
Additions:		
Development costs	**467,520,706**	–
Capitalized borrowing costs (see Note 17)	**18,018,243**	–
Transfer from investment properties (see Note 12)	**–**	685,887,592
Balance at end of year	**₱1,171,426,541**	₱685,887,592

The details of the account are as follows:

Project	2012	2011
Alphaland Makati Place (see Notes 4, 12 and 17)	**₱913,880,042**	₱533,644,509
Alphaland Tower (see Notes 12 and 17)	**257,546,499**	152,243,083
	₱1,171,426,541	₱685,887,592

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

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

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

On December 5, 2011, the Housing and Land Use Regulatory Board (HLURB) issued a temporary License to Sell (LTS) to AMPI for the sale of condominium units in Tower One of Alphaland Makati Place. The permanent LTS was issued on October 9, 2012.

Construction costs (including capitalized borrowing costs), relating to Towers One and Two of the Project, amounting to ₱533.6 million were transferred from "Investment properties" account to "Land and development costs" account in the 2011 consolidated balance sheet (see Note 12). Total estimated cost to complete this portion of the project amounted to ₱2,390.6 million as of December 31, 2012.

As of December 31, 2012 and 2011, interests and amortization of deferred financing costs of the loan amounting to ₱11.1 million and ₱10.4 million were capitalized as part of land and development costs (see Note 17).

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

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

Construction costs (including capitalized borrowing costs), amounting to ₱152.3 million were transferred from "Investment properties" to "Land and development costs" account in the 2011 consolidated balance sheet (see Note 12). Total estimated cost to complete this portion of the project amounted ₱38.9 million as of December 31, 2012. The project is expected to be completed within the first half of 2013.

As of December 31, 2012 and 2011, the interests and amortization of deferred financing costs of the loan amounting to ₱6.9 million and ₱0.6 million were capitalized as part of land and development costs (see Note 17).

9. Other Current Assets

	2012	2011
Input VAT - net (see Note 14)	**₱780,711,163**	₱424,082,236
Restricted cash - net of noncurrent portion (see Note 14)	**630,927,266**	384,854,045
Advances to contractors and suppliers (see Notes 14 and 28)	**112,863,758**	872,577,294
Deferred rent (see Note 20)	**55,801,505**	48,856,092
CWT	**34,312,363**	23,909,860
Prepayments	**33,971,739**	22,012,065
Others	**14,924,064**	23,971,336
	₱1,663,511,858	₱1,800,262,928

Input VAT

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

Restricted Cash

Escrow Funds - Preferred Shares (2012: ₱502.7 million; 2011: ₱331.6 million). These represent funds with an escrow agent, Philippine Bank of Communications (PBCom), a related party (see Note 19), in compliance with Section 8E of Rule 12.1 of the Amended Implementing Rules and Regulations of the Securities Regulation Code (SRC) and in connection with AMPI and ABIRC's public offering of the preferred shares, classified under "AFS investments" account in the consolidated balance sheets. The proceeds from the sale of preferred shares shall only be disbursed in portions upon written instructions of AMPI and ABIRC for the purpose of paying direct costs incurred to sell the preferred shares. The release shall be in accordance with the percentage of completion of the City Club and Island Club. The escrow account shall be closed upon completion of the construction of the City Club and Island Club by AMPI and ABIRC, respectively. Restricted cash expected to be released beyond 12 months after the balance sheet date, is recognized under "Other noncurrent assets" account, amounted to nil and ₱56.0 million as of December 31, 2012 and 2011, respectively (see Note 14).

Debt Service Reserve Account (DSRA) (2012: ₱127.0 million; 2011: ₱90.4 million). Under the Omnibus Loan and Security Agreement (OLSA), ADI, AMPI and AMTI (collectively, the Borrowers) are required to maintain a DSRA for the security of interest and/or principal repayments to the lenders. The Borrowers are required to deposit cash to the DSRA equivalent to the upcoming interest and/or principal repayment (see Note 17).

Escrow Funds - Environmental Funds (2012: ₱1.2 million; 2011: nil). These represent environmental funds deposited with PBCom, a related party (see Note 19), in compliance with the Environmental Compliance Certificate issued to ABIRC relating to the rehabilitation of the Project-affected area throughout the construction and maintenance of the Island Club. The funds shall be replenished annually.

Escrow Funds - Condominium Units (2012: nil; 2011: ₱18.9 million). In 2011, AMPI designated PBCom, a related party (see Note 19), as an escrow agent in compliance with Presidential Decree No. 957, as amended, in connection with the Company's application for a Certificate of Registration and LTS with the HLURB. The proceeds from the pre-selling of residential units of the Project, received from the date of issuance of the temporary LTS by HLURB, are temporarily restricted until receipt by the Company of its Certificate of Registration and permanent LTS. The escrow account shall only be disbursed for purposes of payment of refunds to buyers, cancellation charges to the developer, fees, charges and other expenses incurred in the management and administration of the escrow agent. The permanent LTS was issued on October 9, 2012. Accordingly, the escrow agreement was terminated and the proceeds from pre-selling of condominium units were released from the escrow fund.

Interest income earned from restricted cash amounted to ₱6.6 million, ₱1.6 million and nil in 2012, 2011 and 2010, respectively.

<u>Advances to Contractors and Suppliers</u>
Advances to contractors and suppliers are considered as nonfinancial instruments as these will be applied against future billings from contractors normally within one year. Advances to contractors and suppliers, relating to the portion of the project that is classified as investment property and to advance payments that will be applied against future billings beyond 12 months from the reporting date, amounting to ₱552.6 million as of December 31, 2012 are presented under "Other noncurrent assets" account in the 2012 consolidated balance sheet (see Note 14).

<u>Prepayments</u>
Prepayments include prepaid rent, insurance and commissioning fees.

10. Investments in and Advances to Associates

	2012	2011
Investments in associates	**₱86,464,679**	₱94,804,626
Advances to associates (see Note 19)	**988,266,216**	833,706,804
	₱1,074,730,895	₱928,511,430

Details of investments in associates are as follows:

	2012	2011
Acquisition costs:		
Balance at beginning of year	**₱60,533,730**	₱50,533,779
Additions	**–**	9,999,951
Balance at end of year	**60,533,730**	60,533,730
Accumulated equity in net income:		
Balance at beginning of year	**34,270,896**	34,222,329
Equity in net income (losses) during the year	**(8,339,947)**	48,567
Balance at end of year	**25,930,949**	34,270,896
	₱86,464,679	₱94,804,626

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

	2012		2011	
	Investments	**Advances**	Investments	Advances
Shang Global City Properties, Inc. (SGCPI)*	**₱35,243,639**	**₱494,121,776**	₱33,493,772	₱671,500,000
Fort Bonifacio Shangri-la Hotel, Inc. (FBSHI)*	**3,978,377**	**485,378,224**	1,974,931	152,500,000
AHEC	**40,213,373**	**8,693,569**	50,815,163	9,639,614
AUI	**3,245,996**	**44,490**	4,730,584	12,190
Alphaforce Security Agency Inc. (ASAI)	**3,783,294**	**28,157**	3,790,176	55,000
	₱86,464,679	**₱988,266,216**	₱94,804,626	₱833,706,804

**Advances are intended for future stock subscription*

The following are the associates of the Group:

		Percentage of Ownership		
Company	Principal Activities	**2012**	2011	2010
SGCPI	Real property development	**20%**	20%	20%
FBSHI	Real property development	**20%**	20%	20%
AHEC	Sale and lease of heavy equipment	**50%**	50%	50%
AUI	Restaurant	**50%**	50%	–
ASAI	Security agency	**40%**	40%	–

All associates are incorporated in the Philippines.

SGCPI

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

FBSHI

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

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

AHEC

In January 2010, ADI subscribed to 125,000 common shares of AHEC representing 50% of the outstanding shares of AHEC. AHEC is 50% owned by ADI and 50% owned by Fabricom-XCMG Phils., Inc. Its purpose is to purchase, import, or otherwise acquire, as well as to lease (except financial leasing), sell, distribute, market, convey, or otherwise dispose heavy equipment, machinery and related implements. AHEC's target markets are the local government units and private entities, among them are ADI and ABIRC, with big infrastructure projects and construction requirements. In 2012 and 2011, AHEC sold several units of heavy equipment to ADI and ABIRC for their development projects in Caticlan and Balesin, respectively (see Note 19).

AUI

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

ASAI

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

The condensed financial information of the associates follows:

	2012	2011
Total assets	**₱6,858,346,262**	₱6,098,438,431
Total liabilities	**1,652,100,967**	5,796,206,194
Net income (loss)	**4,908,205**	(1,574,377)

11. **AFS Investments**

	2012	2011
Unquoted Clubs' preferred shares (see Note 4):		
ABICI (see Note 16)	**₱18,534,000,000**	₱6,564,000,000
TCCAMPI	**4,121,000,000**	4,172,000,000
AMCI	**1,909,364,390**	125,000
Quoted -		
Wack Wack	**18,000,000**	11,300,000
	₱24,582,364,390	₱10,747,425,000

The rollforward analysis of the account as at December 31 is as follows:

	2012	2011
Balance at beginning of year	**₱10,747,425,000**	₱11,600,000
Fair value adjustments	**10,505,234,671**	6,624,977,604
Additional subscriptions	**3,776,767,542**	–
Sale of AFS investments	**(447,062,823)**	(415,518,383)
Effect of deconsolidation (see Note 4)	**–**	4,526,365,779
Balance at end of year	**₱24,582,364,390**	₱10,747,425,000

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

Liability Related to Acquisition of AFS Investments

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

a. ABICI

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

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

On February 24, 2011, the Philippine SEC approved ABICI's Registration Statement on the Island Club Offer Shares for the primary offering of 391 of its Class "B" preferred shares and secondary offering of its Class "B" preferred shares (Offer Shares). ABICI has filed in 2012 an amended Registration Statement to increase its offer price, which is still subject for approval by the SEC.

In 2012, ABIRC has subscribed to additional Class "B" preferred shares of ABICI totaling 3,090 shares. As a consideration for the additional acquisitions of ABICI preferred shares, ABIRC entered into a Supplemental DA with ABICI in June 2012 increasing its obligation to complete the Island Club's facilities. By virtue of these additional subscriptions, ABIRC transferred investment properties to ABICI amounting to ₱453.3 million and the liability related to the acquisition of ABICI shares increased by ₱1,414.0 million (see Notes 12 and 29). As of December 31, 2012, the Island Club is substantially completed and is already operational. Expansion projects to increase the number of villas are expected to be completed within the third quarter of 2013.

On November 12, 2012, the shareholders of ABICI approved an amendment to ABICI's shareholder structure whereby 3,090 shares with par value of ₱100 were split into 6,180 shares with a par value of ₱50 per share. As a result, ABIRC's subscription to the above 3,090 ABICI shares will be converted to 6,180 shares. On January 31, 2013, the stock split was approved by the SEC.

The initial liability related to acquisition of AFS investments amounting to ₱1,834.0 million is allocated for luxury villa clusters (75%), clubhouse (11%) and utilities and other facilities (14%). As of December 31, 2012 and 2011, the liability related to the acquisition amounted to ₱275.2 million and ₱1,154.5 million, respectively. Out of the total amount, ₱275.2 million and ₱786.9 million are presented under "Trade and other payables" account in the consolidated balance sheets as of December 31, 2012 and 2011, respectively. The noncurrent portion amounting to ₱384.8 million was included as part of "Other noncurrent liabilities" account in the consolidated balance sheet as of December 31, 2011.

In addition to development costs transferred to ABICI as incurred, various equipment amounting to ₱91.7 million were transferred to ABICI in 2012 (see Note 13).

As of December 31, 2012 and 2011, the fair value of 6,178 and 3,282 unsold shares amounted to ₱18,534.0 million and ₱6,564.0 million, respectively (see Note 16).

b. TCCAMPI

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

In December 2010, ADI, AMPI and TCCAMPI entered into a Supplemental DA to clarify that under the DA, it is AMPI who has the primary obligation to develop and construct the City Club. Moreover, it was clarified that, in consideration for the City Club's construction, TCCAMPI agrees to convert any and all advances provided by ADI and AMPI to additional paid-in capital as cost is incurred. Furthermore, it was clarified that the ownership of the City Club, its facilities and amenities will be transferred to TCCAMPI as cost is incurred. The City Club is expected to be completed within the first half of 2013.

The initial liability related to acquisition of AFS investments amounting to ₱1,190.6 million is allocated for the construction of podium and club equipment (88%) and land (12%). As of December 31, 2012 and 2011, this amounted to ₱981.3 million and ₱1,084.4 million, respectively, and is shown as part of "Trade and other payables" account in the consolidated balance sheets (see Note 15).

As of December 31, 2012 and 2011, the fair value of 4,121 and 4,172 unsold shares amounted to ₱4,121.0 million and ₱4,172.0 million, respectively.

c. AMCI

On December 3, 2012, AMC subscribed to additional 3,250 preferred shares of AMCI for a cash consideration amounting to ₱0.3 million and an obligation to develop and construct the Marina Club amounting to ₱1,908.9 million. On the same date, AMC and AMCI entered into a DA for the development and construction of the Marina Club. It is agreed that AMC will develop and construct the Marina Club with AMC extending any financing required for the completion of the Marina Club and its amenities in exchange for the AMCI shares.

On the same date, AMCI filed for approval with SEC a Registration Statement on the Marina Club Offer Shares for the primary offering of 500 Class "B" preferred shares and secondary offering of 4,500 Class "B" preferred shares at an offer price of up to ₱5.0 million per share.

The DA indicates that AMC has the primary obligation to develop and construct the Marina Club. Moreover, in consideration for the Marina Club's construction, AMCI agrees to convert any and all advances provided by AMC to additional paid-in capital as AMC constructs the Marina Club. Furthermore, the ownership of the Marina Club, its facilities and amenities will be transferred to AMCI as costs are incurred.

AMC's initial liability related to acquisition of AFS investments amounting to ₱1,908.9 million is allocated for the clubhouse (49%), piers (24%), charter yachts (24%) and service fleet and equipment (3%).

As of December 31, 2012, the Group's current and noncurrent portions of the liability related to the acquisition of AFS investments amounted to ₱876.5 million and ₱1,025.8 million, presented under "Trade and other payables" and "Other noncurrent liabilities" accounts, respectively, in the consolidated balance sheets.

The fair value of AMCI preferred shares cannot be measured reliably due to lack of reliable estimates of fair value, thus carried at cost. As of December 31, 2012 and 2011, the fair value of 4,500 and 1,250 unsold shares amounted to ₱1,909.4 million and ₱0.1 million, respectively.

Unrealized Valuation Gain on AFS Investments

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

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

	2012	2011
Balance at beginning of year	**₱7,129,834,932**	₱1,000,000
Unrealized valuation gains on AFS investments	**10,505,234,671**	6,624,977,604
Realized mark-to-market gain	**(329,259,178)**	(208,631,416)
Net gain on AFS investments	**10,175,975,493**	6,416,346,188
Income tax effect	**(1,017,662,548)**	(641,634,618)
	9,158,312,945	5,774,711,570
Effect of deconsolidation (see Note 4)	–	1,354,123,362
Balance at end of year	**₱16,288,147,877**	₱7,129,834,932

Receivable arising from the sale of AFS investments amounted to ₱187.3 million and ₱82.9 million as of December 31, 2012 and 2011, respectively (see Notes 7, 14, 19 and 29). Gain on sale of AFS investments amounted to ₱329.3 million and ₱208.6 million in 2012 and 2011, respectively.

As of December 31, 2012 and 2011, deposits received from buyers of club shares amounting to ₱156.3 million and ₱10.2 million, respectively, were presented under "Trade and other payables" account in the balance sheets (see Note 15).

In 2012, the Group received deposits from the sale of condominium units. As of December 31, 2012, the current and noncurrent portions amounting to ₱75.3 million and ₱44.7 million were presented under "Trade and other payables" and under "Other noncurrent liabilities" accounts in the 2012 balance sheet, respectively (see Note 15).

12. **Investment Properties**

	2012	2011
Balance at beginning of year	**₱18,046,169,798**	₱15,337,579,953
Fair value change	**2,454,298,860**	2,356,792,867
Additions:		
Capital expenditures (see Note 13)	**1,679,421,702**	1,014,687,905
Capitalized borrowing costs (see Note 17)	**108,260,457**	22,996,665
Transfer of land to ABICI (see Note 11)	**(453,259,000)**	–
Reclassification to property and equipment (see Note 13)	**(27,545,229)**	–
Reclassification from receivable (see Note 29)	**8,365,200**	–
Transfer of development costs to AMCI	**(482,000)**	–
Transfer to land and development costs (see Note 8)	–	(685,887,592)
Balance at end of year	**₱21,815,229,788**	₱18,046,169,798

Investment properties carried at fair value consist of:

	2012	2011
Alphaland Bay City (see Note 4)	**₱10,796,176,250**	₱9,751,385,000
Alphaland Southgate Tower (see Note 17)	**3,266,428,393**	3,247,177,567
Alphaland Tower (see Note 17)	**3,233,610,968**	1,645,265,975
Alphaland Makati Place (see Notes 4 and 17)	**2,332,536,420**	1,393,137,986
Alphaland Balesin Island Property (see Note 16)	**1,548,179,962**	1,601,011,149
Silang Property	**460,149,368**	247,925,855
Caticlan Property (see Note 4)	**178,148,427**	159,784,266
Alphaland Marina Club	–	482,000
	₱21,815,229,788	₱18,046,169,798

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

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

Rent income from Alphaland Southgate Tower amounted to ₱305.7 million, ₱257.5 million and ₱110.0 million in 2012, 2011 and 2010, respectively. Common utilities, services and maintenance charges, presented as "Others" in the consolidated statements of comprehensive income, amounted to ₱222.9 million, ₱155.3 million and ₱74.2 million in 2012, 2011 and 2010, respectively (see Note 20). Direct costs related to rent income amounted to ₱121.1 million, ₱75.2 million and ₱32.4 million in 2012, 2011 and 2010, respectively, which is mainly comprised of utilities and commissary costs.

Alphaland Tower
In June 2008, ADI acquired from Sta. Lucia Land, Inc., two parcels of land measuring a total of 2,400 square meters, more or less, along Ayala Avenue, Makati City. Due to current zoning height restrictions, ADI also acquired air rights from the owner of the adjacent property for a consideration of ₱95.0 million as it plans to build a 34-storey building to be known as Alphaland Tower. Total capitalized borrowing cost in 2012 and 2011 amounted to ₱71.0 million and ₱6.3 million, respectively. The property, including the project cost classified as land and development costs (see Note 8), currently secures the long-term debt obtained by AMTI (see Note 17).

Alphaland Makati Place
This represents the Group's proportionate interest in Podium and Tower Three of Alphaland Makati Place which is intended for lease to third parties (see Notes 4 and 8). Total capitalized borrowing costs amounted to ₱37.2 million and ₱16.7 million in 2012 and 2011, respectively. The property, including the project cost classified as land and development costs (see Note 8), currently secures the long-term debt obtained by AMPI (see Note 17).

Alphaland Balesin Island Club
ABIRC acquired approximately 394 hectares of land in Balesin Island, Polillo, Quezon. As of December 31, 2012, the lots in Balesin Island secure the loans payable obtained by ABIRC on March 29, 2012 (see Note 16). Additional 12 hectares were also acquired via land-for-share swaps with existing Balesin Island landowners. This brings the total land ownership to 406 hectares. Of this total, approximately 91 hectares was committed for transfer to ABICI (see Note 11).

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

Caticlan Property
On December 3, 2010, ADI entered into a DA with Akean Resorts Corporation to develop a 500-hectare property in the northern tip of the municipalities of Malay and Nabas, both in Aklan, which faces Boracay Island, one of the world's best beach resort islands. ADI aims to transform this prime property into a high-end mixed-use resort complex anchored by a Polo and Country Club as well as water recreational activities, which will later be called Alphaland Boracay Gateway Country Club. ADI will develop the property in time for the opening of the proposed Caticlan International Airport. As of March 11, 2013, ADI completed the master plan including the site development of the first phase of the project.

Alphaland Marina Club

Alphaland Marina Club is the centerpiece of the Alphaland Bay City. The Club is envisioned to provide world-class facilities for about 300 yachts, including several megayachts.

The fair values of the investment properties (including properties held for lease in 2011 and 2010) were based on the valuation performed by an independent appraiser using Market Data Approach for the land and Cost Approach for the improvements. Market Data Approach involves the comparison of the land to those that are more or less located within the vicinity of the appraised property and are subject of recent sales and offerings. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element. Cost Approach involves the estimate of the reproduction cost of the improvements based on prevailing cost of labor, materials, contractor's fee and other costs necessary to build the improvements. Depreciation brought about by physical wear and tear, functional obsolescence and economic obsolescence are deducted to arrive at the market value of improvements. In 2012, the fair value of properties held for lease, was determined using the Income Approach which involves estimating the present value of the expected future cash flows based on current market conditions in rentals occupancy rates and expected growth rate of the Group.

13. **Property and Equipment**

	2012					
	Leasehold Improvements	**Buildings and Structures**	**Machinery, Equipment and Tools**	**Transportation Equipment** (see Note 20)	**Office Furniture and Equipment**	**Total**
Cost:						
Balances at beginning of year	**₱4,498,300**	**₱36,110,449**	**₱366,976,182**	**₱19,671,755**	**₱13,075,934**	**₱440,332,620**
Additions	**–**	**102,725**	**94,351,874**	**714,196**	**2,228,229**	**97,397,024**
Transfer to Island Club (see Note 11)	**–**	**(19,013,393)**	**(79,535,796)**	**–**	**(1,591,071)**	**(100,140,260)**
Reclassifications (see Note 12)	**–**	**–**	**–**	**29,559,483**	**54,500**	**29,613,983**
Balances at end of year	**4,498,300**	**17,199,781**	**381,792,260**	**49,945,434**	**13,767,592**	**467,203,367**
Accumulated depreciation and amortization:						
Balances at beginning of year	**4,498,300**	**1,874,954**	**67,842,252**	**10,198,106**	**4,717,784**	**89,131,396**
Depreciation and amortization	**–**	**1,607,620**	**64,260,989**	**17,544,492**	**4,152,892**	**87,565,993**
Transfer to Island Club (see Note 11)	**–**	**(879,291)**	**(7,419,310)**	**–**	**(145,496)**	**(8,444,097)**
Reclassifications (see Note 12)	**–**	**–**	**–**	**2,058,157**	**10,597**	**2,068,754**
Balances at end of year	**4,498,300**	**2,603,283**	**124,683,931**	**29,800,755**	**8,735,777**	**170,322,046**
Net book values	**₱–**	**₱14,596,498**	**₱257,108,329**	**₱20,144,679**	**₱5,031,815**	**₱296,881,321**

In 2012, the Group capitalized a portion of the depreciation expense amounting to ₱45.6 million, which is related to machinery and equipment being used for the construction (see Note 12).

	2011					
	Leasehold Improvements	Buildings and Structures	Machinery, Equipment and Tools	Transportation Equipment (see Note 20)	Office Furniture and Equipment	Total
Cost:						
Balances at beginning of year	₱4,498,300	₱328,900	₱86,784,977	₱25,131,402	₱8,769,438	₱125,513,017
Additions	–	35,781,549	96,299,237	770,000	4,946,041	137,796,827
Reclassifications (see Note 5)	–	–	183,891,968	(6,229,647)	(639,545)	177,022,776
Balances at end of year	4,498,300	36,110,449	366,976,182	19,671,755	13,075,934	440,332,620
Accumulated depreciation and amortization:						
Balances at beginning of year	4,498,300	109,633	3,742,239	4,233,601	2,003,374	14,587,147
Depreciation and amortization	–	1,765,321	35,535,010	3,908,687	3,353,955	44,562,973
Reclassifications (see Note 5)	–	–	28,565,003	2,055,818	(639,545)	29,981,276
Balances at end of year	4,498,300	1,874,954	67,842,252	10,198,106	4,717,784	89,131,396
Net book values	₱–	₱34,235,495	₱299,133,930	₱9,473,649	₱8,358,150	₱351,201,224

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

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

14. Other Noncurrent Assets

	2012	2011
Advances to contractors and suppliers (see Notes 9 and 28)	**₱552,591,409**	₱–
Noncurrent portion of trade receivables from sale of club shares (see Notes 7 and 19)	**62,970,667**	4,365,372
Input VAT (see Note 9)	**27,279,241**	28,880,554
Goodwill (see Note 4)	**23,229,684**	23,229,684
Refundable deposits	**11,384,288**	8,227,573
Software costs - net	**2,840,549**	5,266,053
Restricted cash (see Note 9)	**–**	55,993,931
Others	**3,285,400**	2,457,044
	₱683,581,238	₱128,420,211

Refundable deposits include billing and meter deposits to Manila Electric Company (Meralco). These are refundable upon termination of service of Meralco.

ADI purchased computer software license amounting to ₱0.1 million and ₱3.6 million in 2012 and 2011, respectively. Corresponding amortization amounted to ₱2.5 million and ₱1.7 million in 2012 and 2011, respectively (see Note 21).

15. Trade and Other Payables

	2012	2011
Trade (see Note 19)	**₱510,981,341**	₱279,957,597
Liability related to acquisition of AFS investments (see Note 11)	**2,132,996,896**	1,871,330,969
Subscription payable (see Note 4)	**523,549,500**	523,549,500
Accrued expenses:		
Construction costs	**310,516,706**	35,593,219
Interest	**11,077,060**	5,880,251
Others	**33,062,469**	34,821,788
Deposits from sale of (see Note 11):		
Preferred shares	**156,327,504**	10,150,000
Condominium units	**75,344,087**	–
Retention payable (see Note 28)	**191,730,753**	46,942,654
Unearned rent income (see Note 20)	**4,305,717**	3,385,264
Current portion of obligation under finance lease (see Note 20)	**1,287,172**	1,142,232
Others	**26,881,412**	20,079,109
	₱3,978,060,617	₱2,832,832,583

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

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

16. **Loans Payable**

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

On March 29, 2012, ABIRC entered into a credit line agreement with BOC amounting to ₱2,000.0 million to finance the former's capital expenditures for its Island Club project. Each drawdown is payable through promissory notes issued on the same date, with maturity of up to 180 days. Interest, depending on the bank's prevailing rate on the date of each drawdown, is payable quarterly in arrears. The loan facility is secured by the following: a) real estate mortgage over the lots in Balesin Island; b) Continuing Suretyship Agreement with ALPHA; and c) Deed of Pledge covering 1,000 ABICI preferred shares held by ABIRC. Of the outstanding balance of ₱2,000.0 million, ₱500.0 million matured in January 2013 and was renewed for another term of 90 days. The remaining balance comprising of ₱490.0 million, ₱603.0 million and ₱407.0 million promissory notes, will mature in March, May and June 2013, respectively. As of December 31, 2012, the total value of the collateral amounted to ₱4,549.0 million (see Notes 11 and 12).

Interest expense on loans payable amounted to ₱49.4 million, ₱3.9 million and ₱6.9 million in 2012, 2011 and 2010, respectively (see Note 21).

17. **Long-term Debt**

	2012			2011		
Borrower	**Current**	**Noncurrent**	**Total**	Current	Noncurrent	Total
ADI	**₱202,573,734**	**₱873,162,647**	**₱1,075,736,381**	₱193,750,100	₱1,037,501,100	₱1,231,251,200
AMPI	**19,295,000**	**1,709,150,134**	**1,728,445,134**	–	824,372,687	824,372,687
AMTI	**8,110,000**	**1,566,681,592**	**1,574,791,592**	–	971,842,415	971,842,415
	₱229,978,734	**₱4,148,994,373**	**₱4,378,973,107**	₱193,750,100	₱2,833,716,202	₱3,027,466,302

ADI

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

The loan has a term of seven years from initial drawdown date, payable in 20 consecutive quarterly installments commencing at the end of the ninth quarter from the initial drawdown date. Interest, which is based on floating rate equivalent to applicable three-month PDEx rate plus 1.75% spread per annum, is payable quarterly.

On May 18, 2012, ADI entered into an OLSA with BDO Unibank, Inc. for a loan facility of ₱1,187.5 million for the purpose of refinancing the existing OLSA with DBP, LBP and BPI by way of a loan take-out. The loan was drawn on June 8, 2012. The relevant terms under the refinanced loan are the same with the existing OLSA except for the term of five years.

Interest expense recognized in the consolidated statements of comprehensive income amounted to ₱57.4 million, ₱63.8 million and ₱86.3 million in 2012, 2011 and 2010, respectively (see Note 21). Other finance charges recognized in the consolidated statements of comprehensive income amounted to ₱12.6 million, ₱0.2 million and ₱0.2 million in 2012, 2011 and 2010, respectively (see Note 21). Other finance charges include mortgage registration fee amounting to ₱11.4 million in 2012.

Further, ADI's Alphaland Southgate Tower was used as collateral for the loan (see Note 12). Alphaland Southgate Tower has a fair value of ₱3,266.4 million and ₱3,247.2 million as of December 31, 2012 and 2011, respectively (see Note 12).

The scheduled maturities of ADI's outstanding long-term debt as of December 31, 2012 are as follows:

2013	₱202,573,734
2014	218,639,927
2015	251,470,842
2016	288,073,821
2017 and onwards	114,978,057
Total	1,075,736,381
Less current portion	202,573,734
Noncurrent portion	₱873,162,647

<u>AMPI</u>

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

On June 10, 2010, AMPI made the first drawdown amounting to ₱250.0 million. On March 16, 2011 and July 6, 2011, AMPI made its second and third drawdown of ₱270.0 million and ₱330.0 million, respectively. In 2012, AMPI made its fourth and final drawdown amounting to ₱350.0 million and ₱550.0 million, respectively.

The scheduled maturities of AMPI's outstanding loan as of December 31, 2012 are as follows:

	DBP	LBP	BOC	Maybank	Total
2013	₱9,375,000	₱6,250,000	₱5,000,000	₱1,250,000	₱21,875,000
2014	84,375,000	56,250,000	45,000,000	11,250,000	196,875,000
2015	215,625,000	143,750,000	115,000,000	28,750,000	503,125,000
2016	290,625,000	193,750,000	155,000,000	38,750,000	678,125,000
2017	150,000,000	100,000,000	80,000,000	20,000,000	350,000,000
	750,000,000	500,000,000	400,000,000	100,000,000	1,750,000,000
Less deferred financing costs	20,720,612	333,688	435,436	65,130	21,554,866
	₱729,279,388	₱499,666,312	₱399,564,564	₱99,934,870	₱1,728,445,134

AMPI shall fully pay and liquidate the principal amount of the loan within seven years from and after the date of the initial borrowing. Payments are to be made in 16 quarterly installments beginning at the end of the 39th month from the date of initial borrowing. Interest, which is based on a floating rate equivalent to applicable three-month PDEx rate plus 3.50% spread per annum, is payable quarterly. Interest rates of the long-term debt range from 5.0% to 6.0% and from 7.0% to 8.0% in 2012 and 2011, respectively. The loan is secured by Alphaland Makati Place, which includes the land and buildings, structures and improvements to be constructed thereon (see Notes 8 and 12).

Interest and other financing costs on the loan amounting to ₱48.4 million, ₱27.1 million and ₱10.5 million were capitalized as part of investment properties and land and development costs in 2012, 2011 and 2010, respectively (see Notes 8 and 12). The rate used to determine the amount of borrowing cost eligible for capitalization was 5.4%, 5.1% and 6.7% in 2012, 2011 and 2010, respectively, which is the effective interest rate of the specific borrowing.

AMTI

On October 13, 2010, AMTI, as the borrower, and ADI, as the co-borrower, entered into an OLSA with DBP, LBP, BOC and Maybank for a loan facility of ₱2,400.0 million exclusively for the purpose of partially financing the development, construction and operation of the 34-storey premium-grade office building named Alphaland Tower. On September 22, 2011 and December 22, 2011, AMTI made its first and second drawdown amounting to ₱360.0 million and ₱660.0 million, respectively. In 2012, AMTI made its third, fourth and fifth loan drawdown amounting to ₱164.0 million, ₱300.0 million and ₱138.0 million, respectively. Interest, which is based on a floating rate equivalent to applicable three-month PDEx rate plus 3.5% spread per annum, is payable quarterly. Interest rates of the long-term debt range from 4.06% to 6.07% in 2011. Mortgaged collaterals for the loan are the land where Alphaland Tower is being constructed and property under construction (see Notes 8 and 12).

The scheduled maturities of AMTI's outstanding loan as of December 31, 2012 are as follows:

	DBP	LBP	BOC	Maybank	Total
2013	₱2,534,375	₱1,689,313	₱3,379,437	₱506,875	₱8,110,000
2014	13,939,061	9,291,222	18,586,904	2,787,813	44,605,000
2015	31,679,688	21,116,413	42,242,961	6,335,938	101,375,000
2016	54,489,063	36,320,230	72,657,896	10,897,811	174,365,000
2017 and onwards	404,232,813	269,445,422	539,020,202	80,846,563	1,293,545,000
	506,875,000	337,862,600	675,887,400	101,375,000	1,622,000,000
Less deferred financing costs	30,991,789	4,917,796	9,833,930	1,464,893	47,208,408
	₱475,883,211	₱332,944,804	₱666,053,470	₱99,910,107	₱1,574,791,592

Interest and other financing costs on the loan amounting to ₱77.9 million and ₱6.9 million were capitalized as part of investment properties and land and development costs in 2012 and 2011, respectively (see Notes 8 and 12).

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

	2012	2011
Balance at beginning of year	**₱73,784,898**	₱22,082,783
Additions	**14,633,854**	57,470,688
Amortization	**(19,655,478)**	(5,768,573)
Balance at end of year	**₱68,763,274**	₱73,784,898

Amortization of deferred financing costs amounting to ₱16.5 million, ₱5.8 million and ₱1.6 million in 2012, 2011 and 2010, respectively, was included in the interest and other financing costs capitalized as part of investment properties and land and development costs (see Notes 8 and 12).

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

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

As of December 31, 2012 and 2011, the Group is in compliance with all the requirements of the loan agreements.

18. Equity

a. Capital Stock

The composition of ALPHA's capital stock consisting of all common shares as of December 31, 2012 and 2011 is as follows:

	2012	2011
Authorized - ₱1 par value	**5,000,000,000**	5,000,000,000
Issued and subscribed	**1,984,746,251**	1,984,746,251
Treasury	**(423,900)**	(423,900)
Outstanding	**1,984,322,351**	1,984,322,351

The rollforward of issued and subscribed common shares follows:

	2012	2011
At beginning of year	**1,984,746,251**	1,429,220,287
Issuances during the year:		
Conversion of deposits for future stock subscriptions	**–**	408,150,264
Subscription of DMWAI	**–**	147,375,700
At end of year	**1,984,746,251**	1,984,746,251

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

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

In order to comply with the required minimum public float of 10% as of December 31, 2012, AH sold 49,608,000 million of its shares in ALPHA to Credit Suisse (Singapore) Limited (Credit Suisse) on December 31, 2012. With the sale, the public float of ALPHA increased to 10.53%. However, as the date of sale was not a trading day at the PSE, the transaction had to be effected outside the facilities of the PSE and the appropriate capital gains tax and documentary stamp tax for the transaction (instead of the usual stock transaction tax for transactions effected through the PSE) were paid. Pending the issuance of the necessary tax clearance and certificate authorizing registration by the BIR for the registration of the sold shares in the name of Credit Suisse in the books of ALPHA, the PSE imposed a trading suspension on the shares of ALPHA. The trading suspension was lifted on March 1, 2013 immediately after ALPHA obtained the tax clearance and certificate authorizing registration for the said sale.

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

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

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

** This represents 155% and 20% stock dividend, respectively.*
*** Share-for-share swap with shareholders of ADI (see Note 4).*
**** Partially paid, with subscription receivable of ₱1,472.8 million.*

All of the foregoing shares are listed in the PSE, except for the shares issued on March 3, 2011 and June 27, 2011. Beginning April 7, 2010, the resulting outstanding shares do not include 423,900 shares held in treasury, which are listed and currently lodged with PCD Nominee Corporation.

The total number of shareholders, which includes PCD Nominee Corporation, as of December 31, 2012 and 2011 is 41 and 37, respectively.

b. Deposits for Future Stock Subscriptions

In 2011 and 2010, ALPHA received deposits for future stock subscriptions from its major stockholders amounting to ₱1,933.7 million and ₱2,147.8 million, respectively.

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

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

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

During the annual stockholders' meeting of ALPHA held in May 2011, all deposits for future stock subscriptions amounting to ₱4,081.5 million as of the said date were approved for conversion to 408,150,264 common stock of ALPHA.

Authorization for Issuance of Additional Shares to DMWAI

On March 3, 2011, the Executive Committee of the BOD of ALPHA authorized the issuance to DMWAI of 147,375,700 common shares from the unissued portion of its authorized capital stock at an issue price of ₱10 per share. This resulted in an increase in the issued and subscribed shares of ALPHA, net of 423,900 treasury shares, from 1,428,796,387 shares to 1,576,172,087. The shares issued to DMWAI represent approximately 9.35% of the then resulting outstanding capital stock of ALPHA.

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

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

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

As of December 31, 2012, there was no conveyance yet of the Joint Venture Company's shares of stock from DMWAI to ALPHA nor has DMWAI conveyed the additional four hectares of land to the Joint Venture Company. The related subscription receivable of ₱1,472.8 million was recognized as deduction from the subscribed capital stock in the equity section of the consolidated balance sheets.

c. Retained Earnings

Accumulated equity in net income of associates, subsidiaries and joint ventures not available for dividend declaration amounted to ₱7,798.8 million and ₱5,729.0 million as of December 31, 2012 and 2011, respectively.

d. Treasury Shares

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

Total cost of 423,900 treasury shares amounted to ₱1.2 million as of December 31, 2012 and 2011.

19. Related Party Disclosures

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

The Group, in its regular conduct of business, has transactions with its related parties. The following tables summarize the transactions with the related parties and outstanding balance arising from these transactions.

	Year	Purchases	Rental
Associates:			
AHEC	**2012**	**₱67,665,676**	**₱58,735**
	2011	258,161,266	259,232
	2010	–	564,039
ASAI	**2012**	**15,787,842**	**366,844**
	2011	–	–
	2010	–	–
AUI	**2012**	**179,476**	**1,677,430**
	2011	82,760	787,379
	2010	–	–
Total	**2012**	**₱83,632,994**	**₱2,103,009**
	2011	258,244,026	1,046,611
	2010	–	564,039
Related parties under common key management	**2012**	**₱11,417**	**₱68,780,678**
	2011	–	60,501,332
	2010	–	47,697,690

	Year	Terms	Conditions	Advances During Year	Advances to (from) (see Note 10)	Trade and Other Receivables (see Note 7)	Trade and Other Payables (see Note 15)
Associates:							
SGCPI	**2012**	Noninterest-bearing	Unsecured; no impairment	**(₱671,500,000)**	**₱494,121,776**	**₱–**	**₱–**
	2011	Noninterest-bearing	Unsecured; no impairment	–	671,500,000	–	–
FBSHI	**2012**	Noninterest-bearing	Unsecured; no impairment	**(152,500,000)**	**485,378,224**	**–**	**–**
	2011	Noninterest-bearing	Unsecured; no impairment	152,500,000	152,500,000	–	–
AHEC	**2012**	Noninterest-bearing	Unsecured; no impairment	**(10,906,281)**	**(1,266,667)***	**5,723**	**(10,974,494)**
	2011	Noninterest-bearing	Unsecured; no impairment	8,424,856	9,639,614	2,100	–
ASAI	**2012**	Noninterest-bearing	Unsecured; no impairment	**(26,842)**	**28,157**	**–**	**–**
	2011	Noninterest-bearing	Unsecured; no impairment	55,000	55,000	–	–
AUI	**2012**	Noninterest-bearing	Unsecured; no impairment	**32,300**	**44,490**	**913,227**	**–**
	2011	Noninterest-bearing	Unsecured; no impairment	122,190	12,190	157,223	–
Total	**2012**			**(₱834,900,823)**	**₱978,305,980**	**₱918,950**	**(₱10,974,494)**
	2011			161,102,046	833,706,804	159,323	–

**Net of advances from related parties of ₱10.0 million*

	Year	Terms	Conditions	Advances During Year	Advances to (from)	Trade and Other Receivables	Trade and Other Payables
Related parties under common key management	**2012**	Noninterest-bearing	Unsecured; no impairment	**₱118,152,336**	**₱133,784,047**	**₱–**	**₱11,417**
	2011	Noninterest-bearing	Unsecured; no impairment	76,695,827	15,631,711	–	–

Advances to associates amounting to ₱8.8 million and ₱833.7 million as of December 31, 2012 and 2011, respectively, are included under "Investments in and advances to associates" account in the consolidated balance sheets (see Note 10). Advances from associates amounting to ₱10.0 million as of December 31, 2012 were presented as part of "Advances from related parties" account in the 2012 consolidated balance sheet.

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

- The Group holds certain bank accounts, which earn interest based on prevailing market interest rates, in PBCom. Cash and cash equivalents and restricted cash maintained with PBCom amounted to ₱810.6 million and ₱1,282.7 million as of December 31, 2012 and 2011, respectively (see Notes 6, 9 and 14). Interest income earned amounted to ₱18.9 million and ₱13.9 million and nil in 2012, 2011 and 2010, respectively. PBCom and the Group have common directors, officers and shareholder.

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

- Advances to officers and employees amounted to ₱43.6 million and ₱40.0 million as of December 31, 2012 and 2011, respectively (see Note 7).

- Corporate guaranty in the maximum amount of ₱2,000.0 million in favor of Shangri-la Properties, Inc. and Shangri-la Asia Limited in connection with the ₱10,000.0 million term loan facility obtained by FBSHI (see Note 28).

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

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

	2012	2011	2010
Short-term employee benefits	**₱49,317,215**	₱49,311,613	₱31,321,660
Post-employment benefits	**9,232,547**	2,465,581	1,398,715
	₱58,549,762	₱51,777,194	₱32,720,375

20. **Lease Commitments**

a. Operating Lease

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

In 2012, AMPI entered into various operating lease agreements as a lessor covering mall spaces at Alphaland Makati Place for varying periods ranging from two to five years, which may be renewed or extended under such new or additional terms or conditions agreed by the parties. Upon inception of the lease agreements, tenants are required to pay security deposits equivalent to three months rent. Tenants likewise pay a fixed monthly rent subject to a 5% escalation rate beginning on the third year of the lease term, in which the monthly rent is calculated with reference to a fixed sum per square meter of leased area, and/or pay rent on a percentage rental basis, which comprises a percentage of gross sales. Commencement of the lease term shall start upon completion of construction of the mall spaces before the end of the 1st quarter of 2013.

The Group's customers' deposits on lease contracts are as follows:

	2012	2011
Current	**₱13,745,480**	₱19,551,074
Noncurrent	**77,839,279**	57,995,948
	₱91,584,759	₱77,547,022

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

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

Rent income and common utilities, services and maintenance charges from Alphaland Southgate Tower amounted to ₱528.6 million, ₱412.8 million and ₱184.3 million in 2012, 2011 and 2010, respectively. Direct costs related to rent income amounted to ₱121.1 million, ₱75.2 million and ₱32.4 million in 2012, 2011 and 2010, respectively, which mainly comprised of utilities and commissary costs.

The Group recognizes the customers' deposit at fair value. The fair value of the deposit is determined based on the prevailing market rate of interest for a similar loan. The excess of the principal amount of the deposit over its fair value is accounted for as deferred lease income and amortized on a straight-line basis. The deferred lease income amounted to ₱9.1 million and ₱10.8 million as of December 31, 2012 and 2011, respectively, and is included under "Other noncurrent liabilities" account in the consolidated balance sheets.

Aside from customers' deposits paid by tenants, advance rentals generally equivalent to two months rental are also paid and included in the initial billing to tenants, which shall be applied to the monthly rental at the end of the lease term. Advance rental amounted to ₱69.8 million and ₱63.3 million as of December 31, 2012 and 2011, respectively, and is included under "Other noncurrent liabilities" account in the consolidated balance sheets.

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

Within one year	₱293,104,263
After one year but not more than five years	611,329,252

In 2011, ADI also entered into a long-term foreshore lease agreement with the Department of Environment and Natural Resources (lessor) for a period of 25 years, effective upon issuance thereof, renewable for another period of 25 years at the option of the lessor. The leased property represents a portion of foreshore with a total area of 241,017 square meters (inclusive of the portion covered by water), more or less, located at the Manila Reclamation Area, Parañaque City. The purpose of the lease is to allow AMC to develop and construct the Marina Club (see Note 1). The lease agreement provides for an annual fixed rental payable annually in advance during the lease term.

The future minimum rent payable under the operating lease agreement as of December 31, 2012 is as follows:

Within one year	₱2,417,520
After one year but not more than five years	12,087,600
After more than five years	45,731,420
	₱60,236,540

b. Finance Lease

The Group acquired various transportation equipment under finance lease arrangements. As of December 31, 2012 and 2011, the present value of future annual minimum lease payments under the lease arrangements follows:

	2012	2011
Within one year	**₱1,668,204**	₱1,668,204
After one year but not more than five years	**2,770,524**	4,438,728
Total minimum lease payments	**4,438,728**	6,106,932
Less amount representing interest	**648,172**	1,174,144
Present value of lease payments	**3,790,556**	4,932,788
Less current portion (see Note 15)	**1,287,172**	1,142,232
Noncurrent portion	**₱2,503,384**	₱3,790,556

The carrying value of the transportation equipment as of December 31, 2012 and 2011 amounted to ₱4.0 million and ₱5.5 million, respectively (see Note 13). Interest expense charged to operations under the agreements amounted to ₱0.5 million, ₱0.7 million and ₱0.2 million in 2012, 2011 and 2010, respectively (see Note 21).

21. Costs and Expenses

	2012	2011	2010
Utilities and rent	**₱160,181,872**	₱123,827,293	₱65,281,966
Taxes and licenses	**84,381,500**	28,520,473	61,922,051
Service and professional fees	**50,996,599**	36,660,639	49,622,955
Depreciation and amortization (see Notes 13 and 14)	**44,530,696**	15,477,187	6,179,362
Listing and filing fees	**25,562,422**	30,426,771	37,683,721
Salaries and employees' benefits (see Note 22)	**16,473,982**	19,192,190	43,694,877
Sales and marketing	**11,909,147**	29,481,774	5,977,745
Repairs and maintenance	**5,716,301**	7,113,401	2,640,136
Insurance	**3,344,042**	800,059	4,306,694
Supplies	**1,785,360**	1,206,783	4,332,857
Representation	**1,601,894**	647,806	1,296,990
Provision for impairment losses (see Note 7)	**1,147,070**	–	5,700,000
Travel and transportation	**1,034,360**	1,589,866	1,841,521
Communication	**674,136**	365,146	1,427,690
Others	**16,605,522**	5,539,032	6,762,340
	₱425,944,903	₱300,848,420	₱298,670,905

Details of interest expense and other finance charges:

	2012	2011	2010
Long-term debt (see Note 17)	**₱57,398,683**	₱63,797,311	₱86,263,607
Loans payable (see Note 16)	**49,443,030**	3,937,847	6,942,153
Mortgage and other financing charges (see Note 17)	**12,627,257**	168,603	234,723
Accretion of customers' deposits (see Note 20)	**3,397,919**	2,851,553	–
Obligation under finance lease (see Note 20)	**525,972**	651,667	235,809
	₱123,392,861	₱71,406,981	₱93,676,292

22. **Retirement Benefits Obligation**

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

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

	2012	2011	2010
Retirement benefit cost:			
Current service cost	**₱10,982,865**	₱4,669,733	₱4,919,700
Interest cost	**704,261**	442,773	–
	₱11,687,126	₱5,112,506	₱4,919,700

	2012	2011
Retirement benefit liability:		
Present value of defined benefit obligation	**₱18,753,543**	₱10,032,206
Actuarial gain on obligation	**2,965,789**	–
	₱21,719,332	₱10,032,206
Present value of defined benefit obligation:		
Balance at beginning of year	**₱10,032,206**	₱4,919,700
Current service cost	**10,982,865**	4,669,733
Interest cost	**704,261**	442,773
Actuarial gain on obligation	**(2,965,789)**	–
Balance at end of year	**₱18,753,543**	₱10,032,206

Principal actuarial assumptions used to determine retirement benefit obligations in 2012 and 2011 are as follows:

	2012	2011
Discount rate	**6%**	7%
Salary increase rate	**6%**	6%

Amounts for the current and previous years are as follows:

	2012	2011	2010
Defined benefit obligation	**₱18,753,543**	₱10,032,206	₱4,919,700
Experience adjustment on defined benefit obligation	**(2,965,789)**	–	–

23. **Income Taxes**

In 2012, the provision for current income tax represents MCIT for ADI and AMPI and regular corporate income tax (RCIT) for other companies within the Group while in 2011 and 2010, the provision for current income tax represents MCIT for ADI and RCIT for the other companies within the Group.

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

	2012	2011	2010
From continuing operations	**₱8,757,459**	₱5,220,444	₱1,967,708
From discontinued operations (see Note 5)	–	5,502,653	11,390,358
	₱8,757,459	₱10,723,097	₱13,358,066

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

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

	2012	2011
Gain on fair value change of investment properties	**₱2,973,491,563**	₱2,237,201,905
Unrealized valuation gains on AFS investments	**1,809,788,649**	792,126,101
Accumulated depreciation for tax purposes	**52,273,687**	36,748,999
Capitalized borrowing costs	**40,613,521**	34,378,490
Excess rent income under operating lease computed on a straight-line basis	**16,793,200**	14,709,517
	₱4,892,960,620	₱3,115,165,012

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

	2012	2011
NOLCO	**₱413,193,246**	₱394,571,028
Retirement benefits obligation	**21,719,332**	10,032,206
MCIT	**15,945,611**	7,194,717
Allowance for probable losses	**5,852,085**	4,705,015
Unrealized foreign exchange losses (gains)	**(228,945)**	53,223
	₱456,481,329	₱416,556,189

As of December 31, 2012 and 2011, the Group has NOLCO and MCIT that can be claimed as deduction from future taxable income and income tax liabilities, respectively, as follows:

Year Incurred	Year of Expiry	NOLCO	MCIT
2010	2013	181,764,588	1,967,708
2011	2014	51,896,130	5,220,444
2012	2015	179,532,528	8,757,459
		₱413,193,246	₱15,945,611

The following are the movements in NOLCO and MCIT:

NOLCO

	2012	2011
Balances at beginning of year	**₱394,571,028**	₱419,531,209
Additions	**179,636,286**	74,429,074
Expired	**(161,014,068)**	(99,389,255)
Balances at end of year	**₱413,193,246**	₱394,571,028

MCIT

	2012	2011
Balances at beginning of year	**₱7,194,717**	₱2,001,732
Additions	**8,757,459**	5,220,444
Expired	**(6,565)**	(27,459)
Balances at end of year	**₱15,945,611**	₱7,194,717

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

	2012	2011	2010
Income tax computed at statutory tax rate	**₱836,435,326**	₱797,647,067	₱460,957,055
Additions to (reductions in) income tax resulting from:			
Nontaxable income	**(15,639,241)**	(63,338,387)	–
Interest income subjected to final tax	**(9,464,847)**	(13,466,179)	(2,343,140)
Nondeductible expenses	**27,328,544**	6,873,486	3,234,303
Gain on loss of control	**–**	(2,681,825)	–
Loss on sale of an investment	**–**	389,424	–
Equity in net income (loss) of associates	**2,501,984**	(14,570)	(8,113,445)
Income subjected to capital gains tax	**(98,777,753)**	–	–
Gain on bargain purchase	**–**	–	(228,566,054)
Gain on sale of investment	**(330,515)**		
Others	**349,262**	–	(23,912)
Expired MCIT	**6,565**	–	–
Excess of MCIT over RCIT	**8,378,026**	11,501,425	–
Change in unrecognized deferred tax assets	**18,103,168**	(1,228,621)	87,853,631
	₱768,890,519	₱735,681,820	₱312,998,438

24. **Earnings per Share Computations**

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

	2012	2011	2010
Net income attributable to equity holders of the Parent	**₱2,019,399,060**	₱1,936,048,809	₱1,246,756,322
Less income from discontinued operations (see Note 5)	**–**	12,907,072	26,336,041
(a) Income from continuing operations attributable to equity holders of the Parent	**₱2,019,399,060**	₱1,923,141,737	₱1,220,420,281
(b) Weighted average number of shares outstanding			
At beginning of year	**1,984,746,251**	461,386,202	317,433,510
Conversion of deposits for future stock subscriptions	**–**	1,194,872,581	–
Subscription of DMWAI	**–**	98,250,467	–
SSA	**–**	–	828,521,716
Issuance to Noble Care	**–**	–	238,203,381
At end of year	**1,984,746,251**	1,754,509,250	1,384,158,607
Basic/diluted earnings per share (a/b)	**₱1.017**	₱1.096	₱0.882

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

	2012	2011	2010
(a) Net income attributable to equity holders of the Parent	**₱2,019,399,060**	₱1,936,048,809	₱1,246,756,322
(b) Weighted average number of shares outstanding			
At beginning of year	**1,984,746,251**	461,386,202	317,433,510
Conversion of deposits for future stock subscriptions	**–**	1,194,872,581	–
Subscription of DMWAI	**–**	98,250,467	–
SSA	**–**	–	828,521,716
Issuance to Noble Care	**–**	–	238,203,381
At end of year	**1,984,746,251**	1,754,509,250	1,384,158,607
Basic/diluted earnings per share (a/b)	**₱1.017**	₱1.103	₱0.901

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

25. **Financial Instruments**

Fair Values of Financial Instruments

The carrying and fair values of the Group's financial assets and liabilities per category as of December 31, 2012 and 2011 are as follows:

	Carrying Values		Fair Values	
	2012	2011	**2012**	2011
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**₱408,033,924**	₱975,055,018	**₱408,033,924**	₱975,055,018
Trade and other receivables*	**165,085,884**	111,093,560	**165,085,884**	111,093,560
Advances to associates and related parties**	**152,369,130**	34,636,104	**152,369,130**	34,636,104
Restricted cash***	**630,927,266**	440,847,976	**630,927,266**	440,847,976
Noncurrent portion of trade receivables from sale of club shares****	**62,970,667**	4,365,372	**58,606,881**	4,268,902
Refundable deposits****	**11,384,288**	8,227,573	**11,384,288**	8,227,573
	1,430,771,159	1,574,225,603	**1,426,407,373**	1,574,129,133
AFS investments:				
Unquoted	**₱24,564,364,390**	₱10,736,125,000	**₱24,564,364,390**	₱10,736,125,000
Quoted	**18,000,000**	11,300,000	**18,000,000**	11,300,000
	24,582,364,390	10,747,425,000	**24,582,364,390**	10,747,425,000
	₱26,013,135,549	₱12,321,650,603	**₱26,008,771,763**	₱12,321,554,133
Financial Liabilities				
Other financial liabilities:				
Trade and other payables*****	**₱1,084,249,741**	₱423,274,618	**₱1,084,249,741**	₱423,274,618
Loans payable	**2,000,000,000**	–	**2,000,000,000**	–
Long-term debt	**4,378,973,107**	3,027,466,302	**5,137,247,722**	3,027,466,302
Customers' deposits	**91,584,759**	77,547,022	**79,561,013**	61,584,516
Advances from related parties	**19,779,103**	9,297,589	**19,779,103**	9,297,589
	₱7,574,586,710	₱3,537,585,531	**₱8,320,837,579**	₱3,521,623,025

**Excludes receivables to be settled through exchange of land amounting to ₱8.3 million and ₱16.6 million as of December 31, 2012 and 2011, respectively, and receivable from officers and employees (see Notes 7 and 11).*

***Excluding advances intended for future stock subscription (see Note 10).*

****Included under "Other current assets" and "Other noncurrent assets" accounts (see Notes 9 and 14).*

*****Included under "Other noncurrent assets" account (see Note 14).*

******Excludes liability related to acquisition of AFS investments, subscriptions payable, deposits from sale of preferred shares and condominium units, unearned income and obligation under finance lease (see Note 15).*

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

Advances to Associates. Since the timing and amounts of future cash flows cannot be reasonably and reliably estimated, these are presented at cost.

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

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

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

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

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

26. Financial Risk Management Objectives and Policies

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

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and manage the Group's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Group's activities.

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

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

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

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

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

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

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

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

The table below shows the credit quality of the Group neither past due nor impaired financial assets as of December 31, 2012 and 2011 as follows:

	2012					
		Neither Past Due nor Impaired			Past Due but	Past Due
	Total	High Grade	Standard Grade	Total	not Impaired	and Impaired
Loans and Receivables						
Cash and cash equivalents*	**₱404,204,274**	**₱404,204,274**	**₱–**	**₱404,204,274**	**₱–**	**₱–**
Trade and other receivables:						
Trade	**168,592,139**	**151,175,606**	**–**	**151,175,606**	**11,564,448**	**5,852,085**
Others	**2,345,830**	**2,345,830**	**–**	**2,345,830**	**–**	**–**
Advances to associates and related parties	**152,369,130**	**152,369,130**	**–**	**152,369,130**	**–**	**–**
Restricted cash	**630,927,266**	**630,927,266**	**–**	**630,927,266**	**–**	**–**
Noncurrent portion of trade receivables from sale of club shares	**62,970,667**	**62,970,667**	**–**	**62,970,667**	**–**	**–**
Refundable deposits	**11,384,288**	**11,384,288**	**–**	**11,384,288**	**–**	**–**
	1,432,793,594	**1,415,377,061**	**–**	**1,415,377,061**	**11,564,448**	**5,852,085**
AFS Investments						
Unquoted Clubs' preferred shares	**24,564,364,390**	**24,564,364,390**	**–**	**24,564,364,390**	**–**	**–**
Ordinary shares - quoted	**18,000,000**	**18,000,000**	**–**	**18,000,000**	**–**	**–**
	24,582,364,390	**24,582,364,390**	**–**	**24,582,364,390**	**–**	**–**
	₱26,015,157,984	**₱25,997,741,451**	**₱–**	**₱25,997,741,451**	**₱11,564,448**	**₱5,852,085**

**Excluding cash on hand.*

	2011					
		Neither Past Due nor Impaired			Past Due but	Past Due
	Total	High Grade	Standard Grade	Total	not Impaired	and Impaired
Loans and Receivables						
Cash and cash equivalents*	₱972,462,247	₱972,462,247	₱–	₱972,462,247	₱–	₱–
Trade and other receivables:						
Trade	112,402,251	97,275,494	–	97,275,494	10,421,742	4,705,015
Others	3,396,324	3,355,077		3,355,077	41,247	–
Advances to associates and related parties	34,636,104	34,636,104	–	34,636,104	–	–
Restricted cash	440,847,976	440,847,976	–	440,847,976	–	–
Noncurrent portion of trade receivables from sale of club shares	4,365,372	4,365,372	–	4,365,372	–	–
Refundable deposits	8,227,573	8,227,573	–	8,227,573	–	–
	1,576,337,847	1,561,169,843	–	1,561,169,843	10,462,989	4,705,015
AFS Investments						
Unquoted Clubs' preferred shares	10,736,125,000	10,736,125,000	–	10,736,125,000	–	–
Ordinary shares - quoted	11,300,000	11,300,000	–	11,300,000	–	–
	10,747,425,000	10,747,425,000	–	10,747,425,000	–	–
	₱12,323,762,847	₱12,308,594,843	₱–	₱12,308,594,843	₱10,462,989	₱4,705,015

**Excluding cash on hand.*

The following are the aging analyses of financial assets as of December 31, 2012 and 2011:

	2012						
			Past Due but not Impaired				**Past Due**
	Total	**Neither Past Due nor Impaired**	**1–30 Days**	**31–60 Days**	**61–90 Days**	**More than 90 Days**	**and Impaired**
Loans and Receivables							
Cash and cash equivalents	**₱404,204,274**	**₱404,204,274**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Trade and other receivables	**170,937,969**	**153,521,436**	**2,139,908**	**1,251,904**	**839,705**	**7,332,931**	**5,852,085**
Advances to associates and related parties	**152,369,130**	**152,369,130**	–	–	–	–	–
Restricted cash	**630,927,266**	**630,927,266**	–	–	–	–	–
Noncurrent portion of trade receivables from sale of club shares	**62,970,667**	**62,970,667**	–	–	–	–	–
Refundable deposits	**11,384,288**	**11,384,288**	–	–	–	–	–
	1,432,793,594	**1,415,377,061**	**2,139,908**	**1,251,904**	**839,705**	**7,332,931**	**5,852,085**
AFS Investments							
Unquoted Clubs' preferred shares	**₱24,564,364,390**	**₱24,564,364,390**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Ordinary shares - quoted	**18,000,000**	**18,000,000**	–	–	–	–	–
	24,582,364,390	**24,582,364,390**	–	–	–	–	–
	₱26,015,157,984	**₱25,997,741,451**	**₱2,139,908**	**₱1,251,904**	**₱839,705**	**₱7,332,931**	**₱5,852,085**

	2011						
			Past Due but not Impaired				Past Due
	Total	Neither Past Due nor Impaired	1–30 Days	31–60 Days	61–90 Days	More than 90 Days	and Impaired
Loans and Receivables							
Cash and cash equivalents	₱972,462,247	₱972,462,247	₱–	₱–	₱–	₱–	₱–
Trade and other receivables	115,798,575	100,623,521	1,946,528	685,813	3,736,707	4,100,991	4,705,015
Advances to associates and related parties	34,636,104	34,636,104	–	–	–	–	–
Restricted cash	440,847,976	440,847,976	–	–	–	–	–
Noncurrent portion of trade receivables from sale of club shares	4,365,372	4,365,372	–	–	–	–	–
Refundable deposits	8,227,573	8,227,573	–	–	–	–	–
	1,576,337,847	1,561,162,793	1,946,528	685,813	3,736,707	4,100,991	4,705,015
AFS Investments							
Unquoted Clubs' preferred shares	10,736,125,000	10,736,125,000	–	–	–	–	–
Ordinary shares - quoted	11,300,000	11,300,000	–	–	–	–	–
	10,747,425,000	10,747,425,000	–	–	–	–	–
	₱12,323,762,847	₱12,308,587,793	₱1,946,528	₱685,813	₱3,736,707	₱4,100,991	₱4,705,015

Interest Rate Risk

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

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

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

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

	Increase/Decrease in Interest Rate	Effect on Income before Tax
2012	**+1.0%**	**(₱43,789,731)**
	–1.0%	**43,789,731**
2011	+1.0%	(₱31,012,512)
	–1.0%	31,012,512

Liquidity Risk

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

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

The tables below summarize the maturity profile of the Group's financial assets use for liquidity management and the maturity profile of financial liabilities as of December 31, 2012 and 2011 based on undiscounted cash flows:

	2012					
	On Demand	**1–30 Days**	**31–60 Days**	**61–90 Days**	**More than 90 Days**	**Total**
Financial Assets						
Cash and cash equivalents	**₱408,033,924**	**₱–**	**₱–**	**₱–**	**₱–**	**₱408,033,924**
Trade and other receivables	**153,521,436**	**2,139,908**	**1,251,904**	**839,705**	**7,332,931**	**165,085,884**
Advances to associates and related parties	**152,369,130**	**–**	**–**	**–**	**–**	**152,369,130**
Restricted cash	**630,927,266**	**–**	**–**	**–**	**–**	**630,927,266**
Noncurrent portion of trade receivables from sale of club shares	**–**	**–**	**–**	**–**	**62,970,667**	**62,970,667**
Refundable deposits	**–**	**–**	**–**	**–**	**11,384,288**	**11,384,288**
AFS investments	**–**	**–**	**–**	**–**	**24,582,364,390**	**24,582,364,390**
	₱1,344,851,756	**₱2,139,908**	**₱1,251,904**	**₱839,705**	**₱24,664,052,276**	**₱26,013,135,549**

2012	On Demand	1–30 Days	31–60 Days	61–90 Days	More than 90 Days	Total
Financial Liabilities						
Trade and other payables:						
Trade	₱356,433,478	₱122,422,873	₱2,249,806	₱4,155,964	₱25,719,220	₱510,981,341
Accrued expenses	326,340,215	17,238,960	–	–	–	343,579,175
Retention payable	41,448,024	–	–	–	150,282,729	191,730,753
Accrued interest	2,004,765	–	2,855,184	6,217,111	–	11,077,060
Others	25,373,944	1,507,468	–	–	–	26,881,412
Loans payable	–	500,000,000		490,000,000	1,010,000,000	2,000,000,000
Long-term debt:						
Principal	–	–	–	229,978,734	4,148,994,373	4,378,973,107
Interest	1,847,184	5,726,271	5,172,115	15,829,229	660,936,542	689,511,341
Customers' deposits	8,555,810	–	–	–	83,028,949	91,584,759
Advances from related parties	19,779,103	–	–	–	–	19,779,103
	₱781,782,523	₱646,895,572	₱10,277,105	₱746,181,038	₱6,078,961,813	₱8,264,098,051

2011	On Demand	1–30 Days	31–60 Days	61–90 Days	More than 90 Days	Total
Financial Assets						
Cash and cash equivalents	₱975,055,018	₱–	₱–	₱–	₱–	₱975,055,018
Trade and other receivables	25,080,507	77,301,294	698,413	1,117,867	6,895,479	111,093,560
Advances to associates and related parties	34,636,104	–	–	–	–	34,636,104
Restricted cash	440,847,076	–	–	–	–	440,847,076
Noncurrent portion of trade receivables from sale of club shares	–	–	–	–	4,365,372	4,365,372
Refundable deposits	8,227,573	–	–	–	–	8,227,573
AFS investments	–	–	–	–	10,747,425,000	10,747,425,000
	₱1,483,846,278	₱77,301,294	₱698,413	₱1,117,867	₱10,758,685,851	₱12,321,649,703
Financial Liabilities						
Trade and other payables:						
Trade	₱227,004,614	₱36,265,654	₱12,710,152	₱441,631	₱3,535,546	₱279,957,597
Accrued expenses	56,803,021	13,611,986	–	–	–	70,415,007
Retention payable	5,816,571	–	–	–	41,126,083	46,942,654
Accrued interest	1,344,025	–	1,939,221	2,597,004	–	5,880,250
Others	12,834,060	700,734	–	–	16,694,316	30,229,110
Customers' deposits	37,379,854	281,177	–	107,782	39,778,209	77,547,022
Long-term debt:						
Principal	–	–	–	43,750,000	2,983,716,302	3,027,466,302
Interest	–	–	–	39,303,057	690,313,046	729,616,103
Advances from related parties	9,297,589	–	–	–	–	9,297,589
	₱350,479,734	₱50,859,551	₱14,649,373	₱86,199,474	₱3,775,163,502	₱4,277,351,634

Capital Management

The primary objective of the Group's capital management is to ensure that the Group has sufficient funds in order to support its business, pay existing obligations and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To manage or adjust the capital structure, the Group may obtain additional advances from stockholders, adjust the return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2012 and 2011. The Group monitors capital using the monthly cash position report and financial statements. The Parent Company is not subject to externally imposed capital requirements. Certain subsidiaries, however, are required to maintain a debt to equity ratio as provided in the loan agreements (see Note 17).

The components of the Group's capital as of December 31, 2012 and 2011 follow:

	2012	2011
Layer I:		
Capital stock	**₱1,838,370,551**	₱1,838,370,551
Additional paid-in capital	**9,672,052,401**	9,672,052,401
	11,510,422,952	11,510,422,952
Layer II:		
Retained earnings - operating income	**175,305,231**	(126,084,627)
Excess of acquisition price over acquired interest	**(159,018,215)**	(159,018,215)
Treasury shares	**(1,213,526)**	(1,213,526)
	15,073,490	(286,316,368)
Layer III:		
Unrealized valuation gains on AFS investments	**16,288,147,877**	7,129,834,932
Retained earnings - gain on fair value change of investment properties	**6,939,966,508**	5,221,957,306
Retained earnings - gain on bargain purchase	**761,886,845**	761,886,845
	23,990,001,230	13,113,679,083
Total capital	**₱35,515,497,672**	₱24,337,785,667

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

27. Segment Information

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

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

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

Business Segments

In 2012, for purposes of segment reporting, the Group does not have other reportable segments other than real property development. The following tables present revenue, costs and expenses, certain assets and liabilities information regarding the Group's real property development and plastics manufacturing business segments in 2011 and 2010.

	2011				
	Real Property Development	Plastics Manufacturing (Discontinued Operations)	Total	Eliminations	Consolidated
Revenues					
External customers	₱413,024,287	₱461,523,368	₱874,547,655	(₱461,523,368)	₱413,024,287
Gain on fair value change of investment properties	2,356,792,867	–	2,356,792,867	–	2,356,792,867
Gain on sale of AFS investments	208,631,416	–	208,631,416	–	208,631,416
Interest income	44,887,264	–	44,887,264	–	44,887,264
Gain on loss of control	8,939,415	–	8,939,415	–	8,939,415
Equity in net income of associates	48,567	–	48,567	–	48,567
Other income	53,223	–	53,223	–	53,223
	3,032,377,039	461,523,368	3,493,900,407	(461,523,368)	3,032,377,039
Costs and Expenses					
Costs and expenses	285,371,233	374,344,011	659,715,244	(374,344,011)	285,371,233
Interest expense and other finance charges	71,406,981	–	71,406,981	–	71,406,981
Depreciation and amortization	15,477,187	4,808,138	20,285,325	(4,808,138)	15,477,187
Loss on sale of an investment	1,298,081	–	1,298,081	–	1,298,081
Other expenses	–	63,961,494	63,961,494	(63,961,494)	–
	373,553,482	443,113,643	816,667,125	(443,113,643)	373,553,482
Provision for (benefit from) income tax:					
Current	5,220,444	5,502,653	10,723,097	(5,502,653)	5,220,444
Deferred	730,461,376	–	730,461,376	–	730,461,376
	735,681,820	5,502,653	741,184,473	(5,502,653)	735,681,820
Income from continuing operations after tax	1,923,141,737	–	1,923,141,737	–	1,923,141,737
Income from discontinued operations after tax	–	12,907,072	12,907,072	–	12,907,072
Net Income	₱1,923,141,737	₱12,907,072	₱1,936,048,809	₱–	₱1,936,048,809
Operating Assets	₱33,855,586,145	₱–	₱33,855,586,145	₱–	₱33,855,586,145
Operating Liabilities	₱9,517,800,478	₱–	₱9,517,800,478	₱–	₱9,517,800,478
Other Disclosures					
Investments in associates	₱94,804,626	₱–	₱94,804,626	₱–	₱94,804,626
Investment properties	18,046,169,798	–	18,046,169,798	–	18,046,169,798
Goodwill	23,229,684	–	23,229,684	–	23,229,684
AFS investments	10,747,425,000	–	10,747,425,000	–	10,747,425,000
Capital expenditures	1,316,215,750	–	1,316,215,750	–	1,316,215,750
Cash Flows Provided by (Used in)					
Operating activities	(₱1,122,705,669)	₱29,191,528	(₱1,093,514,141)	₱–	(₱1,093,514,141)
Investing activities	(1,686,918,976)	(22,012,760)	(1,708,931,736)	–	(1,708,931,736)
Financing activities	3,204,104,751	6,700,000	3,210,804,751	–	3,210,804,751

	2010				
	Real Property Development	Plastics Manufacturing	Total	Eliminations	Consolidated
Revenues					
External customers	₱184,264,310	₱544,535,527	₱728,799,837	(₱544,535,527)	₱184,264,310
Gain on fair value change of investment properties	958,615,184	–	958,615,184	–	958,615,184
Gain on bargain purchase	761,886,845	–	761,886,845		761,886,845
Equity in net income of associates	27,044,818	–	27,044,818	–	27,044,818
Interest income	7,810,466	94,047	7,904,513	(94,047)	7,810,466
Gain on sale of AFS investments	2,559,163	–	2,559,163	(2,559,163)	–
Other income	46,566,490	2,088,452	48,654,942	(35,688,452)	12,966,490
	1,988,747,276	546,718,026	2,535,465,302	(582,877,189)	1,952,588,113

(Forward)

	2010				
	Real Property Development	Plastics Manufacturing	Total	Eliminations	Consolidated
Costs and Expenses					
Costs and expenses	298,670,905	465,679,201	764,350,106	(465,679,201)	298,670,905
Interest expense and other finance charges	93,676,292	9,688,301	103,364,593	(9,688,301)	93,676,292
Depreciation and amortization	6,179,362	27,259,992	33,439,354	(27,259,992)	6,179,362
Impairment losses	5,700,000	–	5,700,000	–	5,700,000
Other expenses	11,838,037	6,364,133	18,202,170	(6,364,133)	11,838,037
	416,064,596	508,991,627	925,056,223	(508,991,627)	416,064,596
Provision for (benefit from) income tax:					
Current	1,967,708	10,756,260	12,723,968	(10,756,260)	1,967,708
Deferred	311,030,730	634,098	311,664,828	(634,098)	311,030,730
	312,998,438	11,390,358	324,388,796	(11,390,358)	312,998,438
Income from continuing operations after tax	₱1,259,684,242	₱–	₱1,286,020,283	(₱62,495,204)	₱1,223,525,079
Income from discontinued operations after tax	–	26,336,041	26,336,041	–	26,336,041
Net Income	₱1,259,684,242	₱26,336,041	₱1,312,356,324	(₱62,495,204)	₱1,249,861,120
Operating Assets	₱16,841,858,614	₱571,427,261	₱17,413,285,875	₱–	₱17,413,285,875
Operating Liabilities	₱5,245,888,247	₱294,191,987	₱5,540,080,234	(₱1,809,445)	₱5,538,270,789
Other Disclosures					
Investments in associates	₱84,756,108	₱–	₱84,756,108	₱–	₱84,756,108
Investment properties	15,337,579,953	–	15,337,579,953	–	15,337,579,953
AFS investments	2,255,100,000	–	2,255,100,000	(2,243,500,000)	11,600,000
Goodwill	23,229,684	–	23,229,684	–	23,229,684
Assets held for sale	–	571,427,261	571,427,261	–	571,427,261
Liabilities directly associated to assets held for sale	–	294,191,987	294,191,987	(1,809,445)	292,382,542
Capital expenditures	3,031,638,906	58,588,156	3,090,227,062	–	3,090,227,062
Cash Flows Provided by (Used in)					
Operating activities	₱138,824,829	₱146,273,337	₱285,098,166	(₱146,273,337)	₱138,824,829
Investing activities	(3,569,038,270)	(62,286,148)	(3,631,324,418)	62,286,148	(3,569,038,270)
Financing activities	3,941,784,968	(72,157,616)	3,869,627,352	72,157,616	3,941,784,968

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

28. Commitments and Contingencies

Corporate Guaranty

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

On April 20, 2012, the BOD approved to constitute a corporate guaranty in the maximum amount of ₱2,000.0 million in connection with the ₱10,000.0 million term loan facility obtained by FBSHI, a 20%-owned associate (see Note 19), from Metropolitan Bank and Trust Company. The Group's guaranty is in favor of Shangri-la Properties, Inc. and Shangri-la Asia Limited, the majority owners of FBSHI who guaranteed the entire ₱10,000.0 million term loan facility (see Note 19).

Construction Contracts

The Group entered into various construction contracts for the development of its projects (see Note 12). Total contract value committed for the significant construction contracts as of December 31, 2012 amounted to ₱3,168.8 million. Total advances to contractors amounted to

₱404.4 million and ₱583.1 million as of December 31, 2012 and 2011, respectively (see Notes 9 and 14). The significant construction contracts that gave rise to the advances are as follows:

a. ADI

Total advances to contractors amounted to ₱9.3 million and ₱7.6 million as of December 31, 2012 and 2011, respectively, for the supply of labor, materials and installation of pathways, exterior glass and others for Alphaland Southgate Tower and supply of petroleum for the Caticlan Project.

b. AMPI

Total advances to contractors amounted to ₱229.7 million and ₱153.5 million as of December 31, 2012 and 2011, respectively, for the civil, structural and masonry works and supply and installation of materials for Alphaland Makati Place.

c. ABIRC

Total advances to contractors amounted to nil and ₱125.4 million as of December 31, 2012 and 2011, respectively, for the supply of labor, materials and equipment and all related construction works in various parts of Alphaland Balesin Island Club.

d. AMTI

Total advances to contractors amounted to ₱137.0 million and ₱296.6 million as of December 31, 2012 and 2011, respectively, for the mechanical, civil, structural, architectural, demolition and structural retrofitting works and supply of materials for Alphaland Tower.

<u>Retention Payable</u>
Retention payable is based upon specifically identified construction contracts that stipulate the right of the Group to retain a portion of the progress billings of contractors. Depending on the terms of the contract, all retention payable shall be released to contractors upon 100% completion and acceptance of works normally within one year after completion. Total retention payable amounted to ₱191.7 million and ₱46.9 million as of December 31, 2012 and 2011, respectively. Significant contracts with retention clause are as follows:

a. ADI

As of December 31, 2012 and 2011, total retention payable amounted to ₱5.2 million and ₱5.8 million, respectively, for the contracts on structural and architectural works for the rehabilitation of Alphaland Southgate Tower and mechanical works of the Tabacalera and Executive Lounge at the 6th floor of Alphaland Southgate Tower.

b. AMPI

Total retention payable as of December 31, 2012 and 2011 amounting to ₱76.4 million and ₱30.6 million, respectively, is allocable to the construction of the podium and the contract for the complete bulk excavation and slope protection works of Alphaland Makati Place, respectively.

c. ABIRC

Total retention payable as of December 31, 2012 and 2011 amounting to ₱36.2 million and ₱10.6 million, respectively, is allocable to the contract for the construction of various infrastructures and villages of Balesin project and for the contract on the supply of labor and materials for the Atimonan Warehouse, respectively.

29. **Note to Consolidated Statements of Cash Flows**

In 2012 and 2011, the Group's noncash investing and financing activities are as follows:

	2012	2011
Subscription to additional preferred shares of ABICI and AMCI with an obligation to develop and construct the Island Club and Marina Club, respectively (see Note 11)	**₱3,322,874,542**	₱–
Subscription to additional preferred shares of ABICI through transfer of investment properties (see Note 11)	**453,259,000**	–
Reclassification to property and equipment from investment properties (see Note 12)	**27,545,229**	–
Reclassification from receivable to investment properties (see Note 12)	**8,365,200**	–
Conversion of deposits for future stock subscriptions into common stock (see Note 18)	**–**	4,081,502,650
Transfer from investment properties to land and development costs (see Notes 8 and 12)	**–**	685,887,592
Assignment of payable to MPCI as settlement for the sale of investment in MPPI (see Note 5)	**–**	129,842,218

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Independent Public Auditors

SyCip Gorres Velayo & Co.

Banks

Allied Savings Bank
Banco De Oro Unibank, Inc.
Bank of Commerce
Development Bank of the Philippines
Landbank of the Philippines
Maybank Philippines, Inc.
Philippine Bank of Communications
Sterling Bank of Asia
The Hongkong and Shanghai Banking Corporation Limited
United Coconut Planters Bank

Stock Transfer Agent

AB Stock Transfers Corporation

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