

FILINVEST LAND, INC.

7 May 2013

Philippine Stock Exchange

3rd Floor, Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

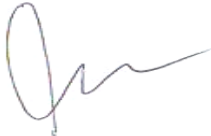
Attention: **Ms. Janet A. Encarnacion**
Head, Disclosure Department

Gentlemen:

Please find attached Annual Report of Filinvest Land, Incorporated for the calendar year ended December 31, 2012.

Thank you.

Very truly yours,



ATTY. CONRAD P. CERENO
Corporate Information Officer

COVER SHEET

SEC Registration No. **170957**

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(Company's Full Name)

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

Venus A. Mejia

(Contact Person)

918-8188 loc 6108

(Company Telephone Number)

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Month Day
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Month Day
(Annual Meeting)

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(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

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Amended Articles Number/Section

5,946 shareholders

Total No. of Stockholders

P 25.35 Billion

Domestic

None

Foreign

To be accomplished by SEC Personnel concerned

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**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A**

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATIONS CODE
AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPINES

For the calendar year ended **December 31, 2012**

SEC Identification Number **170957**

BIR Tax ID **000-533-224**

Exact name of registrant as specified in its charter **FILINVEST LAND, INC.**

Philippines

Province, Country or other jurisdiction of incorporation or organization

Filinvest Bldg., #79 EDSA, Highway Hills, Mandaluyong City, Metro Mla. **1550**
Address of principal office Postal Code

02-918-8188 **02-588-1678**
Registrant 's telephone number, including area code

Former Address: 173 P. Gomez St., Addition Hills, San Juan City, Metro Manila
Former name, former address, and former fiscal year, if changed since last report

Securities registered pursuant to Section 8 and 12 of the SRC

<u>Title of Each Class</u>	<u>Number of shares of Common Stock Outstanding</u>	<u>Amount of Long-Term Debt Outstanding</u>
Common Stock, P 1.00 par value	24,249,759,506	25,346,442,362

Are any or all of these securities listed on the Philippine Stock Exchange

Yes

☒

No

☐

Check whether the issuer:

- (a) has filed reports required to be filed by Section 17 of the SRC Rule 17 thereunder or Section 11 of the RSA Rule 1(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes

☒

No

☐

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

Yes

☒

No

☐

State the aggregate market value of the voting stock held by non-affiliates. ₱15.17 Billion

**APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF
PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEAR:**

Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court of the Commission.

Yes

☐

Not Applicable

No

☐

If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-1 into which the document is incorporated.

- a) Any annual report to security holders;
- b) Any proxy or information statement filed pursuant to SRC Rule 20 and 17.1(b);
- c) Any prospectus filed pursuant to SRC Rule 8.1-1

Part 1 - BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

1.1. Brief Description and Recent Developments

Filinvest Land Inc. ("FLI" or the "Company") was incorporated on November 24, 1989 and began commercial operations in August 1993 after Filinvest Development Corporation ("FDC") spun off its real estate operations and transferred all related assets and liabilities to FLI in exchange for shares of FLI. FLI was listed in the PSE on October 25, 1993.

FLI is one of the leading real estate developers in the country, providing a wide range of real estate products to residential and commercial customers. FLI (including its predecessor's operations) has over 45 years of real estate expertise and has developed over 2,400 hectares of land, having provided home/home sites for over 200,000 families.

FLI is one of the largest nationwide residential developers with 100 projects in 39 cities and towns in the Philippines. It is the largest mid-rise building (MRB) developer in the country today and the market leader in the affordable and middle income residential segments. It currently owns a land bank of 2,251 hectares for sustainable future growth.

In 2006, FLI acquired three strategic investment properties, Festival Supermall and a 60% ownership interest in each of Filinvest Asia Corp. (FAC) and Cyberzone Properties, Inc. (CPI).

Festival Supermall is a four-story premier shopping complex situated on a total land area of 10 hectares and located within FAI's Filinvest City development in Alabang, Muntinlupa City. FLI has leased from FAI the 10 hectares of land on which the mall and its adjoining structures (such as parking lots) are situated. The lease is for a term of 50 years from October 1, 2006, renewable for another 25 years, with FLI required to pay monthly rent equivalent to 10% of the monthly gross rental revenue generated by the mall. As of this date, the Festival Supermall has a Gross Floor Area (GFA) of approximately 200,000 sq.m. and a Gross Leasable Area (GLA) of approximately 135,163 sq.m. Festival Supermall was designed to allow the construction of an additional wing to the current two-wing structure on two adjacent hectares of land available for development, which would increase the mall's GFA by up to 57,000 sq.m.

Festival Supermall is approximately 15 kilometers south of the Makati City central business district and is near the juncture of three major road networks – the South Expressway, the old National Highway and the Alabang-Zapote Road which links the South Expressway to the Coastal Road that connects Metro Manila to Cavite province. Its location allows it to attract customers from offices located in the Filinvest Corporate City, the subdivision developments of southern Metro Manila such as the high-end Ayala Alabang subdivision, and from nearby provinces such as Batangas, Cavite and Laguna.

Festival Supermall's current anchor tenants include stores operated by some of the Philippines' largest retailers, such as the J.G. Summit group of companies (Robinsons Department Store and Handyman Do It Best), SM Investments Corporation, (SaveMore Supermarket and Ace Hardware) and the Rustan's Group (Shopwise Supercenter). Festival Supermall also has a group of tenants that are well-known international and domestic retailers, restaurant chains and service companies, such as Bose, Levi's, Bench, Giordano, The Body Shop, National Bookstore, Starbucks, Seattle's Best Coffee, McDonald's, Chowking, Jollibee and KFC.

In addition to having over 700 retail stores and outlets, Festival Supermall also features amenities such as a ten-theater movie multiplex with digital surround sound systems and two themed amusement centers. The mall also has exhibit, trade and music halls, which are leased out to organizers of events such as trade fairs sponsored by the Philippine Department of Trade and Industry. To reinforce the mall's position as the largest regional, dining and entertainment destination in the southern part of Metro Manila. FLI has started the development of the mall's expansion on another 10 hectares of land wherein an additional 57,000 square meters of GLA will be added to the current mall's 135,163 sq. m. GLA. Land development on the expansion started in late 2011 and construction is expected to be completed in stages, starting in 2014. In addition to the expansion project, FLI plans to begin renovations of the Festival Supermall in 2013 which is expected to be completed in 2016. As of this date, FLI has no plans to acquire any additional shopping malls, but intends to undertake commercial and retail projects to complement its residential developments in selected areas.

he Festival Supermall. In this acquisition, FLI assumed certain debts amounting to P2.5 billion and issued a total of 5.6 billion common shares to Filinvest Development Corporation (FDC) and Filinvest Alabang, Inc.(FAI). The valuations for the three properties and businesses involved in the said property-

to-share swap were provided by an independent, internationally-known third party appraiser, Colliers International Philippines.

Festival Supermall is Southern Manila's premier 200,000 sqm regional shopping center located at the heart of Filinvest Corporate City, right on the South Luzon Expressway; making it easily accessible. At present, it has over 600 tenants. Among others, its major anchor tenants include 2 supermarkets, 2 department stores, 2 hardware centers, 10 cinemas and 2 amusement theme parks. FLI expects continuous growth in retail revenues due to the increasing OFW remittances, the increasing middle-class population as well as the continuing development within Filinvest Corporate City. FLI leased from FAI the 10 hectares of land on which the mall and its adjoining structures (such as parking lots) are situated. Day-to-day operations of the Festival Supermall are currently handled by Festival Supermall, Inc. ("FSI"), an affiliate of FLI, pursuant to a management contract.

As of the date of this report, FLI owns 60% of FAC, which owns 50% of the 52-storey, PBCom Tower which is located in the Makati's business district. PBCom Tower is a Grade A, PEZA-designated I.T./office building in Ayala Avenue, Makati City, Metro Manila with approximate GLA of 36,000 sq.m. FAC's principal tenants include Citibank N.A., Citigroup Business Process Solutions Pte., Ltd., Daksh eServices (Phils.), Inc. East West Banking Corporation, FDC Utilities, Inc., Thiacom, Stellant Services, Linde Gas, Bayer Philippines, Huawei Technology, Diversified Technology Systems and Chartist Technology, ESS Manufacturing Co. and First Cagayan Corporation.

CPI owns and operates the IT buildings in Northgate Cyberzone, a PEZA registered BPO park located on a 10-hectare parcel of land within Filinvest City. Of the 10-hectares, approximately 5.6 hectares are available for future development. FLI generates revenues from leasable space in twelve office buildings with a gross leasable area of 131,011 sq.m. as of December 31, 2011. Among others, Northgate's major tenants are HSBC, Convergys, APAC, GenPact Services LLC, eTelecare Global Solutions, Inc., and ICICI Bank Limited. Its day-to-day operations are handled by FAI. CPI also leases a parcel of land measuring 2,831 sq.m. located in EDSA on which CPI built a 5-story BPO building with a total GLA of 7,358 sq.m.

In addition to the acquisition of these three strategic investments, FLI also entered into a joint venture agreement with Africa Israel Investments (Philippines) Inc. ("AIPI") in September 2006 to jointly develop the Timberland Sports and Nature Club ("TSNC") and approximately 50 hectares of land comprising Phase 2 of FLI's Timberland Heights township project in 2006. TSNC started its commercial operations in October 2008.

On February 8, 2010, FLI acquired the 40% interest in its joint ventures – CPI and FAPI, from Africa-Israel Properties (Phils.), Inc. and Africa-Israel Investments (Phils.), Inc., respectively. The acquisition resulted in CPI and FAPI becoming wholly-owned subsidiaries of FLI. The acquisition of the joint ventures' interests was accounted for as a business combination. Prior to the acquisition, FLI accounted for its investments in the joint ventures under the proportionate consolidation.

The sale by Africa-Israel of its interests in the two companies was part of Africa-Israel's global portfolio rebalancing and consolidation activity. On the other hand, the acquisition of Africa-Israel's interests enabled FLI to consolidate its share in the strong and stable recurring revenue streams from the two companies as well as provide incremental development potential to FLI's existing revenue streams.

With a more diversified portfolio, FLI expects to generate stable recurring revenue from its retail and office investment properties. These recurring revenues can, in turn, be used to provide internally generated funding for other projects.

The Company is not and has never been a subject of any bankruptcy, receivership, or similar proceedings. As aforementioned, there were significant amounts of assets purchased by the Company as part of the transactions which were consummated in 2006.

1.2. Form and Date of Organization

FLI was incorporated in the Philippines on November 24, 1989 as Citation Homes, Inc. and later changed its name to FLI on July 12 1993. It started commercial operations in August 1993 after Filinvest Development Corporation (FDC), the Parent Company, spun off its real estate operations and transferred all related assets and liabilities to FLI in exchange for shares of stock of FLI. FLI was listed on the PSE on October 25, 1993.

As of December 31, 2012, FDC FLI's parent company owns 57.85% of Common Stock and 100% of Preferred Stock of FLI. FDC is the holding company for real estate and other business activities of the Gotianun Family. FDC traces its origin to the consumer finance business established by Mr. Andrew Gotianun Sr. and his family in 1955. The shares of FDC and FLI are both listed in the Philippine Stock Exchange. The ultimate parent company of FLI is A. L. Gotianun, Inc.

In February 2007, the Company achieved a record-breaking success with its follow-on offering where it listed up to 3.7 billion new common shares at the Philippine Stock Exchange. The follow-on offering was more than five times oversubscribed, raising around \$204 million for both the primary and secondary offerings. The offering raised additional funds for the Company's capital expenditures for the fast track development of targeted projects.

On November 19, 2009, FLI issued Fixed Rate Retail Bonds with aggregate principal amount of ₱5.0 billion comprised of ₱500 million Three (3)-Year Fixed Rate Bonds due in November 2012 and ₱4.5 billion Five (5)-Year Fixed Rate Bonds due in November 2014.

The Three Year Bonds carry a fixed interest rate of 7.5269% p.a. Interest on the Bonds is payable quarterly in arrears starting on February 19, 2010. The Three Year Bonds were fully paid in November 2012. On the other hand, the Five Year Bonds have a fixed interest rate of 8.4615% p.a. which is payable quarterly in arrears starting on February 20, 2010.

On June 27, 2011, FLI offered to the public five-year and three-month fixed-rate retail bonds with an aggregate principal amount of Three Billion Pesos (₱3,000,000,000.00) due on October 07, 2016 to finance its capital requirements in 2011 and 2012. The bonds were issued on July 07, 2011 with a fixed interest rate of 6.1962% per annum. The interest on the bond is payable quarterly in arrears starting on October 07, 2011. The bonds shall be repaid at 100% of their face value on October 07, 2016.

On May 24, 2012, The Securities and Exchange Commission authorized FLI to issue ₱11 billion 7-year fixed-rate bonds in two tranches. The first tranche, amounting to ₱7.0 billion, was issued to the public on June 8, 2012 with a rate of 6.2731% p.a., payable quarterly in arrears and is due 2019. The Company had expected to raise gross proceeds amounting to ₱11,000,000,000 and net proceeds estimated at ₱6,902,774,375 and ₱3,956,000,000 from the first tranche, FLI raised gross proceeds of ₱7,000,000,000 and received net proceeds of ₱6,915,976,960 after deducting fees, commissions and expenses relating to the issuance of the bonds. Proceeds of the offering were partially used to finance the development of existing and new projects of the Company as well as for the acquisition of new properties to sustain the Company's continued development of more projects in various locations. The proceeds from the bonds were fully spent as of December 31, 2012. Around ₱4,427.42 million was used for project development

and about ₱2,488.56 million was used for land acquisition as of December 31, 2012. FLI intends to issue the second tranche amounting to ₱4.0 billion bonds in the second quarter of 2013.

1.3. Subsidiaries

FLI has six wholly-owned subsidiaries. PROMAX, HomePro and Leisurepro are engaged in real estate marketing business and handle the marketing and sale of socialized, affordable, middle income, high-end and farm estate property development projects of FLI while PROSPER handles the management of certain buildings/properties of the Group.

1. Property Maximizer Professional Corp. (PROMAX) incorporated on October 3, 1997.
2. HomePro Realty Marketing, Inc. incorporated on May 16, 2003 and started commercial operations on January 01, 2004.
3. Leisurepro, Inc. (Leisurepro) incorporated on April 21, 2004 and started commercial operations on January 1, 2006.
4. . Property Specialists Resources, Inc. (PROSPER) incorporated on June 10, 2002 and started commercial operations on January 01, 2004.

In addition, the following two companies had become wholly-owned subsidiaries of FLI in February 2010:

1. Cyberzone Properties, Inc. (CPI).

CPI was incorporated on January 14, 2000 and began commercial operations on May 1, 2001. CPI is registered with the PEZA as an Economic Zone Facilities Enterprise, which entitles CPI to certain tax benefits and non-fiscal incentives such as paying a 5% tax on its modified gross income in lieu of payment of national income taxes. CPI is also entitled to zero percent value-added tax on sales made to other PEZA-registered enterprises.

CPI operates the Northgate Cyberzone, which is located on a 10-hectare parcel of land within Filinvest City owned by FLI. Of the 10 hectares, approximately six hectares are available for future development. CPI's current buildings are fully leased to the following:

- *Plaza A:* This is a six-story building with an approximate GFA of 11,575 sq.m. and an approximate GLA of 10,860 sq.m. Plaza A was completed in June 2006 and was substantially fully leased to GenPact Services LLC and eTelecare Global Solutions, Inc.
- *Plaza B and Plaza C:* Plaza B and Plaza C are four-story buildings, each with an approximate GFA of 7,150 sq.m. and an approximate GLA of 6,540 sq.m. for a combined GLA of 13,080 sq.m. Plaza B and Plaza C were both completed in 2001. Plaza B and Plaza C was substantially fully leased. Tenants for Plaza B include goFluent, AMS Express, Team Asia, Outboundphil, APPCO Direct Int'l., Treadyne and Seven Seven Global Services, Inc. All of Plaza C has been leased by APAC Customer Services, Inc.
- *Plaza D:* This is a six-story building with the same specifications as Plaza A and with an approximate GFA of 11,575 sq.m. and an approximate GLA of 10,860 sq.m. Plaza D had been leased to ICICI First Source Ltd., a 100% owned subsidiary of India's largest private sector bank, and Verizon Communications Phils Inc, the Philippine branch of Verizon Business solutions, a leading communications company in the United States of America.

- *Convergys Building*: This is a three-story building with an approximate GFA of 6,466 sq.m. and an approximate GLA of 5,839 sq.m. Completed in 2004, it was one of the first buildings completed in the Northgate Cyberzone and was “built-to-suit” (BTS) to meet the requirements of Convergys. Recently Convergys signed a contract to extend the lease for another five years.
- *HSBC Building*: This is another building that was constructed on a BTS basis to meet the requirements of HSBC. Completed in 2005, the HSBC building has an approximate GLA of 18,000 sq.m.
- *IT School*: This is a three-story building with an approximate GFA of 3,297 sq.m. and an approximate GLA of 2,595 sq.m. Its major tenant is currently Genpact Services LLC.
- *Building 5132*: This is a six-story building with an approximate GFA of 10,560 sq.m. and an approximate GLA of 9,408 sq.m. Building 5132 has been fully taken up by GenPact Services LLC.
- *iHub I and iHubII*: This is a two-tower complex (one with six stories and the other with nine stories) iHub 1 has an approximate GLA of 9,474 sq.m. and has been leased out to numerous tenant which includes GenPact, HSBC, W.R. Grace Philippines and Lattice Semiconductor. IHub 2 has an approximate GLA of 14,166 sq.m. and has been leased out primarily to Convergys and Integra.
- *Vector One* : an 11-storey building with an approximate GFA of 19,545 sq.m. and an approximate GLA of 17,951 sq.m. It was completed in 2010. Filinvest Alabang, Inc. (FAI) was its first tenant, occupying the fifth to seventh floors for its corporate headquarters. Other tenants of the building are Convergys and Flour Daniel.
- *Vector Two*: This building has the same configuration as with Vector One. It is also 11 stories high with an approximate GLA of 17,914 sq.m. It was completed in October 2011. Tenants of the building include Infosys and Flour Daniel.
- *AZ Building* : This is a 10-story building with a GLA of approximately 19,637 sq.m. Recently completed in December 2012 and is already committed to tenants.
- *EDSA Transcom Building*: This five-storey BPO building is located along EDSA in Mandaluyong City and have approximately 7,358 sq.m. of GLA. This is FLI’s first BPO office building outside Northgate Cyberzone. EDSA Transcom Building is fully leased out to Anthem Solutions, Inc.

With about six (6) hectares of land available for the construction of additional buildings within the Northgate Cyberzone, FLI expects to be able to provide an additional 195,510 sq.m. of leasable office space to accommodate expected increases in demand from BPO companies. These BPO companies usually require significant amounts of office space for their operations. FLI, through CPI, plans to focus on attracting their businesses, including custom-designed office space with call center and BPO design requirements in mind.

2. Filinvest AII Philippines, Inc. (FAPI)

FAPI was incorporated on September 25, 2006 as a joint venture corporation with Africa Israel Investments (Philippines), Inc (AIIPI) to develop the Timberland Nature & Sports Club and Phase 2 of Timberland Heights. On February 8, 2010, FAPI became a wholly-owned subsidiary of FLI with FLI's acquisition of the 40% interest of AIIPI. FLI acquired 60.0% ownership interest in FAPI by contributing 50 hectares of land for Phase 2 of Timberland Heights, all of the Class "A" member shares in the Timberland Sports and Nature Club held by FLI and development costs of approximately ₱100.0 million. AIIPI contributed ₱250.0 million to FAPI and has a 40.0% ownership interest in FAPI. FLI has also granted AIIPI a five-year option to participate in the development of the remaining areas of Timberland Heights.

Timberland Heights is a 677-hectare township project anchored by the Timberland Sport and Nature Club, which was designed to be a world-class family country club in a mountain resort setting. Timberland Heights is situated at an elevation of 320 meters above sea level and provides panoramic views of the north of Metro Manila. The master plan for Timberland Heights includes Banyan Ridge, a middle income subdivision; Mandala Farm Estates; The Ranch and Banyan Crest, a high end subdivision, The Glades, also a middle-income subdivision, The Leaf, a four-building 3-story condotel development; and, a 50-hectare linear greenway that straddles the entire development which will provide a large outdoor open space for residents.

1.4. Joint Ventures

FLI also has 60% interest in arrangements to form the following companies: **Filinvest Asia Corporation (FAC)** which is accounted for as a joint venture.

FAC was incorporated on January 22, 1997 and as of the date of this report is 60%-owned by FLI and 40%-owned by Reco Herrra Pte.Ltd. (RHPL). RHPL is 100% beneficially owned by the Government of Singapore Investment Corporation Pte. Ltd (GIC). FAC owns 50% of the 52-story PBCom Tower, which is strategically located at the corner of Ayala Avenue and V. A. Rufino (formerly Herrera) Street in the Makati City Central Business District. FAC owns 36,000 sq.m. of leasable office space. The remaining 50% of PBCom Tower is owned by the Philippine Bank of Communications.

The PBCom Tower is designated as an information technology building by PEZA. Consequently, tenants occupying space in PBCom Tower are entitled to avail of certain fiscal incentives, such as a 5% tax on modified gross income in lieu of the regular corporate income tax of 30%, income tax holidays and vat exemption in certain cases. As of December 31, 2011, FAC's principal tenants include Citibank N. A., Citigroup Business Process Solutions Pte. Ltd., East West Banking Corporation, FDC Utilities, Inc., Thiacom, Stellant Services, Linde Gas, IBM Daksh Eservices, ESS Manufacturing Co., First Cagayan Corp., Bayer Philippines, Huawei Technology, Diversified Technology Systems and Chartis Technology.

Leases at the PBCom Tower are typically for periods ranging from three to five years, with the lease agreements generally requiring tenants to make a three-month security deposit. Rent is paid on a fixed rate per square meter basis depending on unit size and location.

PBCom Tower, a PEZA designated I.T. building, is currently the tallest building in the Philippines. It is strategically located at the corner of Ayala Avenue and Herrera Street in the Makati City central business district. Some of its present tenants are Citibank, HSBC Electronic Data Processing, IBM Daksh eservices, ESS Manufacturing, New York Life Insurance and East West Bank, an affiliate of FLI. **Cyberzone Properties, Inc.(CPI)** CPI was incorporated on January 14, 2000. It began commercial

operations on May 1, 2001. CPI is 60.0%-owned by FLI and 40.0%-owned by Africa Israel Investment (Philippines) Limited (“AIIPL”).

CPI owns and operates the buildings in the Northgate Cyberzone, a PEZA-approved BPO office park which is approximately 15 kilometers south of the Makati City central business district. The Northgate Cyberzone is located on a 10-hectare parcel of land owned by FLI in the Filinvest Corporate City and which CPI leases from FLI. Of the 10 hectares of land on which the Northgate Cyberzone is situated, approximately seven hectares are available for future expansion. As of December 2006, seven office buildings have been completed, with details as follows:

- Two build-to-suit buildings (BTS) occupied for the backroom unit requirement of British bank HSBC Ltd. and Convergys, one of the biggest call centers.

An IT School building leased out to Informatics International College, a Singapore-headquartered information technology (“IT”) school, and YBM Philippines, which operates language schools in the Philippines. *Plaza A*, six-storey building which was completed in June 2006, substantially fully leased to GenPact Services LLC and eTelecare Global Solutions, Inc.. *Plaza B and Plaza C*, both four-storey buildings, completed in 2001. Tenants for Plaza B include Deutsche Bank, Globe Innove, Global Access Inc. and NDE Digitech. All of Plaza C has been leased by APAC. *Plaza D*, a six-storey building with approximately 50.0% of the gross leasable area leased to ICICI Bank Limited, India’s largest private sector bank; and the balance leased to Verizon.

1.5. Equity Investment in Filinvest Alabang, Inc. (FAI)

FAI was incorporated on August 25, 1993 and started commercial operations in October 1995. FLI has a 20% equity interest ownership in FAI.

FAI’s current project is the master-planned development of Filinvest City, a 244-hectare premier satellite city development project which has been designed using modern and state of the art, ecological, urban planning with a mixed-use integrated development with office, retail, residential, institutional, leisure and hospitality projects in southern Metro Manila. Located at the southern end of Metro Manila and adjacent to the South Expressway, Filinvest City is approximately 16 kilometers south of Makati, the central business district in Manila and 10 kilometers from the Ninoy Aquino International Airport. Filinvest City is surrounded by over 2,800 hectares of developed high-end and middle-income residential subdivisions and commercial developments. The said project is under a joint venture agreement with the Government.

1.6. Business Groups, Product Categories, Target Markets and Revenue Contribution

As a result of the recent business developments, FLI is now composed of two business segments with corresponding product categories, target markets and revenue contributions as follows:

1.6.1 Real Estate Segment

FLI’s main real estate activity since it started operations has been the development and sale of residential property, primarily housing units and subdivision lots. and in certain cases, provision of financing for unit sales.

Residential Projects

FLI is able to tap the entire residential market spectrum with the following range of housing units catering to various income segments:

- *Socialized housing*: These developments are marketed and sold under FLI's Pabahay brand and consist of projects where lots typically sell for P 160,000 or less per lot and housing units typically sell for P 400,000 or less per unit. Buyers for these projects are eligible to obtain financing from the Government-mandated Pag-IBIG Fund. Any income realized from the development and improvement of socialized housing sites are exempt from taxation.
- *Affordable housing*: These developments are marketed and sold under FLI's Futura Homes brand and consist of projects where lots are typically sold at prices ranging from above ₱160,000 to ₱ 750,000 and housing units from above ₱ 400,000 to ₱ 1,500,000. Affordable housing projects are typically located in provinces bordering Metro Manila, including Bulacan, Laguna, Batangas and Cavite, and in key regional cities such as Pampanga, Tarlac, Cebu and Davao.
- *Middle-income housing*: These developments consist of projects where lots are typically sold at prices ranging from above ₱ 750,000 to ₱ 1,200,000 and housing units from above ₱ 1,500,000 to ₱ 4,000,000. Middle-income projects are typically located within Metro Manila, nearby provinces such as Rizal, Cavite, Pampanga and Laguna, and major regional urban centers in Cebu, and Davao and Zamboanga..
- *High-end housing*: Marketed under Filinvest Premiere brand, these developments consist of projects where lots are sold at prices above ₱ 1,200,000 and housing units for above ₱4,000,000. FLI's high-end project are located both within Metro Manila and in areas immediately outside Metro Manila.

Other Real Estate Projects

In order to achieve product and revenue diversification, FLI has added the following projects so as to cater to other market niches:

a. Entrepreneurial Communities

Because of the anticipated growth of small and medium-sized businesses as well as the Government support for entrepreneurial programs, FLI has launched its entrepreneurial communities under its "*Asenso Village*" brand. The first project is in Laguna province, which forms part of the Company's Ciudad de Calamba township development. Asenso Village currently consists of three phases, with its land being "dual-zoned" to allow both residential and commercial use. The Company has also cooperated with the Government by providing venues for various livelihood and small business seminars and programs conducted by government agencies in the Asenso Village. At present, sales in Asenso Village consist of subdivision lot sales only.

Although FLI intends to develop housing units for Asenso Village that incorporate living quarters and an area for buyers to set up and operate their small enterprises and home-based businesses. Subject to market conditions, FLI plans to develop additional "Asenso Villages" in other locations.

b. Townships

Townships are master-planned communities to include areas reserved for the construction of anchor facilities and amenities. FLI believes that these facilities and amenities will help attract buyers to the project and will serve as the nexus for the township's community. Anchor developments could include

schools, hospitals, churches, commercial centers, police stations, health centers and some other government offices; or in the case of Timberland Heights, a private membership club.

FLI has master-planned and developed the *Ciudad de Calamba, Timberland Heights and Havila* (formerly, *Filinvest East County*) township projects which are respectively located along the southern, northern and eastern boundaries of Metro Manila. FLI has started in 2010 its fourth township project called Citta di Mare located in Cebu. Each township development is designed to include a mix of residential subdivisions from the affordable to the high-end sectors.

Ciudad de Calamba

Ciudad de Calamba is a 350-hectare development located in Calamba, Laguna. This township project is a PEZA-registered special economic zone anchored by the Filinvest Technology Park-Calamba, which provides both industrial-size lots and ready-built factories to domestic and foreign enterprises engaged in light to medium non-polluting industries. As of December 31, 2006, 14 companies had either purchased lots or leased factories in the Filinvest Technology Park-Calamba. FLI also recently donated to the city government of Calamba a parcel of land located within the Ciudad de Calamba, which will be used for a city health center and police station. The Company also intends to develop the Ciudad de Calamba Commercial Center as part of this township project. The master plan for Ciudad de Calamba includes a mix of affordable and middle-income subdivisions as set out below:

- *Aldea Real*, an affordable subdivision project which has a total developed area of approximately 16.9 hectares. Development for Phase 1 & 2 has been completed.
- *Montebello*, a middle-income subdivision project that is expected to have a total developed area of approximately 12.9 hectares. Three phases have been launched and developed.
- *Punta Altezza*, an affordable subdivision project consisting of 3 phases which has a total developed area of approximately 9.7 hectares. Development work for Punta Altezza has been completed.
- *Vista Hills*, an affordable subdivision project which has a total developed area of approximately 5.2 hectares. Development work for Vista Hills has been completed.
- FLI's first "*Asenso Village*" entrepreneurial community development is located within the Ciudad de Calamba and is expected to have a total developed area of approximately 20.2 hectares. Development work for this project is almost complete.
- *La Brisa Townhomes*, La Brisa, which literally means "The Breeze" in Spanish, is located at Brgy. Punta, Calamba City. With its Spanish Mediterranean theme, La Brisa is the first townhouse development at Ciudad De Calamba that offers not just an affordable and quality home to families but also a worthy investment for those who would like to establish a "House for Rent" business. La Brisa is very accessible to industrial estates operating in the vicinity, definitely a valuable venture for companies that provide housing privilege to employees.
- *Pueblo Solana*, this is a 67 hectare Community carved out portion from Ciudad de Calamba. The "Valle Dulce" is the newest 12.3 hectare affordable residential housing project to be developed inside the community of Pueblo Solana, Calamba, Laguna. The first phase offers a total of 1,150 units. Land development is ongoing at Pueblo Solana.

Havila (formerly, Filinvest East County)

Havila, or formerly, Filinvest East County is a 335-hectare township along the eastern edge of Metro Manila, which traverses the municipalities of Taytay, Antipolo and Angono. It is anchored by two educational institutions: San Beda College – Rizal and the Rosehill School. The master plan for Havila provides for a mix of affordable, middle-income and high-end subdivisions on rolling terrain overlooking Metro Manila at an elevation of 200 meters above sea level. Below are the developments completed and ongoing in Havila:

- *Mission Hills* is located in the municipality of Antipolo and consists of seven subdivision projects which are expected to have a total developed area of approximately 77.7 hectares. Three subdivisions (Santa Barbara, Santa Monica and Santa Catalina) were developed as high-end projects while another four (Santa Isabel, Santa Cecilia, Santa Clara and Sta. Sophia) have been developed as middle-income projects. Development works for all seven subdivisions have been completed. The newest addition to the Mission Hills community, *Anila Park*, a mid-income development launched in July 2011.
- Four subdivision projects were developed in the municipality of Taytay which are expected to have a total developed area of approximately 63.49 hectares. Development works for one high-end subdivision (*Highlands Pointe*) and for an affordable-segment subdivision (*Villa Montserrat*) have been completed. Development work for a middle-income subdivision (*Manor Ridge*) has also been completed. *The Terraces* a middle-income subdivision which targets young couples starting a family was also completed. These subdivision projects are almost sold out.
- *Forest Farms Estate*, which is situated in the municipality of Angono, is a farm estate subdivision project which is expected to have a total developed area of 39.2 hectares. Development work for this project is almost complete.

Timberland Heights

Timberland Heights is a 677-hectare township project anchored by the Timberland Sport and Nature Club. It is located in the municipality of San Mateo, which is just across the Marikina river from Quezon City, and has been designed to provide residents with leisure facilities and resort amenities while being located near malls, hospitals and educational institutions located in Quezon City. In addition to the Timberland Sports and Nature Club, Timberland Heights currently includes:

- *Banyan Ridge*, a middle-income subdivision which has a total developed area of approximately 6.4 hectares.
- *Mandala II Farm Estates* is a farm estate subdivision which has a total developed area of approximately 39.7 hectares. Land development has been completed.
- *The Ranch*, a high-end subdivision which has a total developed area of approximately 5.7 hectares.
- *Banyan Crest*, a 14.8 hectare high-end subdivision. Land development for Banyan Crest has been completed.

- *The Glades*, is a mountainside open lot development consisting of an 11 hectare middle-income subdivision lots with size ranging from 192 to 300 square meters. The lots are sold inclusive of a share at Timberland Sports and Nature Club. The master plan for *The Glades* has been completed.
- *The Leaf*, this is a condotel type development located beside the Timberland Sports and Nature Club, consisting of four (4) mid-rise buildings of three (3) floors each with an average size of 31 sq.m. each unit. The lots are sold inclusive of a share at Timberland Sports and Nature Club.

Around 73 hectares has been earmarked for middle-income housing within Timberland Heights. The first phase covering approximately 11 hectares was launched in 2012 with the introduction to the market of *The Glades* and *The Leaf*.

Città di Mare

In August 2010, FLI gave Cebu a preview of its most ambitious seaside development when it launched *Città di Mare* at the Grand Ballroom of Crimson Resort and Spa in Mactan, Cebu.

In late 2011, FLI started the land development of the first two phases of *Il corso*, covering seven hectares. Phase 1, which is targeted for partial completion by the end of 2013, will have a gross leasable area (GLA) of approximately 22,506 sq. m. Phase 2, which is targeted for completion in 2014, will have a GLA of approximately 12,680 sq.m.

Inspired by the world's best-loved coastal cities, *Città di Mare*, which is Italian for "City by the Sea", spans 50.6 hectares at Cebu's South Road Properties. It is a master-planned development composed of three different zones catering to a wide array of lifestyles and activities - *Il Corso*, the 10.6 hectare waterfront lifestyle strip, the 40-hectare residential clusters and *The Piazza*, nestled at the heart of the residential enclaves, puts lifestyle essentials such as a school, church, shops and restaurants within the neighborhood. *Città di Mare* is envisioned to be a destination in itself, takes full advantage of the coastal ambience featuring seaside shopping, dining, beach and water sports and more, right by the water's edge.

Città di Mare has four resort-themed residential enclaves inspired by world-class resorts, with each 10-hectare development flaunting a distinct architectural character. With over 65% of the property allocated for wide, open areas and landscaped greens, *Città di Mare* provides the generous amenity of breathing space and a refreshing dose of nature throughout the site. Residences are spread out over the sprawling development, maximizing the abundant sunlight and allowing the invigorating sea air to circulate freely.

- *Amalfi Oasis* features nine (9) five-story buildings with luxuriant gardens, resort-style amenities and pedestrian-friendly environs, bask in fresh air, radiant sunshine and charming landscapes. In November 2010, groundbreaking rites for *Amalfi Oasis* were held, the first residential enclave at *Città di Mare*. The first building was completed in 2012, while two more buildings are scheduled for completion in 2013.
- *San Remo Oasis*, the second residential enclave in *Città di Mare* involves the development of 3.4 hectares of land with well-planned living spaces with numerous choice units to choose from to suit anyone's lifestyle. The development consist of eight (8) five-story buildings, the first building was completed in 2012 while construction is ongoing on four other buildings and are targeted for completion in 2013.

c. Leisure projects

FLI's leisure projects consist of its residential farm estate developments, private membership club and residential resort development.

1. Residential farm estates

In 2003, FLI began marketing its residential farm estate projects which may serve as alternative primary homes near Metro Manila to customers, such as retirees and farming enthusiasts. Customers can purchase lots (with a minimum lot size of 750 square meters) on which they are allowed to build a residential unit (using up to 25.0% of the total lot area). The remaining lot area can be used for small-scale farm development, such as fish farming or vegetable farming. Residential farm estates are sold on a lot-only basis, with buyers being responsible for the construction of residential units on their lots. To help attract buyers, FLI personnel are available on site to provide buyers with technical advice on farming as well as to maintain demonstration farms.

At present, FLI has three residential farm estates:

- *Nusa Dua Farm Estate ("Nusa Dua")* located in Cavite province just south of Metro Manila. The amenities at the Nusa Dua development include a two-storey clubhouse and a 370 square meter swimming pool. 90% of the first two phases had been sold. Its third phase is now open for sale.
- *Mandala Residential Farm Estate ("Mandala")* located in Rizal province as part of the FLI's Timberland Heights township project. It offers hobby farmers generous lot cuts and Asian-inspired homes that complement the mountain lifestyle. Three Five phases have already been opened in response to the strong market demand.
- *Forest Farms Residential Farm Estate ("Forest Farms")* located in Rizal province as part of Company's Havila township project. It is an exclusive mountain retreat and nature park, nestled between the hills of Antipolo and forested area of Angono. Sales are now on-going.

2. Private membership club

FLI, through FAPI, has developed the Timberland Sports and Nature Club. This Club is expected to include sports and recreation facilities, fine dining establishments and function rooms that can be used to host corporate and social events. The Company expects that sales of subdivision lots in the high-end subdivision components of Timberland Heights may be tied with the sale of shares in the Timberland Sports and Nature Club, with some lot buyers also acquiring membership shares as part of the purchase of their lots.

The Timberland Sports and Nature Club was designed to be a world-class family country club in a mountain resort setting. The Club aims to become a social hub with 2,000 sq.m. of full-range of indoor sports, nature oriented amenities, spa, dining, banquet and room facilities with world class standard club management on an 8-hectare elevated and rolling terrain. It started commercial operations in October 2008.

3. Residential resort development

Kembali Coast on Samal Island, Davao is a beachfront residential resort development. This 50-hectare Asian-Balinese inspired island getaway offers low-density exclusivity and comes with a 1.8 km beach

line that offers unobstructed view of the sea. Three overnight facilities were completed in 2008 while land development for the first residential phase has been completed. To enable buyers and guest to enjoy the facilities at an early stage, a multi-purpose hall, changing and shower areas, welcome huts and the guardhouse have been constructed. Kembali Horizons, three-storey residential buildings, are currently being offered.

Laeuuna de Taal (“*Laeuuna*”) located in Talisay Batangas with a view of the Taal lake and a lakeside residential community, about a ten minute drive from the popular tourist destination of Tagaytay. now under construction with estimated completion in the third quarter of 2007.

d. Medium Rise Buildings

Medium Rise Buildings (MRB) projects are five-storey to ten-storey buildings clustered around a central amenity area. Marketed under the “Oasis” brand, FLI’s MRBs are intended to provide a quiet environment within the urban setting. The buildings occupy 30% to 35% of the land area, providing a lot of open spaces. Currently, FLI has the following ongoing MRB projects:

One Oasis Ortigas – comprised of 13 buildings located along Ortigas Avenue Extension in Pasig City.

Bali Oasis – comprised of 4 buildings located along Marcos Highway, Pasig City.

Bali Oasis 2 – comprised of 4 buildings also located along Marcos Highway, Pasig City.

Capri Oasis – consist of 6 buildings located along Dr. Sixto Antonio Ave., in Pasig City

Sorrento Oasis – consist of 15 buildings along C. Raymundo Ave., in Pasig City

Maui Oasis – comprised of 3 buildings located in Sta. Mesa, Manila

One Oasis Davao – comprised of 5 buildings in Davao City

One Oasis Cebu – consist of 10 buildings in Mabolo, Cebu City

Amalfi Oasis – consist of 9 buildings in Citta di Mare, South Road Properties, Cebu City

San Remo Oasis – comprised of 13 buildings in Citta di Mare, South Road Properties, Cebu City

Asiana Oasis – consist of 4 buildings located in Ephesus St., Multinational Village, Paranaque City

One Spatial – comprised of 7 buildings located along Amang Rodriguez St., Bgy. Dela Paz in Pasig City

The Company is targeting to launch additional MRB projects in key cities outside of Luzon particularly in Iloilo City and Cagayan de Oro City.

e. High Rise Building

The Linear

FLI started to develop in 2009 *The Linear*, a master-planned residential and commercial hub in Makati City. Two-L-shaped towers, each 24 storeys high, comprise this dynamic condominium community that perfectly caters to the needs of young urban professionals. The construction of Tower 1 is ongoing and is scheduled for completion in mid-2013, while Tower 2 is expected to be delivered in 2014.

Studio City

Studio City is a community composed of five-tower residential condominium complex within the Filinvest City to serve the demand for housing of the growing number of professionals working within Filinvest City and in the nearby Madrigal Business Park. Since it is located within the Filinvest City, residents will enjoy proximity to Festival Supermall, Westgate Center, Northgate Cyberzone, Asian Hospital and Medical Center, and other commercial, educational and medical institutions. The development consists of 18 story per building with commercial units at the ground floor. All residential floors will have 25 studio units per floor. Site development works are ongoing and the first building is targeted for completion in 2014.

The Levels

Located at one of the highest points of Filinvest City at around 23 meters above sea level, The Levels is a one-block, four-tower residential condominium development that features laidback suburban living inside a fast-paced business district. The residential development is set in a tropical landscape, with its four towers uniquely designed with terracing levels, giving it a castle-effect look. The high-rise sections will be set in lush greenery, providing residents with views of the gardens. The first building “Anaheim”, is expected to be completed in 2014.

Vinia Residences

Vinia is a 25-storey condominium development located along EDSA in Quezon City, right across TriNoma and just steps away from the MRT-North Avenue station. With its coveted location, it offers a world of ease and convenience to yuppies and families looking for quality homes, as well as budding entrepreneurs who want to start a home-based business at the heart of the city.

Studio Zen

Studio Zen is a 21-storey condominium development located along Taft Avenue in Metro Manila. Student-oriented amenities, Zen-inspired features, and functional building facilities makes it an ideal residence for students living independently and a great investment opportunity for entrepreneurs who want to take advantage of the ready rental market in the area.

Studio A

Studio A is a single tower 34-story hi-rise residential condominium located in Loyola Heights in Quezon City. A community conveniently situated near premier universities, the LRT 2 line and other commercial establishments.

f. *Condotel*

Grand Cenia

The *Grand Cenia* Hotel and Residences is a 25-storey development located along Archbishop Reyes Avenue in Banilad, Cebu, on the 4,211 sq.m. property strategically located close to the Cebu Business Park. *Grand Cenia* features two products – “condotel” and residential condominium units. Starting November 2011, units were turned over to the condotel buyers in preparation for hotel operations. In January 2012, the hotel started operating as the Quest Hotel and Conference Center, a three-star hotel complete with business and conference facilities. The 25-storey structure has 432 condotel rooms and 119 residential condominium units. One and a half floors have been earmarked for BPO office space with gross leasable area of 3,227 sq.m.

The Leaf

The Leaf, is a condotel type development strategically located on a mountainside setting beside the Timberland Sports and Nature Club in Timberland Heights. *The Leaf* consists of eight (8) low density mid-rise buildings of three (3) floors each with an average size of 31 sq.m. each unit. *The Leaf* is approximately 300 meters above sea level with a 180 degrees view of Metro Manila.

FLI is studying the incorporation of a new subsidiary that will provide management services to the clubs the Company has developed and is developing. Club management, operations and maintenance costs are covered by revenues from club operations (such as revenue from food and beverage sales).

Analysis of Real Estate Sales
(In thousands)

Category	Years ended December 31			
	2 0 1 2		2 0 1 1	
	Amount	% to total	Amount	% to total
Residential Lots and House & Lot Packages				
Socialized	220,331	2.50%	1,014,265	14.59%
Affordable	778,752	8.85%	888,183	12.77%
Middle income	7,136,357	81.11%	4,419,887	63.56%
High end & Others	320,706	3.65%	376,285	5.41%
Industrial Lots	199,953	2.27%	26,074	0.37%
Residential Farm Lots	131,490	1.49%	213,352	3.07%
Leisure	10,769	0.12%	15,425	0.22%
Total	8,798,358	100.00%	6,953,469	100.00%

The table above shows a comparative breakdown of FLI's journalized real estate sales by product categories for the years ended December 31, 2012 and 2011.

1.6.2. Leasing Segment

Starting 2007, FLI's acquired investment properties, which are categorized as retail and office, started to generate rental revenues for a full year operations.

Festival Supermall

The Festival Supermall is a four-story shopping complex located within FAI's Filinvest City, a commercial business district near the juncture of three major road networks – the South Expressway, the old National Highway and the Alabang-Zapote. In addition to having over 700 retail stores and outlets, the Festival Supermall also features amenities such as a ten-theater movie multiplex with digital surround sound systems, and two themed amusement centers. The mall also has exhibit, trade and music halls which are leased out to organizers of events such as trade fairs sponsored by the Philippine Department of Trade and Industry. Its current anchor tenants include stores operated by some of the Philippines' largest retailers, such as the J.G. Summit group of companies (Robinsons Department Store and Handyman Do It Best), SM Prime Holdings, Inc. (SaveMore Supermarket and Ace Hardware) and the Rustan's Group (Shopwise Supercenter). As of December 31, 2006, the Festival Supermall's anchor tenants leased approximately 28.4% of the mall's total leasable space.

The Festival Supermall also has a group of tenants that are well-known international and domestic third-party retailers, restaurant chains and services companies, such as Bose, Levi's, Bench, Giordano, The Body Shop, National Bookstore, McDonald's, Jollibee and KFC.

FLI leased from FAI the 10 hectares of land on which the mall and its adjoining structures (such as parking lots) are situated. The lease is for a term of 50 years from October 1, 2006, renewable for another 25 years, with FLI required to pay monthly rent equivalent to 10.0% of the monthly gross rental revenue from the mall. The Festival Supermall was designed to allow the construction of an additional wing to the current two-wing structure on two adjacent hectares of land available for development, which would increase the mall's total floor area by up to 50,000 square meters. The lease between FLI and FAI allows FLI to construct additions or extensions to the current mall structure, which will revert to FAI upon termination of the lease. FLI will determine if or when construction for the third wing will be undertaken based on market conditions and its perception of the demand for additional retail space in the areas served by the mall. Day-to-day operations at the Festival Supermall are currently managed by Festival Supermall, Inc. ("FSI"), an affiliate of FLI, pursuant to a management contract that entitles FSI to a management fee of ₱200,000 per month. FLI also pays for the salaries and benefits of FSI's officer and employees who are assigned to manage the Festival Supermall. Engineering, maintenance, security and janitorial services for the mall are outsourced to reputable third-party service providers on an annual contractual basis. These contracts can usually be terminated at any time, such as if the contractor fails to perform at an acceptable level.

PBCom Tower

The PBCom Tower, the tallest building in the Philippines, is a 52 floor, Grade A, PEZA-designated I.T. office building in Ayala Avenue, Makati City, Metro Manila. FLI owns part of the PBCom Tower thru Filinvest Asia Corporation. FLI earns 60% of revenues from the 36,000 sq.m. leasable space owned by Filinvest Asia Corp. in this building. Colliers International had been hired to provide day-to-day property management services for PBCom Tower. In addition, pursuant to a management agreement, FAI provides the following services: general management services, accounting services, operations, legal review and documentation, office rental services and recruitment and training services.

Northgate Cyberzone

Northgate Cyberzone is a PEZA registered BPO park within Filinvest City. FLI earns revenues from approximately 131,000 sq.m. leasable space with Convergys, APAC, Genpact, e-telecare Global Solutions, ICICI Bank Ltd., Flour Daniel and Infosys as major tenants, among others. Of the 10 hectares of land on which the Northgate Cyberzone is situated, approximately five hectares are available for future development. Two build-to-suit buildings (BTS) are being occupied for the backroom unit requirement of British bank HSBC Ltd. and Convergys, one of the biggest call centers. An IT School building is leased out to Informatics International College, which is a Singapore-headquartered information technology ("IT") school, and YBM Philippines, which operates language schools in the Philippines. *Plaza A*, six-storey building which was completed in June 2006, is substantially fully leased to GenPact Services LLC and eTelecare Global Solutions, Inc.. *Plaza B and Plaza C*, both four-storey buildings, were completed in 2001. Tenants for Plaza B include Deutsche Bank, Globe Innove, Global Access Inc. and NDE Digitech. All of Plaza C has been leased by APAC.

There are three projects involving four buildings under development in Northgate Cyberzone. These are all expected to be completed in 2007. These include Plaza D, Building 5132, iHub I and iHub II. All of Plaza D has been leased to ICICI Bank Limited, India's largest private sector bank, and Verizon. There are still seven hectares available for the construction of additional buildings within the Northgate Cyberzone.

The table below shows a breakdown of FLI's recorded gross leasing revenues for 2012 & 2011.

Leasing Revenues
(Amounts in thousands)

	Years ended December 31			
	2 0 1 2		2 0 1 1	
	Amount	% to total	Amount	% to total
Festival Supermall	853,740	48.03%	809,861	52.99%
Northgate Cyberzone	722,763	40.67%	542,440	35.49%
PB Com Tower	164,646	9.26%	163,573	10.70%
Others	36,181	2.04%	12,416	0.81%
Total	1,777,330	100.00%	1,528,290	100.00%

1.7. Marketing and Sales

1.7.1 Real Estate Segment

The Company develops customer awareness through marketing and promotion efforts and referrals from satisfied customers. The Company has a real estate marketing team, a network of sales offices located in the Philippines and tie-ups with independent brokers in Europe, Hongkong, the Middle East and Japan. FLI's marketing personnel, together with in-house sales agents and accredited agents, gather demographic and market information to help assess the feasibility of new developments and to assist in future marketing efforts for such developments.

The Company conducts advertising and promotional campaigns principally through print and broadcast media, including billboards, fliers, and brochures designed specifically for the target market. Advertising and promotional campaigns are conceptualized and conducted by FLI's marketing personnel and by third-party advertising companies. These campaigns are complemented with additional advertising efforts, including booths at shopping centers, such as Festival Supermall, and other high traffic areas, to promote open houses and other events.

The Company also believes that the OFW population, as well as expatriate Filipinos, constitute a significant portion of the demand for affordable and middle-income housing either directly or indirectly by remitting funds to family members in the Philippines to purchase property. To this end, the Company has appointed and accredited independent brokers in countries and regions with large concentrations of OFWs and expatriate Filipinos, such as Italy, Japan, the United Kingdom and the Middle East. These brokers act as the Company's marketing and promotion agents in these territories to promote the Company and its products. The Company also sponsors road shows to promote its projects, including road shows in Europe and the United States of America, targeting the OFW and Filipino expatriate markets. FLI also markets its properties on the Internet.

FLI caters to a wide customer base spanning the different income segments of the real estate market - from socialized, to affordable, to middle and to high-end. FLI also serves the industrial and leisure markets through its entrepreneurial communities, township projects, farm estates and private membership clubs. It does not have a single or a few customers accounting for 20% of its sales.

FLI develops customer awareness through its marketing and promotion efforts and referrals from satisfied customers. FLI conducts advertising and promotional campaigns principally through print media, including billboards, fliers, and brochures designed specifically for the target market. Advertising and

promotional campaigns are conceptualized and conducted by FLI's marketing personnel and by third-party advertising companies. These campaigns are complemented with additional advertising efforts, including booths at shopping centers, such as the Festival Supermall, and other high traffic areas, to promote open houses and other events. FLI also relies on positive word-of-mouth from satisfied customers.

FLI has appointed and accredited independent brokers in countries and regions such as North America, Italy, Japan, the United Kingdom and the Middle East. These areas have large concentrations of OFWs and expatriate Filipinos who constitute a significant portion of the demand for its affordable and middle-income housing and land development projects. The said brokers act as FLI's marketing and promotion agents in these territories. Sales for FLI's housing and land development projects are made through both in-house sales agents and independent brokers. Both FLI's in-house sales agents and independent brokers are compensated through commissions on sales. In-house sales agents also receive a monthly allowance and are provided administrative support by FLI, including office space and expense allowances.

In addition to in-house sales agents and independent brokers, FLI also employs representatives who staff its sales offices and provide customers with information about FLI's products, including financing and technical development characteristics. FLI also assigns each project a sales and operations coordinator who will provide customers with assistance from the moment they make their sales reservation, during the process of obtaining financing, and through the steps of establishing title on their new home. FLI also has personnel who can advise customers on financing options, collecting necessary documentation and applying for a loan. FLI also helps design down payment plans for its low-cost housing customers that are tailored to each customer's economic situation. Further, once a house is sold and delivered, FLI has customer service personnel who are available to respond to technical questions or problems that may occur after delivery of the property.

1.7.2 Leasing Segment

Various professional, multinational commercial real estate leasing agents (including, but not limited to Jones Lang LaSalle, CB Richard Ellis and Colliers) are accredited to find tenants for its PBCom Tower and Northgate Cyberzone office space. These brokers work on a non-exclusive basis and earn commissions based on the term of the lease.

FLI also maintains, through its subsidiaries, an in-house sales team to market its office & commercial spaces.

1.8. Customer Financing for Real Estate Projects

The ability of customers to obtain financing for purchases of subdivision lots or housing units is a critical element in the success of FLI's housing and land development business. Customer financing is particularly important in relation to sales of FLI's socialized housing projects, where most prospective buyers require financing for up to 100% of the purchase price. FLI therefore assists qualified homebuyers in obtaining mortgage financing from government-sponsored mortgage lenders, particularly for its socialized housing projects, and from commercial banks. FLI also provides a significant amount of in-house financing to qualified buyers.

In-house financing

FLI offers in-house financing to buyers who chose not to avail of Government or bank financing. FLI typically finances 80% of the total purchase price, which is secured primarily by a first mortgage over the

property sold. The loans are then repaid through equal monthly installments over periods ranging from five to 100 years. The interest rates charged by FLI for in-house financing typically range from 15.011.5% per annum to 19.0% per annum, depending on the term of the loan.

Pag-IBIG Fund

A substantial portion of buyers of the Company's socialized housing units finance their purchases through the Home Development Mutual Fund, or Pag-IBIG Fund. To provide a liquidity mechanism to private developers, the Pag-IBIG Fund has instituted a take-out mechanism for conditional sales, installment contract receivables and mortgages and repurchases of receivables from housing loans of its members.

Mortgage loans

Mortgage loans from commercial banks are usually available to individuals who meet the credit risk criteria set by each bank and who are able to comply with each bank's documentary requirements. In addition to taking security over the property, a bank may also seek repayment guarantees from the Home Guaranty Corporation ("HGC"). To assist prospective buyers obtain mortgage financing from commercial banks, FLI also has arrangements with several banks to assist qualified customers to obtain financing for housing unit purchases.

Deferred cash purchases

In recent years, in addition to the aforementioned financing arrangements, FLI has offered so-called "deferred cash" purchases, particularly for its high-end and leisure developments. Under this arrangement, the entire purchase price is amortized in equal installments over a fixed period, which is typically 24 months. Title to the property passes to the buyer only when the contract price is paid in full or when the buyer executes a real estate mortgage in favor of the Company which can be annotated on the title to the property.

1.9. Real Estate Development

FLI's real estate development activities principally include the purchase of undeveloped land or entering into joint venture agreements covering undeveloped land, the development of such land into residential subdivisions or other types of development projects, the sale of lots, the construction and sale of housing units and the provision of financing for some sales.

The development and construction work is contracted out to a number of qualified independent contractors on the basis of either competitive bidding or the experience FLI has had with a contractor on prior project. FLI weighs each contractor's experience, financial capability, resources and track record of adhering to quality, cost and time of completion commitments.

FLI maintains relationships with over 100 independent contractors and deals with them on an arm's length basis.

FLI does not enter into long-term arrangements with contractors. Construction contracts typically cover the provision of contractor's services in relation to a particular project or phase of a project. FLI also provides, in certain cases, financial guarantees of payment to FLI-specified suppliers for purchases of construction materials. Progress payments are made to contractors during the course of a project development upon the accomplishment of pre-determined project performance milestones. Generally,

FLI retains 10% of each progress payment in the form of a guarantee bond or cash retention for up to one year from the date the contracted work is completed and accepted by FLI to meet contingency costs.

FLI is not and does not expect to be dependent upon one or a limited number of suppliers or contractors. Its agreements with its contractors are in the nature of supply of labor and materials for the development and/or construction of its various real estate projects.

During 2012, the Company launched a total of 20 new projects and phases with an estimated sales value of P 7.64 billion. This brought to 111 the number of ongoing projects and phases FLI has as of the end of 2012.

The Company's operational highlights in property development in 2006 were the launch of 14 new projects. New projects launched include: three affordable projects - Aldea Real in Calamba, Laguna, Palmridge and Summerbreeze Townhomes in Sto. Tomas, Batangas; two middle income projects in Quezon City; three regional middle-income projects - Villa Mercedita II in Davao City, a project in Laguna and one in Zamboanga City; two high-end projects - St. Isabel in Mission Hills, Antipolo and The Ranch in Timberland Heights in San Mateo, Rizal; two Asenso Villages in Calamba, Laguna and Tanza, Cavite.

1.10. Competition

1.10.1. Real Estate Segment

Real estate development and selling is very competitive. The Company believes it is strongly positioned in the affordable housing income to middle-income residential subdivision market and in the farm estates. Success in these market segments depends on acquiring well-located land at attractive prices often in anticipation of the direction of urban growth. The Company believes that its name and reputation it has built in the Philippine property market contributes to its competitive edge over the other market players. On the basis of publicly available information and its own market knowledge, FLI's management believes that it is among the leading housing and land project developers in the Philippines, particularly in the socialized to middle-income housing sectors. FLI's management also believes that FLI is able to offer competitive commissions and incentives for brokers, and that FLI is able to compete on the basis of the pricing of its products, which encompasses products for different market sectors, as well as its brand name and its track record of successful completed quality projects.

The Company directly competes with other major real estate companies positioned either as a full range developer or with subsidiary companies focused on a specific market segment and geographic coverage. Its direct competitors include Ayala Land Inc., Vista Land, Robinsons Land and DMCI.

The Company faces significant competition in the Philippine property development market. In particular, the Company competes with other developers in locating and acquiring, or entering into joint venture arrangements to develop, parcels of land of suitable size in locations and at attractive prices. This is particularly true for land located in Metro Manila and its surrounding areas, as well as in urbanized areas throughout the Philippines.

The Company's continued growth also depends in large part on its ability either to acquire quality land at attractive prices or to enter into joint venture agreements with land-owning partners under terms that can yield reasonable returns. Based on the Company's current development plans, the Company believes that it has sufficient land reserves for property developments for the next several years. If the Philippine economy continues to grow and if demand for residential properties remains relatively strong, the Company expects that competition among developers for land reserves that are suitable for property

development (whether through acquisitions or joint venture agreements) will intensify and that land acquisition costs, and its cost of sales, will increase as a result.

1.10.2. Leasing Segment

With regard to the Company's recently acquired assets dedicated to office space leasing and shopping mall operations, the Company competes with property companies such as Ayala Land Inc., Robinsons Land Corp. and SM Prime Holdings in retail space leasing. In office space leasing, particularly to call centers and other BPO operators, the Company competes with companies such as Robinsons Land, Inc., Ayala Land, Inc., Eton Corporation and Megaworld Corporation.

1.11. Related-Party Transactions

The Company is a member of the Filinvest Group. The Company and its subsidiaries, in their ordinary course of business, engage in transactions with FDC and its subsidiaries. The Company's policy with respect to related-party transactions is to ensure that these transactions are entered into on terms comparable to those available from unrelated third parties.

The Company's major related-party transactions include:

- FDC's guaranty of the Company's obligations under a ₱2.25 billion credit facility extended by the International Finance Corporation. As of December 31, 2012, the Company had fully availed of ₱1.125 billion of this facility with outstanding principal balance amounting to ₱ 1,125.00 million.
- Interest and non-interest bearing cash advances made to and received from FDC, FAI, FAPI, CPI and other affiliates in order to meet liquidity and working capital requirements. Interest rates on these cash advances are determined on an arm's-length basis and are based on market rates.
- Sharing jointly with other members of the Filinvest Group, expenses relating to common facilities and services used by each member of the Filinvest Group, such as payroll services, supplies and utilities.
- A 50-year lease agreement with FAI for the 10-hectare property on which the Festival Supermall and its related structures are located.
- FAC and CPI's management contracts with FAI pursuant to which FAI provides accounting, business development and other management services to FAC and CPI.
- The Company's contract with FSI, which provides services relating to the operation of the Festival Supermall. Under the terms of the contract, FSI is entitled to receive monthly management fees.
- Savings and current accounts and time deposits with East West Bank ("EWB"), a member of the Filinvest Group.
- Lease agreement between EWB and the Company and with FAC covering an office space for the bank's branches in PBCom Tower in Makati City and in Grand Cenia Hotel and Residences building in Cebu.
- A development agreement with GCK Realty Corp. ("GCK"), in which members of the Gotianun family has shareholdings, for the development by FLI of Grand Cenia Hotel and Residences building on certain parcels of land owned by GCK in Brgy. Camputhaw, Cebu City.
- A development agreement with Fernandez Hermanos, Inc., which is owned and managed by an officer and stockholder, Mr. Luis T. Fernandez, and his siblings, for the subdivision development of parcels of land owned by the latter company in Brgy. Matanos, Kaputian, Samal Island in the province of Davao.

1.12. Intellectual Property

The Company has a registration of intellectual property rights for the “Filinvest”. It has also applications pending for the registration of various names of its properties and for various trademarks associated with the use of the “Filinvest” and “FLI” brands. The Company has pending applications with the Intellectual Property Office for the following trademarks:

- Artisans’ Business Park;
- Artisans’ Village;
- Cottage Industry Center;
- Cottage Industry Community;
- Cottage Industry Village;
- Craftsmen’s Village;
- Entrepinoy Village;
- Entrepreneurs’ Village;
- Micro Business Community;
- MSME Business Center;
- MSME Business Community; and
- MSME Business Park.

Although these registrations are not complete, the Company believes that it has sufficient protection over these names from long-term use and widespread recognition of the name in the market.

The Company has also registered “Filinvest Land, Inc.” as a business name with the Department of Trade and Industry. A registration of a business name shall be effective for five years from the initial date of registration and must be renewed within the first three months following the expiration of the five-year period from the date of original registration.

1.13. Government and Environmental Regulations

The real estate business in the Philippines is subject to significant Government regulations over, among other things, land acquisition, development planning and design, construction and mortgage financing and refinancing.

After the project plan for subdivision is prepared, FLI applies for a development permit with the local government. If the land is designated agricultural land, FLI applies with the Department of Agrarian Reform (DAR) for a Certificate of Conversion or Exemption, as may be proper. A substantial majority of FLI’s existing landbank is subject to the DAR conversion process.

Approval of development plans is conditioned on, among other things, completion of the acquisition of the project site and the developer’s financial, technical and administrative capabilities. Approvals must be obtained at both the national and local levels. Evidently, the Company’s results of operations are expected to continue to be affected by the nature and extent of the regulation of its business, including the relative time and cost involved in procuring approvals for each new project, which can vary for each project.

The Company is also subject to the application of the Maceda Law, which gives purchasers of real property purchased on an installment basis certain rights regarding cancellations of sales and obtaining refunds from developers.

FLI believes that it has complied with all applicable Philippine environmental laws and regulations. Compliance with such laws, in FLI's opinion, is not expected to have a material effect on FLI's capital expenditures, earning or competitive position.

1.14. Employees and Labor

As of December 31, 2012, FLI had a total of 858 employees, including 166 permanent full-time managerial employees, 686 support employees and 6 consultants.

Management believes that FLI's current relationship with its employees is generally good and neither FLI nor any of its subsidiaries have experienced a work stoppage or any labor related disturbance as a result of labor disagreements. None of FLI's employees or any of its subsidiaries belongs to a union. FLI currently does not have an employee stock option plan.

FLI does not anticipate any substantial increase in the number of its employees in 2013.

FLI provides managers, supervisors and general staff the opportunity to participate in both in-house and external training and development programs which are designed to help increase efficiency and to prepare employees for future assignments. FLI has also provided a mechanism through which managers and staff are given feedback on their job performance, which FLI believes will help to ensure continuous development of its employees. FLI also offers employees benefits and salary packages that it believes are in line with industry standards in the Philippines and which are designed to help it compete in the marketplace for quality employees.

1.15. Major Risk Factors

There are major risk factors that may affect the Company or its operations. Property values in the Philippines are influenced by the general supply and demand of real estate as well as political and economic developments in the country. In the event new supply exceeds demand as a result of economic uncertainty or slower growth, political instability, or increased interest rates, the financial condition and results of operations of FLI be materially affected.

Demand for, and prevailing prices of, developed land and house and lot units are directly related to the strength of the Philippine economy (including overall growth levels and interest rates), the overall levels of business activity in the Philippines and the amount of remittances received from overseas Filipino workers ("OFWs"). Demand for the Company's housing and land developments is also affected by social trends and changing spending patterns in the Philippines, which in turn are influenced by economic, political and security conditions in the Philippines. The residential housing industry is cyclical and is sensitive to changes in general economic conditions in the Philippines such as levels of employment, consumer confidence and income, availability of financing for property acquisitions, construction and mortgages, interest rate levels, inflation and demand for housing.

The demand for the Company's projects from OFWs and expatriate Filipinos may decrease as a result of the following possibilities, i.e. reduction in the number of OFWs, the amount of their remittances and the purchasing power of expatriate Filipinos. Factors such as economic performance of the countries and regions where OFWs are deployed, changes in Government regulations such as taxation on OFWs' income, and, imposition of restrictions by the Government/other countries on the deployment of OFWs may also affect the demand for housing requirements.

There are risks that some projects may not attract sufficient demand from prospective buyers thereby affecting anticipated sales. Stringent government requirements for approvals and permits of new projects may take substantial amount of time and resources. In addition, the time and the costs involved in completing the development and construction of residential projects can be adversely affected by many factors, including unstable prices and supply of materials and equipment and labor, adverse weather conditions, peso depreciation, natural disasters, labor disputes with contractors and subcontractors, accidents, changes in laws or in Government priorities and other unforeseen problems or circumstances. Further, the failure by the Company to substantially complete construction of a project to its planned specifications or schedule may result in contractual liabilities to purchasers and lower returns.

The Company's cost of sales is affected by volatility in the price of construction materials such as lumber, steel and cement. While the Company, as a matter of policy, attempts to fix the cost of materials component in its construction contracts, in cases where demand for steel, lumber and cement are high or when there are shortages in supply, the contractors the Company hires for construction or development work may be compelled to raise their contract prices. As a result, rising cost of any construction materials will impact the Company's construction costs, and the price for its products. Any increase in prices resulting from higher construction costs could adversely affect demand for the Company's products and the relative affordability of such products as compared to competitors' products. This could reduce the Company's real estate sales.

The Company is also exposed to risks associated with the ownership and operation of its recently acquired investment properties. Financial performance of the Company's leasing segment, which consist of interests in leasable office space in PBCom Tower and the Northgate Cyberzone, and in retail commercial space in Festival Supermall, could be affected by a number of factors, including:

1. the national and international economic climate;
2. changes in the demand for call center and other BPO operations in the Philippines and around the world;
3. trends in the Philippine retail industry, insofar as the Festival Supermall is concerned;
4. changes in laws and governmental regulations in relation to real estate, including those governing usage, zoning, environment, taxes and government charges;
5. the inability to collect rent due to bankruptcy of tenants or otherwise;
6. competition for tenants;
7. changes in market rental rates;
8. the need to periodically renovate, repair and re-let space and the costs thereof;
9. the quality and strategy of management; and,
10. the Company's ability to provide adequate maintenance and insurance.

2.1. Land Bank

Since its incorporation, the Company has invested in properties situated in what the Company believes are prime locations across the Philippines for existing and future housing and land development projects. It is important for the Company to have access to a steady supply of land for future projects. In addition to directly acquiring land for future projects, the Company has also adopted a strategy of entering into joint venture arrangements with landowners for the development of raw land into future project sites for housing and land development projects. This allows FLI to reduce its capital expenditures for land and substantially reduces the financial holding costs resulting from owning land for development.

Under the joint venture agreements, the joint venture partner contributes the land free from any lien, encumbrance, tenants or informal settlers and the Company undertakes the development and marketing of

the products. The joint venture partner is allocated either the developed lots or the proceeds from the sales of the units based on pre-agreed distribution ratio.

Potential land acquisitions and participation in joint venture projects are evaluated against a number of criteria, including the attractiveness of the acquisition price relative to the market, the suitability or the technical feasibility of the planned development. The Company identifies land acquisitions and joint venture opportunities through active search and referrals.

On February 03, 2009 FLI signed an agreement with the Cebu City government to develop 50.6 hectares of the 300-hectare reclaimed property in Cebu. The agreement is divided into two contractual arrangements. One is the purchase of 10.6 hectares valued at around ₱ 1.6 billion. The second component entails the development under a joint venture arrangement with the Cebu City government of the remaining 40 hectares to host residential condominiums and retirement villages.

As of December 31, 2012, the Company had a land bank of approximately 2,251,305 hectares of raw land for the development of its various projects, including approximately 379 hectares of land under joint venture agreements, which the Company's management believes is sufficient to sustain at least five several years of development and sales.

Details of the Company's raw land inventory as of December 31, 2012 are set out in the table below:

FLI Land Bank as of December 31, 2012				
Area in Hectares				
Location	Company Owned	Under Joint Ventures	Total	% to Total
Luzon				
Metro Manila	23.9	7.6	31.5	1.4%
Rizal	733.0	84.9	817.9	36.3%
Bulacan	221.9		221.9	9.9%
Pampanga		58.3	58.3	2.6%
Cavite	364.3	83.7	448.0	19.9%
Laguna	190.1	-	190.1	8.4%
Batangas	140.6	43.7	184.3	8.2%
Palawan		8.2	8.2	0.4%
Sub-total	1,673.8	286.4	1,960.2	87.1%
Visayas				
Cebu		31.5	31.5	1.4%
Negros Occidental	51.0		51.0	2.3%
Iloilo	0.9		0.9	0.0%
Sub-total	51.9	31.5	83.4	3.7%
Mindanao				
General Santos	99.6	17.3	116.9	5.2%
Cagayan de Oro City	2.8		2.8	0.1%
Davao	43.8	44.0	87.8	3.9%
Sub-total	146.2	61.3	207.5	9.2%
			-	
Total	1,871.9	379.2	2,251.1	100.0%

2.2. Current Development Projects

The following table sets out all of FLI's projects with ongoing housing and/or land development or marketing as of December 31, 2012.

Category / Name of Project	Location
SOCIALIZED	
Belvedere Townhomes	Tanza, Cavite
Blue Isle	Sto. Tomas, Batangas
Sunrise Place	Tanza, Cavite
Castillion Homes	Gen. Trias, Cavite
Mistral Plains	Gen. Trias, Cavite
Sunrise Place Mactan	Mactan, Cebu
Sandia Homes Ph 1	Tanauan, Batangas
AFFORDABLE	
Alta Vida	San Rafael, Bulacan
Bluegrass County	Sto. Tomas, Batangas
Brookside Lane	Gen. Trias, Cavite
Crystal Aire	Gen. Trias, Cavite
Fairway View	Dasmarinas, Cavite
Palmridge	Sto. Tomas, Batangas
Springfield View	Tanza, Cavite
Summerbreeze Townhomes	Sto. Tomas, Batangas
Westwood Place	Tanza, Cavite
Woodville	Gen. Trias, Cavite
Aldea Real	Calamba, Laguna
Costas Villas (Ocean Cove 2)	Davao City
Primrose Hills	Angono, Rizal
The Glens at Park Spring	San Pedro, Laguna
Sommerset Lane	Tarlac City
Claremont Village	Mabalacat, Pampanga
Westwood Mansions	Tanza, Cavite
Tierra Vista	San Rafael, Bulacan
Aldea del Sol	Mactan, Cebu
Raintree Prime Residences	Dasmarinas, Cavite
La Brisa Townhomes	Calamba, Laguna
Alta Vida Prime	San Rafael, Bulacan
Amare Homes	Tanauan, Batangas
Anila Park	Taytay, Rizal
Austine Homes	Pampanga

The Residences @ Castillon Homes
Valle Dulce Ph1B
Primrose Townhomes
East Bay Palawan
Meridian Place
Savannah Fields

MIDDLE-INCOME

Corona Del Mar
Filinvest Homes- Tagum
NorthviewVillas
Ocean Cove
Orange Grove
Spring Country
Spring Heights
Southpeak
The Pines
Villa San Ignacio
Highlands Pointe
Manor Ridge at Highlands
Ashton Fields
Montebello
Hampton Orchards
The Enclave at Filinvest Heights
Escala (La Constanera)
West Palms
Filinvest Homes - Butuan
La Mirada of the South
Tamara Lane (formerly Imari)
Viridian at Southpeak
Nusa Dua (Residential)
The Tropics
Princeton Heights
The Glades
One Oasis Ortigas
One Oasis Davao
Bali Oasis 1
One Oasis Cebu
Maui Oasis
Capri Oasis
Sorrento Oasis
Amalfi Oasis

Tanza, Cavite
Tanza, Cavite
Havila, Angono, Rizal
Puerto Princesa, Palawan
Gen. Trias, Cavite
Gen. Trias, Cavite

Pooc, Talisay, Cebu City
Tagum City, Davao
Quezon City
Davao City
Matina, Pangi, Davao City
Batasan Hills, Quezon City
Batasan Hills, Quezon City
San Pedro, Laguna
San Pedro, Laguna
Zamboanga City
Taytay, Rizal
Taytay, Rizal
Calamba, Laguna
Calamba, Laguna
Bacolor, Pampanga
Quezon City
Talisay, Cebu
Puerto Princesa, Palawan
Butuan, Agusan Del Norte
Binan, Laguna
Caloocan City
San Pedro, Laguna
Tanza, Cavite
Cainta, Rizal
Molino, Cavite
Timberland Heights, San Mateo, Rizal
Pasig, Metro Manila
Davao City
Pasig, Metro Manila
Mabolo, Cebu City
Sta. Mesa, Manila
Pasig, Metro Manila
Pasig, Metro Manila
South Road Properties, Cebu

San Remo Oasis
The Linear
Studio City
The Levels
Somerset Lane, Ph 2
Asiana Oasis
Bali Oasis 2
Studio Zen
Vinia Residences & Versaflats
The Terraces Ph 1B & Ph 2
The Enclave at Highlands Pointe
Studio A
One Spatial

HIGH-END

Brentville International
Prominence 2
Village Front
Mission Hills - Sta. Catalina
Mission Hills - Sta. Isabel
Mission Hills - Sta Sophia
Banyan Ridge
The Ranch
The Arborage at Brentville Int'l
Banyan Crest
Arista
Orilla
Bahia
Highlands Pointe
Kembali Arista

LEISURE - FARM ESTATES

Forest Farms
Mandala Residential Farm
Nusa Dua

LEISURE PRIVATE

MEMBERSHIP CLUB

Timberland Sports and Nature Club

South Road Properties, Cebu
Makati City
Filinvest Corporate City, Alabang
Filinvest Corporate City, Alabang
Tarlac
Paranaque, Metro Manila
Pasig City, Metro Manila
Pasay City, Metro Manila
Edsa, Quezon City
Havila, Taytay, Rizal
Havila, Taytay, Rizal
Quezon City
Pasig City, Metro Manila

Mamplasan, Binan, Laguna
Mamplasan, Binan, Laguna
Binan, Laguna
Antipolo, Rizal
Antipolo, Rizal
Antipolo, Rizal
San Mateo, Rizal
San Mateo, Rizal
Mamplasan, Binan, Laguna
San Mateo, Rizal
Talisay, Batangas
Talisay, Batangas
Talisay, Batangas
Havila, Taytay, Rizal
Samal Island, Davao

Angono, Rizal
San Mateo, Rizal
Tanza, Cavite

San Mateo, Rizal

LEISURE - RESIDENTIAL RESORT DEVELOPMENT	
Kembali Coast	Samal Island, Davao
Laeuna De Taal	Talisay, Batangas
Entrepreneurial - Micro Small & Medium Enterprise Village	
Asenso Village Calamba	Calamba, Laguna
INDUSTRIAL/COMMERCIAL	
Filinvest Technology Park	Calamba, Laguna
The Mercado	Havila, Taytay, Rizal
CONDOTEL	
Grand Cenia Hotel & Residences	Cebu City
The Leaf	Timberland Heights, San Mateo, Rizal

On-going developments of the abovementioned projects are expected to require additional capital but FLI believes that it will have sufficient financial resources for these anticipated requirements.

2.3. Investment Properties

FLI's recent acquisition of major assets and equity interests in September 2006 involved three strategic investment properties, namely: Festival Supermall, PBCOM Tower and Northgate Cyberzone. Please refer to Section 1.6.2 for a detailed discussion of these properties.

2.4. Property and Equipment

FLI used to rent office spaces located at San Juan City, Metro Manila with an aggregate floor area of 4,369 square meters for its head office. The term of the lease is 5 years, subject to renewal upon mutual agreements between FLI and FDC (the lessor). In October 2012, FLI transferred to its new corporate headquarters located along EDSA, Mandaluyong City effectively ending the lease on FDC land and building in San Juan City. In December 2012, FLI purchased from FDC the parcel of land located in San Juan City which was previously being leased as its head office. FLI is also renting spaces for its sales offices in Quezon City, Rizal, Pampanga, Tarlac, Puerto Princesa City, Cebu City, Davao City, Butuan, Tagum and Zamboanga City. The terms of the leases are usually for one year, and thereafter, the terms of the lease shall be on a month-to-month basis, or upon the option of both parties, a new contract is drawn. Total rental expense in 2012 amounted to ₱ 78.05 million. The Company does not intend to acquire properties for the next 12 months except as needed in the ordinary course of business.

Item 3. LEGAL PROCEEDINGS

FLI is subject to lawsuits and legal actions in the ordinary course of its real estate development and other allied activities. However, FLI does not believe that the lawsuits or legal actions to which it is a party will have a significant impact on its financial position or result of operations.

Following are the cases involving certain properties of FLI that may have impact on its financial position, but which it believes will be eventually resolved in its favor:

a. *FLI vs. Abdul Backy, et al.*, G.R. No. 174715, Supreme Court

This is a civil action for the declaration of nullity of deeds of conditional and absolute sales of certain real properties located in Tambler, General Santos City executed between FLI and the plaintiffs' patriarch, Hadji Gulam Ngilay. The Regional Trial Court ("RTC") of Las Piñas City (Br. 253) decided the case in favor of FLI and upheld the sale of properties. On appeal, the Court of Appeals rendered a decision partly favorable to FLI but nullified the sale of some properties involved. FLI's petition for review on *certiorari* to question that portion of the decision that is unfavorable to FLI, is still pending with the Supreme Court.

b. *Emelita Alvarez, et al. vs. FDC*, DARAB Case No. IV-RI-010-95
Adjudication Board, Department of Agrarian Reform

On or about March 15, 1995 certain persons claiming to be beneficiaries under the Comprehensive Agrarian Reform Program (CARP) of the National Government filed an action for annulment/cancellation of sale and transfer of titles, maintenance of peaceful possession, enforcement of rights under CARP plus damages before the Regional Agrarian Reform Adjudicator, Adjudication Board, Department of Agrarian Reform. The property involved, located in San Mateo, Rizal, was purchased by FDC from the Estate of Alfonso Doronilla. A motion to dismiss is still pending resolution.

c. *Republic of the Philippines vs. Rolando Pascual, et al.*
Civil Case No. 7059, Regional Trial Court

The National Government through the Office of the Solicitor General filed suit against Rolando Pascual, Rogelio Pascual and FLI for cancellation of title and reversion in favor of the Government of properties subject of a joint venture agreement between the said individuals and FLI. The Government claims that the subject properties covering about 73.33 hectares are not alienable and disposable being part of the forestlands. The case was dismissed by the RTC of General Santos City (Br. 36) on November 16, 2007 for lack of merit. The Office of the Solicitor General has appealed the dismissal to the Court of Appeals, where it is still pending.

d. *FLI vs. Eduardo Adia, et al.*, G.R. 192929, Supreme Court

Various CLOA holders based in Brgy. Hugo Perez, Trece Martirez City filed a complaint with the RTC of Trece Martirez against FLI for recovery of possession with damages, claiming that in 1995 they surrendered possession of their lands to FLI so that the same can be developed pursuant to a joint venture arrangement allegedly entered into with FLI. They now seek to recover possession of said lands pending the development thereof by FLI. The RTC rendered a decision ordering FLI to vacate the subject property. FLI appealed the decision to the Court of Appeals, which affirmed the RTC decision. FLI filed a petition for review on *certiorari* before the Supreme Court. On 10 January 2011, the Supreme Court granted FLI's motion to admit a supplemental petition and required respondent to comment on the supplemental petition within 10 days from notice.

- e. *Antonio E. Cenon and Filinvest Land Inc. vs. San Mateo Landfill, Mayor Jose Rafael Diaz, Brgy. Pintong Bukawe, Director Julian Amador and the Secretary, Department of Environment and Natural Resources*
Civil Case No. 2273-09

On February 09, 2009, FLI filed an action for injunction and damages against the respondents to stop and enjoin the construction of a 19-hectare landfill in a barangay in close proximity to Timberland Heights in San Mateo, Rizal. FLI sought preliminary and permanent injunctive reliefs and damages and is seeking the complete and permanent closure of the dumpsite. Trial for this case is ongoing.

FLI is not aware of any other information as to any other legal proceedings known to be contemplated by government authorities or any other entity.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There was no matter which was submitted to a vote of security holders in 2012.

Part II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. MARKET FOR ISSUER'S COMMON EQUITY & RELATED STOCKHOLDER MATTERS

The Company's common shares were listed in the PSE in 1993. The following table shows, for the periods indicated, the high, low and period-end closing prices of the shares as reported in the PSE.

Period 2012	Share Prices		
	High	Low	Close
4th Quarter	1.66	1.34	1.49
3rd Quarter	1.37	1.24	1.36
2nd Quarter	1.44	1.17	1.28
1st Quarter	1.34	1.00	1.29
2011	High	Low	Close
4th Quarter	1.19	0.98	0.99
3rd Quarter	1.33	1.02	1.10
2nd Quarter	1.35	1.14	1.17
1st Quarter	1.41	1.01	1.15

The number of common shareholders of record as of December 31, 2012 was 5,946. Common shares outstanding as of December 31, 2012 were 24,249,759,506 shares.

Top 20 Common Stockholders as of December 31, 2012:

	Stockholder	Holdings	% to Total
1	Filinvest Development Corporation	14,017,205,735	57.80%
2	PCD Nominee Corporation (non-filipino)	5,991,405,201	24.71%
3	PCD Nominee Corporation (filipino)	3,865,541,723	15.94%
4	Rivercrest Realty Corporation	61,111,250	0.25%
5	Phil. International Life Insurance	50,000,000	0.21%
6	Michael Gotianun	11,235,913	0.05%
7	Lucio W. Yan & /or Clara Y. Yan	10,687,500	0.04%
8	Ana Go &/or Go Kim Pa	8,250,000	0.03%
9	Joseph M. Yap & /or Josephine G. yap	7,694,843	0.03%
10	Joseph M. Yap	6,444,115	0.03%
11	R. Magdalena Bosch	4,877,928	0.02%
12	Luis Rodrigo P. Fernandez	4,064,840	0.02%
13	Luis L. Fernandez or Veronica P. Fernandez ITF Carlo	4,064,940	0.02%
14	Enrique P. Fernandez	4,064,940	0.02%
15	Luis L. Fernandez	4,064,940	0.02%
16	Veronica P. Fernandez	4,064,940	0.02%
17	Luis L. Fernandez or Veronica P. Fernandez ITF Marco	4,064,940	0.02%
18	Lilian So Lim	3,469,832	0.01%
19	Emily Benedicto	3,468,750	0.01%
20	Alberto Mendoza &/or Jeanie CF. Mendoza	3,349,871	0.01%

The Company's entire preferred shares of 8 billion shares were all issued to FDC.

No securities were sold within the past two years which were not registered under the Revised Securities Act and/or Securities Regulation Code.

Dividends

On January 8, 2007, the Board of Directors approved an annual cash dividend payments ratio for the Company's issued shares of twenty percent (20%) of its consolidated net income for the preceding year, subject to compliance with applicable laws and regulations and the absence of circumstances which may restrict the payment of such dividends, including, but not limited to, when Company undertakes major projects and developments requiring substantial cash expenditures, or when the Company is restricted from paying cash dividends by its loan covenants, if any. The Board of Directors may at any time modify such dividend payout ratio depending on the results of operations, future projects and plans of the Company.

On April 30, 2010, the Board of Directors approved the declaration and payment from unappropriated retained earnings of cash dividend of ₱ 0.033 per share or a total of ₱ 800.24 for all shareholders of record as of May 18, 2010.

On April 15, 2011 the Board of Directors approved the declaration and payment from unappropriated retained earnings of cash dividend of ₱ 0.039 per share or a total of ₱ 950.59 million for all shareholders of record as of May 13, 2011.

On April 27, 2012, the Board of Directors approved the declaration and payment from unappropriated retained earnings of cash dividend of Php 0.048 per share or a total of Php 1.15 billion for all shareholders of record as of May 25, 2012.

Item 6. MANAGEMENT DISCUSSION AND ANALYSIS AND PLAN OF OPERATION

Plan of Operations for 2013

FLI's business strategy has placed emphasis on the development and sale of affordable and middle-market residential lots and housing units to lower and middle-income markets throughout the Philippines.

FLI expects to remain focused on core residential real estate development business which now includes other new developments such as medium-rise buildings and high-rise condominium projects, residential farm estates, entrepreneurial communities, and leisure developments in response to the demands of the Philippine market. The Company is also expanding its retail and BPO office-building portfolio to generate recurring revenues.

In 2013, FLI intends to retain its dominant position as the leader in mid-rise building (MRB) projects by launching six (6) new projects nationwide, with an estimated sales value of Php 11 billion. This will bring the Company's total MRB projects to 18.

These new MRB projects are part of the total Php 20 billion of new projects slated for launch by FLI in 2013. FLI plans to launch "Oasis" projects in Tagaytay, Iloilo and Cagayan de Oro. These projects will follow the success of One Oasis Ortigas, Bali Oasis, Bali Oasis 2, Sorrento Oasis and Capri Oasis in Pasig City, Maui Oasis in Manila, Asiana Oasis in Paranaque City, One Oasis Cebu, Amalfi Oasis and San Remo Oasis in Cebu, and One Oasis Davao.

FLI also plans to launch "The Signature", its first MRB project in Quezon City. Another MRB Project in the pipeline is "Fortune Hill" located on the site of the former head office of FLI along P. Gomez Street in San Juan City. The project will have two buildings and will offer a total of 92 units.

Aside from the MRB's, FLI has initially pipelined 11 horizontal residential projects comprising of around 4,323 residential units with an estimated revenue of about Php 3.9 billion.

As part of FLI's strategic goal of doubling the GLA of its BPO office buildings by 2015, FLI has started constructing the first of four BPO office buildings at Filinvest Cebu Cyberzone, a 1.2 hectare joint venture project with the Provincial Government of Cebu. The first building will have a GLA of over 19,000 square meters. When completed, the project will have a total of 4 buildings with a GLA of over 100,000 square meters.

For its retail portfolio, FLI is expanding the Festival Supermall at Filinvest City by another 110,000 square meters to bring the total gross floor area (GFA) to 310,000 square meters, maintaining its position as the biggest mall in South Metro Manila. Land development is ongoing at Citta di Mare for the Il Corso lifestyle strip, a retail project in South Road Properties in Cebu which will contribute a GLA of around 35,000 sq.m. when fully completed. FLI will also start constructing two (2) malls, one in Tagaytay City, and another at its Princeton Heights residential project located in Cavite.

FLI is targeting to spend Php 20.0 billion for capital expenditures in 2013. Around Php10 billion is earmarked for residential project development costs, Php 7.0 billion for the construction of office buildings and malls, and the balance of Php 3.0 billion for land banking acquisitions.

Results of Operations for 2012

Year ended December 31, 2012 compared to year ended December 31, 2011

For the year ended December 31, 2012, FLI's operating regular net income registered a year on year growth of 16.63% or ₱489.35 million from ₱2,942.09 million in 2011 to ₱3,431.44 million in 2012.

Revenues and other income

FLI recorded real estate sales of ₱ 8,798.36 million in 2012, higher by 26.53% than the real estate sales in 2011 of ₱ 6,953.47 million. Recorded sales in 2012 consisted mostly of sales of affordable and middle-income lots and housing units including the medium-rise buildings and condominium projects, which are accounted for based on the stage of completion.

In 2012, FLI launched a total of 20 new housing and land development projects including additional phases of existing projects as well as new MRBs. FLI is also considering other regions for land acquisitions and development or joint venture arrangements. As of December 31, 2012, FLI had signed joint venture agreements for the development of several properties on a total of approximately 379.2 hectares of raw land with landowners in Metro Manila and selected provinces in the Philippines.

Revenue from rental services increased by ₱ 249.04 million or by 16.30% to ₱ 1,777.33 million in 2012 from ₱ 1,528.29 million in 2011. This increase was brought about by higher rental revenues generated by CPI from Northgate Cyberzone buildings resulting from higher take up rate of Vector 1 in 2012. Other sources of revenue from rental services include the ready-built-factories in Filinvest Technology Park in Calamba, Laguna.

Equity in net earnings from an associate also increased to ₱ 187.29 million in 2012 from ₱ 63.41 million in 2011 or by 195.38% due to higher earnings of Filinvest Alabang, Inc. (FAI) where FLI is a 20% equity holder.

Interest income went down by ₱ 27.28 million in 2012 from ₱ 542.11 million in 2011 or by 5.03% to ₱ 514.83 million in 2012. The decrease was due to lower interest income derived from cash and cash equivalents and from contract receivables brought about by the sale of certain contract receivables to a banking institution. The Group recorded a foreign exchange gain of ₱ 2.59 million in 2012 compared to a foreign exchange gain of ₱ 1.30 million in 2011 due to higher foreign currency deposits in 2012. Other income decreased by 8.46% or by ₱ 47.74 million from ₱564.10 million in 2011 to ₱516.36 million in 2012 due to lower amusement and other sales of the mall and service fees.

Costs and Expenses

With the higher sales, the corresponding cost of real estate sales increased by 36.41% from ₱ 3,612.28 million in 2011 to ₱ 4,927.46 million in 2012. Cost of rental services likewise increased by 6.00% from ₱ 425.65 million in 2011 to ₱ 451.18 million in 2012.

Total operating expenses increased to ₱ 1,955.44 million in 2012 from ₱ 1,660.80 million in 2011.

General and administrative expenses increased by ₱ 223.16 million or by 24.30% to ₱ 1,141.56 million in 2012 from ₱ 918.40 million in 2011.

The following are the significant movements in the general and administrative expense accounts which resulted primarily from the increased volume of business and higher revenues in 2012:

178% increase in corporate advertisements, from ₱ 20.70 million in 2011 to ₱ 57.49 million in 2012.

66% increase in rent expense

60% increase in repairs and maintenance

34% increase in taxes and licenses

33% increase in dues and subscription

22% increase in outside services

25% increase in retirement cost, from ₱ 19.89 million in 2011 to ₱ 24.88 million in 2012.

118% increase in insurance expenses, from ₱ 25.96 million in 2011 to ₱ 56.72 million in 2012.

Selling and marketing expenses increased by 9.63% to ₱ 813.89 million in 2012 from ₱ 742.41 million in 2011 mainly due to the increase in broker's commission, advertising, promotion and sales generation expenses as a result of increasing sales volume and activities.

Interest and other financial charges decreased by 14.77% to ₱ 400.05 million in 2012 from ₱ 469.40 million in 2011. This was due to higher capitalization of borrowing costs in 2012, and brought about by payment of loans and fixed-rate retail bonds amounting to ₱ 2,371.42 million and ₱ 500.00 million, respectively.

Provision for Income Tax

Provision for income tax increased by 16.36% from ₱ 542.46 million in 2011 to ₱ 631.20 million in 2012. Provision for current income tax decreased to ₱ 334.97 million in 2012 from ₱ 488.06 million in 2011 or a decrease of ₱ 153.09 million or by 31.37% due to higher revenues generated from tax-exempt projects and other projects with income tax holiday.

Provision for deferred income tax increased by ₱ 241.84 million or by 444.64% from ₱ 54.39 million in 2011 to ₱ 296.23 million in 2012 due to higher capitalized borrowing costs.

Financial Condition

As of December 31, 2012, FLI's total consolidated assets stood at ₱ 81.93 billion, higher by 19.95% than the ₱ 68.30 billion as at the previous year-end.

83% Increase in Cash and cash equivalents

The increase represents mainly proceeds from the Company's issuance of fixed rate retail bonds amounting to ₱7.0 billion in June 2012. Funds will be used to finance the development of existing and new projects of the Company lined up for the following year.

25% Increase in Contracts receivable

Contracts receivable increased due to additional sales booked during the current period.

21% Decrease in Due from related parties

The decrease was due to collections of temporary advances made to affiliates in the regular course of business.

23% Increase in Other receivables

This account increased due to down payments made to contractors which are to be applied against their billings and ordinary advances to joint venture partners which will be offset against the proceeds from sales of the joint venture inventories.

24% Increase in Real estate inventories

The upward movement of this account mainly comprised of development and construction costs set up for projects during the year and additional phases of existing projects.

9% Increase in Land and land development

The increase in this account was mainly due to acquisition of new properties in various parts of the country which are intended for development of housing projects and payment made to Cebu City Government for the purchase of part of the 10.6 hectare SRP property.

3% Increase in Investment in an associate

The increase in this account represents the equity share of the Group in the current net earnings of FAI.

26% Increase in Investment properties

The increase was mainly due to the transfer of a building under construction to Investment properties account upon completion of its construction.

3% Increase in Property and equipment

The increase in this account was mainly due to the new corporate headquarters of the Company located in Mandaluyong City and leasehold improvements and acquisition of additional equipment.

24% Increase in Deferred tax assets

The increase was mainly due to advance rentals from Northgate Cyberzone buildings and from PBCOM Tower in Makati City.

86% Increase in Other assets

The increase in this account was mainly due to higher creditable withholding tax and input vat for the year.

36% Increase in Accounts payable and accrued expenses

The increase is mainly due to increase in deposits from tenants and buyers, retention from billings of contractors, and accrual of interests on loans and bonds.

90% Decrease in Income tax payable

The decrease in income tax payable was due to application of creditable withholding taxes on the tax due for the year.

278% Increase in Due to related parties

The increase was due to temporary advances from affiliates which were all in the regular course of business. These advances are expected to be paid or liquidated within the first quarter of the following year.

29% Increase in Loans payable

The increase was due to additional borrowings made to finance the various projects of the Company.

80% Increase in Bonds payable

The increase was due to the issuance of fixed-rate retail bonds by the Company with an aggregate principal amount of ₱7 billion in June 2012 to finance the various projects of the Company.

67% Increase in Retirement liabilities

The increase was due to the accrual of the liability to the retirement fund for the year, net of cash contributions to the fund, and due to early adoption by the Company of revised PAS 19, *Employee Benefits*.

17% Increase in Retained earnings

This was brought about by the Company's net income of ₱ 3.43 billion for the year net of cash dividends paid in 2012.

16% Increase in Deferred income tax liabilities

The increase in this account was mainly due to the capitalization of part of interests on long-term loans.

Performance Indicators

Financial Ratios	Particulars	2012	2011
<i>Earnings per Share</i>	<i>Basic</i>	0.14	0.12
<i>Earnings per Share</i>	<i>Diluted</i>	0.14	0.12
<i>Debt to Equity Ratio</i>	<u><i>Notes Payable & Long-term Debt</i></u> <i>Total Stockholder's Equity</i>	0.55	0.38
<i>Debt Ratio</i>	<u><i>Total Liabilities</i></u> <i>Total Assets</i>	0.44	0.36
<i>EBITDA to Total Interest Expense</i>	<u><i>EBITDA</i></u> <i>Total Interest Expense</i>	12.11	8.16
<i>Price Earnings Ratio</i>	<u><i>Closing Price of Share</i></u> <i>Earnings Per share</i>	10.64	8.16

Other Disclosures

Aside from the possible material increase in interest rates of the outstanding long-term debts with floating rates, there are no known trends, events or uncertainties or any material commitments that may result to any cash flow or liquidity problems of FLI within the next 12 months. The Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangements requiring it to make payments, or any significant amount in its accounts payable that have not been paid within the stated terms.

There are no known trends, events or uncertainties that have had or are reasonably expected to have favorable or unfavorable impact on net sales or revenues or income from continuing operations of FLI.

Except for income generated from retail leasing, there are no seasonal aspects that have a material effect on FLI's financial conditions or results of operations.

The operating activities of FLI are carried uniformly over the calendar year; there are no significant elements of income or loss that did not arise from the company's continuing operations.

There are no known events that will trigger the settlement of a direct or contingent financial obligation that is material to the Company.

There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships to the Company with unconsolidated entities or other persons created during the reporting period, except those discussed.

Results of Operations for 2011

In 2011, FLI launched ₱ 12.1 billion worth of projects, 17% more than the value of projects launched in 2010. FLI launched 11 new projects and 22 additional phases of existing projects, equivalent to 6,503 units, across all segments nationwide. Among the new projects were six affordable housing projects located in Batangas, Bulacan, Cavite, Pampanga and Rizal. FLI also launched two new mid-rise building (MRB) projects, Bali Oasis 2 in Pasig City and Asiana Oasis in Paranaque City. The Company also introduced two new high-rise buildings, Studio Zen in Pasay City, and Vinia Residences and Versaflats along EDSA, Quezon City.

Year ended December 31, 2011 compared to year ended December 31, 2010

For the year ended December 31, 2011, FLI's operating regular net income registered a year on year growth of 21.3% or ₱516.03 million from ₱ 2,426.06 million in 2010 to ₱2,942.09 million in 2011. The 2010 net income excludes the ₱ 526.30 million one-time extraordinary gain (recorded as Gain from re-measurement of previously held interest in a business combination and Excess of fair value of net identifiable assets over consideration transferred in a business combination) arising from FLI's acquisition of Africa-Israel's 40% ownership each in CPI and FAPI. This one time gain had shored up FLI's net income for 2010 to ₱ 2,952.36 million.

Revenues and other income

FLI recorded real estate sales of ₱6,953.47 million in 2011, higher by 23.02% than the real estate sales in 2010 of ₱ 5,652.37 million. Recorded sales in 2011 consisted mostly of sales of affordable and middle-income lots and housing units including the medium-rise buildings and condominium projects, which are accounted for based on the stage of completion. Thirteen buildings in various MRB projects were completed in 2011.

In 2011, the Group launched 11 new projects and 22 additional phases of existing projects with total sales value of ₱12.1 billion. Among these are additional buildings in MRB projects like Bali Oasis, Maui Oasis, One Oasis Cebu and Sorrento Oasis.

Revenue from Rental services increased by ₱ 117.02 million or by 8.29% to ₱ 1,528.29 million in 2011 from ₱1,411.27 million in 2010. This increase was brought about by higher rental revenues generated by CPI from Northgate Cyberzone buildings resulting from higher take-up rate of Vector 1 in 2011. Other sources of revenue from rental services include the ready-built factories in Filinvest Technology Park in Calamba, Laguna.

Equity in net earnings from an associate also increased to ₱ 63.41 million in 2011 from ₱ 55.22 million in 2010 or by 14.83% due to higher earnings of Filinvest Alabang, Inc. (FAI) where FLI is a 20% equity holder.

The acquisition by FLI of the 40% interest of Africa-Israel Properties (Phils.), Inc. in CPI and the 40% interest of Africa-Israel Investments (Phils.) Inc., in FAPI resulted in FLI's recognition of a gain from remeasurement of previously held interest of ₱ 517.24 and excess of fair value of net identifiable assets over consideration transferred of ₱9.06 in 2010 in accordance with the International Financial Reporting Standards (IFRS) 3 – Business Combinations. There is no extraordinary gain from transactions in 2011.

The Group also recorded a foreign exchange gain of ₱1.30 million in 2011 compared to a foreign exchange gain of ₱8.56 million earned in 2010 due to lower foreign currency deposits in 2011. Other income increased by 12.16% or by ₱ 61.15 million from ₱ 502.95 million in 2010 to ₱564.10 million in 2011 due to higher amusement and other sales of the mall, service fees and amounts collected from tenants in excess of expenses incurred.

Costs and Expenses

With the higher sales, the corresponding cost of real estate sales increased by 20.54% from ₱2,996.82 million in 2010 to ₱3,612.28 million in 2011. Cost of rental services likewise increased by 6.17% from ₱400.88 million in 2010 to ₱425.65 million in 2011.

Total operating expenses increased to ₱1,759.88 million in 2011 from ₱1,393.50 million in 2010.

General and administrative expenses increased by ₱118.48 million or by 14.8% to ₱918.39 million in 2011 from ₱799.91 million in 2010.

The following are the significant movements in the general and administrative expense accounts which resulted primarily from the increased volume of business:

69% increase in amusement and recreation expenses, from ₱27.36 million in 2010 to ₱46.15 million in 2011.

24% increase in salaries, wages & employee benefits

22% increase in transportation & travel

22% increase in outside services

61% increase in depreciation and amortization, from ₱46.98 million in 2010 to ₱75.40 million in 2011 mainly because of the opening of Vector 1 in last quarter of 2010.

58% increase in retirement cost, from ₱12.55 million in 2010 to ₱19.88 million in 2011.

45% increase in insurance expenses, from ₱17.96 million in 2010 to ₱25.96 million in 2011.

Selling and marketing expenses increased by 25.07% to ₱742.41 million in 2011 from ₱593.59 million in 2010 mainly due to the increase in broker's commission, advertising, promotion and sales generation expenses as a result of increasing sales volume and activities.

Interest and other financial charges increased by 12.66% to ₱ 469.40 million in 2011 from ₱ 416.66 million in 2010. This was brought about by availment of loans amounting to ₱4,220.00 million in 2011

and the issuance of the fixed-rate retail bonds totaling ₱3.0 billion in July 2011 to finance the current projects of the Group, especially its various MRB's, high-rise buildings and condotel projects.

Provision for Income Tax

Provision for income tax decreased by 3.44% in 2011 from ₱561.81 million in 2010 to ₱542.46 million in 2011. Provision for current income tax increased to ₱488.06 million in 2011 from ₱475.03 million in 2010 or an increase of ₱13.03 million or by 2.74% due to higher taxable income brought about by higher revenues.

Provision for deferred income tax decreased by ₱32.38 million or by 37.31% from ₱86.78 million in 2010 to ₱54.39 million in 2011 due to provisions for doubtful accounts on other receivables and due to lower capitalization of borrowing costs.

Financial Condition

As of December 31, 2011, FLI's total consolidated assets stood at ₱68.30 billion, higher by 10.40% than the ₱61.87 billion as at the previous year-end.

34% Decrease in Cash and cash equivalents

Funds were used for the development of existing and new projects and for the construction of new IT buildings (investment properties) and for raw land acquisitions.

8% Increase in Contracts receivable

Contracts receivable increased due to additional sales booked during the current period.

33% Increase in Due from related parties

The increase was due to temporary advances made to affiliates in the regular course of business. These advances are expected to be collected within the following year.

55% Increase in Other receivables

This account increased due to down payments made to contractors which are to be applied against their billings and ordinary advances to joint venture partners which will be offset against the proceeds from sales of the joint venture inventories.

Decrease in Available-for-sale financial assets / Increase in financial assets at fair value through other comprehensive income

The decrease was brought about by the redemption of certain investments upon maturity in 2011. The remaining shares of stock include unlisted preferred shares in a public utility company and are categorized under "Financial assets at Fair Value Through Other Comprehensive Income". This resulted from the early adoption by the Group of PFRS 9 as earlier discussed.

26% Increase in Real estate inventories

The movement in this account was mainly due to development and construction costs set up for new projects and additional phases of existing projects.

10% Increase in Land and land development

The increase in this account was mainly due to acquisition of new properties in various parts of the country which are intended for development of housing projects and payment made to the Cebu City Government for the purchase of part of the 10.6 hectare SRP property.

11% Decrease in Investment in an associate

The decrease in this account was mainly due to dividend income received from the associate during the year.

5% Increase in Investment properties

The increase was mainly due to the transfer of a building under construction to Investment properties account upon completion of its construction.

13% Decrease in Property and equipment

The decrease in this account was mainly due to the reclassification of a building into Investment properties account after completion of its construction.

18% Increase in Deferred tax assets

The increase was mainly due to provisions made for doubtful accounts on other receivables.

94% Increase in Other assets

The increase in this account was mainly due to higher creditable withholding tax and input vat for the year.

12% Increase in Income tax payable

The Increase in income tax payable was due to higher tax accruing on the taxable income earned for the year resulting from improved operational results.

41% Decrease in Due to related parties

The decrease was due to payments made to affiliates on advances made in the regular course of business.

22% Increase in Loans payable

The increase was due to additional borrowings made to finance the various projects of the Company.

61% Increase in Bonds payable

The increase was due to the issuance of Fixed Rate Retail Bonds by the Company with an aggregate principal amount of ₱ 3 billion in July 2011 to finance the various projects of the Company.

19% Increase in Retirement liabilities

The increase was due to the accrual of the liability to the retirement fund for the year, net of cash contributions to the fund.

17% Increase in Retained earnings

This was brought about by the Company's net income of ₱ 2.94 billion for the year net of cash dividends paid in 2011.

Performance Indicators

<i>Financial Ratios</i>	<i>Particulars</i>	2011	2010
<i>Earnings per Share</i>	<i>Basic</i>	0.12	0.12
<i>Earnings per Share</i>	<i>Diluted</i>	0.12	0.12
<i>Debt to Equity Ratio</i>	<u><i>Notes Payable & Long-term Debt</i></u> <i>Total Stockholder's Equity</i>	0.38	0.29
<i>Debt Ratio</i>	<u><i>Total Liabilities</i></u> <i>Total Assets</i>	0.36	0.33
<i>Ebitda to Total Interest Expense</i>	<u><i>EBITDA</i></u> <i>Total Interest Expense</i>	8.16	8.06
<i>Price Earnings Ratio</i>	<u><i>Closing Price of Share</i></u> <i>Earnings Per share</i>	8.16	10.76

Other Disclosures

Aside from the possible material increase in interest rates of the outstanding long-term debts with floating rates, there are no known trends, events or uncertainties or any material commitments that may result to any cash flow or liquidity problems of FLI within the next 12 months. The Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangements requiring it to make payments, or any significant amount in its accounts payable that have not been paid within the stated terms.

There are no known trends, events or uncertainties that have had or are reasonably expected to have favorable or unfavorable impact on net sales or revenues or income from continuing operations of FLI.

Except for income generated from retail leasing, there are no seasonal aspects that have a material effect on FLI's financial conditions or results of operations.

The operating activities of FLI are carried uniformly over the calendar year; there are no significant elements of income or loss that did not arise from the company's continuing operations.

There are no known events that will trigger the settlement of a direct or contingent financial obligation that is material to the Company.

There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships to the Company with unconsolidated entities or other persons created during the reporting period, except those discussed.

FLI plans to issue ₱11.0 billion worth of fixed-rate bonds, subject to the approval of the Securities and Exchange Commission (SEC). FLI intends to issue the bonds in two tranches. The first tranche, worth

₱7.0 billion, will be issued within the second quarter of 2012, while the second tranche worth ₱4.0 billion will be issued later in the year. The bonds will have a term of seven (7) years. The Registration Statement for the bond issue was filed with the SEC on April 4, 2012.

The Philippine Rating Services Corporation (PhilRatings) has assigned a PRS Aaa rating for FLI's proposed issuance of an additional ₱ 11.0 billion fixed-rate bonds. PhilRatings have also maintained the PRS Aaa rating for FLI's ₱ 5.0 billion outstanding fixed-rate bonds (₱ 500.0 million bonds due in 2012 and ₱ 4.5 billion bonds due in 2014) and its ₱ 3.0 billion outstanding bonds due in 2016. "Obligations rated PRS Aaa are of the highest quality with minimal credit risk. The obligor's capacity to meet its financial commitment on the obligation is extremely strong."

Results of Operations for 2010

Year ended December 31, 2010 compared to year ended December 31, 2009

FLI registered a net income of ₱2,952.36 million in 2010, higher by 46.29% than the net income of ₱2,018.20 million in 2009.

Revenues

FLI recorded real estate sales of ₱5,652.37 million in 2010, higher by 53.82% than the real estate sales in 2009 of ₱3,674.75 million. This year's recorded sales consist mostly of sales of middle-income lots and housing units including the medium-rise-buildings and condominium project, which are accounted for based on the stage of completion. Effective January 1, 2010, the Group changed the percentage being used to estimate on when the buyer's investment is considered adequate to meet the probability criteria that economic benefits will flow to the Group and warrant revenue recognition. Prior to 2010, the Group has estimated the percentage to be at least 20% payment of the total selling price received from the buyer. The recent change in the Group's business focus on low to middle income segments, experience over the past years, and information gathered that other industry players are adopting the same threshold, prompted the Group to revisit and accordingly revise the estimate from payment of 20% to 10% payment of the total selling price. It is at this level of investment that it is highly probable that the buyer will commit to the sale transaction, and thus, it is probable that economic benefits will flow to the Group. The change in estimate increased the real estate sales by ₱1.09 billion for the year ended December 31, 2010.

With the higher sales, the corresponding cost of real estate sales increased by 67.53% from ₱1,788.85 million in 2009 to ₱ 2,996.82 million in 2010. The higher cost of sales was likewise due to an increased proportion of sales of medium-rise buildings. Rental income increased by ₱ 223.83 million or by 18.85% to ₱ 1,411.27 million in 2010 from ₱1,187.44 million in 2009. This was brought about by higher rental revenues generated from Northgate Cyberzone buildings due to a full period of leasing revenues from ihub 1 and ihub 2, which opened in the latter part of 2009 and the Company's acquisition of the remaining 40% equity interest in CPI in February 2010, resulting in the consolidation of 100% of CPI rental income in 2010. Other sources of rental income include the Festival Supermall in Filinvest Corporate City in Alabang, PBCom Tower in Makati City and the ready-built factories in Filinvest Technology Park in Calamba, Laguna.

Interest income also increased by ₱164.65 million or by 41.09% from ₱400.71 million in 2009 to ₱565.36 million in 2010 due to higher interest generated from short-term investments, bank deposits and from higher installment contracts receivable. Equity in net earnings from an associate also increased to ₱55.22 million in 2010 from ₱37.53 million in 2009 or by 47.14% due to higher earnings of Filinvest Alabang, Inc. (FAI) where FLI is a 20% equity holder.

The acquisition by FLI of the 40% interest of Africa-Israel Properties (Phils.), Inc. in CPI and the 40% interest of Africa-Israel Investments (Phils.) Inc., in FAPI resulted in FLI's recognition of a gain from remeasurement of previously held interest of ₱517.24 and excess of fair value of net identifiable assets over consideration transferred of ₱9.06 in 2010 in accordance with the International Financial Reporting Standards (IFRS) 3 – Business Combinations.

The Group also recorded a foreign exchange gain of ₱8.57 million in 2010, an improvement from a foreign exchange gain of ₱2.40 million earned in 2009. Other income increased by 32.01% or by ₱121.97 million from ₱380.98 million in 2009 to ₱502.95 million in 2010 due to increase in amusement and other sales of the mall, dividend income and service fees.

Expenses

Total operating expenses increased to ₱1,393.50 million in 2010 from ₱1,145.60 million in 2009.

General and administrative expenses increased by ₱ 134.52 million or by 20.2% to ₱799.91 million in 2010 from ₱665.39 million in 2009.

The following are the significant movements in the general and administrative expense accounts:

- 111% increase in depreciation & amortization (mainly due to the consolidation of 100% of CPI in 2010)
- 9% increase in salaries, wages & employee benefits
- 17% increase in rental expense
- 5% increase in taxes and licenses
- 12% increase in transportation & travel
- 13% increase in outside services
- 145% increase in corporate advertisements
- 97% increase in insurance
- 43% increase in repairs & maintenance
- 264% increase in communications, light & power
- 33% increase in entertainment, amusement & recreation
- 52% decrease in other general & administrative expenses

Selling and marketing expenses increased by 23.61% to ₱ 593.59 million in 2010 from ₱480.21 million in 2009 due to increase in broker's commission, advertising and promotion and sales generation expenses.

Interest and other financial charges increased by 100.04% to ₱416.66 million in 2010 from ₱208.28 million in 2009. This was brought about by the issuance of the fixed-rate retail bonds totaling ₱5.0 billion in November 2009 to finance the current projects of the Group, especially its various MRB, high-rise building and condotel projects.

Provision for Income Tax

Provision for income tax increased by 278.89% in 2010 from ₱ 148.27 million in 2009 to ₱561.81 million in 2010. Provision for current income tax increased to ₱ 475.03 million in 2010 from ₱ 253.35 million in 2009 or an increase of ₱ 221.68 million or by 87.5% due to higher taxable income brought about by higher revenues.

Provision for deferred income tax also increased by ₱191.85 million or by 182.58% from (₱105.08) to ₱87.78 million brought about by the adjustment made in 2009 relative to the corresponding deferred income tax on unrealized gain on installment sales.

Financial Condition

As of December 31, 2010, FLI's total consolidated assets stood at ₱ 61.87 billion, higher by 5.04% than the ₱ 58.90 billion as at the previous year-end.

69% Decrease in Cash and Cash Equivalents

Funds were used for the development of existing and new projects and for the construction of new IT buildings (investment properties) and for raw land acquisitions. Funds were also used to acquire the 40% interest of Africa-Israel Properties (Phils.), Inc. in CPI and the 40% interest of Africa-Israel Investments (Phils.) Inc., in FAPI in February 2010.

13% Increase in Other Receivables

This account increased due to additional advances made to Timberland Sports and Nature Club (TSNC, Inc.). Moreover, the acquisition by FLI of the 40% interest of Africa-Israel Properties (Phils.), Inc. in CPI and the 40% interest of Africa-Israel Investments (Phils.) Inc., in FAPI contributed to the increase because of the 100% consolidation of CPI and FAPI in 2010. Higher receivables from tenants of FSI and CPI in the current year also added to the increase in this account.

54% Decrease in Available-for-Sale Financial Assets

The decrease was due to the maturity in July 2010 of certain bonds previously held by the Company.

22% Increase in Real Estate Inventories and Land & Land Development

The movement in this account was mainly due to (a) development and construction costs set up for projects launched during the year; (b) acquisitions of new properties in various parts of Metro Manila which are mostly intended for development of medium-rise buildings; (c) payment made to the Cebu City government for the purchase of part of the 10.6 hectare SRP property; and (d) acquisition by FLI of the 40% interest of Africa-Israel Investments (Phils.) Inc., in FAPI.

11% Increase in Investment in an associate

The increase represents the equity share of the Group in the current net earnings of FAI.

17% Increase in Investment properties

The increase was due to the acquisition by FLI of the 40% interest of Africa-Israel Properties (Phils.) Inc. in CPI and the restatement of CPI buildings at fair value as at February 08, 2010 when the 40% interest of Africa-Israel Properties (Phils.), Inc. in CPI was acquired.

48% Increase in Property and Equipment

The increase in this account was mainly due to the acquisition by FLI of the 40% interest of Africa-Israel Properties (Phils.) Inc. in CPI and the restatement of buildings under construction at fair value as at February 8, 2010 when the 40% interest of Africa-Israel Properties (Phils.), Inc. in CPI was acquired.

16% Decrease in Goodwill

The decrease resulted from the re-computation of the difference between the total consideration given for the acquisition of CPI and the equity value of CPI as at February 8, 2010.

7% Decrease in Other Assets

The decrease was mainly due to lower input taxes in 2010.

Increase in Income Tax Payable

The Increase in income tax payable was due to higher tax accruing on the taxable income earned for the year.

77% Increase in Due to Related Parties

The increase was due to temporary advances from affiliates, which were all in the regular course of business. These advances are expected to be paid or liquidated within the first quarter of the following year.

30% Increase in Pension Liability

The increase was due to the accrual of the liability to the retirement fund for the year, net of cash contributions to the fund.

8% Increase in Deferred Income Tax Liabilities

The increase in this account was mainly due to the capitalization of part of interests on long-term loans.

29% Increase in Retained Earnings

This was brought about by the Company's net income of ₱ 2.95 billion for the year net of cash dividends paid in 2010.

Performance Indicators

<i>Financial Ratios</i>	<i>Particulars</i>	2010	2009	2008
<i>Earnings per Share</i>	<i>Basic</i>	0.122	0.090	0.080
<i>Earnings per Share</i>	<i>Diluted</i>	0.122	0.090	0.080
<i>Debt to Equity Ratio</i>	<u><i>Notes Payable & Long-term Debt</i></u> <i>Total Stockholder's Equity</i>	29%	30%	19%
<i>Debt Ratio</i>	<u><i>Total Liabilities</i></u> <i>Total Assets</i>	33%	33%	29%
<i>Ebitda to Total Interest Expense</i>	<u><i>EBITDA</i></u> <i>Total Interest Expense</i>	8.06	11.94	30.02
<i>Price Earnings Ratio</i>	<u><i>Closing Price of Share</i></u> <i>Earnings Per share</i>	10.76	10.00	4.88

Other Disclosures

On December 28, 2009, FLI executed separate deeds of sale for the acquisition by FLI of the 40% interest of Africa-Israel Properties (Phils.), Inc. in CPI and the 40% interest of Africa-Israel Investments (Phils.) Inc. in FAPI subject to the full payment by FLI of the purchase price and delivery to FLI of certain required documents for closing.

The sale by Africa-Israel of its interests in the two companies was part of Africa-Israel's global portfolio rebalancing and consolidation activity. On the other hand, the acquisition of Africa-Israel's interests will

enable FLI to consolidate its share in the strong and stable recurring revenue streams from the two companies as well as provide incremental development potential to FLI's existing revenue streams.

The transaction was officially completed on February 8, 2010, making CPI and FAPI wholly-owned subsidiaries of FLI.

Aside from the possible material increase in interest rates of the outstanding long-term debt, there are no known trends, events or uncertainties or any material commitments that may result to any cash flow or liquidity problems of FLI within the next 12 months.

The Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangements requiring it to make payments, or any significant amount in its accounts payable that have not been paid within the stated terms.

There are no known trends, events or uncertainties that have had or are reasonably expected to have favorable or unfavorable impact on net sales or revenues or income from continuing operations of FLI.

Except for income generated from retail leasing, there are no seasonal aspects that have a material effect on FLI's financial conditions or results of operations.

The operating activities of FLI are carried uniformly over the calendar year; there are no significant elements of income or loss that did not arise from the company's continuing operations.

There are no known events that will trigger the settlement of a direct or contingent financial obligation that is material to the Company.

There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships to the Company with unconsolidated entities or other persons created during the reporting period, except those discussed.

Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANT ON ACCOUNTING AND FINANCIAL DISCLOSURE

SyCip, Gorres, Velayo & Co (SGV) has been the duly appointed independent auditors for the years covered by this report. There has been no termination nor change in the said appointment. There has been no disagreement with FLI's independent accountants on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. DIRECTORS AND PRINCIPAL OFFICERS OF THE REGISTRANT

Andrew L. Gotianun, Sr.
Chairman

Mr. Gotianun, 85, Filipino, is the founder of the Filinvest group of companies and is presently serving in various capacities in the member companies of the group, including Filinvest Alabang, Inc. ("FAI") and EastWest Banking Corporation ("EWBC") and Pacific Sugar Holdings Corporation ("PSHC") where he is Chairman and President.

Mercedes T. Gotianun
Chairman Emeritus

Mrs. Gotianun, 84, Filipino, has been a director of FLI from 1991 to 2010 and its Chief Executive Officer from 1997 to 2007. She is also a director of FAI. She was involved in the operations of Family Bank and Trust Co. since its founding in 1970 and was President and Chief Executive Officer of the bank from 1978 to 1984. She obtained her university degree from the University of the Philippines.

Andrew T. Gotianun, Jr.
Co-Vice Chairman

Mr. Gotianun, 61, Filipino, has been a director of FLI since 1990. He is also a director of FDC and FAI. He served as director of Family Bank and Trust Co. from 1980 to 1984. He has been in the realty business for more than 16 years. He obtained his bachelor of Science (Major in Accounting) degree from the Republican College in 1981.

Joseph M. Yap
Director

Mr. Yap, 62, Filipino, has been the President and a member of FLI's Board since 1997. He was appointed Chief Executive Officer in 2007. On October 31, 2012, Mr. Yap was replaced by Mrs. Josephine G. Yap as President and CEO. The change is in line with the corporate policy of turning over operating responsibilities from executives over 60 years old to younger executives. Mr. Yap had turned 60 two years ago and has been on a holdover capacity while transitioning the position to his designated successor. Mr. Yap served as First Vice President of Family Bank & Trust Co. in charge of credit and collection from 1982 to 1984. Prior to that, he held financial management positions with Nestle with assignments in New York, Switzerland and Manila from 1976 to 1982. He obtained his Master's Degree in Business Administration from Harvard University in 1976.

Lourdes Josephine G. Yap
President & CEO and Co-
Vice Chairman

Mrs. Yap, 57, Filipino, was elected FLI's President & CEO effective October 31, 2012 replacing Mr. Joseph M. Yap. She has been a director of FLI since 1990. Mrs. Yap, who was elected as the Chairman of FLI's Executive Committee in 2010, is also a Director and the President of FDC, The Palms Country Club, Inc., and FAI. She obtained her Master's Degree in Business Administration from the University of Chicago in 1977.

Jonathan T. Gotianun
Director

Mr. Gotianun, 59, Filipino, has been a director of FLI since 1990. He is also the Chairman of FDC, the President of Davao Sugar Central Co., Inc. and Cotabato Sugar Central Co., Inc., and Chairman of EastWest Banking Corporation. He served as director and Senior Vice President of Family Bank & Trust Co. until 1984. He obtained his Master's Degree in Business Administration from Northwestern University in 1976.

Efren C. Gutierrez
Director

Mr. Gutierrez, 77, Filipino, was a director of FLI from 1994 to 2001, and was re-elected to FLI's Board in 2006. He served as the President of FAI from 1999 to 2005. He is a director of The Palms Country Club, Inc. He obtained his Bachelor of Laws degree from the University of the Philippines.

Cirilo T. Tolosa
Independent Director

Mr. Tolosa, 73, Filipino, has been an independent director of FLI since 2007. He was a partner at Sycip Salazar Hernandez and Gatmaitan, retiring from the said law firm in February 2005. He is at present a partner in the law firm Tolosa Romulo Agabin and Flores. He has been chairman of the boards of Daystar Commercial Enterprises, Inc., Daystar Development Corporation, Lou-Bel Development Corporation and GMA Lou-Bel Condominium Corporation for at least 10 years, and corporate secretary of De La Salle University System, Inc. and De La Salle Philippines, Inc. since 2003 and 2005, respectively.

Lamberto U. Ocampo
Independent Director

Mr. Ocampo, 87, Filipino, was an independent director of FLI from 2002 to 2008. In 2008, however, the Commission temporarily disqualified Mr. Ocampo for his failure to attend at least 50% of the total number of Board meetings in 2007. In the annual meeting of 2009, he was re-appointed as an Independent Director. Mr. Ocampo is a Civil Engineer by profession. He served as director of DCCD Engineering Corporation from 1957 to April 2001, as its Chairman of the Board from 1993 to 1995, and President from 1970 to 1992. He Obtained his Master's Degree in Engineering from the University of California-Berkeley.

Nelson M. Bona
*Chief Financial Officer &
Senior Vice President*

Mr. Bona, 62, Filipino, was appointed as FLI's Chief Financial Officer in January 2007. He is also the Treasurer of FDC. He was formerly an Executive Vice President of EastWest Bank and the Managing Director of Millenia Broadband Communications, Inc. and Filinvest Capital, Inc.

Ana Venus A. Mejia
*Treasurer, Deputy CFO and
Senior Vice President*

Ms. Mejia, 47, Filipino has been with the Filinvest group for 17 years, joining the group in January 1996 as Assistant Controller of FDC and moved on to various finance positions in the Filinvest subsidiaries, such as Controller of Festival Supermall and Finance Head of Cyberzone Properties, Inc. She is concurrently the Chief Finance Officer of Filinvest Alabang, Inc. and Treasurer of Filinvest Asia Corporation. Prior to joining Filinvest, Ms. Mejia worked with Shoemart and SGV & Co., Ms. Mejia is a Certified Public Accountant and graduated Magna Cum Laude at the Pamantasan ng Lungsod ng Maynila.

Pablito A. Perez
*Corporate Secretary & First
Vice President*

Mr. Perez, 56, Filipino, is FLI's General Counsel and Head of its Legal Department. Admitted to the Philippine Bar in 1984, he holds a law degree from San Beda College of Law and a Master of Laws degree from the University of Pennsylvania.

The members of the Nomination Committee of FLI are Andrew L. Gotianun Sr. (chair), Mercedes T. Gotianun, Josephine G. Yap, Lamberto U. Ocampo and Rizalangela L. Reyes. Ms. Reyes sits in the committee in an ex-officio capacity as the head of FLI's Human Resources Department.

The Audit Committee of FLI is composed of Cirilo T. Tolosa (chair), Jonathan T. Gotianun and Efren C. Gutierrez.

Mr. Andrew L. Gotianun, Sr. is the spouse of Ms. Mercedes T. Gotianun and the father of Mr. Andrew T. Gotianun Jr., Mr. Jonathan T. Gotianun, Mr. Michael Edward T. Gotianun and Ms. Josephine G. Yap. Ms. Yap is married to Mr. Joseph M. Yap.

The Directors of the Company are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been appointed or elected and qualified.

Officers are appointed or elected annually by the Board of Directors at its first meeting following the annual stockholders' meeting each to hold office until the corresponding meeting of the Board of Directors in the next year or until a successor shall have been elected, appointed or shall have qualified.

There is no person who is not an executive officer of the Company who is expected to make a significant contribution to the business. The Company, however, engages the regular services of consultants. At December 31, 2012, the Company had 6 consultants in the area of business development, marketing, planning and design and construction management.

Except as discussed in section 1.11, there are no transactions or any proposed transactions during the last two years, to which the Company was or is to be a party, in which any director or officer, any nominee for

election as a director, any security holder or any member of the immediate family or any of the persons mentioned in the foregoing had or is to have a direct or indirect material interest.

Involvement in Certain Legal Proceedings of Directors and Executive Officers

Except for (a) criminal cases filed in 2007 before the Department of Justice (DOJ) in I.S. 2007-001 and 2007-011 and which were dismissed by the DOJ on March 26, 2009 and April 07, 2009, respectively; and (b) a criminal proceeding under Presidential Decree 1689 (filed against Mr. Joseph M. Yap and other FLI officers) arising from alleged unlawful collection of subdivision dues and other charges being collected by a homeowner's association which was dismissed by the City prosecutors office, none of the members of FLI's Board nor its executive officers are involved in any criminal, bankruptcy or insolvency investigations or proceedings for the past five years and up to December 31, 2012, nor have they been found by judgment or decree to have violated securities or commodities law and enjoined from engaging in any business, securities, commodities or banking activities.

Item 10. EXECUTIVE COMPENSATION

The aggregate compensation paid or incurred during the last two fiscal years and the estimate for this year are as follows:

Name & Principal Position	Estimate 2013			2012			2011		
	Salaries	Bonus	Total	Salaries	Bonus	Total	Salaries	Bonus	Total
Joseph M. Yap President/Chief Exec. Officer									
L. Josephine G. Yap President/Chief Exec. Officer									
Andrew T. Gotianun, Jr. Co-Vice-Chairman									
Steve Chien Liang Ta Senior Vice President									
Nelson M. Bona CFO/Senior Vice President									
Pablito A. Perez First Vice President									
Francis V. Ceballos Senior Vice President									
Total for the Chief Exec. And the four highest paid officials	P 24.1M	P 5.1M	P 29.2M	P 21.0M	P 4.1M	P 25.1M	P 20.0M	P 3.9M	P 23.9M
Total of all Officers & Directors as a group	P 48.14M	P 9.0M	P 57.14M	P 43.5M	P 7.9M	P 51.4M	P 41.5M	P 7.5M	P 49.0M

Except for per diem of P25,000 being paid to independent directors for every meeting attended, there are no other arrangements to which directors are compensated, for any services provided as director, including any amounts payable for committee participation or special assignments in 2005 and ensuing year.

There is no employment contract between the Company and the above named executive officers.

There are no outstanding warrants or options held by the Company's CEO, the above named executive officers, and all officers and directors as a group.

Note: 1 Mrs. L. Josephine G. Yap was elected FLI's President & CEO effective October 31, 2012 replacing Mr. Joseph M. Yap. The change is in line with the corporate policy of turning over operating responsibilities from executives over 60 years old to younger executives. Mr. Yap had turned 60 two years ago and has been on a holdover capacity while transitioning the position to his designated successor.

Note: 2 Mr. Andrew T. Gotianun, Jr. Retired effective March 2012.

Item 11. Security Ownership of Certain Beneficial Owners and Management

11.1. Security Ownership of Certain Beneficial Owners as of December 31, 2012:

<i>Title of Class of Securities</i>	<i>Name/ Address of Record Owner and Relationship with FLI</i>	<i>Name of Beneficial Owner/Relationship with Record Owner</i>	<i>Citizenship</i>	<i>No. of Shares Held</i>	<i>% of Ownership</i>
<i>Preferred</i>	<i>Filinvest Development Corporation 173 P. Gomez St. San Juan, M.Mla.</i>	N.A.	Filipino	8,000,000,000 (R)	100%
<i>Common</i>	<i>Filinvest Development Corporation</i>	N.A.	Filipino	14,017,205,735 (R)	57.80%
<i>Common</i>	<i>PCD Nominee Corporation (Non-Filipino)</i> <i>G/F, Philippine Stock Exchange Tower, Ayala Ave., Makati City</i>	Total Shares	Non-Filipino	5,991,405,201 (R)	24.71%
<i>Common</i>	<i>PCD Nominee Corporation (Filipino) G/F, Philippine Stock Exchange Tower, Ayala Avenue, Makati City</i>	(No single shareholder owns at least 5% of total shares)	Filipino	3,865,541,723 (R)	15.94%

Total number of shares of all record and beneficial owners as a group is 8,000,000,000 preferred shares representing 100% of the total outstanding preferred shares, and 24,249,759,506 common shares representing 100% of the total outstanding common shares.

Ms. Josephine G. Yap is usually appointed by Filinvest Development Corporation ("FDC") as its representative with authority to vote FDC's shares in stockholders' meetings of FLI.

11.2. Security Ownership of Management as of December 31, 2012

Class of Securities	Name and Address	Amount and Nature of Ownership		Citizenship	% of Ownership
Common	Andrew L. Gotianun, Sr. c/o #79 EDSA, Highway Hills, Mandaluyong City	76 0	(D) (I)	Filipino	Negligible
Common	Mercedes T. Gotianun c/o #79 EDSA, Highway Hills, Mandaluyong City	76 0	(D) (I)		
Common	Andrew T. Gotianun Jr. c/o #79 EDSA, Highway Hills, Mandaluyong City	406,571 0	(D) (I)	Filipino	"
Common	Joseph M. Yap c/o #79 EDSA, Highway Hills, Mandaluyong City	6,444,115 0	(D) (I)	Filipino	"
Common	Lourdes Josephine G. Yap c/o #79 EDSA, Highway Hills, Mandaluyong City	76 0	(D) (I)	Filipino	"
Common	Jonathan T. Gotianun c/o #79 EDSA, Highway Hills, Mandaluyong City	61 0	(D) (I)	Filipino	"
Common	Michael Edward T. Gotianun c/o #79 EDSA, Highway Hills, Mandaluyong City	11,235,913 0	(D) (I)	Filipino	"
Common	Efren C. Gutierrez c/o #79 EDSA, Highway Hills, Mandaluyong City	13,083 0	(D) (I)	Filipino	"
Common	Lamberto U. Ocampo c/o #79 EDSA, Highway Hills, Mandaluyong City	1 1	(D) (D)	Filipino	"
Common	Cornelio C. Gison c/o #79 EDSA, Highway Hills, Mandaluyong City	1 1	(D) (D)	Filipino	"
Common	Cirilo T. Tolosa c/o #79 EDSA, Highway Hills, Mandaluyong City	1 7,694,843	(D) (D)	Filipino	"
Common	Joseph and Josephine Yap c/o #79 EDSA, Highway Hills, Mandaluyong City	19,000,000 4,064,940	(I) (D)	Filipino	"
Common	Luis T. Fernandez c/o #79 EDSA, Highway Hills, Mandaluyong City	0 81,297	(I) (D)	Filipino	"
Common	Antonio E. Cenon c/o #79 EDSA, Highway Hills, Mandaluyong City	0 0	(I) (D)	Filipino	"
Common	Winnifredo H. Lim c/o #79 EDSA, Highway Hills, Mandaluyong City	0 1,276,563	(D) (I)	Filipino	"

Total ownership of all directors and officers as a group is 0.17%. Interests of the above directors/executive officers in the Company's common shares are direct.

- No person holds more than 5% of the common stock under a voting trust or similar agreement.
- There has been no change in control of FLI since the beginning of last year.

11.3. Voting Trust Holders of 5% or more

There are no persons holding 5% or more of a class of shares under any voting trust or similar agreement.

11.4. Changes in Control

There are no arrangements that may result in change in control of the Company.

Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company and its subsidiaries, in their normal course of business, have certain related party transactions with affiliates principally consisting of advances and intercompany charges.

Please refer to the Detailed Discussion on the Company's Subsidiaries, Joint Ventures, Affiliate and Related Party Transactions in Section 1.3, 1.4, 1.5 and 1.11, respectively.

PART IV - COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

FLI's Manual on Corporate Governance was approved on August 29, 2002 in order to monitor and assess the FLI's compliance with leading practices on good corporate governance as specified in its Corporate Governance Manual and Philippine SEC circulars. The Manual on Corporate Governance highlights areas for compliance improvement and sets out actions to be taken by FLI. FLI submits a certificate attesting to compliance with the Manual to the Philippine SEC and the PSE before the end of each year. FLI began submitting the certificate of compliance to the Philippine SEC and the PSE in 2003.

FLI is in substantial compliance with its Manual for Corporate Governance as demonstrated by the following: (a) the election of two (2) independent directors to the Board; (b) the appointment of members of the audit, nomination and compensation committees; (c) the conduct of regular quarterly board meetings and special meetings, the faithful attendance of the directors at these meetings and their proper discharge of duties and responsibilities as such directors; (d) the submission to the SEC of reports and disclosures required under the Securities Regulation Code; (e) FLI's adherence to national and local laws pertaining to its operations; and (f) the observance of applicable accounting standards by FLI.

In order to keep itself abreast with the leading practices on corporate governance, FLI encourages the members of top level management and the Board to attend and participate at seminars on corporate governance initiated by accredited institutions. Furthermore, FLI has also raised its level of reporting to adopt and implement prescribed International Accounting Standards.

On February 28, 2011, FLI has filed a Revised Manual on Corporate Governance in compliance with the directive of the SEC on additional mandatory provisions to be incorporated thereto.

FLI welcomes proposals, especially from institutions and entities such as the SEC, PSE and the Institute of Corporate Directors, to improve corporate governance.

There is no known material deviation from FLI's Revised Manual on Corporate Governance.

PART V – EXHIBITS AND SCHEDULES

Item 13. EXHIBITS AND REPORTS ON SEC Form 12-C

a) Exhibits

Exhibits as indicated in the Index to Exhibits are either not applicable to the Company or require no answer.

b) Reports on SEC Form 17-C

The following reports on SEC Form 17-C were filed during the last six-month period of 2011:

Report Date	Items Reported
14-Aug-12	Circulation of press release entitled "Filinvest Land Inc. decides not to submit FTI Bid" which announced that FLI decided not to participate in the bidding for the 74-hectare FTI property.
14-Aug-12	Circulation of press release entitled "Filinvest Land's First Half 2012 Net Income Rises by 19%" which reported FLI's net income rose 19% for the first half of 2012 to Php 1.525 billion, up from Php 1.282 billion net income generated for the same period in 2011.
6-Sep-12	Circulation of press release entitled "Filinvest Land Inc. Launches its Latest Innovation in Mid-Rise Buildings" which announced the launching of FLI's latest Mid-Rise Building project called One Spatial Pasig.
19-Sep-12	Circulation of press release entitled "Filinvest Land's Latest BPO Office Building Nears Completion" which announced FLI's latest BPO Office Building at Northgate Cyberzone, in Filinvest City called AZ Building is nearing completion. With a GLA of close to 20,000 sq.m. located at the corner of Alabang-Zapote Road and Northgate Avenue is expected to be completed by the end of 2012.
5-Oct-12	Informing SEC that the Company has drafted its Audit Committee Charter subject to approval of the Board of Directors. In pending approval by the Board of the Audit Committee Charter, the Company adopts and implements certain best practices in its various functions and procedures.
19-Oct-12	Informing SEC that the Board of Directors in its meeting today, elected Mrs. Lourdes Josephine G. Yap as the new President and CEO of FLI effective October 31, 2012. Mrs. Yap succeeds Mr. Joseph M. Yap who has been president and CEO since 2007.
6-Nov-12	Circulation of press release entitled "Selling Price of Lots at Filinvest City Reach All-Time High" which announced that lot prices at Filinvest City in Alabang, Muntinlupa City have soared in recent months with the completion of the Skyway extension from Sucat to Alabang in April 2011.
14-Nov-12	Circulation of press release entitled "Filinvest Land's Nine Months Income Increases by 18%" which reported FLI's net income rose 18% for the nine months of 2012 to Php 1.967 billion, up from Php 1.661 billion net income generated for the same period in 2011.
6-Dec-12	Informing SEC that the Audit Committee has not conducted the assessment required under SEC Memorandum Circular No. 4 but undertakes to conduct the same not later than second quarter of 2013.
10-Dec-12	Informing SEC that the Company completed the payment on November 19, 2012 of FLI 3-year fixed rate bonds in the aggregate amount of Php 500 million.

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Form 17 A, Item 7

Consolidated Financial Statements

Statement of Management's Responsibility for Financial Statements
Report of Independent Public Accountant
Report of Independent Auditors on Supplementary Schedules
Consolidated Balance Sheets as of December 31, 2012 and 2011
Consolidated Statement of Income and Retained Earnings for the years
 ended December 31, 2012, 2011 and 2010
Consolidated Statements of Cash Flows for the years
 ended December 31, 2012, 2011 and 2010
Notes to Consolidated Financial Statements

Supplementary Schedules

A. Marketable Securities (Cash Equivalents)	See Note 6, page 34 *
B. Accounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders	See Note 8, page 36-37 * See Note 10, page 39-40 *
C. Investment in Securities	
D. Advances to Unconsolidated Subsidiaries and Affiliates	See Note 18, page 49-52 *
E. Property, Plant and Equipment, Investment Properties	See Note 12 & 13 page 41-43 *
F. Accumulated Depreciation	See Note 12 & 13, page 41-43 *
G. Intangible Assets – Other Assets	See Note 14, page 43 *
H. Long-Term Debt	See Note 16, page 44-48 *
I. Bonds Payable	See Note 17, page 48-49 *
J. Indebtedness to Affiliates and Related Parties (Long-Term Loans from Related Companies)	See Note 18, page 49-52 *
K. Guarantees of Securities of Other Issuers	See Note 18, page 49-52 *
L. Capital Stock	See Note 26, page 58-59 *

* Accompanying Notes to Audited Consolidated Financial Statements


SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of San Juan, Metro Manila on May 03, 2012.

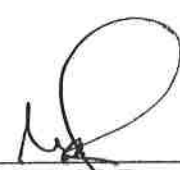
By:




Andrew L. Gotianun
Chairman



Lourdes Josephine G. Yap
President and CEO



Nelson M. Bona
Chief Financial Officer




Atty. Conrad P. Cereno
Corporate Information Officer

SUBSCRIBED AND SWORN to before me this 07 MAY 2013 day of _____ affiants exhibiting to me their Competent evidence of identity as follows:

Name	Competent evidence of Identity	Issue Date	Expiry Date	Place issued
Andrew L. Gotianun, Sr.	Passport no. ED1922889	15-Feb-11	14-Feb-16	DFA/Manila
L. Josephine G. Yap	Passport no. EB6037431	27-Jul-12	26-Jul-17	DFA/Manila
Nelson M. Bona	Drivers License no. NII-70-029982	13-Jul-10	27-Jul-13	LTO/Quezon City
Atty. Conrad P. Cereno	SSS no. 33-7137942-5	20-Aug-79	none	SSS/Quezon City

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AVELIO L. SALCEDO
Notary Public for Parañaque City
Not. Com. No. 150-2013 / Until Dec. 31, 2014
93 Ina Exec. Hms, Pque City
IBP O.R. No. 920615 / 1-4-13 / Pasay
PTR No. 1617903 / 1-8-13 / Pque City
Roll No. 38149 / MCLE Com. IV-0012159

FILINVEST LAND, INC.

79 EDSA, Highway Hills
Mandaluyong City, Metro Manila
Trunk line: (632) 918-8188
Customer hotline: (632) 588-1688
Fax number: (632) 918-8189
www.filinvestland.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Filinvest Land, Inc. and Subsidiaries** is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended **December 31, 2012 and 2011**, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the 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.


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


ANDREW L. GOTIANUN, SR.
Chairman of the Board
JOSEPHINE G. YAP
President / CEO
NELSON M. BONA
Chief Financial Officer

SUBSCRIBED AND SWORN TO before me on this 21 MAR 2013, affiant exhibiting
to me Community No. 01258501 issued on 2/28/2013 at Mandaluyong City

Signed this 21st day of March, 2013

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SERIES OF 2013


AVELIO L. SALCEDO
Notary Public for Parañaque City
Not. Com. No. 150-2013 / Until Dec. 31, 2014
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Filinvest Land, Inc. and Subsidiaries

Consolidated Financial Statements
December 31, 2012 and 2011 and January 1, 2011
and Years Ended December 31, 2012, 2011 and 2010

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Filinvest Land, Inc.
79 EDSA, Brgy. Highway Hills
Mandaluyong City

We have audited the accompanying consolidated financial statements of Filinvest Land, Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011 and January 1, 2011, and the consolidated statements of income, 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 Filinvest Land, Inc. and its subsidiaries as at December 31, 2012 and 2011 and January 1, 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.

Cyril Jasmin B. Valencia

Cyril Jasmin B. Valencia

Partner

CPA Certificate No. 90787

SEC Accreditation No. 1229-A (Group A),

May 31, 2012, valid until May 30, 2015

Tax Identification No. 162-410-623

BIR Accreditation No. 08-001998-74-2012,

April 11, 2012, valid until April 10, 2015

PTR No. 3670033, January 2, 2013, Makati City

March 21, 2013



FILINVEST LAND, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****(Amounts in Thousands of Pesos)**

		December 31	January 1
		2011	2011
	2012	(As restated)	(As restated)
ASSETS			
Cash and cash equivalents (Notes 4, 6, 18, 19 and 29)	₱2,106,452	₱1,153,306	₱1,758,725
Contracts receivable (Notes 4, 7, and 29)	10,597,950	8,452,908	7,845,871
Due from related parties (Notes 4, 18, and 29)	194,243	246,757	185,922
Other receivables (Notes 4, 8, 19 and 29)	3,062,157	2,483,014	1,603,566
Financial assets at fair value through other comprehensive income (Notes 3, 10 and 29)	24,626	24,626	123,070
Real estate inventories (Notes 9 and 19)	23,677,456	19,064,138	15,141,005
Land and land development (Notes 9 and 19)	15,368,369	14,091,543	12,807,811
Investment in an associate (Notes 11 and 27)	3,912,092	3,799,798	4,276,391
Investment properties (Notes 3, 4, 12 and 19)	15,374,600	12,201,609	11,599,167
Property and equipment (Notes 3, 4, and 13)	1,327,943	1,289,870	1,474,952
Deferred income tax assets (Notes 19 and 28)	22,427	18,071	15,312
Goodwill (Notes 3 and 4)	4,567,242	4,567,242	4,567,242
Other assets (Notes 4, 14 and 19)	1,691,707	909,248	467,703
	₱81,927,264	₱68,302,130	₱61,866,737
LIABILITIES AND EQUITY			
Liabilities			
Accounts payable and accrued expenses (Notes 4, 7, 15, 19 and 29)	₱8,390,363	₱6,155,020	₱6,340,832
Income tax payable (Notes 4 and 28)	18,028	183,208	163,870
Loans payable (Notes 4, 16, 19 and 29)	10,981,518	8,511,007	6,961,167
Bonds payable (Notes 17 and 29)	14,364,924	7,977,009	4,949,241
Due to related parties (Notes 18, 19 and 29)	182,979	48,411	82,643
Retirement liabilities (Notes 3 and 24)	159,756	95,726	80,195
Deferred income tax liabilities - net (Notes 4 and 28)	1,951,051	1,676,353	1,620,329
Total Liabilities	36,048,619	24,646,734	20,198,277
Equity			
Common stock (Note 26)	24,470,708	24,470,708	24,470,708
Preferred stock (Note 26)	80,000	80,000	80,000
Additional paid-in capital	5,612,321	5,612,321	5,612,321
Treasury stock (Note 26)	(221,041)	(221,041)	(221,041)
Remeasurement losses on retirement plan (Note 2)	(105,686)	(49,364)	(44,805)
Retained earnings (Notes 2 and 26)	15,683,168	13,403,597	11,412,102
Revaluation reserve on financial assets at fair value through other comprehensive income (Note 10)	(2,619)	(2,619)	(2,619)
Share in other components of equity of an associate (Note 11)	361,794	361,794	361,794
Total Equity	45,878,645	43,655,396	41,668,460
	₱81,927,264	₱68,302,130	₱61,866,737

See accompanying Notes to Consolidated Financial Statements.



FILINVEST LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands of Pesos, Except Earnings Per Share Figures)

	Years Ended December 31		
	2012	2011 (As restated)	2010 (As restated)
REVENUE			
Real estate sales	₱8,798,358	₱6,953,469	₱5,652,374
Rental services (Notes 12 and 25)	1,777,330	1,528,290	1,411,269
EQUITY IN NET EARNINGS OF AN ASSOCIATE (Note 11)	187,294	63,407	55,217
OTHER INCOME			
Interest income (Notes 7 and 22)	514,833	542,113	565,355
Foreign currency exchange gain - net	2,585	1,304	8,565
Gain from remeasurement of previously held interest in a business combination (Note 4)	—	—	517,240
Excess of fair value of net identifiable assets over consideration transferred in a business combination (Note 4)	—	—	9,058
Others (Notes 18 and 23)	516,363	564,101	502,952
	11,796,763	9,652,684	8,722,030
COSTS			
Real estate sales (Note 9)	4,927,456	3,612,285	2,996,824
Rental services	451,178	425,653	400,884
OPERATING EXPENSES			
General and administrative expenses (Notes 20 and 24)	1,141,557	918,396	799,914
Selling and marketing expenses (Note 21)	813,887	742,408	593,588
INTEREST AND OTHER FINANCE CHARGES (Notes 16, 17 and 22)	400,049	469,400	416,655
	7,734,127	6,168,142	5,207,865
INCOME BEFORE INCOME TAX	4,062,636	3,484,542	3,514,165
PROVISION FOR INCOME TAX (Notes 19 and 28)			
Current	334,972	488,062	475,029
Deferred	296,228	54,393	86,777
	631,200	542,455	561,806
NET INCOME	₱3,431,436	₱2,942,087	₱2,952,359
Basic /Diluted Earnings Per Share (Note 27)	₱0.14	₱0.12	₱0.12

See accompanying Notes to Consolidated Financial Statements.



FILINVEST LAND, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(Amounts in Thousands of Pesos)**

	Years Ended December 31		
	2012	2011 (As restated)	2010 (As restated)
NET INCOME	₱3,431,436	₱2,942,087	₱2,952,359
OTHER COMPREHENSIVE INCOME			
Remeasurement losses on retirement plan (Note 2)	(56,322)	(4,559)	(44,805)
Share in other components of equity of an associate (Note 11)	—	—	361,794
	(56,322)	(4,559)	316,989
TOTAL COMPREHENSIVE INCOME	₱3,375,114	₱2,937,528	₱3,269,348

See accompanying Notes to Consolidated Financial Statements.

FILINVEST LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands of Pesos)

	Common Stock (Note 26)	Preferred Stock (Note 26)	Additional Paid-in Capital	Treasury Stock (Note 26)	Retained Earnings (Note 2)	Revaluation Reserve on Financial Assets at FVTOCI (Note 10)	Remeasurement Losses on Retirement Plan (Note 2)	Share in Other Components of Equity of an Associate (Note 11)	Total
For the Year Ended December 31, 2012									
Balances as of January 1, 2012, as restated	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱13,403,597	(₱2,619)	(₱49,364)	₱361,794	₱43,655,396
Comprehensive income									
Net income	—	—	—	—	3,431,436	—	—	—	3,431,436
Other comprehensive income	—	—	—	—	—	—	(56,322)	—	(56,322)
Total comprehensive income	—	—	—	—	3,431,436	—	(56,322)	—	3,375,114
Dividends (Note 26)	—	—	—	—	(1,151,865)	—	—	—	(1,151,865)
Balances as of December 31, 2012	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱15,683,168	(₱2,619)	(₱105,686)	₱361,794	₱45,878,645
For the Year Ended December 31, 2011									
Balances as of January 1, 2011, as previously stated	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱11,390,088	(₱2,619)	₱—	₱361,794	₱41,691,251
Effect of adoption of PAS 19R (Note 2)	—	—	—	—	22,014	—	(44,805)	—	(22,791)
Balances as of January 1, 2011, as restated	24,470,708	80,000	5,612,321	(221,041)	11,412,102	(2,619)	(44,805)	361,794	41,668,460
Comprehensive income									
Net income, as previously stated	—	—	—	—	2,940,340	—	—	—	2,940,340
Effect of adoption of PAS 19R (Note 2)	—	—	—	—	1,747	—	—	—	1,747
Net income, as restated	—	—	—	—	2,942,087	—	—	—	2,942,087
Other comprehensive income, as previously stated	—	—	—	—	—	—	—	—	—
Effect of adoption of PAS 19R (Note 2)	—	—	—	—	—	—	(4,559)	—	(4,559)
Other comprehensive income, as restated	—	—	—	—	—	—	(4,559)	—	(4,559)
Total comprehensive income, as restated	—	—	—	—	2,942,087	—	(4,559)	—	2,937,528
Dividends (Noted 26)	—	—	—	—	(950,592)	—	—	—	(950,592)
Balances as of December 31, 2011, as restated	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱13,403,597	(₱2,619)	(₱49,364)	₱361,794	₱43,655,396



	Common Stock (Note 26)	Preferred Stock (Note 26)	Additional Paid-in Capital	Treasury Stock (Note 26)	Retained Earnings (Note 2)	Revaluation Reserve on Financial Assets at FVTOCI (Note 10)	Remeasurement Losses on Retirement Plan (Note 2)	Share in Other Components of Equity of an Associate (Note 11)	Total
For the Year Ended December 31, 2010									
Balances as of January 1, 2010, as previously stated	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱9,238,104	(₱2,619)	₱—	₱—	₱39,177,473
Effect of adoption of PAS 19R (Note 2)	—	—	—	—	21,881	—	—	—	21,881
Balances as of January 1, 2010, as restated	24,470,708	80,000	5,612,321	(221,041)	9,259,985	(2,619)	—	—	39,199,354
Comprehensive income									
Net income, as previously stated	—	—	—	—	2,952,226	—	—	—	2,952,226
Effect of adoption of PAS 19R (Note 2)	—	—	—	—	133	—	—	—	133
Net income, as restated	—	—	—	—	2,952,359	—	—	—	2,952,359
Other comprehensive income, as previously stated	—	—	—	—	—	—	—	361,794	361,794
Effect of adoption of PAS 19R (Note 2)	—	—	—	—	—	—	(44,805)	—	(44,805)
Other comprehensive income, as restated	—	—	—	—	—	—	(44,805)	361,794	316,989
Total comprehensive income, as restated	—	—	—	—	2,952,359	—	(44,805)	361,794	3,269,348
Dividends (Noted 26)	—	—	—	—	(800,242)	—	—	—	(800,242)
Balances as of December 31, 2010, as restated	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱11,412,102	(₱2,619)	(₱44,805)	₱361,794	₱41,668,460

See accompanying Notes to Consolidated Financial Statements.



FILINVEST LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands of Pesos)

	Years Ended December 31		
	2012	2011 (As restated)	2010 (As restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱4,062,636	₱3,484,542	₱3,514,165
Adjustments for:			
Interest income (Note 22)	(514,833)	(542,113)	(565,355)
Interest expense (Note 22)	335,196	445,482	377,537
Depreciation and amortization (Notes 12 and 13)	300,286	287,120	269,398
Equity in net earnings of an associate (Note 11)	(187,294)	(63,407)	(55,217)
Dividend income	(3)	(51)	(772)
Excess of fair value of net identifiable assets over consideration transferred in a business combination (Note 4)	—	—	(9,058)
Gain from remeasurement of previously held interest in a business combination (Note 4)	—	—	(517,240)
Operating income before changes in operating assets and liabilities	3,995,988	3,611,573	3,013,458
Changes in operating assets and liabilities			
Decrease (increase) in:			
Contracts receivable	(2,145,042)	(607,037)	(183,205)
Due from related parties	52,514	(60,835)	42,636
Other receivables	(579,143)	(879,448)	(163,173)
Real estate inventories	(3,884,972)	(4,153,392)	(2,673,950)
Other assets	(778,138)	(275,918)	3,365
Increase (decrease) in:			
Accounts payable and accrued expenses	1,653,221	196,610	(351,777)
Retirement liabilities (Note 24)	(17,181)	8,271	10,852
Net cash generated from (used for) operations	(1,702,753)	(2,160,176)	(301,794)
Income taxes paid	(500,152)	(522,368)	(384,929)
Interest received	514,833	544,780	572,311
Dividends received	3	51	772
Net cash provided by (used in) operating activities	(1,688,069)	(2,137,713)	(113,640)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of raw land (Note 9)	(2,488,561)	(1,053,473)	(762,241)
Acquisitions of investment properties and property and equipment (Notes 12 and 13)	(1,457,348)	(804,171)	(221,422)
Dividends received from associate (Note 11)	75,000	540,000	—
Proceeds from maturity of financial assets at fair value through other comprehensive income	—	93,662	—
Proceeds from maturity of available-for-sale securities	—	—	242,172
Acquisitions of available-for-sale securities	—	—	(95,444)
Acquisition of businesses - net of cash acquired (Note 4)	—	—	(920,698)
Net cash used in investing activities	(3,870,909)	(1,223,982)	(1,757,633)

(Forward)



	Years Ended December 31		
	2012	2011 (As restated)	2010 (As restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Loans availment (Note 16)	₱4,850,000	₱4,220,000	₱120,000
Bond offering (Note 17)	7,000,000	3,000,000	—
Payments of:			
Loans payable (Note 16)	(2,371,417)	(2,652,667)	(606,833)
Bonds payable (Note 17)	(500,000)	—	—
Cash dividend (Note 26)	(1,151,865)	(950,592)	(800,242)
Interest and transaction costs	(1,449,162)	(826,233)	(876,122)
Increase (decrease) in amounts due to related parties	134,568	(34,232)	35,923
Net cash provided by (used in) financing activities	6,512,124	2,756,276	(2,127,274)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	953,146	(605,419)	(3,998,547)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,153,306	1,758,725	5,757,272
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱2,106,452	₱1,153,306	₱1,758,725

See accompanying Notes to Consolidated Financial Statements.



FILINVEST LAND, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Filinvest Land, Inc. (the “Parent Company” or “FLI”) is a property developer engaged mainly in the development of residential subdivisions, construction of housing units and leasing activities. It was incorporated and domiciled in the Philippines where its shares are publicly traded. Formerly Citation Homes, Inc., the Parent Company was incorporated on November 24, 1989 and later changed its name to the present one on July 12, 1993. The Parent Company and its subsidiaries (collectively referred to as “the Group”) offer a range of real estate products from socialized and affordable housing to middle-income and high-end housing, various types of subdivision lots, medium-rise residential buildings, farm estates, industrial parks, residential resort projects, a private membership club and condominium buildings. The Group also leases out commercial and office spaces in Alabang, Muntinlupa City and Makati City, its major locations for leasing.

The Group’s parent company is Filinvest Development Corporation (FDC), a publicly listed entity. A.L. Gotianun Inc. (formerly ALG Holdings Corporation) (ALG) is the Group’s ultimate parent company.

In September 2006, the Group entered into a series of transactions pursuant to which it acquired (1) 60% ownership interest in Filinvest Asia Corporation (FAC) from FDC; (2) 60% ownership interest in Cyberzone Properties, Inc. (CPI) from Filinvest Alabang, Inc. (FAI); and (3) Festival Supermall structure from FAI. In exchange for acquiring these assets, the Group issued a total of about 5.64 billion common shares to FDC and FAI and assumed ₱2.50 billion outstanding debts of FDC and FAI. The business combinations resulted in the recognition of goodwill amounting to ₱5.45 billion, which comprises the fair value of expected synergies arising from the acquisitions.

In September 2006, the Group also entered into a joint venture agreement with Africa Israel Investments (Phils.), Inc. (AIIPI) to undertake the development of a club and portion of a land in San Mateo, Rizal by incorporation of Filinvest AII Philippines Inc. (FAPI).

On February 8, 2010, the Parent Company acquired the remaining 40% interests in CPI from Africa-Israel Properties (Phils.), Inc. (AIPPI) and FAPI from Africa-Israel Investments (Phils.), Inc. (AIIPI) to obtain control from the previous joint ventures. Prior to the acquisition, the Parent Company accounted for its investments in the joint ventures under the proportionate consolidation. The acquisition resulted in CPI and FAPI becoming wholly-owned subsidiaries of the Parent Company. The acquisition of the joint ventures’ interests was accounted for as business combination (see Note 4).

On May 18, 2012, Countrywide Water Services, Inc. (CWSI), a 100% owned subsidiary of FLI was incorporated. CWSI has the technical expertise and skills in the operation, management, maintenance, and rehabilitation of waterworks and sewerage system. On August 2, 2012, FLI has engaged the services of CWSI in order to maintain and further improve the billing, collection and customer relation services in the waterworks and sewerage system of its residential projects.

On November 26, 2012, the Parent Company filed a change in business address with the Philippine Securities and Exchange Commission (SEC) from its previous location at 173 P. Gomez Street, San Juan City, Metro Manila to its new principal place of business at 79 EDSA, Brgy. Highway Hills, Mandaluyong City.



The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 21, 2013.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements are prepared using the historical cost basis, except for financial assets at fair value through other comprehensive income (FVTOCI) that are measured at fair value. Amounts are in thousand pesos except as otherwise indicated.

The Group's consolidated financial statements are presented in Philippine Peso (Peso), which is also the functional currency, under Philippine Financial Reporting Standards (PFRS), of the Parent Company and its subsidiaries, joint venture and an associate.

Statement of Compliance

The accompanying consolidated financial statements of the Group have been presented in compliance with PFRS.

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries, and the corresponding percentages of ownership as at December 31:

	2012	2011	2010
FAP ⁽¹⁾	100%	100%	100%
CPI ⁽¹⁾	100%	100%	100%
Homepro Realty Marketing, Inc. (Homepro)	100%	100%	100%
Property Maximizer Professional Corp. (Promax)	100%	100%	100%
Property Specialist Resources, Inc. (Prosper)	100%	100%	100%
Leisurepro, Inc. (Leisurepro)	100%	100%	100%
Countrywide Water Services, Inc. (CWSI) ⁽²⁾	100%	—	—

(1) In 2010, CPI and FAP became wholly-owned subsidiaries of the Parent Company (see Note 4).

(2) The Parent Company incorporated CWSI on May 18, 2012.

The Group's share in the assets, liabilities and net income of the following joint venture is proportionately consolidated into the Group's consolidated financial statements:

	2012	2011	2010
FAC	60%	60%	60%

FAC is treated as joint venture despite the Group's interest of above 50% due to the existence of contractual arrangements between the parties and certain special voting rights requiring consent from both the Group and the other venturers in making strategic and financial decisions.

The financial statements of the subsidiaries, joint venture and associate are prepared for the same reporting period as the Parent Company using consistent accounting policies.



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. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

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
- 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 Group's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

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 PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) which became effective on January 1, 2012, except for PAS 19, *Employee Benefits* (Revised) which is effective on January 1, 2013 but early adopted by the Group starting January 1, 2012. Except as otherwise indicated, the adoption of these new accounting standards and amendments have no material impact on the Group's financial statements.

Early Adoption of PAS 19, Employee Benefits (Revised)

On 1 January 2012, the Group adopted PAS 19, *Employee Benefits* (Revised).

For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

Prior to adoption of the Revised PAS 19, the Group recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the Revised PAS 19, the Group changed its accounting policy to recognize all actuarial gains and losses in other comprehensive income and all past service costs in profit or loss in the period they occur. Moving forward, the Group will retain the recognized actuarial gains and losses in other comprehensive income and will not transfer this to other items of equity.

The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.



The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact to the Group's financial position and financial performance.

The changes in accounting policies have been applied retrospectively. The effects of first time adoption of the Revised PAS 19 on the financial statements are as follows:

	As at 31 December 2011 (As restated)	As at 31 December 2010 (As restated)	As at 1 January 2010 (As restated)
	(In Thousands)		

Increase (decrease) in:

Consolidated statements of financial position

Retirement liabilities	36,576	32,559	(P31,258)
Deferred tax liabilities - net	(10,973)	(9,768)	9,377
Remeasurement losses on retirement plan	(49,364)	(44,805)	—
Retained earnings	23,761	22,014	21,881

	2011 (As restated)	2010 (As restated)
	(In Thousands)	

Increase (decrease) in:

Consolidated statements of income

Retirement costs	(2,496)	(190)
Income tax expense	749	57
Profit for the year	1,747	133

* The effect on earnings per share related to the restatement in 2011 and 2010 was more than P0.00007 and less than P0.00001, respectively.

	2011 (As restated)	2010 (As restated)
	(In Thousands)	

Increase (decrease) in:

Consolidated statements of comprehensive income

Remeasurement loss on retirement plan	6,513	64,007
Income tax effects	(1,954)	(19,202)
Other comprehensive income for the year, net of tax	(4,559)	(44,805)

- **PFRS 7, Financial Instruments: Disclosures - Transfers of Financial Assets (Amendments)**
The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enable the users of the Group's consolidated financial statement to understand the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable the users to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendments are effective for periods beginning on or after July 1, 2011. The amendments will affect disclosures only and have no impact on the Group's financial position or performance.



- *PAS 12, Income Taxes - Deferred Tax: Recovery of Underlying Assets (Amendments)*
This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The amendments are effective for periods beginning on or after January 1, 2012. As the Group does not have investment properties and property and equipment measured using the fair value model and revaluation model, respectively, the amendment has no impact on the financial statements of the Group.

Standards Issued but not yet Effective

Standards, interpretations, amendments and improvements to standards issued but not effective up to the date of issuance of the Group's consolidated financial statements are listed below. The Group will adopt these standards, interpretations, amendments to standards and improvements 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

- *PFRS 7, Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments)*
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, *Financial Instruments: Presentation*. 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*
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. The standard becomes effective for annual periods beginning on or after January 1, 2013.

A reassessment of control was performed by the Group on all its interests in other entities and has determined that there are no additional entities that need to be consolidated or entities to be deconsolidated.

- *PFRS 11, Joint Arrangements*
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 using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The standard becomes effective for annual periods beginning on or after January 1, 2013. The adoption of the standard will impact the current practice of the Group on proportionate consolidation.
- *PFRS 12, Disclosure of Interests in Other Entities*
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. The standard becomes effective for annual periods beginning on or after January 1, 2013.

The adoption of PFRS 12 will affect disclosures only and have no impact on the Group's consolidated financial position or performance.

- *PFRS 13, Fair Value Measurement*
PFRS 13 establishes a single source of guidance under PFRSs 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 standard becomes effective for annual periods beginning on or after January 1, 2013. The Group does not anticipate that the adoption of this standard will have a significant impact on its financial position and performance.
- *PAS 1, Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI (Amendments)*
The amendments to PAS 1 change the grouping of items presented in OCI. 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 amendments affect presentation only and have no impact on the Group's consolidated financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012. The amendments will be applied retrospectively and will result to the modification of the presentation of items of OCI.

- PAS 27, *Separate Financial Statements* (Revised)
As a consequence of the issuance of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- PAS 28, *Investments in Associates and Joint Ventures* (Revised)
As a consequence of the issuance of the new PFRS 11 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. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

Effective in 2014

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
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. The amendments affect presentation only and have no impact on the Group's consolidated financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective in 2015

- PFRS 9, *Financial Instruments: Hedge Accounting and Impairment of Financial Assets*
In subsequent phases of PFRS 9, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The Group will quantify the effect of the other phases, when issued, to present a comprehensive picture.
- Philippine Interpretation IFRIC 15, *Agreements for 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 (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) 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 Philippine Interpretation will be accounted for retrospectively and will result to the restatement of prior period consolidated financial statements. The adoption of this Philippine Interpretation may significantly affect the determination of the net income and the related statement of financial position accounts as follows: Contract receivables, Real estate inventories, Customer's deposits, Deferred tax liabilities and Retained earnings.

Annual Improvements of PFRSs (2009-2011 cycle)

The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

- *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 consolidated 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 consolidated 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 consolidated financial position or performance.

Accounting Policies

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 placement and are subject to an insignificant risk of change in value.

Financial Instruments

Date of recognition

Financial assets and liabilities are recognized in the consolidated statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery or assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial recognition of financial instruments

Financial assets and liabilities are recognized initially at fair value. The fair value of financial instruments that are actively traded in organized financial markets are determined by reference to quoted market bid prices at the close of the business at the reporting date.

Determination of fair value

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market prices at the close of business on the reporting date. 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, and discounted cash flow analysis or other valuation models. In the absence of a reliable basis of determining fair value, investments in unquoted equity securities are carried at cost net of impairment, if any.

'Day 1' difference

Where the transaction price in a non-active market is different from the fair value from 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 the consolidated statement of income. In cases where transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income 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.



Classification, Reclassification and Measurement of Financial Assets and Financial Liabilities

For purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer (under PAS 32), except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial instruments are 'debt instruments'.

Financial assets at amortized cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest calculated recognized as Interest income in the consolidated statement of income. The Group classified cash and cash equivalents, contracts receivable, other receivables, due from related parties and other assets as financial assets at amortized cost (see Notes 6, 7, 8, 14, 18 and 29).

The Group may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost. As of December 31, 2012, the Group has not made such designation.

Financial assets at FVTOCI

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Equity investments as at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for sale or disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in "Revaluation reserve on financial assets at FVTOCI" in the consolidated statement of financial position. Where the asset is disposed of, the cumulative gain or loss previously recognized in "Revaluation reserve on financial assets at FVTOCI" is not reclassified to profit or loss, but is reclassified to Retained earnings.

Included under this category are the Group's investments in quoted and unquoted shares of stocks (see Notes 10 and 29).



Dividends earned on holding these equity instruments are recognized in the consolidated statement of income when the Group's right to receive the dividends is established in accordance with PAS 18, *Revenue*, unless the dividends clearly represent recovery of a part of the cost of the investment.

Financial assets at FVTPL

Debt instruments that do not meet the amortized cost criteria, or that meet the criteria but the Group has chosen to designate as at FVTPL at initial recognition, are measured at FVTPL.

Equity investments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at FVTOCI at initial recognition.

The Group has no financial assets at FVTPL as of December 31, 2012 and 2011.

Reclassification of financial assets

The Group can reclassify financial assets if the objective of its business model for managing those financial assets changes. The Group is required to reclassify the following financial assets:

- from amortized cost to FVTPL if the objective of the business model changes so that the amortized cost criteria are no longer met; and
- from FVTPL to amortized cost if the objective of the business model changes so that the amortized cost criteria start to be met and the instrument's contractual cash flows meet the amortized cost criteria.

Reclassification of financial assets designated as at FVTPL at initial recognition is not permitted.

A change in the objective of the Group's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

Financial liabilities

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Management may designate a financial liability at FVTPL upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognizing gains or losses on them on a different basis; or
- The liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or



- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

As of December 31, 2012 and 2011, the Group has no financial liability at FVTPL.

Financial liabilities at amortized cost

Financial liabilities are measured at amortized cost using the effective interest method, except for:

- a. financial liabilities at fair value through profit or loss which are measured at fair value; and
- b. financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

Financial liabilities at amortized cost consist primarily of accounts payable and accrued expenses, loans payable, bonds payable and due to related parties (see Notes 15, 16, 17, 18 and 29).

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Assets Carried at Amortized Cost

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 EIR (i.e. the EIR computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or 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 the Group financial assets with similar credit risk characteristics. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

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 the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.



Derecognition of Financial Assets and Liabilities

Financial Assets

A financial asset 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 risks and rewards of the asset, but has transferred control of the asset.

Where 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 an 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 repay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability expires, is discharged or cancelled.

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

Offsetting Financial Instruments

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, where the related assets and liabilities are presented at gross in the consolidated statement of financial position.

Real Estate Inventories

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 real estate inventory and is measured at the lower of cost and net realizable value (NRV). It also includes investments in club shares accounted as inventory when the Group acts as the developer and its intent is to sell the developed property.

Cost includes:

- Land acquisition costs and expenses directly related to acquisition
- Amounts paid to contractors for development and construction
- Borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale.



Land and Land Development

Land and land development consists of properties for future development that are carried at the lower of cost or NRV. The cost of land and land development include the following: (a) land acquisition costs, (b) costs incurred relative to acquisition and transfer of land title in the name of the Group such as transfer taxes and registration fees (c) costs incurred on initial development of the raw land in preparation for future projects, and (d) borrowing costs. They are transferred to subdivision lots and housing units for sale under “real estate inventories” when the project plans, development and construction estimates are completed and the necessary permits are secured.

Investment in an Associate

The Group’s investment in an associate is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in an associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group’s share of net assets of the associate. After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group’s net investment in the associate. The consolidated statement of income reflects the share of the results of operations of the associate.

Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

The reporting dates of the associate and the Group are identical and the associates’ accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on investment in an associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment in the associate and its carrying value and recognize the amount in the consolidated income statement.

Interests in Joint Ventures

A joint venture is a contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control. The Group recognizes its interest in the joint venture using proportionate consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with similar terms, line by line, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting year as the Group, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

When the Group contributes or sells assets to the joint venture, any portion of gain or loss from the transaction is recognized based on the substance of the transaction. When the Group purchases assets from the joint venture, the Group does not recognize its share of the profits of the joint venture from the transaction until it resells the assets to an independent party. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.



The Group also has interests in joint ventures which are jointly-controlled assets. The Group recognizes in its consolidated financial statements its share in the jointly-controlled assets, the liabilities that it incurred and its share in any of the liabilities it incurred jointly with the venture partner and income and expenses that it incurred.

Investment Properties

Investment properties consist of commercial mall, land and other properties that are held for long term rental yields and capital appreciation. Investment properties, except for land, are carried at cost less accumulated depreciation and accumulated impairment losses, if any. Land is carried at cost less accumulated impairment losses, if any.

Depreciation of investment properties is computed using the straight-line method over their useful lives of these assets as follows:

	Years
Buildings and improvement	20-50
Machinery and equipment	5

The useful life as well as the depreciation method is reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefit from items of investment property.

Investment property is derecognized when it is either disposed of or permanently withdrawn from use and there is no future economic benefit expected from its disposal or retirement. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when 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 made from investment property when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and accumulated impairment losses, if any. The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use including borrowing cost.

Construction-in-progress, is stated at cost. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time as the relevant assets are completed and put into operational use.



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

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

	Years
Buildings	20-50
Machinery and equipment	5
Transportation equipment	5
Furniture and fixtures	3-5

Leasehold improvements are amortized over the estimated useful lives of the improvements or the lease term, whichever is shorter.

The useful life as well as the depreciation and amortization method is reviewed periodically to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

When an item of property and equipment is derecognized, the cost of the related accumulated depreciation and amortization and accumulated impairment losses, if any, is removed from the account. Any gain or loss arising from derecognition of the asset is included in the consolidated statement of income in the year the asset is derecognized.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the consideration transferred over the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Other Assets

Other assets pertain to resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group.

Value-added Tax (VAT)

Revenues, expenses, assets and liabilities are recognized net of the amount of VAT, except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of VAT recoverable and payable from the taxation authority is included as part of "Other assets" and "Accounts payable and accrued expenses" in the consolidated statement of financial position, respectively.



Impairment of Nonfinancial Assets

The carrying values of real estate inventories, land and land development, investment in an associate, property and equipment, investment properties and other assets are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less cost to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statement of income.

For nonfinancial assets excluding goodwill, an assessment is made at each reporting 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 estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor 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 the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually or more frequent if events or changes of circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating unit) is less than their carrying amount of cash-generating unit (or group of cash-generating unit) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. In arrangements where the Group is acting as principal to its customers, revenue is recognized on a gross basis. However, if the Group is acting as an agent to its customers, only the amount of net commission retained is recognized as revenue.



The following specific recognition criteria must also be met before revenue is recognized:

Real Estate Sales

Revenue from sales of substantially completed projects where collectability of sales price is reasonably assured is accounted for using the full accrual method. The percentage-of-completion method is used to recognize revenue from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Any excess of collections over the recognized receivables are included in the “Accounts payable and accrued expenses” account in the liabilities section of the consolidated statement of financial position.

Collections from accounts which are not yet qualified for revenue recognition are treated as customer deposits included in the “Accounts payable and accrued expenses” account in the consolidated statement of financial position.

Sale of Club Shares

Sale of club shares is recognized when the risk and rewards of ownership of the shares have passed to the buyer and the amount of revenue can be reliably measured. Sale of club shares is included in “Real estate sales” account in the consolidated statement of income.

Rental Income

Rental income arising from investment properties are recognized in the consolidated statement of income either on a straight-line basis over the lease term or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract.

Interest Income

Interest is recognized as it accrues taking into account the effective yield on the underlying asset.

Income from Forfeited Reservations and Collections

Income from forfeited reservation and collections is recognized when the deposits from potential buyers are deemed nonrefundable due to prescription of the period for entering into a contracted sale. Such income is also recognized, subject to the provisions of Republic Act 6552, *Realty Installment Buyer Act*, upon prescription of the period for the payment of required amortizations from defaulting buyers.

Other Income

Other income is recognized when services are rendered and when goods are delivered.

Cost and Expense Recognition

Costs and expenses are recognized in the consolidated statement of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Costs and expenses are recognized in the consolidated statement of income:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or



- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the consolidated statement of financial position as an asset

Cost of Real Estate Sales

Cost of real estate sales is recognized consistent with the revenue recognition method applied.

Cost of subdivision lots and housing units and condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's in-house technical staff.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the percentage of completion used for revenue recognition purposes.

Expenses

"General and administrative expenses" and "Selling and marketing expenses" are expenses that are incurred in the course of the ordinary operations of the Group. These usually take the form of an outflow or depletion of assets such as cash and cash equivalents, property and equipment and investment properties. Selling and marketing expenses are costs incurred to sell real estate inventories, which include commissions, advertising and promotions, among others. General and administrative expenses constitute costs of administering the business.

Expenses are recognized in the consolidated statement of income as incurred.

Commission Expense

Commissions paid to sales or marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Selling and marketing expenses" account in the consolidated statement of income.

Retirement Costs

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses nonroutine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the defined benefit liability or asset.



Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss. Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. All remeasurements recognized in other comprehensive income account "Remeasurement gains (losses) on retirement plan" are not reclassified to another equity account in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Borrowing Costs

Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowing of funds. They are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. Interest and other financing costs incurred during the construction period on borrowings used to finance property development are capitalized as part of development costs included in "Real estate inventories" in the consolidated statement of financial position. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended sale are completed. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.



All other borrowing costs are expensed as incurred.

Foreign Currency-Denominated Transactions

The functional and presentation currency of the Parent Company and its subsidiaries, joint ventures and associate is the Philippine Peso. Transactions denominated in foreign currencies are recorded in Philippine Peso based on the exchange rates prevailing at the transaction dates. Foreign currency denominated monetary assets and liabilities are translated to Philippine Peso at exchange rates prevailing at the reporting date. Foreign exchange differentials between rate at transaction date and rate at settlement date or reporting date of foreign currency denominated monetary assets or liabilities are credited to or charged against current operations.

Equity

Common and Preferred Stock

The Group records common and preferred stocks at par value and additional paid-in capital as the excess of the total contributions received over the aggregate par values of the equity shares. The Group considers the underlying substance and economic reality of its own equity instrument and not merely its legal form in determining its proper classification. When any member of the Group purchases the Parent Company's capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects is included in consolidated equity.

Treasury Stock

Own equity instruments which are reacquired are carried at cost and are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid in capital when the shares were issued and to retained earnings for the remaining balance.

Retained Earnings

Retained earnings represents accumulated earnings of the Group, and any other adjustments to it as required by other standards, less dividends declared. The individual accumulated earnings of the subsidiaries and accumulated equity earnings from an associate included in the consolidated retained earnings are available for dividend declaration when these are declared as dividends by the subsidiaries and associate as approved by their respective Board of Directors.

Retained earnings are further restricted for the payment of dividends to the extent of the cost of common shares held in treasury.

Dividends on common and preferred stocks are deducted from retained earnings when declared and approved by the respective BOD or shareholders of the Parent Company. Dividends payable are recorded as liability until paid. Dividends for the year that are declared and approved after reporting date, if any, are dealt with as an event after reporting date and disclosed accordingly.

The Parent Company's retained earnings available for dividend declaration as of December 31, 2012 and 2011 and January 1, 2011 amounted to ₱11.00 billion, ₱8.77 billion and ₱6.56 billion, respectively.



Earnings Per Share (EPS)

Basic EPS is computed by dividing net income applicable to common stock by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period.

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period, and adjusted for the effect of dilutive options and dilutive convertible preferred shares. If the required dividends to be declared on convertible preferred shares divided by the number of equivalent common shares, assuming such shares are converted would decrease the basic EPS, and then such convertible preferred shares would be deemed dilutive.

Where the effect of the assumed conversion of the preferred shares and the exercise of all outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount.

Income Tax

Current Income Tax

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

Deferred Income Tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except; (a) where deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefit of the excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and 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 of MCIT and unused NOLCO can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting 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 asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year 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 reporting date. Income tax relating to items recognized directly in other comprehensive income is recognized in consolidated statement of comprehensive income and not in the consolidated statement of income.



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

Operating Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Group as Lessor

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Rental income on operating leases is recognized on a straight line basis over the lease term. 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 rental income.

Group as Lessee

Operating lease payments are recognized as an expense on a straight line basis over the lease term, except for contingent rental payments which are expensed when they arise.

Segment Reporting

The Group's 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. Financial information on business segments is presented in Note 5 to the consolidated financial statements.

Provisions

A provision is 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 determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment 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 interest expense. When the Group expects part or all of provision to be reimbursed or recovered, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain.



Contingencies

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

Events after the Reporting Date

Any post year-end event up to the date of the auditor's report that provides additional information about the Group's position at reporting date (adjusting event) is reflected in the consolidated financial statements. Any post year-end event that is not an adjusting event is disclosed, when material, in notes to the consolidated financial statements.

3. Significant Accounting Judgments and Estimates

The preparation of the accompanying consolidated financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Future events may occur which can cause the assumptions used in arriving at those estimates to change. The effects of any changes in estimates will be reflected in the consolidated financial statements as they become reasonably determinable. Estimates and judgments 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

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

Determination of the Group's functional currency

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of each entity within the Group has been determined to be the Peso. It is the currency that mainly influences the Group's operations.

Classification of Financial Instruments

The Group classifies financial instruments, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of the instruments. The substance of a financial instrument, rather than its legal form, governs its classification in the statement of financial position. The Group determines the classification at initial recognition and re-evaluates this designation at every reporting date.

Real Estate Revenue Recognition

Selecting an appropriate revenue recognition method for a real estate sale transaction requires certain judgments based on, among others:

- Buyer's commitment on sale which may be ascertained through the significance of the buyer's initial payments in relation to the total contract price; and
- Stage of completion of the project development.



Operating Lease Commitments - The Group as Lessor

The Group has entered into various property leases on its investment property portfolio. The Group has determined that it retains all significant risks and rewards of ownership on these properties hence classified as operating leases.

Operating Lease Commitments - The Group as Lessee

The Group has entered into various leases for its occupied offices. The Group has determined that all significant risks and rewards of ownership are retained by the respective lessors on offices it leases and therefore account for these leases as operating lease.

Determining Classification of Investment in Club Project

Being a real estate developer, the Group determines how investment in club project shall be accounted for. In determining whether this shall be accounted for as inventories or as financial instruments, the Group considers its role in the development of the Club and its intent for holding the related club shares.

The Group classifies such shares as inventories when the Group acts as the developer and its intent is to sell the developed property.

Management's Use of Estimates

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

Fair Valuation in Business Combination

In 2010, in relation to the Parent Company's acquisition of the remaining 40% share in CPI and in FAPI which were accounted for as business combinations (see Note 4), the Group hired the services of an independent valuer to determine the fair values of CPI's investment properties, and FAPI's inventories. The independent appraiser used income approach using discounted cash flow model.

Major assumptions used in the cashflows include rental rates, vacancy allowances and the discount rate. Discount rate used is 14% determined using capital asset pricing model while escalation of rental rates is assumed to be 5% per annum. Major assumptions used in the cashflows of FAPI's inventories include inventory selling price escalation, remaining development cost and the discount rate. Discount rate used is 13.5% determined using the capital asset pricing model.

Escalation of real estate inventory prices is assumed to be 5% annually for lots and housing units and at 5% every two years for club shares.

For equity valuation of CPI, the independent valuer also determined the fair values of the additional facilities to be constructed in the future using income approach following the discounted cash flows model. Major assumptions used in the cashflows include the estimation of development costs, soft cost, development profit, market rent, annual escalation and vacancy allowance. Discount rate used is 14.5% determined using capital asset pricing model. For equity valuation of FAPI, the same major assumptions were used for the cashflows of FAPI's inventories as discussed above.



Estimate on when the buyer's investment is qualified for revenue recognition on real estate sales

Starting January 1, 2010, the Group changed its basis of estimating on when the buyer's investment is considered adequate to meet the probability criteria that economic benefits will flow to the Group and warrant revenue recognition. The recent change in the Group's business focus on low to middle income segment, experience over the past years, and information gathered that other industry players are adopting the same threshold, prompted the Group to revisit and accordingly revise the basis of estimating the level of buyer's payments that is highly probable that the buyer will commit to the sale transaction, and thus, it is probable that economic benefits will flow to the Group. The change in estimate increased the real estate sales by ₱1.09 billion and net income by ₱221.87 million for the year ended December 31, 2010.

Evaluation of Impairment of Financial Assets at Amortized Cost

The Group reviews financial assets at amortized cost, other than cash and cash equivalents, at each reporting date to assess whether an allowance for impairment should be recorded in the consolidated statements of income. If there is objective evidence that an impairment loss on financial assets at amortized cost, other than cash and cash equivalents, has been incurred, the carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of income.

The Group maintains allowance for doubtful accounts based on the result of the individual and collective assessment. Under the individual assessment, impairment loss is determined as the difference between the receivables carrying balance and recoverable amount. Factors considered in individual assessment are payment history, account status and term. The collective assessment would require the Group to classify its receivables based on the credit risk characteristics (customer type, payment history, account status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile adjusted on the basis of current observable data to reflect the effects of current conditions.

The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the period. Based on the Group's experience, its financial assets at amortized cost are highly collectible or collectible on demand.

The contracts receivables are collateralized by the corresponding real estate properties sold. In few cases of buyer defaults, the Group can repossess the collateralized properties and resell them at the prevailing market prices.

The Group has an outstanding allowance for impairment loss on its other receivables amounting to ₱72.26 million and ₱62.98 million as of December 31, 2012 and 2011, respectively (see Note 8).

The carrying values of financial assets at amortized cost, other than cash and cash equivalent, in 2012 and 2011 amounted to ₱11.32 billion and ₱9.13 billion, respectively (see Note 29).

Estimating Useful Lives of Investment Properties and Property and Equipment

The Group estimates the useful lives of its investment properties and property and equipment based on the years over which these assets are expected to be available for use. The estimated useful lives of investment properties and property and equipment are reviewed at least annually; and, are updated if expectations differ from previous estimates due to physical wear and tear as well as technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above.



The carrying value of investment properties amounted to ₱15.37 billion and ₱12.20 billion as of December 31, 2012 and 2011, respectively (see Note 12). The carrying value of property and equipment amounted to ₱1.33 billion and ₱1.29 billion as of December 31, 2012 and 2011, respectively (see Note 13).

Recognition of Deferred Income Taxes

The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. However, there is no assurance that the Group will generate sufficient future taxable profit to allow all or part of its deferred income tax assets to be utilized. The carrying value of recognized net deferred tax assets amounted to ₱22.43 million and ₱18.07 million as of December 31, 2012 and 2011, respectively (see Note 28). The deductible temporary differences for which no deferred income tax assets were recognized amounted to ₱0.94 million and ₱15.21 million as of December 31, 2012 and 2011, respectively (see Note 28).

The carrying value of recognized net deferred tax liabilities amounted to ₱1.95 billion and ₱1.68 billion as of December 31, 2012 and 2011, respectively (see Note 28).

Evaluation of Impairment on Nonfinancial Assets

The Group reviews its real estate inventories, land and land development, investment in an associate, property and equipment, investment properties and other assets (excluding short-term deposits) for impairment of value. This includes consideration of certain indicators of impairment such as significant change in asset usage, significant decline in asset's market value, obsolescence or physical damage of an asset, plans of discontinuing the real estate projects, and, significant negative industry or economic trends. If such indicators are present, and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to recoverable amount. The recoverable amount is the asset's fair value less cost to sell, except for investments, which have recoverable value determined using value-in-use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arms-length transaction while value in use is the present value of estimated future cash flows expected to arise from the investments. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

As at December 31, 2012 and 2011, the Group did not record impairment on any of its nonfinancial assets. The carrying values of the Group's nonfinancial assets as of December 31 follow:

	2012	2011
	(In Thousands)	
Real estate inventories (Note 9)	₱23,677,456	₱19,064,138
Land and land development (Note 9)	15,368,369	14,091,543
Investment in an associate (Note 11)	3,912,092	3,799,798
Investment properties (Note 12)	15,374,600	12,201,609
Property and equipment (Note 13)	1,327,943	1,289,870
Other assets (Note 14)	1,670,282	880,168



Evaluation of Impairment on Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. The Group's impairment test for goodwill is based on value-in-use calculations that use a discounted cash flow model. The Group availed of the services of an independent appraiser to compute for the value-in-use. The cash flows are derived from budget and do not include restructuring activities that the Group is not yet committed to nor significant future investments that will enhance the asset base of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rates used.

The pre-tax discount rates used in 2012 and 2011 is 12%. Key assumptions used in value-in-use calculations are most sensitive to discount rates and growth rates within the budget period and beyond the budget period..

The growth rates used beyond the forecast period for different cash-generating units range from 5% to 10%.

As of December 31, 2012 and 2011 the Group did not recognize any impairment on its goodwill. The carrying value of goodwill amounted to ₱4.57 billion as of December 31, 2012 and 2011 (see Note 4).

Estimating Retirement Liabilities and Other Retirement Benefits

The determination of the Group's obligation and cost for retirement and other retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 24 and include among others, discount rates and rates of salary increase. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect retirement obligations.

Retirement liabilities amounted to ₱159.76 million, ₱95.73 million and ₱80.2 million as at December 31, 2012 and 2011 and January 1, 2011, respectively (see Note 24). Retirement costs included under "General and administrative expenses" account amounted to ₱24.88 million, ₱19.88 million and ₱12.55 million in 2012, 2011 and 2010, respectively (see Note 24).

Fair Values of Financial Instruments

The preparation of consolidated financial statements in compliance with PFRS requires certain financial assets and liabilities to be carried at fair value, which requires the use of extensive accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e. interest rate), the amount of changes in fair value would differ due to usage of different valuation methodology. Any changes in fair value of these financial assets and liabilities would affect directly the Group's consolidated net income and other comprehensive income (see Note 29).

Contingencies

The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and based upon analysis of potential results. The Group currently does not believe these proceedings will have material effect on the Group's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 30).



4. Business Combinations in 2010 and Goodwill

On February 8, 2010, the Parent Company acquired the remaining 40% interests in CPI from AIPPI and FAPI from AIIPI to obtain control from the previous joint ventures. Prior to the acquisition, the Parent Company accounted for its investments in the joint ventures under the proportionate consolidation. The acquisition resulted in CPI and FAPI becoming wholly-owned subsidiaries of the Parent Company. The acquisition of the joint ventures' interests was accounted for as business combination.

Below are the details of the business combination transactions:

a.) Acquisition of CPI

Cash paid by the Parent Company to AIPPI for the remaining 40% share in CPI amounted to ₱780.00 million.

Goodwill on the business combination of CPI is determined as follows (in thousands):

Amount of consideration for the 40% interest acquired	₱780,000
Add acquisition date fair value of previously held 60% interest	2,932,947
Less acquisition date fair value of net identifiable assets	3,386,394
Goodwill	₱326,553

The goodwill recognized amounting to ₱326.55 million comprises the expected cash flows from future expansion of CPI operations. The acquisition of the remaining interest in CPI will enable the Group to consolidate its share in the strong and stable recurring revenue streams from the company as well as provide incremental development potential to the Group's existing revenue streams. With a more diversified portfolio, the Group expects to generate a more stable recurring revenue from its retail and office investment properties. These recurring revenues can, in turn, be used to provide internally generated funding for other projects.

The increase in the fair value of the previously held 60% interest in CPI over the carrying amount at acquisition date of ₱343.19 million is included in the consolidated statement of income for the year ended December 31, 2010 as "Gain from remeasurement of previously held interest in a business combination".

Acquisition date fair values of net identifiable assets follow (in thousands):

Cash and cash equivalents	₱453,537
Receivables from tenants	69,386
Other receivables	29,612
Other current assets	23,276
Investment properties and property and equipment	4,180,000
Accounts payable and accrued expenses	(260,978)
Income tax payable	(3,009)
Reservation fee and other deposits	(26,144)
Security deposits	(103,426)
Loans payable	(908,000)
Deferred income tax liabilities - net	(67,860)
Acquisition date fair value of net identifiable assets	₱3,386,394



The gross contractual amount of CPI's receivables amounted to ₱114.93 million. All contractual cash flows are expected to be collected.

Prior to business combination, the Parent Company had existing receivable from CPI of ₱41.85 million which was settled outside the business combination. This did not have any impact on the cost of acquisition and resulting goodwill.

From the date of acquisition to December 31, 2010, CPI had contributed ₱431.94 million of revenue and other income and ₱283.10 million to net income of the Group. If the combination had taken place at the beginning of the year, contributions to revenue and other income would have been ₱480.65 million, while contributions to net income would have been ₱308.35 million for the year ended December 31, 2010.

b.) Acquisition of FAPI

Cash paid by the Parent Company to AIPI for the remaining 40% share in FAPI amounted to ₱383.23 million.

Excess of fair value of net identifiable assets over the consideration paid on the business combination of FAPI follows (in thousands):

Amount of consideration for the 40% interest acquired	₱383,226
Add acquisition date fair value of previously held 60% interest	744,505
Less acquisition date fair value of net identifiable assets	1,136,789
Excess of fair value of identifiable net assets over consideration	₱9,058

Excess of fair value of net identifiable assets over the consideration transferred in a business combination is shown as a separate line item in the consolidated statements of income.

The increase in fair value of previously held 60% interest in FAPI over the carrying amount at acquisition date of ₱174.05 million is included in the consolidated statement of income for the year ended December 31, 2010 as "Gain from remeasurement of previously held interest in a business combination".

Acquisition date fair values of the identifiable assets follow (in thousands):

Cash and cash equivalents	₱152,782
Contracts receivable	229,719
Due from a related party	103,222
Other receivables	24,520
Real estate inventories	1,360,000
Other assets	7,742
Accounts payable and accrued expenses	(403,263)
Loans payable	(250,000)
Deferred tax liabilities	(87,933)
Acquisition date fair value of net identifiable assets	₱1,136,789

The gross contractual amount of FAPI's receivables amounted to ₱315.10 million. All contractual cash flows are expected to be collected.



Prior to business combination, the Parent Company had existing receivables from FAPI of ₱104.05 million which was settled outside the business combination. This did not have any impact on the cost of acquisition and resulting excess of fair value of identifiable net assets over consideration.

From the date of acquisition to December 31, 2010, FAPI had contributed ₱393.02 million of revenue and other income and ₱100.03 million to net income of the Group. If the combination had taken place at the beginning of the year, contributions to revenue and other income would have been ₱396.11 million, while contributions to net income would have been ₱101.18 million for the year ended December 31, 2010.

Net cash payments for the business combinations with CPI and FAPI are shown below (in thousands):

Cash consideration paid for:	
CPI	₱780,000
FAPI	383,226
	<hr/>
	1,163,226
Cash and cash equivalents acquired from:	
CPI	(181,415)
FAPI	(61,113)
	<hr/>
	₱920,698
	<hr/>

Total gain from remeasurement of previously-held interests in CPI and FAPI amounted to ₱517.24 million, shown as part of 'Revenue and Other Income' in the consolidated statements of income.

Had CPI and FAPI been consolidated from January 1, 2010, the consolidated revenues and other income would have been ₱8.77 billion, while the consolidated net income would have been ₱2.98 billion for the year ended December 31, 2010.

All transaction costs related to the business combination were paid by previous owners.

None of the goodwill recognized is expected to be deductible for income tax purposes.

Goodwill in the Group's consolidated statements of financial position as of December 31, 2012 and 2011 consists of (amount in thousands):

Festival Supermall structure	₱3,745,945
FAC	494,744
CPI	326,553
	<hr/>
	₱4,567,242
	<hr/>



5. Segment Reporting

For management purposes, the Group is organized into the following business units:

Real Estate

This involves the acquisition of land, planning and development of large-scale fully integrated residential communities as well as the development and sale of residential lots, housing units, medium-rise residential buildings, farm estates, industrial parks, residential resort projects, a private membership club and condominium buildings.

Leasing

This involves the operations of Festival Supermall (the Mall) and the leasing of office spaces in Makati City and Alabang, Muntinlupa City.

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 profit or loss, which in certain respects, are measured similarly as net income in the consolidated financial statements.

The chief operating decision-maker has been identified as the executive committee. This committee reviews the Group's internal reports in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group does not report its results based on geographical segments because the Group operates only in the Philippines.

No operating segments have been aggregated to form the above reportable segments.

Transfer prices between segments are on an arm's length basis and have the terms equivalent to transactions entered into with third parties.

The financial information about the financial position and result of operations of these business segments for the years ended December 31, 2012, 2011 and 2010 are summarized below (amounts in thousands).

	2012				
	Real Estate Operations	Leasing Operations	Combined	Adjustments and Eliminations	Consolidated
Revenue and other income except equity in net earnings of an associate:					
External	₱10,118,138	₱1,786,494	₱11,904,632	(₱295,163)	₱11,609,469
Inter-segment	93,681	–	93,681	(93,681)	–
	10,211,819	1,786,494	11,998,313	(388,844)	11,609,469
Equity in net earnings of an associate	187,294	–	187,294	–	187,294
	₱10,399,113	₱1,786,494	₱12,185,607	(₱388,844)	₱11,796,763
Net income	₱2,557,189	₱1,017,997	₱3,575,186	(₱143,750)	₱3,431,436
Adjusted EBITDA	₱3,009,464	₱1,351,554	₱4,361,018	(₱302,759)	₱4,058,259
Segment assets	₱61,067,526	₱19,955,786	₱81,023,312	₱903,952	₱81,927,264
Less deferred tax assets	–	22,427	22,427	–	22,427
Net segment assets	₱61,067,526	₱19,933,359	₱81,000,885	₱903,952	₱81,904,837
Segment liabilities	₱32,624,587	₱3,388,400	₱36,012,987	₱35,632	36,048,619
Less deferred tax liabilities	1,798,136	(240)	1,797,896	153,155	1,951,051
Net segment liabilities	₱30,826,451	₱3,388,640	₱34,215,091	(₱117,523)	₱34,097,568
Cash flows from:					
Operating activities	(₱2,239,913)	₱1,002,681	(₱1,237,232)	(₱450,837)	(₱1,688,069)
Investing activities	(3,870,909)	–	(3,870,909)	–	(3,870,909)
Financing activities	8,345,841	(1,960,105)	6,385,736	126,388	6,512,124



2011 (As restated)					
	Real Estate Operations	Leasing Operations	Combined	Adjustments and Eliminations	Consolidated
Revenue and other income except equity in net earnings of an associate:					
External	₱8,830,409	₱1,705,147	₱10,535,556	(₱946,279)	₱9,589,277
Inter-segment	86,978	—	86,978	(86,978)	—
	8,917,387	1,705,147	10,622,534	(1,033,257)	9,589,277
Equity in net earnings of an associate	63,407	—	63,407	—	63,407
	₱8,980,794	₱1,705,147	₱10,685,941	(₱1,033,257)	₱9,652,684
Net income	₱2,856,334	₱1,006,460	₱3,862,794	(₱920,707)	₱2,942,087
Adjusted EBITDA	₱3,274,363	₱1,322,607	₱4,596,970	(₱962,732)	₱3,634,238
Segment assets	₱51,159,365	₱16,461,257	₱67,620,622	₱681,508	₱68,302,130
Less deferred tax assets	—	18,071	18,071	—	18,071
Net segment assets	₱51,159,365	₱16,443,186	₱67,602,551	₱681,508	₱68,284,059
Segment liabilities	₱22,483,926	₱2,105,878	₱24,589,804	₱56,930	₱24,646,734
Less deferred tax liabilities	1,519,373	—	1,519,373	156,980	1,676,353
Net segment liabilities	₱20,964,553	₱2,105,878	₱23,070,431	(₱100,050)	₱22,970,381
Cash flows from:					
Operating activities	(₱4,045,451)	₱1,929,657	(₱2,115,794)	(₱21,919)	(₱2,137,713)
Investing activities	(371,365)	93,662	(277,703)	(946,279)	(1,223,982)
Financing activities	3,064,751	(399,459)	2,665,292	90,984	2,756,276

2010 (As restated)					
	Real Estate Operations	Leasing Operations	Combined	Adjustments and Eliminations	Consolidated
Revenue and other income except equity in net earnings of an associate:					
External	₱6,646,054	₱1,517,102	₱8,163,156	₱503,657	₱8,666,813
Inter-segment	72,355	—	72,355	(72,355)	—
	6,718,409	1,517,102	8,235,511	431,302	8,666,813
Equity in net earnings of an associate	55,217	—	55,217	—	55,217
	₱6,773,626	₱1,517,102	₱8,290,728	₱431,302	₱8,722,030
Net income	₱1,688,701	₱798,163	₱2,486,864	₱465,495	₱2,952,359
Adjusted EBITDA	₱1,982,717	₱1,090,972	₱3,073,689	(₱28,906)	₱3,044,783
Segment assets	₱46,610,847	₱14,215,162	₱60,826,009	₱1,040,728	₱61,866,737
Less deferred tax assets	—	15,312	15,312	—	15,312
Net segment assets	₱46,610,847	₱14,199,850	₱60,810,697	₱1,040,728	₱61,851,425
Segment liabilities	₱18,102,181	₱2,121,169	₱20,223,350	(₱25,073)	₱20,198,277
Less deferred tax liabilities	1,456,705	—	1,456,705	163,624	1,620,329
Net segment liabilities	₱16,645,476	₱2,121,169	₱18,766,645	(₱188,697)	₱18,577,948
Cash flows from:					
Operating activities	(₱416,392)	₱230,397	(₱185,995)	₱72,355	(₱113,640)
Investing activities	(1,604,802)	(152,831)	(1,757,633)	—	(1,757,633)
Financing activities	(2,007,716)	(47,203)	(2,054,919)	(72,355)	(2,127,274)

Investing activities consist of acquisitions of raw land and additions to property and equipment, investment properties and other investments.



The following table shows a reconciliation of the adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) to income before income tax:

	2012	2011 (As restated)	2010 (As restated)
		(In Thousands)	
Adjusted EBITDA	₱4,058,259	₱3,634,238	₱3,044,783
Depreciation and amortization (Notes 12 and 13)	(300,286)	(287,120)	(269,398)
Operating profit	3,757,973	3,347,118	2,775,385
Interest income (Note 22)	514,833	542,113	565,355
Interest and other finance charges (Note 22)	(400,049)	(469,400)	(416,655)
Equity in net earnings of an associate (Note 11)	187,294	63,407	55,217
Foreign currency exchange gain - net	2,585	1,304	8,565
Excess of fair value of net identifiable assets over consideration transferred in a business combination (Note 4)	—	—	9,058
Gain from remeasurement of previously held interest in a business combination (Note 4)	—	—	517,240
Income before income tax	₱4,062,636	₱3,484,542	₱3,514,165

6. Cash and Cash Equivalents

This account consists of:

	2012	2011
	(In Thousands)	
Cash on hand and in banks	₱1,098,100	₱486,179
Short-term deposits	1,008,352	667,127
	₱2,106,452	₱1,153,306

Cash in bank earns interest at the prevailing bank deposit rates. Short-term deposits are made for varying periods up to three (3) months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates. Interest income earned on the Group's cash and cash equivalents amounted to ₱51.30 million, ₱43.82 million and ₱104.03 million in 2012, 2011 and 2010, respectively (see Note 22).

There is no cash restriction on the Group's cash and cash equivalents as at December 31, 2012 and 2011.



7. Contracts Receivable

This account consists of:

	2012	2011
	(In Thousands)	
Contracts receivable	₱10,119,953	₱8,085,680
Receivables from government and financial institutions	477,997	367,228
	₱10,597,950	₱8,452,908

Contracts receivable are collectible over varying periods within 2 to 10 years. These receivables arising from real estate sales are collateralized by the corresponding real estate properties sold.

Receivables from government and financial institutions pertain to bank and government financed real estate sales. Receivables from government and financial institutions are collectible within one year.

The following table presents the breakdown of contracts receivable by maturity dates:

	2012			2011		
	Due Within One Year	Due After One Year	Total	Due Within One Year	Due After One Year	Total
	(In Thousands)					
Contracts receivable	₱2,854,818	₱7,265,135	₱10,119,953	₱948,557	₱7,137,123	₱8,085,680
Receivables from government and financial institutions	477,997	—	477,997	367,228	—	367,228
	₱3,332,815	₱7,265,135	₱10,597,950	₱1,315,785	₱7,137,123	₱8,452,908

Interest income recognized on contracts receivable amounted to ₱420.37 million, ₱423.85 million and ₱375.61 million in 2012, 2011 and 2010, respectively (see Note 22). Interest rates on contracts receivable range from 11.5% to 19% per annum in 2012, 2011 and 2010.

The Group entered into various agreements with financial institutions whereby the Group rediscounted its contracts receivable with a provision that the Group should buy back these receivables when certain conditions happen such as receivables becoming overdue for two to three consecutive months, when the contract to sell has been cancelled, when the accounts remain outstanding after the lapse of 5-year holding period, when property covering the receivables becomes subject to complaint or legal action and the account's interest rate becomes lower than the bank's interest rate. These receivables are therefore retained in the books. The proceeds from the sale were used to fund development and construction of various projects. The Group's related liability for receivables discounted included under "Accounts payable and accrued expenses" account amounted to ₱0.19 billion and ₱1.95 billion as of December 31, 2012 and 2011, respectively (see Note 15). In 2012, the Group bought back significant portion of its finance service accounts amounting to ₱1.78 billion.

Interest paid on the loans obtained from discounting receivables amounted to ₱3.58 million, ₱84.08 million and ₱99.30 million in 2012, 2011 and 2010, respectively (see Note 22).

The Group has a mortgage insurance contract with Home Guaranty Corporation (HGC), a government insurance company for a retail guaranty line. As of December 31, 2012 and 2011, the contracts covered by the guaranty line amounted to ₱1.14 billion and ₱3.08 billion, respectively,



including receivables sold with buy back provisions. As of December 31, 2012 and 2011, the remaining unutilized guarantee line amounts to ₱4.67 billion and ₱4.76 billion, respectively.

On January 3, 2012, the Group entered into a Receivable Purchase Agreement with East West Banking Corporation (EW), an entity under common control of the ultimate parent. The Group agreed to sell, assign, transfer and convey to EW all of its rights, titles and interest on certain contracts receivables. The contracts receivables sold to EW will be serviced by the Group under an Accounts Servicing Agreement. Under this agreement, the Group shall be responsible for the monitoring and collection of contracts receivables sold to EW, including safekeeping of the collections in trust until these are remitted to EW ten days after the beginning of each month. For the performance of the said services, the Group will charge EW a service fee equivalent to 1.12% (inclusive of VAT) of amounts actually received and collected. Although the Group retains the contractual rights to receive cash flows from the contracts receivables sold to EW, this will be subsequently distributed to EW under a 'pass-through arrangement'.

In the above transaction, the risk of default and non-payment of buyers of contracts receivable is assumed by EW and the Group has no liability to EW for such events. Due to this, the Group derecognized the contracts receivables sold and did not recognize any liability in its consolidated financial statements.

As of December 31, 2012, the Parent Company has sold contracts receivable amounting to ₱849.59 million recognizing a gain on sale of contracts receivable amounting to ₱113.74 million (see Note 23).

8. Other Receivables

This account consists of:

	2012	2011
	(In Thousands)	
Advances to contractors and suppliers	₱1,453,441	₱1,115,800
Advances to joint venture partners	848,374	749,815
Receivables from tenants	378,136	275,067
Receivables from homeowners' associations	182,484	145,150
Receivable from brokers and sellers	171,024	18,721
Advances to employees	82,424	179,560
Others	18,533	61,876
	3,134,416	2,545,989
Less: Allowance for doubtful accounts	72,259	62,975
	₱3,062,157	₱2,483,014

"Advances to contractors and suppliers" pertain to downpayment paid by the Group which are applied against future billings for development and construction contracts.

"Advances to joint venture partners" are ordinary advances which are normally applied against the share of the joint venture partners from sale of the joint venture properties.



“Receivables from tenants” represent charges to tenants for rentals and utilities normally collectible within a year. Allowance for doubtful accounts related to these receivables amounted to ₱24.25 million and ₱26.96 million as of December 31, 2012 and 2011, respectively. Provision for doubtful accounts recorded in 2012, 2011 and 2010 amounted to ₱5.47 million, nil and ₱1.36 million, respectively (see Note 20).

“Receivables from homeowner’s associations” represent claims from the homeowner’s association of the Group’s projects for the payments of the expenses on behalf of the association. Allowance for doubtful accounts related to these receivables amounted to ₱48.01 million and ₱36.01 million as of December 31, 2012 and 2011. Provision for doubtful accounts amounting to ₱12.00 million and ₱36.01 million was provided in 2012 and 2011, respectively (see Note 20). No provision was provided in 2010.

“Receivable from brokers and sellers” represents advances for selling, marketing, and administrative expenses of international sales offices, arising from the ordinary course of business which are liquidated upon the accomplishment of the purposes for which the advances were granted.

“Advances to employees” represent advances for project costs, marketing activities, travel and other expenses arising from the ordinary course of business which are liquidated upon the accomplishment of the purposes for which the advances were granted.

“Others” include receivables from buyers relating to insurance and registration of properties advanced by the Group.

All other receivables except for a portion in advances to joint venture partners and contractors are due within one year.

Below is the movement of the allowance for doubtful accounts:

	2012	2011
	(In Thousands)	
Balance at beginning of year	₱62,975	₱54,087
Provisions (Note 20)	17,466	36,014
Write-off - net of reversals	(8,182)	(27,126)
Balance at end of year	₱72,259	₱62,975

9. Real Estate Inventories and Land and Land Development

This account consists of:

	2012	2011
	(In Thousands)	
Subdivision lots and housing units for sale	₱22,985,107	₱18,372,781
Investment in club project	692,349	691,357
Real estate inventories	₱23,677,456	₱19,064,138
Land and land development	₱15,368,369	₱14,091,543



In February 2009, the Parent Company signed an agreement with the Cebu City Government to develop 50.6 hectares of the South Road Properties, a 300-hectare reclaimed land project located in Cebu City. The agreement involves:

- (a) purchase by the Group of 10.6 hectares of the property to be developed into a modern urban center consisting of residential, office, commercial, hotel and leisure buildings and a public promenade which is a one kilometer long waterfront lifestyle strip that will offer a range of seaside leisure activities. Payments made to the Cebu City Government in 2012 and 2011 amounted to ₱245.2 million and ₱255.5 million, respectively, with the remaining balance of the total purchase price payable over the next three years after December 31, 2012.

As of December 31, 2012, the Group plans to complete the first two phases of waterfront lifestyle strip covering seven hectares in the next two years.

- (b) development of 40 hectares of the property under a profit-sharing arrangement with the Cebu City Government. The profit sharing of FLI and the Cebu City Government is 90% and 10%, respectively. The 40 hectares will be developed in four (4) phases over a 20-year period with the Group contributing the development costs, as well as the marketing and management services. The Group plans to develop the 40 hectares mainly into a residential resort town composed of Italian-inspired residential communities which will also include a central open space area called as The Piazza. The Piazza, patterned after the famous Italian central parks, will contain a church, a school, a soccer field, numerous al fresco restaurants, neighborhood stores and support outlets.

The construction of a five-storey medium rise building on the joint development properties was completed in 2012, the second and third buildings are scheduled for completion in 2013 and the fourth building in 2014.

In March 2009, the Group purchased certain parcels of land in Pasig City, Metro Manila with an aggregate area of 2 hectares for total purchase price of ₱149.65 million. In 2011, outstanding balance of the purchase price amounted to ₱27.65 million, which is included in “Accounts payable” (see Note 15), is secured by a real estate mortgage over a total of 10.6 hectares of developed land located in Antipolo and Alabang. Total fair market value of the mortgaged property amounted to ₱170.68 million as of December 31, 2011. As of December 31, 2012, the purchased parcels of land in Pasig City have been fully paid.

In May 2010, the Group purchased land in Cainta, Rizal for ₱623.72 million, of which ₱116.95 million and ₱81.17 million was paid in 2012 and 2011, respectively. The Group is committed to pay the remaining balance in monthly installments starting June 30, 2011 until May 31, 2015. In 2012, the Group agreed to adjust the purchase price of the land to ₱638.22 million, of which the ₱14.50 million increment will be paid on June 30, 2015. As of December 31, 2012, land development is ongoing on the property.

In 2012, the Group purchased from various third-party sellers parcels of land located at Manila, Taguig City, Quezon City, Cagayan de Oro City and Las Pinas City amounting to ₱1.33 billion, ₱0.31 billion, ₱0.21 billion, ₱0.28 billion, and ₱0.19 billion, respectively. The Group also purchased a parcel of land from FDC located at San Juan City for total purchase price of ₱109.63 million. As of December 31, 2012, the Group has not yet developed or constructed any project on these properties.



A summary of the movement in subdivision lots and housing units for sale is set out below:

	2012	2011
	(In Thousands)	
Balance at beginning of year	₱18,372,781	₱14,445,976
Land costs transferred from land and land development	489,380	220,724
Construction/development costs incurred	8,809,177	6,867,323
Capitalized borrowing costs	966,011	447,371
Cost of real estate sales	(4,925,196)	(3,608,613)
Transfers to investment property (Note 12)	(727,046)	—
	₱22,985,107	₱18,372,781

Borrowing costs capitalized as part of real estate inventories amounted to ₱966.01 million, ₱447.37 million and ₱527.83 million in 2012, 2011 and 2010, respectively. Capitalization rate is 5%, 9% and 6% in 2012, 2011 and 2010, respectively.

A summary of the movement in investment in club project is set out below:

	2012	2011
	(In Thousands)	
Balance at beginning of year	₱691,357	₱686,430
Cost of sale of club shares	(2,260)	(3,672)
Site development and incidental costs	3,252	8,599
	₱692,349	₱691,357

A summary of the movement in land and land development is set out below:

	2012	2011
	(In Thousands)	
Balance at beginning of year	₱14,091,543	₱12,807,811
Land acquisitions	2,488,561	1,053,473
Land costs transferred to real estate inventories	(489,380)	(220,724)
Transfers to investment property (Note 12)	(1,144,251)	—
Site development and incidental costs	421,896	450,983
	₱15,368,369	₱14,091,543

There are no unusual purchase commitments for years 2012 and 2011.

10. Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets at fair value through other comprehensive income account as of December 31, 2012 and 2011 consist of (amounts in thousands):

Investment in shares of stock	
Quoted	₱3,321
Unquoted	21,305
	₱24,626



Unquoted investments in shares of stock include unlisted preferred shares in a public utility company which the Group will continue to carry as part of the infrastructure that it provides for its real estate development projects. These are carried at cost less accumulated impairment, if any.

Upon adoption of PFRS 9 effective January 1, 2011, the Group is allowed to classify equity securities not held for trading as financial assets at FVTOCI.

The adoption of PFRS 9 allowed the Group to reclassify the 'revaluation reserve on available for sale financial assets' as 'revaluation reserve on financial assets through other comprehensive income' on January 1, 2011. There were no movements in the revaluation reserve on financial assets through other comprehensive income recognized in the consolidated statements of financial position as of December 31, 2012 and 2011.

11. Investment in an Associate

This account consists of:

	2012	2011
	(In Thousands)	
At equity:		
Acquisition cost	₱800,000	₱800,000
Accumulated equity in net earnings:		
Balance at the beginning of year	761,582	1,238,175
Dividends received	(75,000)	(540,000)
Equity in net earnings for the year	187,294	63,407
Balance at end of year	873,876	761,582
	1,673,876	1,561,582
Share in revaluation increment on land at deemed cost	1,876,422	1,876,422
Share in other components of equity	361,794	361,794
	₱3,912,092	₱3,799,798

The Parent Company has a 20% interest in FAI which is involved primarily in the development of commercial buildings, residential condominiums and land. FAI is also involved in leasing of commercial real estate, marketing, managing mall and theater operations.

As of December 31, 2009, FAI had 21% interest in the Parent Company, making the Parent Company also an associate of FAI. In 2010, FDC, purchased the 21% ownership interest of FAI in the Parent Company. The transaction resulted to the following: (a) increase in FDC's ownership interest in the Parent Company from 49.14% to 53.48%; (b) net gain from the transaction recognized in FAI's equity amounting to ₱1.81 billion of which 20% or ₱361.79 million was taken up by the Parent Company in its consolidated financial statements as "share in other components of equity of an associate"; and (c) the Parent Company becoming no longer an associate of FAI as of December 31, 2010.

On October 26, 2011 FAI declared cash dividend of ₱0.45 per share for a total of ₱2.70 billion for all stockholders of record as of October 26, 2011. The Group received its 20% share in the dividends amounting to ₱540.00 million.



On November 28, 2012, FAI declared and distributed from its unappropriated retained earnings cash dividend of ₱0.0625 per share or a total of ₱375.00 million for all shareholders of record as of December 14, 2012. The Group received its 20% share in the dividends amounting to ₱75.00 million.

Summarized financial information of FAI is as follows:

	2012	2011
	(In Thousands)	
Total assets	₱32,341,302	₱31,801,206
Total liabilities	10,042,141	10,038,635
Revenue and other income	2,923,942	2,067,194
Cost and expenses	1,593,497	1,223,680
Gross profit	1,237,901	685,087
Income from operations	1,409,993	846,630
Income before tax and equity take up on the Group	1,330,444	608,775

12. Investment Properties

The rollforward analysis of this account as of December 31 follows:

	2012			
	Land	Buildings and Improvements	Machinery and Equipment	Total
	(In Thousands)			
Cost				
Balances at beginning of year	₱3,968,637	₱9,835,865	₱49,167	₱13,853,669
Additions and transfers	2,011,830	1,422,875	14,171	3,448,876
Balances at end of year	5,980,467	11,258,740	63,338	17,302,545
Accumulated Depreciation				
Balances at beginning of year	—	1,633,775	18,285	1,652,060
Depreciation and transfers	—	262,850	13,035	275,885
Balances at end of year	—	1,896,625	31,320	1,927,945
Net Book Value	₱5,980,467	₱9,362,115	₱32,018	₱15,374,600

	2011			
	Land	Buildings and Improvements	Machinery and Equipment	Total
	(In Thousands)			
Cost				
Balances at beginning of year	₱3,968,263	₱8,890,511	₱34,657	₱12,893,431
Additions and transfers	374	945,354	14,510	960,238
Balances at end of year	3,968,637	9,835,865	49,167	13,853,669
Accumulated Depreciation				
Balances at beginning of year	—	1,280,277	13,987	1,294,264
Depreciation and transfers	—	353,498	4,298	357,796
Balances at end of year	—	1,633,775	18,285	1,652,060
Net Book Value	₱3,968,637	₱8,202,090	₱30,882	₱12,201,609

Investment properties consist mainly of the commercial mall and buildings acquired as part of the exchange transaction in September 2006 (see Note 1).



Borrowing costs capitalized as part of investment properties amounted to ₱26.93 million in 2012. The capitalization rate used ranges from 2.4% to 6.0%.

The aggregate fair value of the Group's investment properties amounted to ₱19.76 billion as of December 31, 2012 and 2011, based on the market data approach for land and income approach using discounted cash flow analysis for buildings. The values used by the Group are based on a third party appraisal performed in 2010 and are updated using December 31, 2012 and 2011 year-end values and assumptions.

In the market data approach, the value of investment properties is based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires establishing comparable property by reducing reasonable comparative sales and listing to a common denominator. This is done by adjusting the difference between the subject properties and those actual sales and listing regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject properties. While in the income approach, all expected cash flows from the use of the assets were projected and discounted using the appropriate discount rate reflective of the market expectations.

Rental income from investment properties amounted to ₱1.78 billion, ₱1.53 billion and ₱1.41 billion in 2012, 2011 and 2010, respectively. Operating expenses from investment properties amounted to ₱451.18 million, ₱425.65 million and ₱400.88 million in 2012, 2011 and 2010, respectively.

13. Property and Equipment

The rollforward analysis of this account as of December 31 follows:

	2012						
	Land and Buildings	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	Total
	(In Thousands)						
Cost							
Balances at beginning of year	₱175,483	₱175,082	₱73,272	₱49,195	₱32,205	₱1,079,269	₱1,584,506
Additions and transfers	288,957	13,586	5,469	1,004	409	(234,122)	75,303
Balances at end of year	464,440	188,668	78,741	50,199	32,614	845,147	1,659,809
Accumulated Depreciation and Amortization							
Balances at beginning of year	13,166	158,450	56,372	43,722	22,926	–	294,636
Depreciation and amortization - net of transfers (Note 20)	14,577	11,470	6,540	2,496	2,147	–	37,230
Balances at end of year	27,743	169,920	62,912	46,218	25,073	–	331,866
Net Book Value	₱436,697	₱18,748	₱15,829	₱3,981	₱7,541	₱845,147	₱1,327,943

	2011						
	Land and Buildings	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	Total
	(In Thousands)						
Cost							
Balances at beginning of year	₱9,085	₱170,050	₱72,610	₱47,881	₱22,846	₱1,418,101	₱1,740,573
Additions and transfers	166,398	5,032	662	1,364	9,359	(338,832)	(156,017)
Write off	–	–	–	(50)	–	–	(50)
Balances at end of year	175,483	175,082	73,272	49,195	32,205	1,079,269	1,584,506

(Forward)



	2011						
	Land and Buildings	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	Total
	(In Thousands)						
Accumulated Depreciation and Amortization							
Balances at beginning of year	₱2,774	₱151,863	₱48,854	₱40,833	₱21,297	₱—	₱265,621
Depreciation and amortization - net of transfers (Note 20)	10,392	6,587	7,518	2,939	1,629	—	29,065
Write off	—	—	—	(50)	—	—	(50)
Balances at end of year	13,166	158,450	56,372	43,722	22,926	—	294,636
Net Book Value	₱162,317	₱16,632	₱16,900	₱5,473	₱9,279	₱1,079,269	₱1,289,870

Capitalized borrowing costs amounted to ₱22.63 million, ₱26.22 million and ₱29.90 million in 2012, 2011 and 2010, respectively. Capitalization rate is 4.60% and 4.80% in 2011 and 2010, respectively.

14. Other Assets

This account consists of:

	2012	2011
	(In Thousands)	
Input taxes	₱752,693	₱427,222
Creditable withholding taxes	397,482	326,348
Deposits	318,479	55,325
Prepaid expenses and others	194,853	81,131
Construction materials and supplies	28,200	19,222
	₱1,691,707	₱909,248

“Input taxes” represent the VAT due or paid on purchases of goods and services subjected to VAT that the Group can claim against any future liability to the Bureau of Internal Revenue for output VAT on sale of goods and services subjected to VAT.

“Creditable withholding taxes” are the taxes withheld by the withholding agents from payments to the sellers which is creditable against the income tax payable.

“Deposits” include advances for the purchase of rawland prior to issuance of Contract to Sell.

“Prepaid expenses and others” include commissions paid to brokers relating to the sales of real estate inventories which do not qualify yet for revenue recognition. Such amount will be recognized as expense when the qualification for revenue recognition has been met.

On March 26, 2012, the Group entered into a Build Transfer and Operate (BTO) agreement with The Province of Cebu (Cebu Province). The BTO project relates to the development, construction, and operation of Business Process Outsourcing (BPO) Complex by the Group at the land properties owned by Cebu Province located at Salinas, Lahug Cebu City. The cost related to this project is recorded under “Construction materials and supplies” account.



15. Accounts Payable and Accrued Expenses

This account consists of:

	2012			2011		
	Due Within One Year	Due After One Year	Total	Due Within One Year	Due After One Year	Total
	(In Thousands)					
Accounts payable (Note 9)	₱4,008,839	₱427,725	₱4,436,564	₱1,073,567	₱413,475	₱1,487,042
Advances and deposits from customers	1,040,216	—	1,040,216	716,212	—	716,212
Deposits for registration and insurance	312,006	679,971	991,977	169,170	511,625	680,795
Retention fees payable	362,998	367,877	730,875	147,011	321,266	468,277
Deposits from tenants	514,895	60,879	575,774	455,783	78,093	533,876
Accrued expenses	170,370	—	170,370	115,462	—	115,462
Accrued interest on bonds and loans	158,625	—	158,625	136,866	—	136,866
Liabilities on receivables sold to banks (Note 7)	91,652	97,789	189,441	575,341	1,372,036	1,947,377
Other payables	96,521	—	96,521	69,113	—	69,113
	₱6,756,122	₱1,634,241	₱8,390,363	₱3,458,525	₱2,696,495	₱6,155,020

“Accounts payable” includes the outstanding balance of the costs of raw land acquired by the Group and is payable on scheduled due dates or upon completion of certain requirements (see Note 9). This account also includes amount payable to contractors and suppliers for the construction and development costs incurred by the Group.

“Advances and deposits from customers” include collections from accounts which do not qualify yet for revenue recognition as real estate sales and any excess of collections over the recognized receivables on sale of real estate inventories.

“Deposits for registration and insurance” include payments made by buyers for registration and insurance of real estate properties.

“Deposits from tenants” are advance payments made for rentals, utilities and other fees. These are applied against rental obligations of tenants once due.

“Retention fees payable” pertains to the amount withheld from the progress billings of the contractors and is released generally one year from the completion of the construction agreement.

“Accrued expenses” pertain to various operating expenses incurred by the Group in the course of business such as salaries and wages, professional fees and utilities expense.

16. Loans Payable

This account consists of:

	2012	2011
	(In Thousands)	
Term loans from a financial institution	₱1,125,000	₱1,575,000
Developmental loans from local banks	9,856,518	6,936,007
	10,981,518	8,511,007
Less current portion of loans	2,835,153	1,635,884
Long term portion of loans payable	₱8,146,365	₱6,875,123



a. *Term Loans from a Financial Institution*

On June 17, 2005, the Group entered into a Local Currency Loan Agreement with a foreign financial institution whereby the Group was granted a credit line facility amounting to ₱2.25 billion. In October 2005, the Group availed of ₱1.13 billion or half of the total amount granted. The loan is payable in 10 semi-annual installments commencing December 2010 and ending June 2015. This loan carries a fixed interest rate of 7.72% per annum.

In July 2007, the Group availed the remaining balance of the facility amounting to ₱1.12 billion. The loan is also payable in 10 semi-annual installments commencing December 2010 and ending June 2015. This loan has a fixed annual interest rate of 7.90%.

Both loans were guaranteed by FDC (see Note 18). Principal payments made in 2012 amounted to ₱450.00 million.

b. *Developmental Loans from Local Banks*

These include loans obtained from local banks. Below are the details of the loans presented at gross of unamortized deferred charges amounting to ₱25.57 million and ₱17.49 million, as of December 31, 2012 and 2011, respectively. These are recorded under “loans payable”.

	2012	2011	Collateral
	(In Thousands)		
Unsecured loan obtained in November 2012 with interest rate equal to PDS Treasury Fixing (PDST-F) 1 plus GRT 5 years (fixed rate) 5.50%, payable quarterly in arrears. The principal is payable at maturity on November 2017.	₱1,000,000	₱—	Clean
Unsecured loan obtained in January 2012 with interest rate equal to PDS Treasury Fixing (PDST-F) 1 plus GRT 5 years (fixed rate) 6.39%, payable quarterly in arrears. The principal is payable at maturity on January 2017.	1,000,000	—	Clean
Unsecured loan obtained in April 2012 with interest rate equal to PDS Treasury Fixing (PDST-F) 1 plus GRT 5 years (fixed rate) 6.12%, payable quarterly in arrears. The principal is payable at maturity on January 2017.	1,000,000	—	Clean
Unsecured loan obtained in June 2011 with interest rate equal to 91-day PDST-F rate plus a spread of 1% per annum, payable quarterly in arrears. The principal is payable in twelve (12) equal quarterly installments starting June 2013 up to June 2016. Current portion as of December 31, 2012 amounted to ₱125.0 million.	750,000	750,000	Clean
Unsecured loan obtained in March 2011 with interest rate equal to 91-day PDST-F rate plus a spread of 1% per annum, payable quarterly in arrears, the principal is payable in twelve (12) equal quarterly installments starting June 2013 up to March 2016 and the remaining balance is payable in full in March 2016. Current portion as of December 31, 2012 and 2011 amounted to ₱93.8 million.	750,000	750,000	Clean
Unsecured loan obtained in October 2008 with interest rate equal to 91-day PDS Treasury Fixing (PDST-F) rate plus a spread of minimum of 1% per annum, payable quarterly in arrears. The principal is payable in twelve (12) equal quarterly installments starting January 2011 up to October 2013 and lump sum full payment due in October 2013. Principal payments in 2012 and 2011 amounted to ₱166.67 million. Current portion as of December 31, 2012 amounted to ₱666.67 million.	666,667	833,333	Clean

(Forward)



	2012 (In Thousands)	2011	Collateral
Unsecured loans obtained in August 15, 2012 with interest of 5.79% per annum (inclusive of GRT), subject to repricing either via floating rate or fixed rate at the end of the 5 th year, payable quarterly in arrears. The loan has a fixed term of 7 years, inclusive of 2 year grace period on principal repayment, 50% principal balance is payable in 20 equal quarterly installments to commence on November 2014 and 50% payable at maturity on August 2019.	P600,000	P—	Clean
Unsecured loan obtained in April 2011 with interest rate equal to 91-day PDST-F rate plus a spread of up to 1% per annum, payable quarterly in arrears. The principal is payable in twelve (12) equal quarterly installments starting July 2013 up to April 2016. Current portion as of December 31, 2012 amounted to P83.3 million.	500,000	500,000	Clean
Unsecured loan obtained in December 2012 with interest rate equal to PDS Treasury Fixing (PDST-F) 1 plus GRT 5 years (fixed rate) 5.29%, payable quarterly in arrears. The principal is payable at maturity on December 2017.	500,000	—	Clean
Unsecured 5-year loan obtained in September 2008 payable in twelve (12) quarterly amortizations starting December 2010 with a balloon payment at maturity date in September 2013 with interest rate equal to 91-day PDST-F rate plus a spread of minimum of 1% per annum, payable quarterly. Principal payments in 2012 and 2011 amounted to P108.33 million. Current portion as of December 31, 2012 and 2011 amounted to P406.3 million and P108.3 million, respectively.	406,250	514,584	Clean
Unsecured loan granted on November 2011 with a term of five years with interest at prevailing market rate, payable quarterly in arrears. The principal is payable in twelve (12) equal quarterly installments starting February 2014 up to November 2016.	400,000	400,000	Clean
Unsecured loan obtained in December 2011 with interest at prevailing market rate, payable quarterly in arrears. The principal is payable in twelve (12) equal quarterly installments starting March 2014 up to December 2016.	350,000	350,000	Clean
Unsecured loan obtained in November 2008 with interest rate equal to 91-day PDST-F rate plus a spread of minimum of 1% per annum, payable quarterly in arrears. The principal is payable in twelve (12) equal quarterly installments starting February 2011 up to November 2013 and lump sum full payment due in November 2013. Principal payments in 2012 amounted to P83.3 million. Current portion as of December 31, 2012 amounted to P333.3 million.	333,333	416,667	Clean
Unsecured loan obtained in May 17, 2012 with interest at prevailing market rate, subject to repricing either via floating rate or fixed rate on the 90th day, payable quarterly in arrears. The loan has a fixed term of 7 years, inclusive of 2 year grace period on principal repayment, 50% principal balance is payable in 20 equal quarterly installments to commence on August 2014 and 50% payable at maturity on May 2019.	300,000	—	Clean
Unsecured loan obtained in October 2012 with interest rate equal to PDS Treasury Fixing (PDST-F) 1 plus GRT (Fixed rate) 6.03%, payable quarterly in arrears. The principal is payable at maturity on October 2017.	300,000	—	Clean
Unsecured loan obtained in June 2008 with interest rate equal to 91-day PDST-F rate plus a spread of minimum of 1% per annum, payable quarterly in arrears. 50% of the principal is payable in twelve (12) equal quarterly installments starting September 2010 up to June 2013 and lump sum full payment due in June 2013. Principal payments in 2012 amounted to P83.33 million. Current portion as of December 31, 2012 amounted to P291.7 million.	291,667	375,000	Clean

(Forward)



	2012 (In Thousands)	2011	Collateral
Unsecured loans obtained in August 2008 with interest rate equal to 91-day PDST-F rate plus a spread of 1% per annum. The principal is payable in twelve (12) equal quarterly installments starting November 2010 up to August 2013. Principal payments in 2012 amounted to ₱250.0 million. Current portion as of December 31, 2012 and 2011 amounted to ₱187.5 million.	₱187,500	₱437,500	Clean
Unsecured loan obtained by the Group in October 2008 with interest rate equal to 91-day PDST-F rate plus a spread of minimum of 1% per annum. The principal is payable in twelve (12) quarterly equal installments starting January 2011 up to October 2013. Current portion as of December 31, 2012 and 2011 amounted ₱166.7 million.	166,667	333,333	Clean
Unsecured loan granted on November 10, 2011 with a term of 5 years with 2 year grace period on principal repayment. Interest is based on prevailing market rates, subject to quarterly repricing and payable quarterly in arrears. 50% of principal is payable in 12 equal quarterly amortizations commencing on February 10, 2014 and 50% is payable on maturity.	120,000	120,000	Clean
Unsecured loan granted in May 2010 with a term of five years with 50% of principal payable in 12 equal quarterly amortization to commence on August 2012 and 50% payable at maturity in May 2015. The loan carries interest equal to 3-month PDST-F rate plus a spread of minimum of 1% per annum payable quarterly in arrears. Current portion as of December 31, 2012 amounted to ₱20.0 million.	110,000	120,000	Clean
Unsecured loan granted in December 2012 with a term of five years with 50% of principal payable in 20 equal quarterly amortization to commence on March 2013 and 50% payable at maturity on December 2017. The loan carries interest equal to BSP Overnight rate plus a spread of 1% per annum payable quarterly in arrears. Current portion as of December 31, 2012 amounted to ₱15.0 million.	90,000	—	Clean
Unsecured loan granted in May 2012 payable over 7-year period inclusive of 2 year grace period; 50% of principal is payable in 20 equal quarterly amortizations to commence in August 2014 and 50% payable at maturity in May 2019. The loan carries interest equal to 3-month PDST-F rate plus a spread of minimum of 1% per annum.	60,000	—	Clean
Unsecured loan obtained in May 2011 with interest rate equal to 91-day PDST-F rate plus a spread of 1% per annum but not lower than 4.5%, payable quarterly in arrears.	—	600,000	Clean
Unsecured loans granted in May and December 2007 payable over 5-year period inclusive of 2 year grace period; 50% of the loan is payable in twelve (12) equal quarterly amortizations and balance payable on final maturity. The loans carry interest equal to 91-day PDST-F rate plus a spread of minimum of 1% per annum payable quarterly in arrears. Principal payments in 2012 and 2011 amounted to ₱190.0 million and ₱50.0 million, respectively. Current portion as of December 31, 2012 and 2011 amounted to ₱190.0 million and ₱50.0 million, respectively.	—	189,999	Clean
Unsecured 5-year loan obtained in March 2008, of which 50% of the principal is payable in twelve (12) equal quarterly installments starting June 2010 and the remaining 50% balance is to be paid in lump sum at maturity in March 2013, with interest rate equal to 3-month PDST-F rate plus a spread of minimum of 1% per annum, payable quarterly in arrears. Principal payments in 2012 and 2011 amounted to ₱177.1 million and ₱41.7 million, respectively. Current portion as of December 31, 2012 and 2011 amounted to ₱41.66 million.	—	177,083	Clean

(Forward)



	2012	2011	Collateral
	(In Thousands)		
Secured loan obtained on December 15, 2006 payable in twenty (20) equal quarterly amortizations starting in March 2008, with interest rate equivalent to 91-day T-Bill rate plus a spread of minimum of 1% per annum, payable quarterly in arrears and secured by a mortgage of several buildings located at the Northgate Cyberzone and assignment of the corresponding rentals. Principal payments in 2012 and 2011 amounted to ₱46.0 million. Current portion as of December 31, 2012 and 2011 amounted to ₱46.0 million.	₱—	₱46,000	Buildings and corresponding rentals
Secured loan obtained in July 2007 payable in twenty (20) equal quarterly amortizations starting in March 2008, with interest rate equal to 91-day T-Bill rate plus a spread of minimum of 1% per annum, payable quarterly in arrears and secured by a mortgage of several buildings located at the Northgate Cyberzone and assignment of the corresponding rentals. Principal payments in 2012 and 2011 amounted to ₱40.0 million. Current portion as of December 31, 2012 and 2011 amounted to ₱40.0 million.	—	40,000	Buildings and corresponding rentals
	₱9,882,084	₱6,953,499	

The agreements covering the abovementioned loans provide for restrictions and requirements with respect to, among others, declaration or making payment of dividends (except stock dividends); making distribution on its share capital; purchase, redemption or acquisition of any share of stock; incurrence or assumption of indebtedness; sale or transfer and disposal of all or a substantial part of its capital assets; restrictions on use of funds; maintaining certain financial ratios; and entering into any partnership, merger, consolidation or reorganization.

The Group has complied with these contractual agreements. There was neither default nor breach noted as of December 31, 2012 and 2011.

17. Bonds Payable

On November 19, 2009, the Parent Company issued fixed rate bonds (the “Bonds”) with aggregate principal amount of ₱5.00 billion, comprised of three (3)-year fixed rate bonds due in 2012 and five (5)-year fixed rate bonds due in 2014. The 3-year bonds have a term of 3 years from the issue date, with a fixed interest rate of 7.5269% per annum. Interest is payable quarterly in arrears starting on February 19, 2010. The 5-year bonds have a term of 5 years and one (1) day from the issue date, with a fixed interest rate of 8.4615% per annum. Interest is payable quarterly in arrears starting on February 20, 2010. The ₱0.50 billion three (3)-year fixed rate bond was paid by the Parent Company on November 16, 2012.

Unamortized debt issuance cost on bonds payable amounted to ₱26.27 million and ₱36.90 million as of December 31, 2012 and 2011 respectively. Accretion in 2012 and 2011 included as part of ‘Interest and other finance charges’ amounted to ₱14.61 million and ₱13.88 million, respectively (see Note 22).

On July 7, 2011, the Group issued another fixed rate bonds with principal amount of ₱3.00 billion and term of five (5) years from the issue date. The fixed interest rate is 6.2% per annum, payable quarterly in arrears starting on October 7, 2011, to finance its capital requirements in 2011 and 2012.



Unamortized debt issuance cost on 2011 fixed rate bonds amounted to ₱37.04 million and ₱45.36 million as of December 31, 2012 and 2011, respectively. Accretion in 2012 and 2011 included as part of 'Interest and other finance charges' amounted to ₱8.39 million and ₱3.86 million, respectively (see Note 22).

On June 8, 2012, the Group issued another fixed rate bonds with aggregate principal amount of ₱7.00 billion and term of seven (7) years from the issue date. The fixed interest rate is 6.27% per annum, payable quarterly in arrears starting on September 10, 2012.

Unamortized debt issuance cost on bonds payable amounted to ₱73.11 million as of December 31, 2012. Accretion in 2012 included as part of 'Interest and other finance charges' amounted to ₱10.91 million (see Note 22).

As of December 31, 2012 and 2011, the carrying value of bonds payable (net of unamortized deferred charges) amounted to ₱14.36 billion and ₱7.98 billion, respectively (see Note 22).

18. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control of the Group's ultimate parent company (referred herein as affiliates). Related parties may be individuals or corporate entities.

Significant transactions with related parties are as follows:

- a. On January 3, 2012, the Group entered into Receivable Purchase Agreement and Accounts Servicing Agreement with EW. As of December 31, 2012, the Parent Company has sold contracts receivable for a total purchase price of ₱849.59 million recognizing a gain on sale amounting to ₱113.94 million recorded under "Other income" (Note 23). The Group also maintains cash and cash equivalents with EW.
- b. Transactions with the Group's ultimate parent company relates to sharing of common expenses.
- c. Due from affiliates include receivable for the transfer of equipment, furniture and fixtures and inventories to an affiliate for the start-up of operations. It also includes share in Group's common expenses.
- d. In 2007, the Group entered into a development agreement with GCK Realty Corporation (GCK), an affiliate. The agreement provides that the Parent Company shall undertake the construction of a condominium building on the land owned by GCK located in Kamputhaw, Cebu City.

The agreement further provides that the Parent Company shall shoulder all costs and expenses necessary and incidental to the construction of the building. The saleable condominium units forming part of the building as developed shall be allocated between the Group and GCK on a 92% and 8% share, respectively.



GCK shall pay the Group management fee and the reimbursable commissions paid by the Group to the brokers based on certain percentage of the gross selling price of the units owned by GCK. The Group shall likewise set aside an amount equivalent to a certain percentage of all collections received from the sale of units of GCK for expenses related to maintenance and upkeep of the building. In 2010, the Group started to remit sales on the sold units belonging to GCK.

Outstanding balance due from GCK is included in “advances to joint venture partners and contractors” under other accounts receivables.

- e. In 2012, the Group purchased from FDC a parcel of land located at San Juan City for total purchase price of ₱109.63 million. The Group originally leased this land, together with the building constructed in it, as its head office recognizing rental expense of ₱43.82 million in 2012 and ₱39.34 in 2011. As of December 31, 2012, the Group has not yet developed or constructed any project on the said land. The Group also charged FDC certain common expenses paid by the Group in its behalf.

Further, starting in 2009, Promax (a subsidiary of FLI) was appointed by FDC, as a marketing agent to act for and on behalf of FDC in promoting the marketing and sale of the Beaufort project. Accordingly, FDC pays the Promax a marketing fee equivalent to a certain percentage of the net selling price.

- f. Other transactions with related parties include non-interest bearing cash advances and various charges to and from non-consolidated affiliates for management fees, share of expenses and commission charges.
- g. In 2011, the Parent Company purchased from FAI a parcel of land located at Filinvest City, Alabang, Muntinlupa City for a total purchase price of ₱429.01 million. The Parent Company is now developing a project on this property known as The Studio City.
- h. The compensation of key management personnel consists of short-term employee salaries and benefits amounting to ₱25.27 million, ₱23.90 million and ₱17.30 million in 2012, 2011 and 2010, respectively. Post-employment benefits of key management personnel amounted to ₱28.64 million, ₱5.50 million and ₱1.89 million in 2012, 2011 and 2010, respectively.

The amounts and the balances arising from the foregoing significant related party transactions are as follows:

		2012		
		Amount/ Volume	Due from / (Due to)	Terms Conditions
		(In Thousands)		
a.	Bank under common control of the ultimate parent			
	Cash and cash equivalents	₱1,732,640	₱1,732,640	0.50% to 4.50% No impairment
	Interest income	11,844	—	
	Sale of receivables	849,590	—	
	Gain on sale of receivables	113,940	—	
		₱2,708,014	₱1,732,640	

(Forward)



2012				
	Amount/ Volume	Due from / (Due to)	Terms	Conditions
(In Thousands)				
b. Ultimate Parent	₱127	₱1,764	Non - interest bearing, payable on demand	Unsecured, no impairment
c. Affiliates	156,906	192,467	Non - interest bearing, payable on demand	Unsecured, no impairment
d. Joint venture	1,389	12	Non - interest bearing, payable on demand	Unsecured, no impairment
Due from related parties	₱158,422	₱194,243		
e. Parent				
Purchase of land	₱109,630	(₱82,224)	Non - interest bearing, payable on demand	Unsecured
Rent expense	33,840	(280)	Non - interest bearing, payable on demand	Unsecured
Share in Group expenses	17,195	(49,154)	Non - interest bearing, payable on demand	Unsecured
Management and marketing income	15,156	30,737	Non - interest bearing, payable on demand	Unsecured
	175,821	(100,921)		
f. Associate	15,746	(50,095)	Non - interest bearing, payable on demand	Unsecured
f. Affiliates	31,963	(31,963)	Non - interest bearing, payable on demand	Unsecured
Due to related parties	₱223,530	(₱182,979)		
2011				
	Amount/ Volume	Due from / (Due to)	Terms	Conditions
(In Thousands)				
a. Bank under common control of the ultimate parent				
Cash and cash equivalents	₱830,000	₱830,000	0.59% to 3.50%	No impairment
Interest income	36,435	—		
	₱866,435	₱830,000		
e. Parent				
Rent expense	₱39,247	(₱4,245)	Non - interest bearing, payable on demand	Unsecured, no impairment
Share in Group expenses	16,505	(30,852)	Non - interest bearing, payable on demand	Unsecured, no impairment
Management and marketing income	15,625	48,213	Non - interest bearing, payable on demand	Unsecured, no impairment
	71,377	13,116		
f. Associate	93,853	5,172		
c. Affiliate	5,452	182,322	Non - interest bearing, payable on demand	Unsecured, no impairment
d. Joint venture	8,710	46,147	Non - interest bearing, payable on demand	Unsecured, no impairment
Due from related parties	₱179,392	₱246,757		

(Forward)



	2011			
	Amount/ Volume	Due from / (Due to)	Terms	Conditions
		(In Thousands)		
b. Ultimate Parent	₱1,096	(₱2,608)	Non - interest bearing, payable on demand	Unsecured
g. Associate Purchase of land	429,010	(16,741)	Non - interest bearing, payable on demand	Unsecured
f. Affiliates	110	(29,062)	Non - interest bearing, payable on demand	Unsecured
Due to related parties	₱430,216	(₱48,411)		

19. Interest in Joint Venture

The amounts shown below are the Group's 60% share of the assets, liabilities, income and expenses on FAC which are proportionately consolidated into the Group's consolidated financial statements as of December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012.

	2012	2011
	(In Thousands)	
Assets		
Cash and cash equivalents	₱89,218	₱64,262
Other receivables	56,711	18,955
Investment properties	859,452	905,788
Deferred tax assets	16,129	8,467
Other assets	68,453	63,316
	₱1,089,963	₱1,060,788
Accounts payable and accrued expenses	₱131,886	₱112,851
Due to related parties	942	505
Loans payable	380,000	430,000
	₱512,828	₱543,356

	2012	2011	2010
	(In Thousands)		
Revenue and other income	₱177,674	₱199,016	₱185,294
Costs and expenses	66,957	81,959	86,088
Income before income tax	110,717	117,057	99,206
Provision for income tax	22,697	26,960	23,561
Net income	₱88,020	₱90,097	₱75,645

	2012	2011	2010
	(In Thousands)		
Cash flows from:			
Operating activities	₱155,743	(₱52,301)	₱154,227
Investing activities	—	362	(2,179)
Financing activities	(130,786)	55,993	(102,008)



The Group and its joint venture partner has joint control over the above entity despite the Group's 60% share in the joint venture. This is exhibited by the existence of special voting right of the joint venture partner in major operating and financial decisions affecting the joint venture. In this joint venture, the decisions require the unanimous consent of the party sharing control.

The Group and its joint venture partners agree on the lot allocation based on joint venture sharing ratio. Sales and marketing costs are allocated to both the Group and the joint venture partners, with the joint venture agreements specifying a certain percentage of the contract price of the lots sold for the joint venture partners as the sales and marketing costs (including commissions to brokers) attributable to the sale of such lots. However, the Group is responsible for organizing and conducting actual sales and marketing activities.

The share of each party from the units completed is based on the value of their contribution to the project. The Group handles the marketing and selling activities and the share of the other party for such expenses are deducted from the proceeds of the sale of its apportioned units.

The Group does not have any contingent liability in relation with the above joint ventures.

20. General and Administrative Expenses

The account consists of:

	2012	2011 (As restated)	2010 (As restated)
		(In Thousands)	
Salaries, wages and employee benefits	₱329,970	₱280,164	₱226,090
Taxes and licenses	121,136	90,469	88,054
Depreciation and amortization (Notes 12 and 13)	79,877	75,401	46,979
Transportation and travel	78,833	71,155	58,386
Rent (Note 18)	78,049	47,110	49,314
Outside services	68,568	55,994	45,876
Corporate advertisements	57,492	20,698	54,822
Insurance	56,725	25,959	17,957
Communications, light and water	56,444	71,915	77,051
Repairs and maintenance	50,343	31,448	37,403
Entertainment, amusement and recreation	46,088	46,153	27,355
Retirement costs (Note 24)	24,878	19,879	12,552
Provision for doubtful accounts (Note 8)	17,466	36,014	1,361
Office supplies	15,679	14,542	12,584
Dues and subscriptions	13,236	9,961	6,285
Others	46,773	21,534	37,845
	₱1,141,557	₱918,396	₱799,914



21. Selling and Marketing Expenses

The account consists of:

	2012	2011	2010
		(In Thousands)	
Brokers' commissions	₱291,886	₱232,158	₱209,090
Selling, advertising and promotions	256,168	260,340	199,757
Service fees	159,085	137,469	88,754
Sales office direct costs	73,662	64,738	54,420
Salaries and wages	20,061	35,753	34,937
Others	13,025	11,950	6,630
	₱813,887	₱742,408	₱593,588

22. Interest and Other Finance Charges

The following table shows the component of interest income, interest expense and other financing charges recognized in the consolidated statements of income:

	2012	2011	2010
		(In Thousands)	
Interest income on:			
Contracts receivable (Note 7)	₱420,368	₱423,847	₱375,614
Cash and cash equivalents and others (Note 6)	94,465	118,266	189,741
	₱514,833	₱542,113	₱565,355
Interest and other finance charges:			
Interest expense on loans and bonds payable net of interest capitalized (Notes 16 and 17)	₱293,786	₱426,643	₱364,708
Amortization of transaction costs of loans and bonds	41,410	18,839	12,829
Other finance charges	64,853	23,918	39,118
	₱400,049	₱469,400	₱416,655

23. Other Income

The account consists of:

	2012	2011	2010
		(In Thousands)	
Forfeited reservations and collections	₱210,820	₱276,943	₱321,397
Income from amusement centers, parking and other lease-related activities	124,049	205,648	121,719
Gain on sale of contracts receivables (Note 7)	113,739	—	—

(Forward)



	2012	2011	2010
		(In Thousands)	
Processing fees	60,601	55,450	55,312
Service fees	5,778	8,118	2,654
Others	1,376	17,942	1,870
	₱516,363	₱564,101	₱502,952

24. Retirement Costs

The Group has a funded noncontributory defined benefit retirement plan (the Plan) covering substantially all of its officers and regular employees. Under the Plan, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements. The retirement plan provides retirement benefits (equivalent to 70% to 125% of the final monthly salary for every year of service) after satisfying certain age and service requirements.

The funds are administered by the Group's Treasurer under the supervision of the Board of Trustees of the plan who are responsible for investment strategy of the plan.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The Group updates the actuarial valuation every year by hiring the services of a third party professionally qualified actuary.

The following tables summarize the components of retirement expense recognized in the consolidated statements of income and pension liability recognized in the consolidated statements of financial position for the existing retirement plan.

The components of retirement costs included in "General and administrative expenses" account in the consolidated statements of income are as follows:

	2012	2011	2010
		(As restated)	(As restated)
		(In Thousands)	
Current service cost	₱16,741	₱13,058	₱12,035
Interest cost	8,137	6,821	517
	₱24,878	₱19,879	₱12,552

The amount of remeasurement losses on retirement plan recognized in the consolidated statements of comprehensive income are as follow:

	2012	2011	2010
		(As restated)	(As restated)
		(In Thousands)	
Plan assets	₱31,457	₱6,513	₱15,200
Defined benefit obligation	49,003	—	48,807
	₱80,460	₱6,513	₱64,007

The above remeasurement losses on retirement plan is recorded net of deferred tax asset amounting to ₱24.14 million and ₱1.95 million, for the period ended December 31, 2012 and 2011, respectively.



The amount included in the consolidated statements of financial position arising from the Group's obligation in respect of its defined benefit plan is as follows:

	2012	2011 (As restated)	2010 (As restated)
		(In Thousands)	
Present value of defined benefit obligation	₱240,601	₱199,230	₱181,593
Fair value of plan assets	80,845	103,504	101,398
	₱159,756	₱95,726	₱80,195

Changes in the present value of the defined benefit obligation are as follows:

	2012	2011 (As restated)	2010 (As restated)
		(In Thousands)	
Balance at beginning of year	₱199,230	₱181,593	₱113,547
Current service cost	16,741	13,058	12,035
Interest cost	16,934	15,440	9,651
Remeasurement (gains) losses arising from:			
Demographic assumptions	(6,143)	—	17,557
Financial assumptions	55,146	—	31,250
Benefits paid	(41,307)	(10,861)	(2,447)
	₱240,601	₱199,230	₱181,593

Changes in the fair value of plan assets are as follows:

	2012	2011 (As restated)	2010 (As restated)
		(In Thousands)	
Balance at beginning of year	₱103,504	₱101,398	₱107,464
Interest income	8,798	8,619	9,134
Contributions	41,307	10,861	2,447
Benefits paid	(41,307)	(10,861)	(2,447)
Remeasurement gains (losses) on:			
Return on plan assets	(1,553)	(1,521)	(1,612)
Others	(29,904)	(4,992)	(13,588)
	₱80,845	₱103,504	₱101,398

The Group's plan assets is comprised of cash equivalents with original maturities of three months or less from dates of placements and are subject to insignificant risk of changes in value.

As of December 31, 2012 and 2011, the carrying amount of the plan assets approximates its fair value.

The costs of defined benefit pension plan as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension obligation for the defined benefit plan are as follows:

	2012	2011	2010
Discount rate	5.90% - 6.30%	8.50%	8.50%
Future salary increases	8.00%	8.00%	8.00%
Expected average remaining working lives of employees	14 - 15 years	14 years	14 years



The sensitivity analysis that follows has been determined based on reasonably possible changes of the assumption occurring as of the end of the reporting period, assuming if all other assumptions were held constant. Management believes that as of the reporting date, it is only the decline in discount rate that could significantly affect the pension obligation. Management believes that pension obligation will not be sensitive to the salary rate increases because it is expected to be at the same level of the remaining life of the obligation. If the discount rate would be 50 basis points lower, the defined benefit obligation would increase by ₱14.46 million.

The Group does not expect to contribute to its plan assets in the next 12 months.

The management performed an Asset-Liability Matching Study (ALM) annually. The principal technique of the Group's ALM is to ensure the expected return on assets to be sufficient to support the desired level of funding arising from the defined benefit plans as well as the liquidity of the plan assets. The Group's current investment strategy consists of 100% short-term deposit placements.

25. Operating Leases

As lessor, future minimum rental receivables under renewable operating leases as of December 31, 2012 and 2011 are as follows:

	2012	2011
	(In Thousands)	
Within one year	₱1,692,272	₱1,395,440
After one year but not more than five years	2,531,641	2,315,474
After five years	42,160	10,893
	₱4,266,073	₱3,721,807

The Group entered into lease agreements with third parties covering real estate properties. These leases generally provide for either (a) fixed monthly rent (b) minimum rent or a certain percentage of gross revenue, whichever is higher. Most lease terms on commercial mall are renewable within one year except for anchor tenants.

Rental income recognized based on a percentage of the gross revenue of mall tenants included in "Rental services" account in the consolidated statements of income amounted to ₱223.91 million, ₱217.01 million and ₱213.12 million. in 2012, 2011 and 2010, respectively.

As lessee, future minimum rental payables under operating leases as of December 31, 2012 and 2011 are as follows:

	2012	2011
	(In Thousands)	
Within one year	₱142,937	₱181,986
After one year but not more than five years	575,136	577,730
After five years	1,648,717	730,158
	₱2,366,790	₱1,489,874

The Group leases from FDC, land and buildings located at San Juan City for its head office for a fixed monthly rental with a term ended on October 2012.



26. Capital Stock

The details of the Parent Company's common and preferred shares follow:

	Common Shares			Preferred Shares		
	2012	2011	2010	2012	2011	2010
	(In Thousands, except par value figures)					
Authorized shares	33,000,000	33,000,000	33,000,000	8,000,000	8,000,000	8,000,000
Par value per share	₱1	₱1	₱1	₱0.01	₱0.01	₱0.01
Issued and outstanding shares	24,470,708	24,470,708	24,470,708	8,000,000	8,000,000	8,000,000
Treasury shares	220,949	220,949	220,949	—	—	—

In 2012 and 2011, there was no issuance of additional common shares.

Preferred Shares

The preferred shares may be issued from time to time in one or more series as the BOD may determine, and authority is hereby expressly granted to the BOD to establish and designate each particular series of preferred shares, to fix the number of shares to be included in each of such series, and to determine the dividend rate and the issue price and other terms and conditions for each such shares. Dividends shall be cumulative from and after the date of issue of the preferred shares and no dividend shall be declared or paid on the common shares unless the full accumulated dividends on all preferred shares for all past dividend periods and for the current dividend period shall have been declared and paid by the Group. Preferred shares of each and any sub-series shall not be entitled to any participation or share in the retained earnings remaining after dividend payments shall have been made on the preferred shares. To the extent not set forth in the Articles of Incorporation, the specific terms and restrictions of each series of preferred shares shall be specified in such resolutions as may be adopted by the BOD prior to the issuance of each of such series (the "Enabling Resolutions"), which resolutions shall thereupon be deemed a part of the Amended Articles of Incorporation.

Preferred shares of each and any sub-series may be convertible to common shares as may be determined by the BOD and set forth in the Enabling Resolutions, in such manner and within such period as may be fixed in the Enabling Resolutions. As of December 31, 2012 and 2011, there is no Enabling Resolution by the BOD making the preferred shares convertible to common shares.

As the dividend rate is yet to be determined by the BOD, there were no dividends in arrears on preferred shares as of December 31, 2012, 2011 and 2010.

Treasury Shares

On December 20, 2007, the Parent Company's BOD approved the buy-back of some of the issued shares of stock of the Parent Company over a period of twelve (12) months up to an aggregate amount of ₱1.5 billion, in view of the strong financial performance of the Parent Company and the very large discrepancy that existed between the current share price and the net asset value of the Parent Company.

The Parent Company had acquired 220.95 million shares at total cost of ₱221.04 million in 2008. There were no additional acquisitions in 2012 and 2011.

Dividend Declaration

On April 27, 2012 the BOD approved the declaration and payment from unappropriated retained earnings of cash dividend of ₱0.048 per share or a total of ₱1.15 billion for all shareholders of record as of May 25, 2012.



On April 15, 2011 the BOD approved the declaration and payment from unappropriated retained earnings of cash dividend of ₱0.039 per share or a total of ₱950.59 million for all shareholders of record as of May 13, 2011.

On April 30, 2010 the BOD approved the declaration and payment from unappropriated retained earnings of cash dividend of ₱0.033 per share or a total of ₱800.24 million for all shareholders of record as of May 18, 2010.

Capital Management

The Group prudently monitors its capital and cash positions and cautiously manages its expenditures and disbursements. Furthermore, the Group may also, from time to time seek other sources of funding, which may include debt or equity issues depending on its financing needs and market conditions.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. No changes were made in capital management objectives, policies or processes for the years ended December 31, 2012 and 2011.

The Group monitors capital using debt-to-equity ratio, which is the long-term debt (loans payable and bonds payable) divided by total equity. The Group's policy is to keep the debt to equity ratio not to exceed 2:1. The following table shows how the Group computes for its debt-to-equity ratio:

	2012	2011
	(In Thousands)	
Loans payable	₱10,981,518	₱8,511,007
Bonds payable	14,364,924	7,977,009
Total long-term debt	25,346,442	16,488,016
Total equity	45,878,645	43,655,396
Debt-to-equity ratio	0.55:1.00	0.38:1.00

On August 12, 1993, SEC approved the registration of 2 billion common shares with issue price of ₱5.25 per share.

On December 15, 2006, SEC approved the registration of 3.7 billion common shares with issue price of ₱1.60 per share.

Below is the summary of the outstanding number of shares and holders of security as of December 31, 2012 (Amount in thousands):

Year	Number of Shares Registered	Number of Holders of Securities as of Year End
January 1, 2011	24,249,759	6,149
Add/(Deduct) Movement	—	(100)
December 31, 2011	24,249,759	6,049
Add/(Deduct) Movement	—	(103)
December 31, 2012	24,249,759	5,946

Note: Exclusive of 220,949 treasury shares.



27. Earnings Per Share

	2012	2011 (As restated)	2010 (As restated)
	(In Thousands, Except EPS Figures)		
a. Net income	₱3,431,436	₱2,942,087	₱2,952,359
b. Weighted average number of outstanding common shares (after considering treasury shares)	24,249,759	24,249,759	24,249,759
Basic/Diluted EPS (a/b)	₱0.14	₱0.12	₱0.12

* The effect on earnings per share related to the restatement in 2011 and 2010 was more than ₱0.00007 and less than ₱0.00001, respectively

There were no potential dilutive shares in 2012, 2011 and 2010.

28. Income Tax

The components of the Group's deferred income tax assets follow:

	2012	2011
	(In Thousands)	
Deferred income tax assets on:		
Advance rentals	₱18,529	₱13,422
Provisions and accruals	2,984	4,624
Accrued retirement benefits	642	—
Others	272	25
	₱22,427	₱18,071

The components of the Group's net deferred income tax liabilities follow:

	2012	2011
	(In Thousands)	
Deferred income tax liabilities on:		
Capitalization of borrowing costs	₱1,879,944	₱1,587,413
Excess of fair value over cost of net assets acquired in business combination	133,990	133,990
Deferred income tax assets on:		
Accrued retirement benefits	(47,285)	(28,718)
Provision for doubtful accounts	(14,404)	(10,804)
Others	(1,194)	(5,528)
	₱1,951,051	₱1,676,353

Provision for deferred income tax charged directly to other comprehensive income in 2012 and 2011 amounted to ₱24.14 million and ₱1.95 million, respectively.

The Group did not recognize deferred income tax assets on the following deductible temporary differences of subsidiaries since management believes that the tax benefit related to these assets will not reverse through income tax deductions in the near future.



	2012	2011
	(In Thousands)	
NOLCO	₱2,200	₱44,081
MCIT	281	1,985
	₱2,481	₱46,066

The carryforward benefits of the NOLCO and the excess of the MCIT over the RCIT, which can be claimed by the Group as credits against the RCIT, are as follows:

Year Incurred	NOLCO	MCIT	Expiry Date
	(In Thousands)		
2012	₱395	₱–	December 31, 2015
2011	1,805	100	December 31, 2014
2010	–	181	December 31, 2013
	₱2,200	₱281	

The following are the movements in NOLCO and MCIT:

NOLCO	2012	2011
	(In Thousands)	
At January 1	₱44,081	₱23,514
Addition	12,401	23,306
Applied/Expired	(54,282)	(2,739)
At December 31	₱2,200	₱44,081

MCIT	2012	2011
	(In Thousands)	
At January 1	₱1,985	₱2,253
Addition	–	50
Applied/Expired	(1,704)	(318)
At December 31	₱281	₱1,985

The reconciliation of the provision for income tax at statutory tax rate to the actual provision for income tax follows:

	2012	2011	2010
		(As restated)	(As restated)
	(In Thousands)		
Income tax at statutory tax rate	₱1,218,791	₱1,045,363	₱1,054,250
Adjustments for:			
Tax-free net income on sales of			
BOI-registered projects (Note 32)	(303,958)	(186,855)	(83,030)
Income covered by PEZA (Note 31)	(114,930)	(90,138)	(88,825)
Interest on HGC-enrolled contracts			
receivables	(71,166)	(84,919)	(71,964)
Equity in net earnings of an associate	(56,188)	(19,022)	(16,565)
Tax-free realized gross profit on socialized			
housing units	(25,637)	(118,188)	(111,411)
Income subjected to final tax	(10,560)	(11,958)	(36,085)
Change in unrecognized deferred tax assets	(10,162)	(99)	3,380

(Forward)



	2012	2011 (As restated)	2010 (As restated)
		(In Thousands)	
Nondeductible interest expense	₱4,492	₱7,047	₱7,244
Other nondeductible expenses	1,319	2,625	64,737
Income subjected to capital gains tax	(801)	(1,401)	(2,036)
Gain from remeasurement of previously held interest in a business combination	—	—	(155,172)
Excess of fair value of net identifiable assets over consideration transferred	—	—	(2,717)
	₱631,200	₱542,455	₱561,806

29. Financial Assets and Liabilities

The following table sets forth the carrying and fair values of financial assets and liabilities recognized as of December 31, 2012 and 2011. There are no material unrecognized financial assets and liabilities as of December 31, 2012 and 2011.

	2012		2011	
	Carrying Values	Fair Values	Carrying Values	Fair Values
	(In Thousands)			
Financial Assets at Amortized Cost				
Cash and cash equivalents:				
Cash on hand and in banks	₱1,098,100	₱1,098,100	₱486,179	₱486,179
Short-term deposits	1,008,352	1,008,352	667,127	667,127
Contracts receivable:				
Contracts receivable	10,119,953	10,308,865	8,085,680	8,236,617
Receivables from government and financial institutions	477,997	477,997	367,228	367,228
Due from related parties	194,243	194,243	246,757	246,757
Other receivables:				
Receivable from tenants - net	353,891	353,891	229,151	229,151
Receivable from homeowners' association - net	134,470	134,470	109,136	109,136
Others	18,533	18,533	61,876	61,876
Other assets:				
Short-term deposits	21,425	21,425	29,080	29,080
Total financial assets at amortized cost	13,426,964	13,615,876	10,282,214	10,433,151
Financial Assets at FVTOCI				
Investments in shares of stocks:				
Quoted	3,321	3,321	₱3,321	₱3,321
Unquoted	21,305	21,305	21,305	21,305
Total Financial assets at FVTOCI	24,626	24,626	24,626	24,626
	₱13,451,590	₱13,640,502	₱10,306,840	₱10,457,777
Financial Liabilities at Amortized Cost				
Accounts payable and accrued expenses:				
Accounts payable	₱4,436,564	₱4,421,775	₱1,487,042	₱1,423,461
Liabilities on receivables sold to banks	189,441	176,601	1,947,377	1,815,385
Deposits for registration and insurance	991,977	949,564	680,795	651,687
Retention fees payable	730,875	730,875	468,277	468,277
Accrued expenses	170,370	170,370	115,462	115,462
Accrued interest on bonds and loans	158,625	158,625	136,866	136,866
Other payables	96,521	96,521	69,055	69,055
Due to related parties	182,979	182,979	48,411	48,411
Loans payable	10,981,518	10,359,185	8,511,007	7,666,459
Bonds payable	14,364,924	12,745,453	7,977,009	7,390,067
Total financial liabilities at amortized cost	₱32,303,794	₱29,991,948	₱21,441,301	₱19,785,130



The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

- *Cash and cash equivalents, due from and to related parties, other receivables and other assets:* Due to the short-term nature of these accounts, their fair values approximate their carrying amounts.
- *Contracts receivable:* Estimated fair value of contracts receivable is based on the discounted value of future cash flows using the prevailing interest rates for similar types of receivables as of the reporting date. Interest rate used is 19% in 2012 and 2011. Due to the short-term nature of receivables from government and financial institutions, carrying amounts approximate fair values.
- *Financial assets at FVTOCI:* Fair values were determined using quoted market prices at reporting date. Financial assets at FVTOCI not quoted in an active market are recorded at cost.
- *Accounts payable and accrued expenses:* On accounts due within one year, the fair value of accounts payable and accrued expenses approximates the carrying amounts. On accounts due for more than a year, estimated fair value is based on the discounted value of future cash flows using the prevailing interest rates on loans and similar types of payables as of the reporting date. Interest rates used are 4.28% and 4.98% in 2012 and 2011, respectively.
- *Long-term debt:* Estimated fair value on debts with fixed interest and not subjected to quarterly repricing is based on the discounted value of future cash flows using the applicable interest rates for similar types of loans as of reporting date. Long term debt subjected to quarterly repricing is not discounted since it approximates fair value. The discount rates used range from 5.0% to 7.7% and 6.4% to 7.9% as of December 31, 2012 and 2011, respectively.

The following table shows financial instruments recognized at fair value as of December 31, 2012 and 2011, analyzed between those whose fair value is based on:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	2012	2011
	(In Thousands)	
Level 1:		
Quoted investment in shares of stock	₱3,321	₱3,321

There are no financial instruments recognized at fair value based on Levels 2 and 3 categories. There are no transfers in and out of Level 3 categories in 2012 and 2011.

Financial Risk Management Objectives and Policies

The Group's principal financial instruments are composed of cash and cash equivalents, contracts receivable and other receivables, due from related parties, financial assets at FVTOCI, accounts payable and accrued expenses, due to related parties and long-term debt. The main purpose of these financial instruments is to raise financing for the Group's operations.



The main objectives of the Group's financial risk management are as follows:

- To identify and monitor such risks on an ongoing basis;
- To minimize and mitigate such risks; and
- To provide a degree of certainty about costs.

The Group's finance and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Group. The Group's BOD reviews and approves the policies for managing each of these risks.

The policies are not intended to eliminate risk but to manage it in such a way that opportunities to create value for the stakeholders are achieved. The Group's risk management takes place in the context of the normal business processes such as strategic planning, business planning, operational and support processes.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and interest rate risk. The Group also monitors the foreign currency risk and market price risk arising from all financial instruments.

Liquidity Risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group seeks to manage its liquidity profile to be able to finance capital expenditures and service maturing debts. To cover its financing requirements, the Group intends to use internally generated funds and available long-term and short-term credit facilities.

As of December 31, 2012 and 2011, the Group has ₱5.00 billion and ₱3.95 billion, respectively, in undrawn uncommitted short-term credit lines, and, ₱7.68 billion and ₱9.13 billion, respectively, in undrawn committed long-term credit facilities.

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, in case any requirements arise. Fund raising activities may include bank loans and capital market issues.

The tables below summarize the maturity profile of the Group's financial liabilities as of December 31, 2012 and 2011 based on contractual undiscounted payments.

	2012						Total
	On demand	Less than 3 months	3 months to 1 year	1 to 3 Years	3 to 5 years	Over 5 years	
(In Thousands)							
Accounts Payable and Accrued Expenses							
Accounts payable	₱3,467,784	₱541,055	₱—	₱387,701	₱298	₱39,726	₱4,436,564
Liabilities on receivables sold to banks	—	—	91,652	97,789	—	—	189,441
Deposits for registration and insurance	—	89,703	222,303	363,037	176,208	140,726	991,977
Retention fees payable	141,949	10,674	210,375	97,428	168,586	101,863	730,875
Accrued expenses	158,841	—	11,529	—	—	—	170,370
Accrued interest on bonds and loans	—	81,926	76,699	—	—	—	158,625
Other payables	72,140	24,381	—	—	—	—	96,521
	3,840,714	747,739	612,558	945,955	345,092	282,315	6,774,373

(Forward)



2012							
	On demand	Less than 3 months	3 months to 1 year	1 to 3 Years	3 to 5 years	Over 5 years	Total
(In Thousands)							
Due to Related Parties	₱182,979	₱—	₱—	₱—	₱—	₱—	₱182,979
Loans Payable	—	—	2,839,167	2,576,333	4,880,583	711,000	11,007,083
Bonds Payable	—	—	—	4,500,000	3,000,000	7,000,000	14,500,000
Interest on Loans and Bonds Payable	—	363,855	1,204,267	2,500,724	1,586,364	728,251	6,383,461
	₱4,023,693	₱1,111,594	₱4,655,992	₱10,523,012	₱9,812,039	₱8,721,566	₱38,847,896

2011							
	On demand	Less than 3 months	3 months to 1 year	1 to 3 Years	3 to 5 years	Over 5 years	Total
(In Thousands)							
Accounts Payable and Accrued Expenses							
Accounts payable	₱800,912	₱272,655	₱—	₱286,096	₱91,735	₱35,644	₱1,487,042
Liabilities on receivables sold to banks	—	115,893	459,448	576,429	562,348	233,259	1,947,377
Deposits for registration and insurance	261	906	168,003	509,486	2,139	—	680,795
Retention fees payable	—	—	147,011	321,266	—	—	468,277
Accrued expenses	115,462	—	—	—	—	—	115,462
Accrued interest on bonds and loans	30,990	78,191	27,685	—	—	—	136,866
Other payables	21,932	47,123	—	—	—	—	69,055
Interest on Accounts Payable and Accrued Expenses	—	1,660	58,847	80,784	45,620	12,155	199,066
	969,557	516,428	860,994	1,774,061	701,842	281,058	5,103,940
Due to Related Parties	48,411	—	—	—	—	—	48,411
Loans Payable	—	291,500	1,349,500	4,380,250	2,507,250	—	8,528,500
Bonds Payable	—	—	500,000	4,500,000	3,000,000	—	8,000,000
Interest on Loans and Bonds Payable	—	239,609	574,196	1,652,602	469,406	—	2,935,813
	₱1,017,968	₱1,047,537	₱3,284,690	₱12,306,913	₱6,678,498	₱281,058	₱24,616,664

The tables below summarize the maturity profile of the Group's financial assets held to manage liquidity as of December 31, 2012 and 2011:

2012							
	On demand	Less than 3 months	3 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
(In Thousands)							
Financial Assets at Amortized Cost							
Cash and cash equivalents:							
Cash on hand and in banks	₱1,098,100	₱—	₱—	₱—	₱—	₱—	₱1,098,100
Short-term deposits	—	1,008,352	—	—	—	—	1,008,352
Contracts receivable:							
Contracts receivable	221,088	953,526	1,680,204	1,971,082	1,466,874	3,827,179	10,119,953
Receivables from government and financial institutions	—	—	477,997	—	—	—	477,997
Due from related parties	194,243	—	—	—	—	—	194,243
Other receivables:							
Receivable from tenants-net	172,924	156,992	19,698	4,277	—	—	353,891
Receivable from homeowners' associations	134,470	—	—	—	—	—	134,470
Others	18,533	—	—	—	—	—	18,533
Other assets:							
Short-term deposits	21,425	—	—	—	—	—	21,425
Financial Assets at FVTOCI							
Investment in Bonds	—	—	—	—	—	—	—
Investments in shares of stocks:							
Quoted	—	—	3,321	—	—	—	3,321
Unquoted	—	—	21,305	—	—	—	21,305
	₱1,860,783	₱2,118,870	₱2,202,525	₱1,975,359	₱1,466,874	₱3,827,179	₱13,451,590



	2011						
	On demand	Less than 3 months	3 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
	(In Thousands)						
Financial Assets at Amortized Cost							
Cash and cash equivalents:							
Cash on hand and in banks	₱486,179	₱—	₱—	₱—	₱—	₱—	₱486,179
Short-term deposits	—	667,127	—	—	—	—	667,127
Contracts receivable:							
Contracts receivable	—	228,399	720,158	531,248	330,447	6,275,428	8,085,680
Receivables from government and financial institutions	—	—	367,228	—	—	—	367,228
Due from related parties	246,757	—	—	—	—	—	246,757
Other receivables:							
Receivable from tenants-net	213,464	450	15,237	—	—	—	229,151
Receivable from homeowners’ associations	70,261	38,875	—	—	—	—	109,136
Others	61,876	—	—	—	—	—	61,876
Other assets:							
Short-term deposits	29,080	—	—	—	—	—	29,080
Financial Assets at FVTOCI							
Investments in shares of stocks:							
Quoted	—	—	3,321	—	—	—	3,321
Unquoted	—	—	21,305	—	—	—	21,305
	₱1,107,617	₱934,851	₱1,127,249	₱531,248	₱330,447	₱6,275,428	₱10,306,840

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily for its mortgage notes and contract receivables and other receivables.

Credit risk is managed since the titles of the properties sold are retained by the Group until installment receivables are fully collected and the fair values of these properties held as collateral are sufficient to cover the carrying values of the installment contract receivable.

It is the Group's policy that buyers who wish to avail the in-house financing scheme be subjected to credit verification procedures. Receivable balances are being monitored on a regular basis and subjected to appropriate actions to manage credit risk. Moreover, as discussed in Note 7, the Group has a mortgage insurance contract with Home Guaranty Corporation for a retail guaranty line.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and financial assets at FVTOCI, 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.

The Group entered into various purchase agreements with financial institutions whereby the Group sold its contracts receivable with a provision that the Group should buy back these receivables in case these become overdue for two to three consecutive months or when the contract to sell has been cancelled.



The table below shows the comparative summary of maximum credit risk exposure on assets as of December 31, 2012 and 2011:

	2012	2011
	(In Thousands)	
Financial Assets at Amortized Cost		
Cash and cash equivalents:		
Cash in banks	₱1,098,100	₱486,179
Short-term deposits	1,008,352	667,127
Contracts receivable:		
Contracts receivable	10,119,953	8,085,680
Receivables from government and financial institutions	477,997	367,228
Due from related parties	194,243	246,757
Other receivables:		
Receivables from tenants - net	353,891	229,151
Receivables from homeowners' association	134,470	109,136
Others	18,533	61,876
Other asset:		
Short-term deposits	21,425	29,080
Total financial assets at amortized cost	13,426,964	10,282,214
Financial Assets at FVTOCI		
Investments in shares of stocks:		
Quoted	3,321	3,321
Unquoted	21,305	21,305
Total financial assets at FVTOCI	24,626	24,626
	₱13,451,590	₱10,306,840

Based on the Group's experience, the said assets are highly collectible or collectible on demand. The Group holds as collaterals the corresponding properties which the third parties had bought on credit. In few cases of buyer defaults, the Group can repossess the collateralized properties and resell them at the prevailing market price.

The following tables show the credit quality by class of asset as of December 31, 2012 and 2011. The Group's high-grade receivables pertain to receivables from related parties and third parties which, based on experience, are highly collectible or collectible on demand, and of which exposure to bad debt is not significant. Receivables assessed to be of standard grade are those which had passed a certain set of credit criteria, and of which the Group has not noted any extraordinary exposure which calls for a substandard grade classification.

	December 31, 2012				
	Neither past due nor impaired		Past due but not impaired	Impaired	Total
	High grade	Standard Grade			
			(In Thousands)		
Cash and cash equivalents	₱2,106,452	₱-	₱-	₱-	₱2,106,452
Contracts receivable					
Contracts receivable	-	9,898,865	221,088	-	10,119,953
Receivables from government and financial institutions	477,997	-	-	-	477,997
Due from related parties	194,243	-	-	-	194,243

(Forward)



December 31, 2012					
	Neither past due nor impaired				
	High grade	Standard Grade	Past due but not impaired	Impaired	Total
(In Thousands)					
Other receivables					
Receivables from tenants	₱—	₱353,891	₱—	₱24,245	₱378,136
Receivables from homeowners' association	—	134,470	—	48,014	182,484
Others	—	18,533	—	—	18,533
Other assets					
Short-term deposits	21,425	—	—	—	21,425
Investment in shares of stock					
Quoted	3,321	—	—	—	3,321
Unquoted	21,305	—	—	—	21,305
	₱2,824,743	₱10,405,759	₱221,088	₱72,259	₱13,523,849

	December 31, 2011				
	Neither past due nor impaired				
	High grade	Standard Grade	Past due but not impaired	Impaired	Total
	(In Thousands)				
Cash and cash equivalents	₱1,153,306	₱—	₱—	₱—	₱1,153,306
Contracts receivable					
Contracts receivable	—	7,683,840	401,840	—	8,085,680
Receivables from government and financial institutions	367,228	—	—	—	367,228
Due from related parties	246,757	—	—	—	246,757
Other receivables					
Receivables from tenants	—	229,151	—	26,961	256,112
Receivables from homeowners' association	—	109,136	—	36,014	145,150
Others	—	61,876	—	—	61,876
Other assets					
Short-term deposits	29,080	—	—	—	29,080
Investment in shares of stock					
Quoted	3,321	—	—	—	3,321
Unquoted	21,305	—	—	—	21,305
	₱1,820,997	₱8,084,003	₱401,840	₱62,975	₱10,369,815

As at December 31, 2012 and 2011, the analysis of contracts receivable that were past due but not impaired is as follows:

2012							
	Neither past due nor impaired	Past due but not impaired					Total
		Less than 30 days	30 to 60 days	60 to 90 days	90 to 120 days	Over 120 days	
(In Thousands)							
Contracts receivable	₹9,898,865	₹21,595	₹10,912	₹6,302	₹4,961	₹177,318	₹10,119,953

2011							
	Neither past due nor impaired	Past due but not impaired					Total
		Less than 30 days	30 to 60 days	60 to 90 days	90 to 120 days	Over 120 days	
(In Thousands)							
Contracts receivable	₹7,683,840	₹62,956	₹75,329	₹14,588	₹147,116	₹101,851	₹8,085,680

There is no concentration risk on the Group's financial assets as of December 31, 2012 and 2011.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's financial instruments affected by market risk include loans payable, cash and cash equivalents and available-for sale financial assets.



a) *Interest Rate Risk*

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's loans from various financial institutions. To manage interest rate risk, the Group renegotiates the interest rates for certain long term debts to convert them from fixed-rate debt to floating-rate debt as the Group believes that the current interest rate environment makes it more favorable to carry floating-rate debt.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no other impact on the Group's other comprehensive income other than those already affecting the profit and loss.

	Increase (decrease) in basis points	Effect on income before income tax (In Thousands)
2012	+200	₱197,130
	-200	(197,130)
2011	+200	₱138,720
	-200	(138,720)

The sensitivity analysis shown above is based on the assumption that interest rate movement will most likely be limited to a two hundred basis point upward or downward fluctuation. The Group, used as basis of these assumptions, the annual percentage change of 3-month PDST-F rate for the past five years as obtained from PDEX. Effect on the Group's income before tax is computed on the carrying amount of the Group's floating rate loans payable as of December 31, 2012 and 2011.

The following tables set out the carrying amount (in thousands), by maturity, of the Group's long-term debt that are exposed to interest rate risk:

Variable interest rate	91-day Treasury bill plus 1% to 2% margin					Total
	Below 1 Year	1-2 Years	2-3 Years	3-4 Years	Over 4 Years	
As of December 31, 2012	₱2,386,429	₱866,913	₱1,027,574	₱972,174	₱4,603,428	₱9,856,518
As of December 31, 2011	₱1,185,884	₱2,554,433	₱916,591	₱966,079	₱1,313,020	₱6,936,007

b) *Foreign Currency Risk*

Financial assets and financing facilities extended to the Group were mainly denominated in Philippine Peso. As such, the Group's exposure to this risk is not significant.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities). PDEX closing rates used are ₱41.05 and ₱43.84 on December 31, 2012 and 2011, respectively. There is no other impact on the Group's other comprehensive income other than those already affecting the profit and loss.



	Increase (decrease) in US dollar rate	Effect on income before income tax (In Thousands)
2012	+5%	₱81
	-5%	(81)
2011	+5%	₱471
	-5%	(471)

The sensitivity analysis shown above is based on the assumption that movement in US dollar-peso exchange rate will most likely be limited to five percent (5%) upward or downward fluctuation in 2010. The Group, used as basis of these assumptions, the annual percentage change of US dollar exchange rate for the past five years as obtained from BSP. Effect on the Group's income before tax is computed on the carrying amount of the Group's US dollar-denominated financial assets (cash in bank and short term investments) as of December 31, 2012 and 2011.

c) Equity Price Risk

The table below demonstrates the sensitivity to a reasonably possible change in the market price of country club shares classified as financial assets at FVTOCI, with all other variables held constant, of the Group's equity. The impact on the Group's equity already excludes the impact on transactions affecting the profit and loss.

	Increase/ decrease in market price	Effect on equity (In Thousands)
2012	+5%	₱153
	-5%	(153)
2011	+5%	₱153
	-5%	(153)

The sensitivity analysis shown above is based on the assumption that movement in the price of investments in quoted equity securities will most likely be limited to five percent (5%) upward or downward fluctuation in 2012 and 2011. The Group, used as basis of these assumptions, the annual percentage change of quoted prices for the past five years as obtained from published quotes of club share brokers.

30. Contingencies and Commitments

The Group is involved in various legal actions, claims and contingencies incident to the ordinary course of the business. Management believes that any amount the Group may have to pay in connection with any of these matters would not have a material adverse effect on the consolidated financial position or operating results.

In connection with the joint venture agreement entered into by the Parent Company with Cebu City Government, the Parent Company is committed to (a) purchase 10.6 hectares of the property payable in six (6) years, to be developed into a modern urban center and (b) develop 40 hectares of the property in four (4) phases, mainly mid-rise residential buildings, over a 20-year period.



In connection with the BTO Agreement with the Cebu Province, the Group is committed to develop and construct a BPO Complex the properties owned by Cebu Province located at Salinas, Lahug, Cebu City and transfer the ownership of the BPO Complex to the Cebu Province upon completion in exchange of the right to operate and manage the BPO Complex for the entire term of the agreement and its renewal.

31. Registration with PEZA

On February 13, 2002, the Group was registered with Philippine Economic Zone Authority (PEZA) pursuant to the provisions of the Republic Act (RA) No. 7916 as the Ecozone Developer/Operator to lease, sell, assign, mortgage, transfer or otherwise encumber the area designated as a Special Economic Zone (Ecozone) to be known as Filinvest Technology Park-Calamba.

Under the registration, the Group shall enjoy 5% preferential tax privilege on income generated from the Ecozone as opposed to the regular income tax rate.

On June 11, 2001, FAC was registered with PEZA as the developer/operator of PBCom Tower and as such it will not be entitled to any incentives, however, IT enterprises which shall locate in PBCom Tower shall be entitled to tax incentives pursuant to RA No. 7916.

On June 6, 2000, CPI was registered with PEZA as an ECOZONE Facilities Enterprise. As a registered enterprise, it is also entitled to certain tax and non-tax benefits such as exemption from payment of national and local taxes and instead a special tax rate of five percent (5%) of gross income.

The Group is also entitled to zero percent (0%) value-added tax for sales made to ECOZONE enterprises.

32. Registration with the Board of Investments (BOI)

The Group has registered the following projects with the BOI under the Omnibus Investments Code of 1987 (Executive Order No. 226):

As of December 31, 2012:

Name	Reg. No.	Date Registered	Type of Registration
One Oasis - Ortigas (A to E)	2008-225	08/14/08	New Developer of Low-Cost Mass Housing Project
Westwood Mansions	2008-257	09/02/08	New Developer of Low-Cost Mass Housing Project
Palm Ridge - Phase 3	2008-310	11/17/08	New Developer of Low-Cost Mass Housing Project
Summerbreeze Townhomes Phase 2	2008-311	11/17/08	New Developer of Low-Cost Mass Housing Project
The Glens at Park Spring	2008-326	12/15/08	New Developer of Low-Cost Mass Housing Project
One Oasis - Ortigas (F to M)	2011-120	06/15/11	New Developer of Low-Cost Mass Housing Project
La Brisa Townhomes	2011-117	06/09/11	New Developer of Low-Cost Mass Housing Project
The Linear	2011-121	06/15/11	New Developer of Low-Cost Mass Housing Project
Bali Oasis 3 & 4	2011-134	06/27/11	New Developer of Low-Cost Mass Housing Project
Ocean Cove	2011-133	06/27/11	New Developer of Low-Cost Mass Housing Project
Villa Montserrat - Expansion	2011-132	06/27/11	New Developer of Low-Cost Mass Housing Project
Escala @ Corona del Mar	2011-167	07/29/11	New Developer of Low-Cost Mass Housing Project
Filinvest Homes Tagum Phase 1	2011-171	08/02/11	New Developer of Low-Cost Mass Housing Project
Filinvest Homes Tagum Phase 2	2011-214	09/26/11	New Developer of Low-Cost Mass Housing Project

(Forward)



Name	Reg. No.	Date Registered	Type of Registration
One Oasis Davao 1, 2, 3	2011-194	09/02/11	New Developer of Low-Cost Mass Housing Project
Villa Mercedita	2011-154	07/19/11	New Developer of Low-Cost Mass Housing Project
Villa San Ignacio	2011-148	07/14/11	New Developer of Low-Cost Mass Housing Project
Tierra Vista	2011-191	08/31/11	New Developer of Low-Cost Mass Housing Project
Tamara Lane	2011-215	09/26/11	New Developer of Low-Cost Mass Housing Project
Austine Homes	2011-252	11/25/11	New Developer of Low-Cost Mass Housing Project
The Glens Phase 2	2011-216	09/26/11	New Developer of Low-Cost Mass Housing Project
The Glens Phase 3	2011-217	09/26/11	New Developer of Low-Cost Mass Housing Project
The Glens Phase 4	2011-218	09/26/11	New Developer of Low-Cost Mass Housing Project
Somerset Lane	2011-273	12/21/11	New Developer of Low-Cost Mass Housing Project
Aldea del Sol Phases 5 & 6	2011-276	12/22/2011	New Developer of Low-Cost Mass Housing Project
Capri Oasis: Bldg Albergo, Brezza, Solare, Cielo, Fiori, Vento	2012-036	3/5/2012	New Developer of Low-Cost Mass Housing Project
Studio City Tower 1	2012-044	3/19/2012	New Developer of Low-Cost Mass Housing Project
Anila Park 1	2012-052	3/26/2012	New Developer of Low-Cost Mass Housing Project
San Remo Oasis - Bldgs. 1-8	2012-069	5/14/2012	New Developer of Low-Cost Mass Housing Project
One Oasis Cebu- Bldgs. 1-3	2012-082	5/28/2012	New Developer of Low-Cost Mass Housing Project
Filinvest Homes-Butuan	2012-094	6/7/2012	New Developer of Low-Cost Mass Housing Project
Sorrento Oasis- Bldgs. A- H2	2012-095	6/7/2012	New Developer of Low-Cost Mass Housing Project
Maui Oasis- Bldgs. 2 & 3	2012-096	6/7/2012	New Developer of Low-Cost Mass Housing Project
One Oasis Davao - Bldg. 4	2012-093	6/7/2012	New Developer of Low-Cost Mass Housing Project

As a registered enterprise, the Group is entitled to certain tax and nontax incentives, subject to certain conditions.



FILINVEST LAND, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED COMPANY FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES

SUPPLEMENTARY SCHEDULES

- I. Group Supplementary Information and Disclosures Required by SRC Rule 68, As Amended (2011)
- II. Schedule of All Effective Standards and Interpretations under PFRS as of December 31, 2012
- III. Parent Company Unappropriated Retained Earnings Available for Dividend Declaration
- IV. Financial Soundness Indicators
- V. Group Structure



FILINVEST LAND, INC. AND SUBSIDIARIES
GROUP SUPPLEMENTARY INFORMATION AND DISCLOSURES
REQUIRED ON SRC RULE 68, AS AMENDED (2011)
DECEMBER 31, 2012

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by SRC Rule 68, As Amended (2011) that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not required part of the basic consolidated financial statements.

Schedule A. Financial Assets in Equity Securities

The Group’s financial assets at Fair Value through Other Comprehensive Income (FVTOCI) includes investments in quoted and unquoted equity securities.

Below is the detailed schedule of financial assets in equity securities of the Group as of December 31, 2012:

Name of Issuing Entity and Association of Each Issue	Number of Shares	Amount Shown in the Statement of Financial Position	Value Based on Market Quotation at end of year	Income Received and Accrued
(In Thousands Except Number of Shares)				
Financial assets at FVTOCI				
Quoted:				
The Palms Country Club	1,000	₱3,060	₱3,060	₱—
Philippine Long Distance Telephone Company	26,100	261	261	3
		3,321	3,321	3
Unquoted:				
Manila Electric Company (MERALCO)	1,743,507	17,435	17,435	—
Timberland Sports and Nature Club	3,000	2,995	2,995	—
Filinvest Information Technology, Inc.	875,000	875	875	—
		21,305	21,305	—
		₱24,626	₱24,626	₱3

The Group investment in MERALCO is an unlisted preferred shares acquired in connection with the infrastructure that it provides for the Group’s real estate development projects. These are carried at cost less impairment, if any.



Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)

Below is the schedule of advances to employees of the Group with balances above ₱100,000 as of December 31, 2012:

Name	Balance at beginning of year	Additions	Collections/ Liquidations	Balance at end of year
(In Thousands)				
Kathryn Ann R. Lao	₱3	₱24,755	₱11,086	₱13,672
Antonio E. Cenon	40,298	257,871	289,403	8,766
Marie Angeli W. Samala	4,132	3,574	4,887	2,819
Cesarine Janette C. Manlangit	4	7,071	5,077	1,998
Geraldine Marie De Gorostiza	1,177	3,339	2,577	1,939
Paul Francisco	128	3,705	2,067	1,766
Marco Vicente P. Fernandez	—	6,864	5,216	1,648
Boler L. Binamira Jr.	1,484	30	36	1,478
Joseph Raul S. Geotina	22	1,354	221	1,155
Tristaneil Las Marias	2,501	86,107	87,607	1,001
Rizalangela L. Reyes	5	1,068	191	882
Winnifred Lim	962	4,673	4,791	844
Ma. Cristina M. Bernabe	—	1,840	1,040	800
Amelia F. Encarnacion	18,501	200,553	218,301	753
Wilfredo Abuena	3,431	1,507	4,201	737
Arvin L. Pamalaran	2,771	3,824	5,898	697
Blanche Obciana	12	928	339	601
Alexander James E. Jazmines	—	426	—	426
Pablito A. Perez	786	1,269	1,658	397
Francis V. Ceballos	13	417	54	376
Andres Ii J. Calizo	902	138	664	376
Jose O Berroya Jr.	—	308	—	308
John Delmer P. Vitaliz	116	718	573	261
Ma. Teresita Abad Santos	1,152	8,531	9,438	245
Jeannora B. Apasan	982	2,239	2,977	244
Norwin Serrano	57	1,080	904	233
Enrique Lingad	244	29	107	166
Julian V. Concepcion	3,684	1,508	5,037	155
Susana Makabenta	155	51	53	153
Joana Catherine M. Luengo	—	148	—	148
Archie Igot	6,726	4,884	11,467	143
Enrico Maurice S. Librea	—	630	495	135
Jeffrey Nisnisan	101	224	192	133
Aimee Carolyn R. Silvestre	3	933	818	118
Janice Trifanese	119	—	6	113
Emlin Mae D. Javillonar	(3)	164	56	105
Elmer Barros	102	51	52	101
Salvador C. Reyes Jr.	494	1,631	2,025	100
Edwin Esteller	200	1,209	1,309	100
	₱91,264	₱635,651	₱680,823	₱46,092

These advances were obtained by the Group's employees for expenses and disbursements necessary in carrying out their functions in the ordinary course of business such as for selling and marketing activities, official business trips, emergency and cash-on-delivery purchases of materials, equipment and supplies, repair of Group's vehicles, model units and housing units, registration of titles, etc. The advances will be liquidated when the purposes for which these advances were granted are accomplished or completed. There were no amounts written off during the year and all receivables are expected to be collected / liquidated within the next twelve months.



Related Party Transactions

Due from related parties

Below is the list of outstanding receivables from related parties of the Group presented in the consolidated statements of financial position as of December 31, 2012 (amount in thousands):

	Relationship	Nature	Balance at period ending December 31, 2012
Timberland Sports and Nature Club	Affiliate	A	₱178,313
Davao Sugar Central Corp.	Affiliate	A	8,368
East West Banking Corporation	Affiliate	A	5,568
	Ultimate		
ALG Holdings, Inc.	Parent	A	1,764
The Palms Country Club	Affiliate	A	218
GCK Realty	Affiliate	C, D	12
			₱194,243

Nature of intercompany transactions

The nature of the intercompany transactions with the related parties is described below:

- Expenses - these pertain to the share of the Group of related parties in various common selling and marketing and general and administrative expenses.
- Advances - these pertain to temporary advances to/from related parties for working capital requirements
- Management and marketing fee
- Reimbursable commission expense
- Rentals

Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements

Below is the schedule of receivables (payables) with related parties, which are eliminated in the consolidated financial statements as of December 31, 2012 (amounts in thousands):

	Volume of Transactions	Receivable	Terms
Filinvest AII Philippines, Inc.			Non-interest bearing and to be settled within the year
	Share in expenses	₱107,941	₱183,531
Property Maximizer Professional Corporation	Marketing fee expense	221,246	Non-interest bearing and to be settled within the year
	Share in expenses	51,796	118,632
Cyberzone Properties, Inc.			Non-interest bearing and to be settled within the year
	Rental income	93,681	18,255
Property Specialist Resources, Inc.			Non-interest bearing and to be settled within the year
	Share in expenses	18,027	8,666
Leisurepro, Inc.			Non-interest bearing and to be settled within the year
	Share in expenses	613	6,095
Homepro Realty Marketing, Inc.			Non-interest bearing and to be settled within the year
	Share in expenses	114	4,312
		₱339,491	



Name	Balance at beginning of year	Additions	Collections	Balance at period ending December 31, 2012
Filinvest AII Philippines, Inc.	₱141,078	₱107,941	₱(65,488)	₱183,531
Property Maximizer Professional Corporation	203,698	273,042	(358,108)	118,632
Cyberzone Properties, Inc. (CPI)	46,886	93,681	(122,312)	18,255
Property Specialist Resources, Inc.	19,006	18,027	(28,367)	8,666
Leisurepro, Inc	5,482	613	—	6,095
Homepro Realty Marketing, Inc	4,168	144	—	4,312
	₱420,318	₱493,448	₱(574,275)	₱339,491

The intercompany transactions between the FLI and the subsidiaries pertain to share in expenses, rental charges, marketing fee and management fee. There were no amounts written off during the year and all amounts are expected to be settled within the year.

Schedule D. Intangible Asset

As of December 31, 2012, the Group's intangible assets consist of Goodwill. Goodwill in the Group's consolidated statements of financial position arose from the acquisition of three major assets consisting of (in thousands):

Festival Supermall structure	₱3,745,945
FAC	494,744
CPI	326,553
	₱4,567,242

Schedule E. Long term debt

Below is the schedule of long-term debt of the Group (amounts in thousands):

Type of Obligation	Amount	Current	Noncurrent
<u>Term loans</u>			
Guaranteed loan amounting to ₱1.13 billion and ₱1.12 billion obtained in October 2005 and July 2007, respectively. Both loan principal is payable in 10 semi-annual installments commencing December 2010 and ending June 2015. The loans carry a fixed interest rate of 7.72% and 7.90% per annum, respectively.	₱1,125,000	₱450,000	₱675,000
	1,125,000	450,000	675,000
<u>Developmental loans</u>			
Unsecured loan obtained in November 2012 with interest rate equal to 5 yr. PDS Treasury Fixing (PDST-F) plus a spread of 1% plus GRT or 5.5% (5 year fixed rate), payable quarterly in arrears. The principal is payable at maturity on November 2017.	995,107	—	995,107
Unsecured loan obtained in January 2012 with interest rate equal to 5 yr. PDST-F plus a spread of 1% plus GRT or 6.39% (5 year fixed rate) payable quarterly in arrears. The principal is payable at maturity on January 2017.	995,556	—	995,556
Unsecured loan obtained in April 2012 with interest rate equal to 5 yr. PDST-F plus a spread of 1% plus GRT or 6.12% (5 year fixed rate), payable quarterly in arrears. The principal is payable at maturity on January 2017.	996,249	—	996,249

(Forward)



Type of Obligation	Amount	Current	Noncurrent
<u>Developmental loans (cont.)</u>			
Unsecured loan obtained in June 2011 with interest rate equal to 91-day PDST-F rate plus a spread of up to 1% per annum, payable quarterly in arrears. The principal is payable in twelve (12) equal quarterly installments starting June 2013 up to June 2016.	₱745,938	₱123,206	₱622,732
Unsecured loan obtained in March 2011 with interest rate equal to 91-day PDST-F rate plus a spread of 1% per annum, payable quarterly in arrears, 50% of the principal is payable in twelve (12) equal quarterly installments starting June 2013 up to March 2016 and the balance is payable in full on March 2016.	747,858	92,980	654,878
Unsecured loan obtained in October 2008 with interest rate equal to 91-day PDS Treasury Fixing (PDST-F) rate plus a spread of minimum of 1% per annum, payable quarterly in arrears. 50% of the principal is payable in twelve (12) equal quarterly installments starting January 2011 up to October 2013 and lump sum full payment of the balance on October 2013. Principal payments in 2012 and 2011 amounted to ₱166.67 million.	666,667	666,667	—
Unsecured loans obtained in August 15, 2012 with interest rate equal to 5 yr. PDST-F plus a spread of 1% plus GRT or 5.79% (fixed rate for 5 yrs) subject to repricing at the end of the 5 th year. The Loan is payable quarterly in arrears and has a fixed term of 7 years, inclusive of 2 year grace period on principal repayment, 50% of the principal is payable in 20 equal quarterly installments to commence on November 2014 and the balance is payable at maturity on August 2019.	600,000	—	600,000
Unsecured loan obtained in April 2011 with interest rate equal to 91-day PDST-F plus a spread of 1% per annum, payable quarterly in arrears. The principal is payable in twelve (12) equal quarterly installments starting July 2013 up to April 2016.	499,146	83,159	415,987
Unsecured loan obtained in December 2012 with interest rate equal to PDS Treasury Fixing (PDST-F) 1 plus GRT 5 years (fixed rate) 5.26%, payable quarterly in arrears. The principal is payable at maturity on December 2017.	497,516	—	497,516
Unsecured 5-year loan obtained in September 2008. 50% of the principal is payable in twelve (12) quarterly amortizations starting December 2010 with the balance due on maturity date on September 2013. Interest rate is equal to 91-day PDST-F rate plus a spread of minimum of 1% per annum, payable quarterly. Principal payments in 2012 and 2011 amounted to ₱108.33 million.	406,250	406,250	—
Unsecured loan granted in November 2011 with a term of five years with interest at prevailing market rate, payable quarterly in arrears. The principal is payable in twelve (12) equal quarterly installments starting February 2014 up to November 2016.	398,186	—	398,186
Unsecured loan obtained in December 2011 with interest at prevailing market rate, payable quarterly in arrears. The principal is payable in twelve (12) equal quarterly installments starting March 2014 up to December 2016.	348,878	—	348,878
Unsecured loan obtained in November 2008 with interest rate equal to 91-day PDST-F rate plus a spread of minimum of 1% per annum, payable quarterly in arrears. 50% of the principal is payable in twelve (12) equal quarterly installments starting February 2011 up to November 2013 and lump sum full payment on the balance in November 2013. Principal payments in 2012 and 2011 amounted to ₱83.33 million.	333,333	333,333	—

(Forward)



Type of Obligation	Amount	Current	Noncurrent
<u>Developmental loans (cont.)</u>			
Unsecured loan obtained in May 17, 2012 with interest at prevailing market rate subject to repricing and, payable quarterly in arrears. The loan has a fixed term of 7 years, inclusive of 2 year grace period on principal repayment, 50% principal balance is payable in 20 equal quarterly installments to commence on August 2014 and the balance payable at maturity on May 2019.	₱300,000	₱—	₱300,000
Unsecured loan obtained in October 2012 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% plus GRT or 6.03%, (5 year fixed rate) , payable quarterly in arrears. The principal is payable at maturity on October 2017.	300,000	—	300,000
Unsecured loan obtained in June 2008 with interest rate equal to 91-day PDST-F rate plus a spread of minimum of 1% per annum, payable quarterly in arrears. 50% of the principal is payable in twelve (12) equal quarterly installments starting September 2010 up to June 2013 and lump sum full payment on the balance on June 2013. Principal payments in 2012 and 2011 amounted to ₱83.33 million.	291,667	291,667	—
Unsecured loans obtained in August 2008 with interest rate equal to 91-day PDST-F rate plus a spread of 1% per annum. The principal is payable in twelve (12) equal quarterly installments starting November 2010 up to August 2013. Principal payments in 2012 and 2011 amounted to ₱250.0 million.	187,500	187,500	—
Unsecured loan obtained by the Group in October 2008 with interest rate equal to 91-day PDST-F rate plus a spread of minimum of 1% per annum. The principal is payable in twelve (12) quarterly equal installments starting January 2011 up to October 2013.	166,667	166,667	—
Unsecured loan granted on November 10, 2011 with a term of 5 years with 2 year grace period on principal repayment. Interest is based on prevailing market rates, subject to quarterly repricing and payable quarterly in arrears. 50% of principal is payable in 12 equal quarterly amortizations commencing on February 10, 2014 and the balance is payable on maturity.	120,000	—	120,000
Unsecured loan granted in May 2010 with a term of five years with 50% of principal payable in 12 equal quarterly amortizations to commence on August 2012 and the balance payable at maturity on May 2015. The loan carries interest equal to 3-month PDST-F rate plus a spread of minimum of 1% per annum payable quarterly in arrears.	110,000	20,000	90,000
Unsecured loan granted in December 2012 with a term of five years with 50% of principal payable in 20 equal quarterly amortization to commence on March 2013 and the balance payable at maturity on December 2017. The loan carries interest equal to BSP Overnight rate plus a spread of 1% per annum payable quarterly in arrears.	90,000	15,000	75,000
Unsecured loan granted in May 2012 payable over 7-year period inclusive of 2 year grace period; 50% of principal is payable in 20 equal quarterly amortizations to commence on August 2014 and the balanced payable at maturity on May 2019. The loan carries interest equal to 3-month PDST-F rate plus a spread of minimum of 1% per annum	60,000	—	60,000
	9,856,518	2,386,429	7,470,089

(Forward)



Type of Obligation	Amount	Current	Noncurrent
<u>Developmental loans (cont.)</u>			
<u>Bonds</u>			
Fixed rate bonds with aggregate principal amount of ₱5.00 billion, comprised of three (3)-year fixed rate bonds due in 2012 and five (5)-year fixed rate bonds due in 2014 was issued by the Group on November 19, 2009. The 3-year bonds have a term of 3 years from the issue date, with a fixed interest rate of 7.5269% per annum. Interest is payable quarterly in arrears starting on February 19, 2010. The 5-year bonds have a term of 5 years and one (1) day from the issue date, with a fixed interest rate of 8.4615% per annum. Interest is payable quarterly in arrears starting on February 20, 2010.	₱4,477,733	₱—	₱4,477,733
Fixed rate bonds with principal amount of ₱3.00 billion and term of five (5) years from the issue date was issued by the Group on July 7, 2011. The fixed interest rate is 6.1962% per annum, payable quarterly in arrears starting on October 19, 2011.	2,962,958	—	2,962,958
Fixed rate bonds with principal amount of ₱7.00 billion and term of seven (7) years from the issue date was issued by the Group on June 8, 2012. The fixed interest rate is 6.27% per annum, payable quarterly in arrears starting on September 10, 2012.	6,924,233	—	6,924,233
	14,364,924	—	14,364,924
	₱25,346,442	₱2,836,429	₱22,510,013

Each loan balance is presented net of unamortized deferred costs.

In 2012, the Group offered securities to the public details of which are as follows:

- On May 24, 2012, the SEC authorized the Group to issue ₱11.00 billion, 7-year fixed-rate bonds in two tranches. The first tranche, amounting to ₱7.00 billion, was issued to the public on June 8, 2012 with a rate of 6.27% per annum, while the second tranche amounting to ₱4.00 billion is planned to be issued early next year.
- The Group had expected to raise gross proceeds amounting to ₱11.00 billion and net proceeds estimated at ₱6.90 billion and ₱3.96 billion from the first and second tranches of the offering, respectively. For the actual proceeds received from the first tranche, the Group raised gross proceeds of ₱7.00 billion and received net proceeds of ₱6.92 billion after deducting fees, commissions and expenses relating to the issuance of the bonds.
- As of December 31, 2012, proceeds of the offering were fully utilized to finance the development of existing and new projects of the Group as well as for the acquisition of new properties to sustain the Group's continued development of more projects in various locations. Out of the ₱6.92 billion proceeds, ₱4.43 billion were consumed for project developments, while the remaining ₱2.49 billion were used for land acquisitions.



Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Below is the list of outstanding payables to related parties of the Group presented in the Group statements of financial position as of December 31, 2012 (amount in thousands):

	Relationship	Nature	Balance at beginning of period	Balance at end of period
Filinvest Development Corp.	Group	A, C, E	₱65	₱100,921
Filinvest Alabang, Inc	Affiliate	A	16,741	41,901
Pacific Sugar Holdings, Corp.	Affiliate	A	26,768	26,768
Festival Supermall, Inc. - Management	Affiliate	A	2,229	8,206
Filarchipelago Hospitality Inc.	Affiliate	A	—	3,671
ALG Holdings, Corp.	Ultimate Parent	A	2,608	1,512
			₱48,411	₱182,979

Nature of intercompany transactions

The nature of the intercompany transactions with the related parties is described below:

- Expenses - these pertain to the share of the Group of related parties in various common selling and marketing and general and administrative expenses.
- Advances - these pertain to temporary advances to/from related parties for working capital requirements
- Management and marketing fee
- Reimbursable commission expense
- Rentals

Schedule G. Guarantees of Securities of Other Issuers

The Group does not have guarantees of securities of other issuers as of December 31, 2012.

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and Employees	Others
			(In Thousands)			
Common Shares	33,000,000	24,249,759	—	14,017,206	14,559	None
Preferred Shares	8,000,000	8,000,000	—	8,000,000	—	None



FILINVEST LAND, INC. AND SUBSIDIARIES

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS

UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2012:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		√		
PFRSs Practice Statement Management Commentary				√
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	√		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			√
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			√
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			√
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			√
	Amendments to PFRS 1: Government Loans			√
PFRS 2	Share-based Payment			√
	Amendments to PFRS 2: Vesting Conditions and Cancellations			√
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			√
PFRS 3 (Revised)	Business Combinations	√		
PFRS 4	Insurance Contracts			√
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			√
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			√
PFRS 6	Exploration for and Evaluation of Mineral Resources			√
PFRS 7	Financial Instruments: Disclosures	√		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	√		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	√		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
PFRS 7 (cont.)	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	√		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	√		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities		√	
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		√	
PFRS 8	Operating Segments	√		
PFRS 9	Financial Instruments	√		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	√		
PFRS 10	Consolidated Financial Statements		√	
PFRS 11	Joint Arrangements		√	
PFRS 12	Disclosure of Interests in Other Entities		√	
PFRS 13	Fair Value Measurement		√	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	√		
	Amendment to PAS 1: Capital Disclosures			√
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			√
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income		√	
PAS 2	Inventories	√		
PAS 7	Statement of Cash Flows	√		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	√		
PAS 10	Events after the Reporting Date	√		
PAS 11	Construction Contracts	√		
PAS 12	Income Taxes	√		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			√
PAS 16	Property, Plant and Equipment	√		
PAS 17	Leases	√		
PAS 18	Revenue	√		
PAS 19	Employee Benefits	√		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	√		
PAS 19 (Amended)	Employee Benefits	√		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			√



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
PAS 21	The Effects of Changes in Foreign Exchange Rates			√
	Amendment: Net Investment in a Foreign Operation			√
PAS 23 (Revised)	Borrowing Costs	√		
PAS 24 (Revised)	Related Party Disclosures	√		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			√
PAS 27	Consolidated and Separate Financial Statements	√		
PAS 27 (Amended)	Separate Financial Statements		√	
PAS 28	Investments in Associates	√		
PAS 28 (Amended)	Investments in Associates and Joint Ventures		√	
PAS 29	Financial Reporting in Hyperinflationary Economies			√
PAS 31	Interests in Joint Ventures	√		
PAS 32	Financial Instruments: Disclosure and Presentation	√		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			√
	Amendment to PAS 32: Classification of Rights Issues			√
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities		√	
PAS 33	Earnings per Share	√		
PAS 34	Interim Financial Reporting			√
PAS 36	Impairment of Assets	√		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	√		
PAS 38	Intangible Assets	√		
PAS 39	Financial Instruments: Recognition and Measurement	√		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			√
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			√
	Amendments to PAS 39: The Fair Value Option			√
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			√
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			√
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			√
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			√
	Amendment to PAS 39: Eligible Hedged Items			√



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
PAS 40	Investment Property	√		
PAS 41	Agriculture			√
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			√
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			√
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>	√		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			√
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			√
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			√
IFRIC 8	<i>Scope of PFRS 2</i>			√
IFRIC 9	Reassessment of Embedded Derivatives			√
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			√
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			√
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			√
IFRIC 12	Service Concession Arrangements			√
IFRIC 13	Customer Loyalty Programmes			√
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			√
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			√
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			√
IFRIC 17	Distributions of Non-cash Assets to Owners			√
IFRIC 18	Transfers of Assets from Customers			√
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			√
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine		√	
SIC-10	Government Assistance - No Specific Relation to Operating Activities			√
SIC-12	Consolidation - Special Purpose Entities			√
	Amendment to SIC - 12: Scope of SIC 12			√
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			√
SIC-15	Operating Leases - Incentives			√
SIC-21	Income Taxes – Recovery of Revalued Non-Depreciable Assets			√
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			√



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			√
SIC-29	Service Concession Arrangements: Disclosures.			√
SIC-31	Revenue - Barter Transactions Involving Advertising Services			√
SIC-32	Intangible Assets - Web Site Costs			√

Standards tagged as “Not applicable” have been adopted by the Group but have no significant covered transactions for the year ended December 31, 2012.

Standards tagged as “Not adopted” are standards issued but not yet effective as of December 31, 2012. The Group will adopt the Standards and Interpretations when these become effective.



FILINVEST LAND, INC.**PARENT COMPANY UNAPPROPRIATED RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DISTRIBUTION****(Amounts in Thousands of Pesos)**

Retained Earnings, January 1, 2012	₱9,022,973
Adjustments:	
Prior-year adjustments	(254,018)
Unappropriated Retained Earnings, as adjusted, January 1, 2012	8,768,955
Net income based on the face of audited financial statements	3,431,436
Less: Non-actual/unrealized income net of tax	
Equity in net income of an associate	—
Unrealized foreign exchange gain - net	—
Unrealized actuarial gain	—
Fair value adjustment (marked-to-market gains)	—
Fair value adjustment of Investment Property resulting to gain	—
Adjustment due to deviation from PFRS/GAAP gain	—
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions	
accounted for under PFRS	—
Add: Non-actual/unrealized losses net of tax	
Depreciation on revaluation increment	—
Adjustment due to deviation from PFRS/GAAP loss	—
Loss on fair value adjustment of Investment Property	—
Movement in deferred tax assets	(44,089)
Net income actual/realized	3,387,347
Less: Dividend declarations during the year	(1,151,865)
Unappropriated Retained Earnings, as adjusted, December 31, 2012	₱11,004,437



Financial Soundness Indicator

Below are the financial ratios that are relevant to the Group for the year ended December 31, 2012 and 2011:

Financial ratios		2012	2011
Current ratio ⁽¹⁾	<u>Current assets</u> <u>Current liabilities</u>	3.56	4.38
Long-term debt-to-equity ratio	<u>Long-term debt</u> <u>Equity</u>	0.55	0.38
Debt ratio	<u>Total liabilities</u> <u>Total assets</u>	0.44	0.36
EBITDA to total interest paid	<u>EBITDA</u> <u>Total interest paid</u>	2.80	4.40
Price Earnings Ratio	<u>Closing price ⁽²⁾</u> <u>Earnings per share</u>	10.64	8.16

⁽¹⁾ In computing for the Group's current ratio, current assets include cash and cash equivalents, contracts receivables, due from related parties, other receivables and real estate inventories and current liabilities include accounts payable and accrued expenses, due to related parties, income tax payable, loans payable and bonds payable. Determination of current accounts is based on their maturity profile of relevant assets and liabilities.

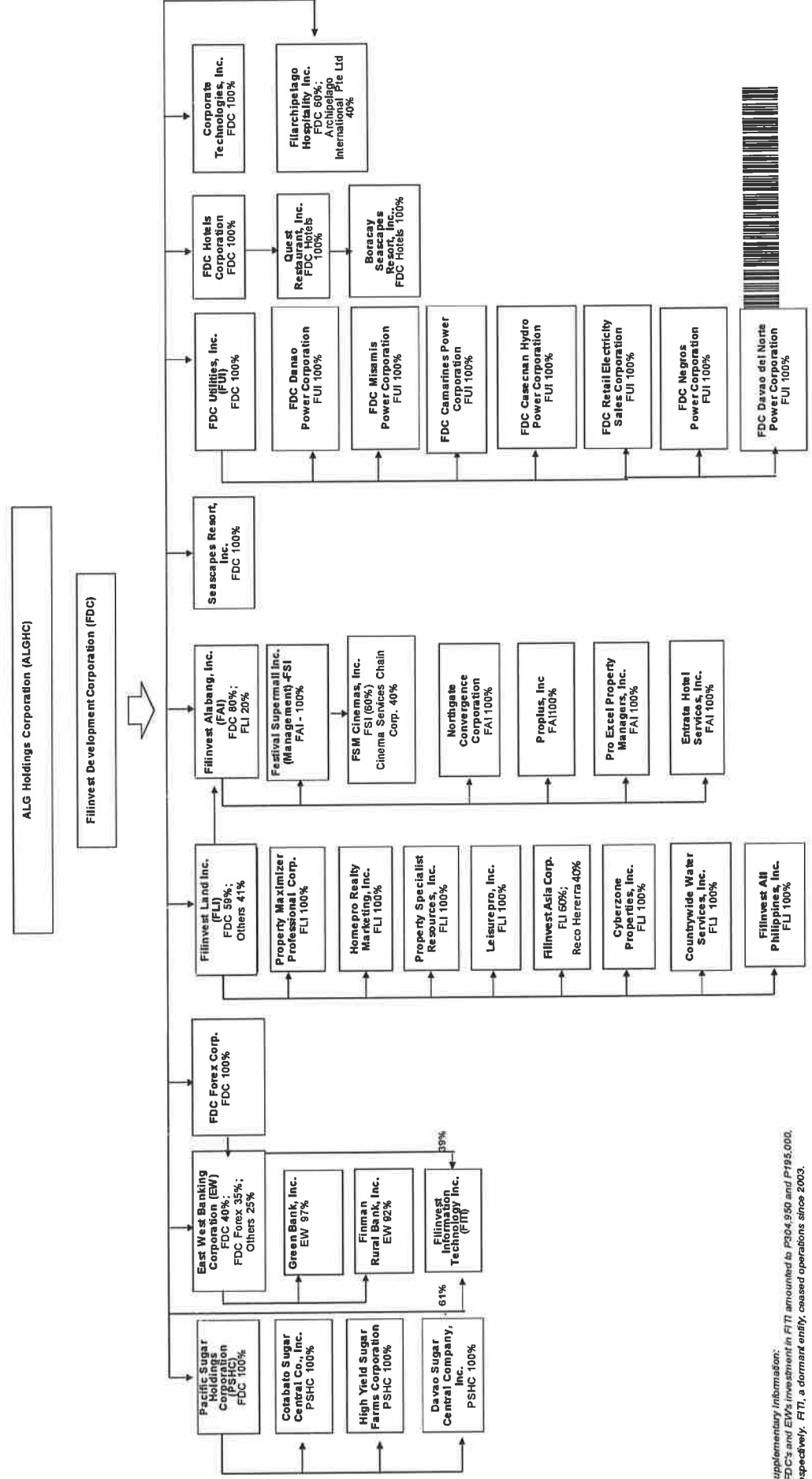
⁽²⁾ Closing price at December 28, 2012



Group Structure

Below is a map showing the relationship between and among the Group and its ultimate Group, subsidiaries, and associates as of December 31, 2012.

ALG HOLDINGS CORPORATION Group Structure (As of December 31, 2012)



Supplementary Information:
*FDC's and EW's investment in FTI amounted to P204,950 and P195,000, respectively. FTI, a dormant entity, ceased operations since 2003.