COVER SHEET

				9	4	0	0	7	1	6	0

SEC Registration Number

ARTHALAND CORPORATION

(Company's Full Name)

8F PICADILLY STAR BUILDING,
4TH AVENUE CORNER 27TH STREET,
BONIFACIO GLOBAL CITY,
TAGUIG CITY, METRO MANILA 1634

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

PONCIANO S. CARREON, JR.
(Contact Person)

(+632) 403-6910
(Company Telephone Number)

1	**2**		**3**	**1**	

Month *Day*
(Fiscal Year)

1	**7**	**-**	**A**	

(Form Type)

0	**6**	**Last**	**Fri**

Month *Day*
(Annual Meeting)

N.A.
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

2,087
Total No. of Stockholders

Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number LCU

Document ID Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **31 December 2012**

2. SEC Identification Number **ASO-94-007160** 3. BIR Tax Identification No. **116-004-450-721**

4. Exact name of issuer as specified in its charter **ARTHALAND CORPORATION (ALCO)**

5. **Metro Manila, Philippines** — (SEC Use Only)
   Province, Country or other jurisdiction of incorporation or organization — Industry Classification Code:

7. **8/F Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City** — **1634**
   Address of principal office — Postal Code

8. **(+632) 403-6910/403-6915**
   Issuer's telephone number, including area code

9. **Not Applicable**
   Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA:

Title of Each Class	Number of Shares of Common Stock Outstanding	Amount of Debt Outstanding
Common Shares	**5,318,095,199 (₱0.18 par value)**	**None**

11. Are any or all of these securities listed on a Stock Exchange? Yes [**x**] No [ ]
    If yes, state the name of such stock exchange and the classes of securities listed therein:

    Philippine Stock Exchange – Only 3,696,865,199 Common Shares are listed at present.

12. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports): Yes [x] No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days: Yes [x] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

    Please refer to ANNEX 1.

Documents Incorporated by Reference:

Audited Financial Statements for the period ended as of 31 December 2012 **(ANNEX 3)**

PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1. Business

a. Corporate Overview

ARTHALAND CORPORATION was incorporated on 10 August 1994[1] for the purpose of engaging in property development of residential, commercial, leisure and industrial projects**.** Its shares are traded in the Philippine Stock Exchange. ALCO's principal office is at the 8th floor Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City.

ALCO instituted several corporate actions in 2007 to prepare for its medium and long term business goals. It underwent a quasi-reorganization consisting basically of the reduction in the par value of its shares and decrease in authorized capital stock[2] and subsequently a recapitalization program and increase in authorized capital stock[3] which led to the entry of new investors, namely AO Capital Holdings 1, Vista Holdings Corporation, The First Resources Management and Securities Corporation and Elite Holdings, Inc. (collectively, the "new investors").

On 12 August 2008, the Board approved the ₱750.0 million subscription by the new investors in ALCO equivalent to 3.750 billion common shares.

On 26 April 2011, CPG Holdings, Inc. (CPG), a holding company of leading food manufacturers domiciled in the Philippines, acquired a total of 1,800,000,000 ALCO common shares, or an equivalent of 33.847% of ALCO's total issued and outstanding common shares. Presently, CPG is the leading shareholder of ALCO.

b. Business/Projects

ALCO's main business activity is the development of residential, commercial and leisure properties. It is geared to pursuing niched and boutique developments as well as opportunistic joint venture developments.

ALCO is a registered member of the US Green Building Council's Leadership in Energy and Environmental Design Program (LEED), a US organization which sets the world standards for green buildings and sustainable developments. It is a globally recognized green building rating system that ensures comprehensive, inclusive and calibrated measures in ensuring sustainability and environmentally sound practices.

ALCO has investments in various properties with aggregate book value of ₱1.260 billion and market value of ₱2.70 billion. Two (2) of these properties are at the Bonifacio Global City (BGC) and a 35-hectare property in Calamba City.

ALCO is the developer of Arya Residences, the pioneer and only top-end high rise

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[1] The Securities and Exchange Commission (SEC) approved the amendment of ALCO's Articles of Incorporation reflecting the change of the corporate name on 26 January 2009.

[2] As approved by the SEC on 04 December 2007.

[3] From ₱246,257,136.00 to ₱2,946,257,135.82, divided into 16,368,095,199 common shares at a par value of ₱0.18 per share as approved by the SEC on 24 December 2008.

residential development in the Philippines that is on target to achieve dual green building certification. Due to its strict adherence to the global sustainability measures – from planning to construction, and even beyond turnover – Arya Residences is set to achieve the Gold certification from the US Green Building Council's LEED.

Arya Residences is the leading high rise residential development that set the standard in the Philippine Green Building Council's BERDE (Building for Ecologically Responsive Design Excellence), or the green building rating system used to measure, verify and monitor the environmental performance of buildings that exceed existing mandatory regulations and standards in the Philippines. Arya Residences garnered international recognition for two (2) years in a row now. In fact, no less than the South East Asian Property Awards has chosen Arya Residences as the Best Residential Development in the Philippines in 2012.

Unlike other developers, ALCO commits to provide property management services to the condominium corporation of all its development projects even after they are completed and turned over to the respective buyers. Post-completion involvement allows ALCO to maintain a high standard of maintenance quality in its developments.

c. Subsidiaries

ALCO holds 100% ownership interest in the following subsidiaries as of 31 December 2012:

Cazneau, Inc. (Cazneau)[4]
Technopod, Inc. (Technopod)[5]
Urban Property Holdings, Inc. (UPHI)[6]
Manchesterland Properties, Inc. (MPI)[7]

All of these subsidiaries were established to engage primarily in real estate development.

MPI is the registered owner of a 6,357-square meter property located along McKinley Parkway on which Arya Residences, ALCO's flagship project, is currently being constructed.

UPHI was originally established for the development of a housing project on its initial 33-hectare property in Calamba, Laguna. This plan may change subject to market conditions.

All of these subsidiaries were established to engage primarily in real estate development. With the exception of UPHI as discussed separately in Item 3 (Legal Proceedings) of this Report, none of these subsidiaries are engaged in any bankruptcy, receivership or similar proceedings. Neither are they parties during the period covered by this Report to any transaction which involves material reclassification, merger, consolidation or purchase or sale of a significant amount of assets.

[4] It was incorporated in the Philippines on 31 July 2008.
[5] It was incorporated in the Philippines on 31 July 2008.
[6] It was incorporated in the Philippines on 23 January 1995.
[7] It was incorporated in the Philippines on 27 March 2008.

d. Competition

Significant barriers to entry into the market are the considerable capital needed for the acquisition and development of land, the development expertise and reputation required from an experienced management team, and the technological know-how from a technical team, to name a few.

ALCO faces competition from other domestic property developers and the level of competition depends on product types, target market segments, location of developments and pricing, among others. ALCO views the major property players which are into the middle and high market categories for high-rise residential developments in the vicinity of ALCO's investment properties as direct competition.

Competition can also be present in the procurement of raw materials particularly in a tight supply market. Further, ALCO competes with other property developers for high-caliber sales/leasing agents and brokers.

ALCO believes that given the desirability of the project locations, its strict adherence to quality, innovation and sustainability, its competitive pricing schemes and commitment to its projects even after sales, it will be able to compete effectively.

ALCO considers two (2) direct competition in the high-end residential market segment in terms of relative quality of development and pricing of products – Ayala Land, Inc. and Rockwell Land Corporation. These companies have been in the business many years earlier than ALCO and therefore, have longer track record and financial mileage. These companies are considered to have the greater share of the market at the moment. ALCO intends to primarily capitalize on its niche market of true sustainable developments and doing projects which are unique and special in terms of design, sustainable features and distinct locations. ALCO believes that it has started the ground well in sustainable and luxurious projects being the first company to have a LEED-registered residential project in the country, and intends to continue to provide distinguishing products with better quality at more competitive pricing. ALCO believes it can achieve this given its far less overhead costs, being a relatively leaner organization.

e. Industry Risk

The property development sector is cyclical and is subjected to the Philippine economic, political and business performance. The industry is dependent primarily on consumer spending for housing. In the past years, a significant portion of housing demand is being driven by purchases from the overseas workers' market. This exposes the industry to the economic performance of foreign countries of the overseas workers such as the United States, Saudi Arabia and countries in Europe.

The office market has been largely driven by the business process outsourcing (BPO) sector which caters largely to US and European customers. The BPO industry, organized under the Business Process Association of the Philippines (BPAP) comprises primarily of contact centers, back office operations and medical transcription, among others.

The BPO industry has been experiencing phenomenal growth since the mid-2000. In 2008-2009, however, demand for BPO office space dropped as a result of the global recession which led to a glut in office space and a reduction in rental rates. The industry saw a recovery in 2010 as BPO offices resumed their expansion plans which brought an upward adjustment in rental rates.

Overall, the industry and necessarily, ALCO and its subsidiaries, contend with risks relating to volatility in overseas remittances, interest rates, credit availability, foreign exchange, political developments, costs and supply of construction materials, wages, changes in national and local laws and regulations governing Philippine real estate and investments. ALCO and its subsidiaries are sensitive to the political and security situations of the country since a portion of its sales comes from both foreign and local investors, and to the performance of overseas remittances and the BPO sectors as these inflows find their way into investments in housing and other real estates.

ALCO has a very rigid credit approval system to ensure that its buyers are financially capable of meeting their payment schedules. It has a committee which evaluates credit worthiness of prospective buyers and regularly monitors the economic performance of the country and global players through internal research and consultations with its property consultants to be able to timely adjust policies on pricing, payment schemes and timing of new project launches.

f. Sources and availability of raw materials

Construction of ALCO's project/s is awarded to qualified reputable construction firms subject to a bidding process and Management's evaluation of contractors' qualifications and satisfactory working relationships. Construction materials, primarily cement and rebars, are normally provided by the contractors as part of their engagement. However, ALCO has the right and may opt to procure owner-supplied construction materials should it be more cost-effective for its projects.

g. Advances to Related Parties

In the regular conduct of its business, ALCO and its wholly-owned subsidiaries enter into inter-company transactions, primarily advances and reimbursements for expenses. These transactions are made substantially on the same terms as with other individuals and businesses of comparable risks.

h. Patents and Trademarks

ALCO's operations are not dependent on patents, trademarks, copyrights and the like although ALCO sought from the Intellectual Property Philippines and was granted in 2010 the exclusive use of the tradename logos and taglines "ArthaLand" and "Arya Residences".

i. Government approval for principal products or services

ALCO secures various government approvals such as Environmental Compliance Certificates (ECCs), development permits and licenses to sell as part of its normal course of business.

Presidential Decree No. 957 vested the administrative function of regulating the real estate business in the country on the Housing and Land Use Regulatory Board (HLURB).

The Philippine Economic Zone Authority (PEZA), on the other hand, oversees economic zones created by Presidential proclamation, such as industrial estates, export processing zones, free trade zones, tourist areas and information technology enterprises. PEZA-registered enterprises enjoy income tax holidays, and duty-free importation of equipment, machinery and raw materials.

ALCO does not foresee any material or adverse effect of existing and probable government regulations on its business.

j. Cost and Effects of Compliance with Environmental Laws

ALCO complied with all environmental regulatory requirements for both the pre-construction and operational phases of Arya Residences and paid for the imposed dues, the aggregate amount of which is ₱690,000.00.

ALCO goes beyond the mandatory environmental framework, being a member and supporter of the Philippine Green Building Council and US Green Building Council, as well as a partner of the World Wide Fund.

ALCO will definitely be obtaining the requisite government approvals for its subsequent projects based on the projects' timetable for development and pre-selling.

k. Employees

As of the date of this Report, ALCO has a total of fifty-one (51) employees consisting of five (5) executives officers, six (6) senior officers, twelve (12) managers/supervisors and the rest are administrative employees. These employees are not covered by a collective bargaining agreement.

It cannot be determined whether additional employees will be hired for the succeeding year but the same will be closely aligned with ALCO's actual and programmed growth.

l. Working Capital

In general, ALCO finances its projects through internally generated funds, loans and support from its major shareholders. The amount spent on development activities and its percentage vis-à-vis ALCO's revenues during the last two (2) fiscal years, if any, are reflected and discussed extensively in ALCO's Audited Financial Statements for the period covered by this Report attached as **ANNEX 3**.

ITEM 2. Properties

ALCO is the registered owner of a 2,233-square meter property (Lot 5 Block 5)[8] along 5th Avenue within BGC's E-Square, particularly across the street from the proposed Shangri La Hotel and the Philippine Stock Exchange. The development plan for this property is mixed-use. This property is presently mortgaged with BDO Unibank., Inc. for a ₱700.0MM term loan.

MPI, a wholly-owned subsidiary of ALCO, is the registered owner of a 6,357-square meter property (Lot 4 Block 1)[9] along McKinley Parkway on which Arya Residences, ALCO's flagship project, is currently being constructed. ALCO's shareholdings in MPI are presently subject of a lien in favor of Allied Banking Corporation for a ₱600.0MM term loan.

ALCO and IRMO, also a wholly-owned subsidiary of ALCO, were the registered owners of a 1,585-square meter property (Lot 1, Block 7) along 32nd Street and Third Avenue within BGC's E-Square. However, ALCO sold all its shareholdings in IRMO in favor of Future State My Space, Inc. in 2012 in its desire to significantly improve its year-end net income and enable it to prepay some of its loans.

UPHI, another wholly-owned subsidiary of ALCO, is the registered owner of a 35-hectare rawland[10] located at the junction of the city limits of Tagaytay City and the provincial boundaries of Laguna and Batangas. The portion of the property lying within the Tagaytay City limits is nestled along the fairway of Tagaytay Highlands Golf and Country Club. Approximately one (1) hectare of this property is subject of an expropriation proceeding, a full disclosure of which is discussed in the succeeding Item.

Operating Lease Commitments as Lessee

ALCO is a lessee under non-cancellable operating leases covering office space and sales. The leases have terms ranging from three (3) to five (5) years with renewal options and provisions for escalation.

The future minimum rental payables under these non-cancellable operating leases are as follows:

	2012	2011	2010
Within one (1) year	**₱7,776,987**	₱7,294,381	₱6,914,510
After one (1) year but not more than five years	**4,129,230**	15,183,741	27,775,524
	₱11,906,217	₱22,478,122	₱34,690,034

The total rental expense recognized from these operating leases amounted to ₱13.10MM, ₱11.10MM and ₱12.70MM in 2012, 2011 and 2010, respectively (see Note 17).

[8] FAR 15.4, GFA 34,380m^2

[9] FAR 12, GFA 76,284 m^2

[10] The carrying value of this property amounts to ₱149.80MM as of 31 December 2010 and 2009. Based on the appraisal report dated 28 February 2011, the fair value of the land amounted to ₱282.0MM.

Operating Lease Commitments as Lessor
ALCO is the lessor under cancellable operating leases with Ayala Property Management Corporation covering parking space. The lease term shall be for an indefinite period of time until either party terminates the agreement by giving at least thirty (30) days prior written notice to the other party.

The rent is seventy percent (70%) of the net operating income of the parking operations in the leased premises per one (1) month period, exclusive of value added tax.

The total rental income recognized from this operating lease amounted to ₱3.80MM, ₱3.10MM and ₱2.10MM in 2012, 2011 and 2010, respectively.

ITEM 3. Legal Proceedings

As of the date of this Report, with the exception of the following, neither ALCO nor any of its subsidiaries is a party to any legal action arising from the ordinary course of its respective business:

1. **Labor**

   ALCO is a respondent in a labor case filed on 28 August 2012 by Ms. Carmela D. Siojo, a former sales agent, allegedly for illegal dismissal.

2. **Quieting of Title**

   On 18 October 2010, UPHI filed a complaint for quieting of title, among other reliefs, before the Regional Trial Court of Calamba, Laguna, Branch 36 because of the erroneous issuance of tax declarations by the City of Tagaytay covering UPHI's property.

3. **Expropriation**

   A portion of UPHI's property with an area of about one (1) hectare is the subject of an expropriation proceeding filed by the National Power Corporation (NAPOCOR) in February 1998 and is pending before the Regional Trial Court of Calamba, Laguna, Branch 34, for final resolution on the amount to be paid by NAPOCOR. NAPOCOR had erected a tower thereon to form part of the Tayabas-Dasmarinas Line Project.

The potential effect of the foregoing cases on the financial statements of ALCO and UPHI cannot be determined at the moment. However, it is believed that the effect thereof, if there is any, is not significant.

ITEM 4. Submission of Matters to a Vote of Security Holders

In ALCO's Annual Stockholders' Meeting held on 29 June 2012, in addition to electing the members of its Board of Directors for the year 2012-2013 to hold office as such and until their respective successors are duly nominated, elected and qualified, the stockholders representing at least sixty-seven percent (67%) of ALCO's outstanding common shares which were entitled and qualified to vote approved the proposal to amend Section 2, Article III of ALCO's latest By-laws on the Number, Tenure and Qualifications of Directors in order to further qualify who are eligible to be nominated and/or elected as directors of ALCO.

The SEC approved the amendments to ALCO's By-laws on 15 March 2013. Section 2, Article III of ALCO's By-laws with the amendments (as underscored) now reads, as follows:

> The Board of Directors shall be composed of nine (9) members, at least two (2) of whom shall be independent directors. The directors shall be elected at the annual stockholders' meeting and their term of office shall be one (1) year and until their successors shall have been elected at the next annual stockholders' meeting and have qualified in accordance with these By-laws and under pertinent laws and regulations of the Philippines.
>
> <u>To be eligible for nomination or election to the Board of Directors, the candidate must possess all the qualifications and none of the disqualifications enumerated in this By-laws and the Rules of the Corporation's Nomination Committee, and must abide by the nomination process as stated therein.</u>
>
> An independent director is a director who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director, and includes, among other persons, one who:
>
> a. is not or has not been an officer or employee of the Corporation, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his election (other than as an independent director of any of the foregoing);
>
> b. is not a director or officer of the related companies of the Corporation's majority stockholder (other than as an independent director thereof);
>
> c. is not a majority stockholder of the Corporation, any of its related companies, or of its majority shareholders;
>
> d. is not a relative within the fourth degree of consanguinity or affinity, legitimate or common-law, of any director, officer or majority shareholder of the Corporation or any of its related companies;
>
> e. is not acting as nominee or representative of any director or substantial shareholder of the Corporation, any of its related companies or any of its substantial shareholders;
>
> f. is not retained, or within the last two (2) years has not been retained, as a professional adviser, consultant, agent or counsel of the Corporation, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm, or has not engaged and does not engage in any transaction with the Corporation or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons, or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and could not materially interfere with or influence the exercise of his judgment;

g. is not affiliated with or employed by or within the last three (3) years, has not been affiliated with or employed by the Corporation's present or former external auditors or affiliates; and,

h. complies with all the qualifications required of an independent director and does not possess any of the disqualifications, and has not withheld nor suppressed any information material to his qualification or disqualification as an independent director.

When used in relation to the Corporation, "related company" means another company which is (i) its holding company; (ii) its subsidiary; or (iii) a subsidiary of its holding company; and "substantial shareholder" means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

<u>No person shall qualify or be eligible for nomination or election to the Board of Directors (i) if he is engaged in any business that competes with or is antagonistic to that of the Corporation or its subsidiaries, taking into consideration such factors as business and family relationships; or (ii) if he is employed by any government agency or a government owned or controlled corporation; or (iii) if he has or had instituted any action or has a pending suit against any of the Corporation's directors or any stockholder who owns at least 10% of the total outstanding shares of the Corporation. Further, no person shall qualify or be eligible for election to the Board of Directors if his nomination is disapproved by at least fifty-one percent (51%) vote of the Board of Directors.</u>

In addition, no person shall qualify or be eligible for nomination or election to the Board of Directors if he is suffering from any of the following grounds for disqualification:

(i) Conviction by final judgment or order of a competent judicial or administrative body of any crime involving moral turpitude or similar fraudulent acts or transgressions;

(ii) Convicted or adjudged by final judgment or order by a court or competent administrative body of an offense punishable by imprisonment for a period exceeding six (6) years, or to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Securities and Exchange Commission or Bangko Sentral ng Pilipinas, committed within five (5) years prior to the date of election as director;

(iii) Any person earlier elected as an independent director who becomes an officer, employee or consultant of the Corporation;

(iv) Judicial declaration of bankruptcy or insolvency; and,

(v) Final judgment or order of a foreign court or equivalent regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (iv) above.

For the proper implementation of the provisions of this Section, all nominations for the election of directors by the stockholders shall be submitted in writing to the <u>Nomination Committee</u> through the Secretary at the Corporation's principal place of business at least sixty (60) business days before the date of the stockholders' meeting called for the purpose of electing directors, or at such earlier or later date that the Board of Directors may fix.

The decision of the Nomination Committee is final for purposes of the election.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. Market for Issuer's Common Equity and Related Stockholder Matters

a. Market Information

ALCO's common shares are traded in the Philippine Stock Exchange. The volume of its shares traded from 2003 to 2009 has been negligible due to market conditions. On 24 May 2007, ALCO sought the voluntary suspension of trading of its shares until such time as the SEC approves its capital reorganization and the listing of its additional shares in the Exchange. The suspension was lifted on 08 January 2009.

The following are the highlights of quarterly trading for the periods of 2011-2012 and the first quarter of 2013:

	2013			**2012**			**2011**		
Quarter	High	Low	Close	High	Low	Close	High	Low	Close
1	0.2300	0.1840	0.2130	0.1940	0.1620	0.1900	0.2000	0.1430	0.1520
2	- 0 -	- 0 -	- 0 -	0.1920	0.1620	0.1710	0.2160	0.1520	0.1820
3	- 0 -	- 0 -	- 0 -	0.1900	0.1700	0.1700	0.2180	0.1700	0.1530
4	- 0 -	- 0 -	- 0 -	0.1850	0.1680	0.1780	0.1900	0.1500	0.1600

b. Security Holders

ALCO Common shares outstanding are 5,318,095,199.

The number of shareholders of record as of 31 December 2012 is 2,096 and ALCO's public ownership percentage is 25.8641%.

The number of shareholders of record as of 31 March 2013 is 2,087 and ALCO's public ownership percentage remains at 25.8641%.

Article Seventh of ALCO's Articles of Incorporation provides that ALCO's common shares of stock are not subject to pre-emptive rights of the stockholders and may therefore be issued in such quantities at such times as the Board of Directors may determine. Article Tenth also provides that no issuance or transfer of shares of stock shall be allowed if it will reduce the ownership of Filipino citizens to less than the percentage required by law.

ALCO's top 20 stockholders as of 31 December 2012 are as follows:

Name of Shareholders	No. of Shares	%
1. CPG Holdings, Inc.	1,800,000,000	33.8467
2. AO Capital Holdings I	1,383,730,000	26.0193

3. PCD Nominee Corporation – Filipino	770,041,160	14.4796
4. Nanlong Investment Limited	342,619,910	6.4425
5. Edimax Investment Limited	296,460,000	5.5746
6. Viplus Investment Limited	247,899,874	4.6614
7. Elite Holdings, Inc.	119,809,996	2.2529
8. Kinstar Investment Limited	94,720,035	1.7811
9. PCD Nominee Corporation – Non-Filipino	50,249,107	0.9449
10. The First Resources Mgt. And Sec. Corp.	37,500,000	0.7051
11. Keng, Tina	25,000,000	0.4701
12. Bartolome, Rosario	15,231,750	0.2864
13. EQL Properties, Inc.	14,671,125	0.2759
14. Urban Bank Trust Department – A/C No. 625	4,838,488	0.0910
15. RBL Fishing Corporation	4,350,000	0.0818
16. Reyes, Veronica D.	3,799,272	0.0714
17. Bartolome, Aurelio Paulo R.	2,922,500	0.0550
18. Lou, Washington M.	2,827,500	0.0532
19. Reyes, Veronica D. and/or Cecilia D. Reyes	2,654,061	0.0499
20. Huang, Theodore and/or Corazon B. Huang	2,501,250	0.0470
TOTAL	5,221,826,028	98.1898

ALCO has the same Top 20 stockholders as of 31 March 2013 but the shareholdings of the PCD Nominee Corporation-Filipino increased to 774,891,655 (or 14.5708% of the total outstanding ALCO shares) while those of PCD Nominee Corporation-Non Filipino decreased to 46,249,107 (or 0.8697%).

c. Dividends

There were no dividends declared in the years 2011 and 2012 and up to the present.

Whether ALCO plans to declare dividends within the next twelve (12) months is uncertain but the same shall be subject to Section 2, Article VII of ALCO's By-laws which provides, as follows:

> "Dividends shall be declared from the unrestricted retained earnings of the Corporation, including stock dividends from paid-in surplus, at such time and in such amounts as the Board of Directors may determine. Dividend declarations shall not in any manner reduce the paid-in capital of the Corporation. Unless otherwise resolved by the Board of Directors, a fraction of one-half or more of a share owing to a stockholder resulting from a declaration of stock dividends shall be issued as one full share, while a fraction of less than one-half share shall be disregarded.
>
> "Declaration of stock dividends shall be submitted to a stockholders' meeting for approval within forty (40) business days from such approval by the Board of Directors. The record date for stock dividends shall not be earlier than the date of approval by the stockholders.
>
> "Declaration of cash dividends shall have a record date which shall not be less than ten (10) business days but not more than thirty (30) business days from the date of declaration by the Board of Directors."

d. Recent Sales of Unregistered or Exempt Securities

There are no recent sales of unregistered or exempt shares of ALCO.

ITEM 6. Management's Discussion and Analysis or Plan of Operation

Please refer to **ANNEX 2**.

ITEM 7. Financial Statements

ALCO's consolidated financial statements for the period ended as of 31 December 2012 were audited by Reyes Tacandong & Co., the details of which are stated below:

Accountant	:	Reyes Tacandong & Co.
Mailing Address	:	PHINMA Plaza, 39 Plaza Drive Rockwell Center 1200 Makati City
Certifying Partner	:	Ms. Carolina P. Angeles
C.P.A. Reg. No.	:	86981
TIN No.	:	205-067-976-000
PTR No.	:	3670315 issued on 02 January 2013 at Makati City
SEC Accreditation No.	:	Partner – No. 0658-AR-1-A (until 30 March 2014)
BIR Account No.	:	08-005144-7-2010 (until 05 November 2013)

- 0 -

ALCO's consolidated financial statements for the period ended as of 31 December 2012 is incorporated herein by reference and attached as **ANNEX 3**.

ITEM 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Article V of ALCO's By-laws provides, among others, that the External Auditor shall be appointed by its Board of Directors and shall receive such compensation or fee as may be determined by the Chairman or such other officer(s) as the Board of Directors may authorize.

Punongbayan & Araullo (P&A) was appointed as ALCO's external auditor for 2009, 2010, and 2011. ALCO has not had any disagreement with P&A.

Reyes Tacandong & Co. (RT&Co) was appointed as ALCO's external auditor for the period ending 31 December 2012 after reviewing various proposals received from different auditing firms offering to provide accounting services and after taking into consideration certain factors including, but not limited to, fees and expenses and other additional services to be rendered without additional charges.

<u>Fees and Other Arrangements</u>

The external auditor's fees are based on the estimated time that would be spent on an engagement and ALCO is charged at hourly rates vis-à-vis the experience level of the professional staff members who will be assigned to work on the engagement. Fees are also generally based on the complexity of the issues involved and the work to be performed, as well as the special skills required to complete the work.

The fees of P&A are ₱550,000.00 for 2011, ₱400,000.00 for 2010, and ₱270,000.00 for 2009. These fees are exclusive of VAT.

The fees of RT&Co for 2012 are ₱500,000.00, exclusive of VAT. The fees of RT&Co for services rendered to ALCO's subsidiaries are as follows:

Cazneau	-	₱50,000.00
MPI	-	₱50,000.00
Technopod	-	₱50,000.00
UPHI	-	₱50,000.00

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9. Directors, including Independent Directors, and Executive Officers

a. Incumbent Directors and Positions Held/Business Experience for the Past Five (5) Years

The following were elected during the Annual Stockholders' Meeting held on 29 June 2012 for the term 2012-2013 and until their successors shall have been elected and qualified in accordance with the By-laws of ALCO:

The following were elected during the Annual Stockholders' Meeting held on 29 June 2012 for the term 2012-2013 and until their successors shall have been elected and qualified in accordance with the By-laws of ALCO:

Name	Directorship	Age
Angela de Villa Lacson	Regular	67
Jaime C. Gonzalez	Regular	67
Jaime Enrique Y. Gonzalez	Regular	36
Christopher Paulus Nicolas T. Po	Regular	42
Ricardo Gabriel T. Po, Jr.	Regular	45
Ricardo S. Po, Sr.	Regular	82
Dennis Omar T. Salvo	Regular	51
Ernest K. Cuyegkeng	Independent	66
Fernan Victor P. Lukban	Independent	53

Angela de Villa-Lacson, Filipino, grew the ALCO organization from its inception in 2008 to what it is today, a dedicated and committed 110 or so permanent and contractual employees. Responsible for drawing up the future proof mission and vision of the company by closely adhering to the principles of being responsive to its shareholders and its stakeholders, she has established the ALCO's flagship high-end project, Arya Residences, as a residential benchmark for sustainable practices in the construction and design industry. Ms. Lacson came from a successful stint with Ayala Land, Inc. (ALI) where she led the growth of the Residential Business of the company to account for more than half of the revenues thereof. While in ALI, she led various high-end residential developments, notably One Roxas Triangle, Serendra, The Residences at Greenbelt and One Legazpi Park, and some low-rise developments, Montgomery Place and Ferndale. She was also involved in the development of the new communities in the South: Ayala Greenfields and Ayala Westgrove. Concurrent to her position in ALI as head of Ayala Land Premier, she started and grew its subsidiary, Community Innovations, Inc. (CII), now Alveo, the company that addressed the needs of the upper-mid market. Some of CII's projects that she led were The Columns in Ayala Avenue and Legazpi, and Verdana. She also headed the Innovation and Design Group of ALI. This group leads the design, masterplanning and development of various communities of ALI in residential high-rise, gated villages, commercial buildings, BPO campuses and retail. She headed the Ayala Museum also, leading the design development and permanent installation of the 'Gold of Ancestors' exhibition. Prior to joining ALI, she was marketing director of San Miguel Corporation (Beer and Foods) and headed various marketing groups of Unilever, both here and in Europe.

Jaime C. Gonzalez, Filipino, is a graduate of Harvard Business School (MBA) and of De La Salle University in Manila, B.A. in Economics (*cum laude*) and B.S. in Commerce (*cum laude*). He is the founder and the Chairman & Chief Executive Officer of AO Capital Partners, a financial and investment advisory firm with headquarters in Hong Kong. He is presently a member of the Board of Directors of a number of companies, including Chairman of IP Ventures Inc. (which is involved in information technology and new media, retail/food & beverage, natural resources, and real estate and resort development). He is also a member of the Asia Advisory Board of Euromoney Institutional Investor plc (a UK company involved in publishing, conferences and data services).

Jaime Enrique Y. Gonzalez, Filipino, is currently the CEO of IPVG Corp., a publicly listed company on the Philippine Stock Exchange engaged in natural resources (mining and refinery). He is also Founder & CEO of IP Ventures Inc., a leading technology investment firm in the Philippines with over US$100.0 Million of investments in the Philippines. He has a successful track record in the internet space having founded a series of internet start-ups that have been acquired by larger U.S. based firms (match.ph/itzamatch.com), and has taken over three (3) companies from garage to public (IPO) on the Philippine Stock Exchange. Mr. Jaime Enrique Y. Gonzalez holds a Bachelor of Arts degree in International Politics and Economics from Middlebury College, attended the program for Masters in Entrepreneurship at the Asian Institute of Management, and completed Business courses from Sophia University in Tokyo. He is considered an authority on the Internet and online games space. He has recently completed the Owner President Management (OPM) program at Harvard Business School. He was selected as IT executive of the year in 2008 and a finalist for the Ernst & Young Entrepreneur of the Year 2011 (Master Entrepreneur Category). He is also part of the Young Presidents Organization and on the Board of Trustees of Asia Society Philippines.

Christopher Paulus Nicolas T. Po, Filipino, is the President and Chief Executive Officer of the Century Pacific Group of Companies. Prior to this, he was Managing Director for Guggenheim Partners. He graduated from Wharton School and the College of Engineering of the University of Pennsylvania with dual degrees in

Economics (Finance Concentration) and Applied Science (Systems Engineering), respectively. He holds a Masters degree in Business Administration from the Harvard University Graduate School of Business Administration.

Ricardo Gabriel T. Po, Jr., Filipino, is currently the Vice Chairman of Century Pacific Group. He graduated *magna cum laude* from Boston University, Massachusetts, USA with a Bachelor of Science degree in Business Management. He also completed the Executive Program (Owner-President Management Program) at Harvard Business School in 2001. From 1990-2006, Mr. Po, Jr. was the Executive Vice President and Chief Operating Officer of the Century Pacific Group of Companies.

Ricardo S. Po, Sr., Filipino, is the Founder and Chairman of the Century Pacific Group of Companies, one of the largest canned food companies in the Philippines which manufactures and markets several popular consumer brands such as Century Tuna, Argentina Corned Beef, 555 Sardines, Angel Milk and Birch Tree Milk. Mr. Po, Sr. was awarded Masters in Business Administration by the University of Santo Tomas in 2005.

Dennis Omar T. Salvo, Filipino, is Managing Director of American Orient Capital Partners, Inc. and concurrently President of Beacon Hill Resources Management, Inc. He was previously connected with the Land Bank of the Philippines, where he held senior management positions in various units covering corporate banking, investment banking and asset recovery. He holds an AB Economics degree from the Ateneo de Manila University and a Master in Business Management degree from the Asian Institute of Management.

Ernest K. Cuyegkeng, Filipino, is presently the Executive Vice President/Chief Financial Officer and Director of A. Soriano Corporation. His other concurrent positions include being the President and Director of Phelps Dodge Philippines International, and a Director of Seven Seas Resorts & Leisure, Inc., Prople Inc., Cirrus Global, Inc., KSA Realty, TO Insurance, Sumifru Singapore, Phelps Dodge International (Thailand) Limited, and Pakistan Cables Inc. He is also a Trustee of Andres Soriano Foundation and is a member of the Makati Business Club, Management Association of the Philippines and Financial Executive Institute of the Philippines. He holds a Bachelor of Arts degree in Economics and a Bachelor of Science degree in Business Administration, both from the De La Salle University. He also obtained a Masters degree in Business Administration from the Columbia Graduate School of Business in New York.

Fernan Victor P. Lukban, Filipino, is one of the country's leading consultants in Family Business, Strategy, Entrepreneurship and Governance. He is a long-time advisor to some of the most progressive family businesses in the country. Over the past four (4) years, he has put special focus on developing Base of the Pyramid initiatives (BOPI) in various provinces in the Philippines. Mr. Lukban holds undergraduate degrees in Engineering (Mechanical and Industrial from De LaSalle University, Manila) and graduate degrees in Economics (MSc in Industrial Economics from the Center for Research & Communication, now University of Asia & the Pacific, Manila) and in Business (MBA from IESE, Barcelona, Spain). He spent much of his early professional years in the academe helping establish and grow the

University of Asia & the Pacific where he still participates as a consultant, mentor and guest lecturer today. He is a founding fellow of the Institute of Corporate Directors, an International Fellow of the Australian Institute of Company Directors and an independent director of Pancake House, Inc.

Term of Office

The Board of Directors is composed of nine (9) members who are generally elected at an annual stockholders' meeting, and their term of office shall be one (1) year and until their successors shall have been elected at the next annual stockholders meeting and have qualified in accordance with the By-laws of ALCO. The above incumbent directors of ALCO shall hold office until their successors are elected.

b. Corporate and Executive Officers and Positions Held/Business Experience for the Past Five (5) Years

The following are ALCO's principal corporate officers as of 31 December 2012:

Chairman of the Board	Ernest K. Cuyegkeng
Vice Chairman	Ricardo S. Po, Sr.
President	Angela de Villa Lacson
Treasurer	Leonardo Arthur T. Po
Corporate Secretary	Atty. Daisy P. Arce
Assistant Corporate Secretary/ Corporate Information Officer	Atty. Riva Khristine V. Maala
Compliance Officer	Dennis Omar T. Salvo

Leonardo Arthur T. Po, Filipino, is an Executive Director of the Century Pacific Group of Companies and the General Manager for its Emerging Business Units. He is also an independent director of IPVG Corp. at present. Mr. Leonardo Po graduated *magna cum laude* from Boston University with a degree in Business Administration and has extensive and solid business experience in the marketing and operations of quick-serve restaurants, food service and fast moving consumer goods.

Daisy P. Arce, Filipino, holds a Bachelor of Laws degree from the Ateneo de Manila University. She was a partner at Quasha Ancheta Peña & Nolasco Law Offices and now has her own practice.

Riva Khristine V. Maala holds a Bachelor of Arts degree in Philosophy (*cum laude*) and a Bachelor of Laws degree, both from the University of the Philippines. She was formerly an Associate Attorney of Fortun Narvasa and Salazar Law Offices. On 01 October 2012, Atty. Maala was appointed as ALCO's Head of Legal Affairs and Investor Relations.

Term of Office:

The corporate officers of ALCO are appointed/elected by the Board of Directors at the organizational meeting following the stockholders' meeting for a term of one (1) year and until their successors are appointed/elected and have qualified in accordance with the By-laws of ALCO.

c. Significant Employees

Other than the above-named directors and corporate officers, the following are significant or key personnel of ALCO who are expected to make a significant contribution to its business:

Ninalyn S. Cordero, Filipino, is the Head of Project and Business Development. She brings in twenty-five (25) years of experience in corporate finance, investment banking and business development. She has over ten (10) years of experience with a leading investment house as Vice President for Capital Markets. Prior to joining ALCO, she held a key position in Rockwell as Assistant Vice President handling business development in charge of research, product development and project conceptualization of new business and projects. She handled the business development of One Rockwell, the land acquisition of The Grove and the joint venture on the Rockwell Business Center.

Gabriel I. Paulino, Filipino, is the Head of Technical Services. He has over thirty (30) years of professional experience in architectural practice. He was formerly the Assistant Vice President for Design and Planning at Rockwell Land Corporation and managed Edades Towers, The Grove, One Rockwell, Joya and the Powerplant Mall. Prior to Rockwell, he was a Senior Associate of Recio + Casas. He was also involved in the Pacific Plaza Towers (Makati and Fort Bonifacio), Manansala at Rockwell, LKG Tower and Salcedo Park.

Ponciano S. Carreon, Jr., Filipino, is the Chief Finance Officer. He is a graduate of San Beda College (*cum laude*) and is a CPA board examination placer. Prior to joining ALCO, he was the CFO of CB Richard Ellis Philippines and has worked with SM Development Corporation as Assistant Vice President for Controllership and with Crown Asia Properties, Inc. (a subsidiary of Vistaland) as Controller. He also brings with him solid banking experience as a certified treasury professional, bank controller and bank audit head.

d. Family Relationship

With the exception of Messrs. Jaime C. Gonzalez and his son Jaime Enrique Y. Gonzalez, and Vice Chairman Ricardo S. Po, Sr. and his sons Christopher Paulus Nicolas T. Po, Ricardo Gabriel T. Po and Leonardo Arthur T. Po, the above-mentioned incumbent directors and executive officers of ALCO are not related to each other, either by consanguinity or affinity.

e. Involvement in Certain Legal Proceedings

The above-named directors and corporate/executive officers of ALCO have not been involved during the past five (5) years up the date of this Report in any bankruptcy proceeding or any proceeding involving a violation of securities or commodities laws or regulations, nor have they been convicted in a criminal proceeding. Neither has there been any order or judgment enjoining, barring, suspending or limiting their involvement in any type of business, securities, commodities or banking activities.

ITEM 10. Compensation of Directors and Executive Officers

a. Compensation of Directors and Executive Officers

Section 10, Article III of ALCO's By-laws provides that the "Board of Directors is empowered and authorized to fix and determine the compensation of its members, including profit sharing and other incentives, subject to the limitations imposed by law." Pursuant to this provision, to compensate the members of the Board, a per diem of ₱7,500.00 is given to each director for each board of director's meeting (special or regular) attended. Each director is also paid a per diem of ₱2,500.00 for each committee meeting he attends, of which he is a member. These committees are the Executive Committee, the Audit Committee, the Stock Option and Compensation Committee and the Nomination Committee.

Section 7, Article IV, in turn, provides that the "Chairman, or such other officer(s) as the Board of Directors may authorize, shall determine the compensation of all the officers and employees of the Corporation. xxx"

Name and Principal Position	*Year*	*Salary*[11]	*Bonus*	*Other*
------------------------------------	-----------	---------------	----------------	-------------------
Directors and Executives	*2011*	₱31.000M	*None*	*None*
1. President/CEO	*2012*	₱34.000M	*None*	*None*
2. Treasurer				
3. Chief Finance Officer				
4. Head, Project and Business Development				
5. Head, Technical Services				
Officers (as a group unnamed)	*2011*	₱7.000M	*None*	*None*
	2012	₱7.000M		

Estimated Compensation for 2013 (Collective)

Name and Principal Position	*Year*	*Salary*	*Bonus*	*Other*
------------------------------------	-----------	---------------	----------------	------------------
Directors and Executives	*2013*	₱41.00M	*None*	*None*
Officers (as a group unnamed)				

b. Standard Arrangement/Material Terms of Any Other Arrangement/Terms and Conditions of Employment Contract with Above Named Corporate/Executive Officers

In ALCO's annual meeting held on 16 October 2009, the stockholders representing more than sixty-seven percent (67%) of all its issued and outstanding common shares which are entitled and qualified to vote approved the 2009 ALCO Stock Option Plan. The total amount of shares which are available and may be issued for this purpose will amount to 10% of ALCO's total outstanding capital stock at any given time. At present, this is equivalent to 511,809,520 shares. The Stock Option and

[11] Rounded off.

Compensation Committee consisting of at least three (3) directors, one (1) of whom is an independent director, will administer the implementation of this plan.

Under the 2009 ALCO Stock Option Plan, the qualified employees eligible to participate are (i) members of the Board, with the exception of the independent directors; (ii) President and CEO and other corporate officers, which include the Corporate Secretary and the Assistant Corporate Secretary; (iii) Employees and Consultants who are exercising managerial level functions or are members of the Management Committee; and, (iv) Executive officers assigned to ALCO's subsidiaries or affiliates[12].

The Stock Option and Compensation Committee is empowered to determine to whom the Options are to be granted, determine the price the Option is to be exercised (which in no case shall be below the par value of ALCO's common stock), decide when such Option shall be granted and its effectivity dates, and determine the number and class of shares to be allocated to each qualified employee. The Committee will also consider at all times the performance evaluation of the qualified employee and/or the result of the achievement of the objectives of ALCO each year.

The Option Period during which the qualified employee may exercise the option to purchase such number of shares granted will be three (3) years starting with the full year vesting in accordance with the following schedule:

(i) Within the first twelve (12) months from Grant Date - up to 33.33%
(ii) Within the 13th to the 24th month from Grant Date - up to 33.33%
(iii) Within the 25th to 36th month from Grant Date - up to 33.33%.

On the Exercise Date, the qualified employee should pay the full Purchase Price or in such terms as may be decided upon by the Committee.

As of the date of this Report, options equivalent to 164,800,000 were granted. However, none of the qualified employees exercised their respective rights until the period within which they can do so expired in October 2012.

ITEM 11. Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Voting Shares (*as of 31 December 2012*)

Title of Class	*Name and Address of Record Owners*	*Citizenship*	*Amount & Nature of Ownership*	*% of Class*
Common	**CPG Holdings, Inc.** 7/F The Centerpoint Building,	Filipino	1,800,000,000[13]	33.8467

[12] ALCO must have at least 50% equity holdings of said subsidiary or affiliate.
[13] The name/s of the person/s authorized to vote the shares under this account are unavailable at the time of distribution of this Report.

	Julia Vargas corner Garnet Street, Ortigas Center, Pasig City		Direct	
Common	**AO Capital Holdings I** 25/F PhilAm Life Tower 8767 Paseo de Roxas, Salcedo Village, Makati City	Filipino	1,383,730,000[14] Direct	26.0193
Common	**Nanlong Investment Limited** British Virgin Islands	British	342,619,910[15] Direct	6.4425
Common	**Edimax Investment Limited** British Virgin Islands	British	296,460,000[16] Direct	5.5746

ALCO is not aware of any voting trust agreements involving its shares.

(2) Security Ownership of Management (as of 31 December 2012)

There are no shares held or acquired beneficially by any of the directors and executive officers of ALCO other than the nominal shares held by said directors and executive officers.

Title of Class	*Name and Position of Record Owners*	*Citizenship*	*Amount & Nature of Ownership*	*% of Class*
Common	**Angela de Villa-Lacson** *Director/President* Unit 3503 The Regency at Salcedo, Tordecillas corner Sanchez Streets, Salcedo Village, Makati City	Filipino	1 Record and Beneficial Owner	0.00 %
Common	**Jaime C. Gonzalez** *Director* 50 McKinley Road, Forbes Park, Makati City	Filipino	1 Record and Beneficial Owner	0.00 %
Common	**Jaime Enrique Y. Gonzalez** *Director* 50 McKinley Road, Forbes Park, Makati City	Filipino	1 Record and Beneficial Owner	0.00 %

[14] *Ibid.*
[15] *Id.*
[16] *Id.*

Common	**Christopher Paulus Nicolas T. Po** *Director* Unit 42-A Rizal Tower Rockwell, Makati City	Filipino	1 Record and Beneficial Owner	0.00 %
Common	**Ricardo Gabriel T. Po** *Director* 1524 Carissa Street Dasmarinas Village, Makati City	Filipino	1 Record and Beneficial Owner	0.00 %
Common	**Ricardo S. Po, Sr.** *Director/Vice Chairman* 28 Jackson Street, West Greenhills, San Juan, Metro Manila	Filipino	1 Record and Beneficial Owner	0.00 %
Common	**Dennis Omar T. Salvo** *Director/Compliance Officer* 15 Peace Street, Multinational Village, Paranaque City	Filipino	1 Record and Beneficial Owner	0.00 %
Common	**Ernest K. Cuyegkeng** *Independent Director/ Chairman of the Board* 1839 Santan Street, Dasmarinas Village, Makati City	Filipino	1 Record and Beneficial Owner	0.00 %
Common	**Fernan Victor P. Lukban** *Independent Director* 6 Tyler Street, North Greenhills, San Juan City, Metro Manila	Filipino	1 Record and Beneficial Owner	0.00 %
None	**Leonardo Arthur T. Po** *Treasurer* 2913 Amorsolo Tower Rockwell Center, Makati City	Filipino	0	N.A.
None	**Daisy P. Arce** *Corporate Secretary* 200 Recoletos Street, Urdaneta Village, Makati City	Filipino	0	N.A.
None	**Riva Khristine V. Maala** *Assistant Corporate Secretary/Corporate Information Officer* 21 J. Paredes St., BF Homes, Diliman Quezon City	Filipino	0	N.A.

		TOTAL	**9 shares**	

ITEM 12. Certain Relationships and Related Transactions

In the regular conduct of business, ALCO and its subsidiaries have intercompany transactions with each other, principally consisting of advances and reimbursements of expenses. These transactions are made substantially on the same terms as with other individuals and businesses of comparable risks.

Except for the above, there are no other transactions (or series of similar transactions) with or involving any of its subsidiaries in which a director or an executive officer or a stockholder who owns ten percent (10%) or more of ALCO's total outstanding shares, or member/s of their immediate family, had or is to have a direct or indirect material interest.

PART IV – CORPORATE GOVERNANCE

ALCO's compliance with its Manual of Corporate Governance is monitored by its Compliance Officer who is tasked, among others, to determine and measure such compliance with the said Manual. As of 31 December 2012, ALCO's Board of Directors has not adopted any other specific measure to comply with leading practices on good corporate governance.

Immediately after the Annual Stockholders' Meeting on 29 June 2012, pursuant to the SEC's mandates, ALCO's Board of Directors formed several committees to perform some of its functions in aid of good governance, namely the Audit Committee[17], the Executive Committee[18], the Stock Option and Compensation Committee[19], and the Nomination Committee[20].

For 2012, ALCO adopted substantially all the provisions of its Manual on Corporate Governance. During the same period, however, a monetary penalty of ₱79,000.00 was imposed on ALCO by the SEC because of its failure to include in its Definitive Information Statement ALCO's Financial Position for 2010 vs. 2009 and attach the Supplementary Schedules to the Audited Financial Statements for the period ended as of 31 December 2011 as required under SRC Rule 68, as amended.

PART V – EXHIBITS AND SCHEDULES

ITEM 13. Exhibits and Reports on SEC Form 17-C

a. Supplementary Schedules with separate independent auditors opinion are in the succeeding pages.

b. The Aggregate Market Value of Voting Stock held by Top 10 Non-Affiliates is in

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[17] Composed of Messrs. Ernest K. Cuyegkeng (Chairman), Fernan Victor P. Lukban and Dennis Omar T. Salvo.
[18] Composed of the Chairman of the Board, the Vice Chairman, the President and CEO, the Treasurer, the Chief Finance Officer, the Head of Project and Business Development and Directors Christopher Paulus Nicolas T. Po and Jaime Enrique Y. Gonzalez.
[19] Composed of Messrs. Jaime C. Gonzalez (Chairman), Fernan Victor P. Lukban and Dennis Omar T. Salvo, and Ms. Angela de Villa Lacson (Vice Chair).
[20] Composed of Messrs. Jaime C. Gonzalez (Chairman), Ricardo S. Po, Sr. and Ernest K. Cuyegkeng.

ANNEX 1.

c. There were no disclosures not covered by SEC Form 17-C (Current Report) filed in the last quarter of 2012.

Nothing follows.

SIGNATURE PAGE

Pursuant to the requirements of Section 17 of the Securities Regulations Code and Section 141 of the Corporation Code, this Report is signed on behalf of the issuer in **Taguig City** on this **15th** day of **April 2013**.

ARTHALAND CORPORATION
By:

ERNEST K. CUYEGKENG
Chairman of the Board
Passport No. XX3032586
Issued on 17 February 2009 in Manila

ANGELA DE VILLA LACSON
President and CEO
Passport No. XX2304619
Issued on 17 October 2008 in Manila

PONCIANO S. CARREON, JR.
Chief Finance Officer
Passport No. EB3824128
Issued on 07 October 2011 in Manila

SUBSCRIBED AND SWORN to before me this on this **15th** day of **April 2013** at **Taguig City, Philippines**, affiants exhibiting competent evidence of their respective identities as above indicated.

Doc. No. 432
Page No. 88
Book No. 4
Series of 2013.

GAUDENCIO A. BARBOZA, JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2014
PTR No. 3184603 / 1-07-12 MKT
IBP No. 911640 / 12 - 26 -12 RSM
ROLL NO. 41969
MCLE COMPl III-0019855

ANNEX 1

AGGREGATE MARKET VALUE OF VOTING STOCK
HELD BY TOP 10 NON-AFFILIATES
AS OF 31 DECEMBER 2012

Name of Shareholders	No. of Shares	MARKET PRICE OF SHARES	TOTAL AMOUNT (₱)
1. CPG Holdings, Inc.	1,800,000,000	0.1780	320,400,000.00
2. AO Capital Holdings I	1,383,730,000	0.1780	246,303,940.00
3. Nanlong Investment Limited	342,619,910	0.1780	60,986,343.00
4. Edimax Investment Limited	296,460,000	0.1780	52,769,880.00
5. Viplus Investment Limited	247,899,874	0.1780	44,126,177.57
6. Kinstar Investment Limited	94,720,035	0.1780	16,860,166.23
7. The First Resources Mgt. And Sec. Corp.	37,500,000	0.1780	6,675,000.00
8. Keng, Tina	25,000,000	0.1780	4,450,000.00
9. Bartolome, Rosario	15,231,750	0.1780	2,711,251.50
10. EQL Properties, Inc.	14,671,125	0.1780	2,611,460.25

Nothing follows.

ANNEX 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF PLAN OF OPERATION

Item 6. Management's Discussion and Analysis of Plan of Operation

Given the good market reception of Arya Residences and ALCO's existing properties in prime locations, Management is keen on expanding its project portfolio for both residential and commercial development.

The year 2012 saw the top-off of Arya Residences Tower 1 as well as the launching and groundbreaking of Tower 2.

Management will continue to locate and identify areas that will fit into the company's development models. And while the company is ready to aggressively position itself with the positive market outlook, it will continue to observe prudence in managing its resources and the interests of all of ALCO's stakeholders.

FINANCIAL POSITION
2012 vs. 2011

	December 2012	December 2011	% Change
Cash and cash equivalents	**335,727,042**	160,920,587	109%
Trade and other receivables	**801,360,440**	286,787,941	179%
Real estate for sale	**2,050,130,223**	2,592,389,526	-21%
Investment properties	**149,816,377**	149,816,377	0%
Property and equipment	**24,251,797**	31,259,790	-22%
Deferred tax assets - net	**84,047,021**	96,671,688	-13%
Other assets	**196,218,313**	155,606,812	26%
Total Assets	**3,641,551,213**	3,473,452,721	5%
Loans payable	**1,503,210,516**	1,639,765,210	-8%
Accounts payable and other liabilities	**367,295,752**	266,471,677	38%
Customers' deposits	**429,246,380**	496,765,687	-14%
Retirement benefit obligation	**19,911,082**	14,637,243	36%
Total Liabilities	**2,319,663,730**	2,417,639,817	-4%
Capital stock	**830,181,736**	830,181,736	0%
Additional paid-in capital	**54,575,400**	54,575,400	0%
Retained earnings	**437,130,347**	171,055,768	156%
Total Equity	**1,321,887,483**	1,055,812,904	25%
Total Liabilities And Equity	**3,641,551,213**	3,473,452,721	5%

Financial Condition as at 31 December 2012 compared to as at 31 December 2011

ALCO's total resources as of 31 December 2012 was at ₱3.60 billion, or about 4% higher than the 31 December 2011 level of ₱3.5 billion due to the following:

*109% Increase in Cash and Cash Equivalen*ts
The increase was due to collections made on receivables and proceeds from the sale of a subsidiary, IRMO, in 2012.

179% Increase Trade and Other Receivables
The significant increase was due to higher sales take-up and higher percentage of completion.

21% Decrease in Real Estate for Sale
The decrease was mainly attributable to the sale of a parcel of lot in Bonifacio Global City with the sale of IRMO.

22% Decrease in Property and Equipment
The decrease was due to normal provision for depreciation.

13% Decrease in Deferred Tax Assets - net
The decrease was due to application of deferred tax asset against the current year's tax liability.

26% Increase in Other Assets
The increase was primarily due to additional creditable withholding taxes arising from real estate sales and input taxes on construction costs incurred for the period.

8% decrease in Loans Payable
The decrease was due to pre-payment of a certain bank loan in 2012.

38% Increase in Accounts payable and Other Liabilities
The increase was attributable to higher monthly progress billings from contractors as a result of simultaneous development of Arya Residences Towers 1 and 2 starting the 3rd quarter of 2012. Progress billings are settled within thirty (30) days.

14% Decrease in Customers' Deposits
The decrease was due to the transfer from this account to realized revenues of amount earned during the year as a result of additional construction progress.

36% Increase in Retirement Benefit Obligation
The increase was due to additional provision for the year.

156% Increase in Retained Earnings
The increase represents the net income for the year.

RESULTS OF OPERATIONS
2012 vs. 2011

	2012	2011	% Change
Revenue From Real Estate Sales	**1,453,263,809**	473,401,834	207%

Cost Of Real Estate Sold	**1,167,802,556**	310,861,192	276%
Gross Income	**285,461,253**	162,540,642	76%
Administrative expenses	**203,410,797**	171,699,656	18%
Selling and marketing expenses	**100,468,319**	52,839,356	90%
Operating Expenses	**303,879,116**	224,539,012	35%
Loss From Operations	**(18,417,863)**	(61,998,370)	-70%
Finance Costs	**(71,275,593)**	(225,734,141)	-68%
Other Income – Net	**413,027,859**	204,737,698	102%
Income (Loss) Before Income Tax	**323,334,403**	(82,994,813)	490%
Income Tax Expense (Benefit)	**57,259,824**	(89,921,153)	164%
Net Income	**266,074,579**	6,926,340	3741%

Results of Operations for the year ended 31 December 2012 compared to the year ended 31 December 2011.

207% Increase in Revenue from Real Estate Sales
The increase is attributable to additional sales take up and higher construction progress during the year.

276% Increase in Cost of Real Estate Sold
The cost of Real Estate Sold grew with the realized revenue for the year.

18% increase in Administrative Expenses
The increase is mainly due to higher payroll-related expenses as the Company increased its man-power needed for the growth of its operation.

90% increase in Selling and Marketing Expenses
The increase is due to heightened sales and marketing activities to support the target sales take-up.

68% decrease in Finance Costs
The decrease is attributable to the decrease of interest bearing liabilities and lower level of interest rates in 2012 compared with the prior year's level.

102% increase in Other Income - net
The increase is primarily attributable to the gain on the sale of ALCO's interest in IRMO.

164% increase in Income Tax Expense
The significant increase is due to higher taxable income during the year.

RESULTS OF OPERATIONS
2011 vs. 2010

	2011	2010	% Change
Revenue From Real Estate Sales	**473,401,834**	-	0%
Cost Of Real Estate Sold	**310,861,192**	-	0%
Gross Income	**162,540,642**	-	0%
Administrative expenses	**171,699,656**	168,343,735	2%
Selling and marketing expenses	**52,839,356**	54,590,050	-3%
Operating Expenses	**224,539,012**	222,933,785	1%
Loss From Operations	**(61,998,370)**	(222,933,785)	-72%
Finance Costs	**(225,734,141)**	(81,759,595)	176%
Other Income – Net	**204,737,698**	436,340,707	-53%
Income (Loss) Before Income Tax	**(82,994,813)**	131,647,327	-163%
Income Tax Expense (Benefit)	**(89,921,153)**	2,675,350	-3461%
Net Income	**6,926,340**	128,971,977	-95%

Results of Operations for the year ended 31 December 2011 compared to the year ended 31 December 2010.

100% Increase in Revenue from Real Estate Sales
Increase was attributable to start of revenue recognition from real estate sales using the percentage of completion method in 2011. There were no revenues from real estate sales recognized in 2010.

100% Increase in Cost of Real Estate Sold
The cost of revenues pertains to the proportionate cost related to the realized revenues for the period.

176% Increase in Finance Cost
The significant increase in finance cost was due to the more conservative position taken by Management to book as finance cost the ₱70 million additional renegotiated price to effect on early settlement of liability arising from the acquisition of 100% controlling interest in Manchesterland Properties, Inc. and the discount on receivable financing.

53% Decrease in Other Income
The high level of other operating income in 2010 was due to a one-time recognition of a negative goodwill arising from the acquisition of a subsidiary. The decrease in Other Income was partially offset by recognition of recovery on impairment loss amounting to ₱179.5 million for the raw land inventory located in Bonifacio Global City.

3461% Decrease in Income Tax Expense
The significant decrease in income tax expense was due to the recognition of deferred tax assets arising from the temporary differences between the financial and taxable income.

FINANCIAL RATIO

	December 2012	**December 2011**	**December 2010**
Gearing ratio (Interest bearing loan [IBL] – cash over SHE and IBL)	0.53:1	0.61:1	0.70:1
Net gearing ratio (Interest bearing loan [IBL] – cash over SHE and IBL)	0.41:1	0.55:1	0.68:1
Capital Adequacy Ratio (Total equity to total assets)	0.36:1	0.30:1	0.25:1
Return on equity (Net income over average SHE)	22.38%	0.83%	21.04%
Return on assets (Net income over total assets)	7.31%	0.20%	5.26%
Interest coverage ratio (EBIT over Interest Expense)	553.64%	63.23%	261.02%

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

There are no material off-balance sheet transactions, arrangements, obligations and other relationship of the company with unconsolidated entities or other persons created during the reporting period.

Except for the development costs of Arya Residences, an on-going project of ALCO, there is no other material commitments for capital expenditures as of the period covered by the Report.

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

There is no foreseen event that will cause a material change in the relationship between costs and revenues.

ANNEX 3

AUDITED FINANCIAL STATEMENTS
(For the period ended as of 31 December 2012)
AND SUPPLEMENTARY SCHEDULES

ARTHALAND
FUTURE PROOF BY DESIGN

15 April 2013

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **ArthaLand Corporation (ALCO)** and its Subsidiaries is responsible for the preparation and fair presentation of their financial statements for the years ended 31 December 2012, 2011 and 2010, including the additional components attached therein, in accordance with the prescribed financial reporting framework likewise indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

Reyes Tacandong & Co., the independent auditors appointed by the stockholders for the period 31 December 2012, and Punongbayan & Araullo, the independent auditors appointed by the stockholders for the periods 31 December 2011 and 2010, have examined the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their respective reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such examination.

ERNEST K. CUYEGKENG
Chairman of the Board
Passport No. XX3032586
Issued on 17 February 2009 in Manila

ANGELA DE VILLA LACSON
President and CEO
Passport No. XX2304619
Issued on 17 October 2008 in Manila

PONCIANO S. CARREON, JR.
Chief Finance Officer
Passport No. EB3824128
Issued on 07 October 2011 in Manila

OATH

Republic of the Philippines)
Taguig City) SS.

I certify that on this **15th** day of **April 2013**, before me, a notary public duly authorized in the city above-named to take acknowledgments, personally appeared **ERNEST K. CUYEGKENG, ANGELA DE VILLA LACSON** and **PONCIANO S. CARREON, JR.** (i) whom I identified through their respective **Passports**, a competent evidence of identity, to be the same persons described in the foregoing instrument, (ii) who acknowledged before me that they voluntarily affixed their signatures on the instrument for the purpose stated therein, and (iii) who declared to me that they executed the instrument as their free and voluntary act and deed and that they have the authority to sign on behalf of their principal.

IN WITNESS WHEREOF, I hereunto set my hand and affix my notarial seal on the date and at the place above written.

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Series of 2013
SMR-ALCO Conso (2012) v2/Annual Report/ALCO/rvm

GAUDENCIO A. BARBOZA, JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2014
PTR No. 3184603 / 1-07-12 MKT
IBP No. 911640 / 12 - 26 -12 RSM
ROLL NO. 41969
MCLE COMPI III-0019855

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

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BOA/PRC Accreditation No. 4782
November 12, 2012, valid until December 31, 2015
SEC Accreditation No. 0207-F (Group A)
August 26, 2010, valid until August 25, 2013

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Arthaland Corporation and Subsidiaries
8/F Picadilly Star Building
4th Avenue corner 27th Street
Bonifacio Global City, Taguig City

We have audited the accompanying consolidated financial statements of Arthaland Corporation and Subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2012, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 Arthaland Corporation and Subsidiaries as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

Other Matter

The consolidated financial statements of Arthaland Corporation and Subsidiaries as at December 31, 2011 and for the years ended December 31, 2011 and 2010 were audited by another auditor whose report thereon dated March 28, 2012, expressed an unmodified opinion on those statements. The opinion of such auditor, however, did not include the reclassification adjustments discussed in Note 27 to financial statements.

REYES TACANDONG & CO.

Carolina P. Angeles

CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976-000
SEC Accreditation No. 0658-AR-1
Group A; Valid until March 30, 2014
BOA Accreditation No. 4782; Valid until December 31, 2015
BIR Accreditation No. 08-005144-7-2010; Valid until November 5, 2013
PTR No. 3670315
Issued January 2, 2013, Makati City

April 10, 2013
Makati City, Metro Manila

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2012

	Note	**2012**	2011
ASSETS			
Cash and cash equivalents	6	**₱335,727,042**	₱160,920,587
Trade and other receivables	7	**801,278,453**	286,787,941
Real estate for sale	8	**2,050,130,223**	2,592,389,526
Investment properties	9	**149,816,377**	149,816,377
Property and equipment	10	**24,251,797**	31,259,790
Deferred tax assets - net	22	**83,960,641**	96,671,688
Other assets	11	**196,224,071**	155,606,812
		₱3,641,388,604	₱3,473,452,721
LIABILITIES AND EQUITY			
Liabilities			
Loans payable	12	**₱1,503,210,516**	₱1,639,765,210
Accounts payable and other liabilities	13	**367,295,752**	266,471,677
Customers' deposits	14	**429,164,393**	496,765,687
Retirement benefit obligation	20	**19,911,082**	14,637,243
Total Liabilities		**2,319,581,743**	2,417,639,817
Equity			
Capital stock	15	**830,181,736**	830,181,736
Additional paid-in capital		**54,575,400**	54,575,400
Retained earnings		**437,049,725**	171,055,768
Total Equity		**1,321,806,861**	1,055,812,904
		₱3,641,388,604	₱3,473,452,721

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011	2010
REVENUE FROM REAL ESTATE SALES		**₱1,453,263,809**	₱473,401,834	₱–
COST OF REAL ESTATE SOLD		**1,167,802,556**	310,861,192	–
GROSS INCOME		**285,461,253**	162,540,642	–
OPERATING EXPENSES	17	**303,879,116**	224,539,012	222,933,785
LOSS FROM OPERATIONS		**(18,417,863)**	(61,998,370)	(222,933,785)
FINANCE COSTS	18	**(71,275,593)**	(225,734,141)	(81,759,595)
OTHER INCOME - Net	19	**413,027,859**	204,737,698	436,340,707
INCOME (LOSS) BEFORE INCOME TAX		**323,334,403**	(82,994,813)	131,647,327
INCOME TAX EXPENSE (BENEFIT)	22	**57,340,446**	(89,921,153)	2,675,350
NET INCOME		**265,993,957**	6,926,340	128,971,977
OTHER COMPREHENSIVE INCOME		**–**	–	–
TOTAL COMPREHENSIVE INCOME		**₱265,993,957**	₱6,926,340	₱128,971,977
EARNINGS PER SHARE - Basic and Diluted	23	**₱0.0500**	₱0.0019	₱0.0622

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011	2010
CAPITAL STOCK	15			
Issued and outstanding		**₱773,435,736**	₱773,435,736	₱377,435,736
Subscribed capital - net of subscriptions receivable		**56,746,000**	56,746,000	56,746,000
		830,181,736	830,181,736	434,181,736
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of year		**54,575,400**	14,575,400	12,575,400
Collection of old subscriptions		**–**	40,000,000	2,000,000
		54,575,400	54,575,400	14,575,400
RETAINED EARNINGS				
Balance at beginning of year		**171,055,768**	164,129,428	35,157,451
Net income for the year		**265,993,957**	6,926,340	128,971,977
Balance at end of year		**437,049,725**	171,055,768	164,129,428
		₱1,321,806,861	₱1,055,812,904	₱612,886,564

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before tax		**₱323,334,403**	(₱82,994,813)	₱131,647,327
Adjustments for:				
Gain on sale of subsidiary	19	**(332,609,899)**	–	–
Gain on sale of receivables	19	**(81,310,717)**	–	–
Interest expense	18	**69,392,720**	125,724,316	80,444,235
Depreciation and amortization	10	**17,767,283**	15,966,474	22,433,538
Interest income	19	**(9,094,934)**	(2,826,073)	(476,712)
Retirement expense	20	**5,273,839**	14,637,243	–
Provision for impairment of receivables	7	**368,292**	–	–
Reversal of impairment loss on real estate for sale	8	**–**	(179,498,812)	–
Opportunity cost of early extinguishment of debt	18	**–**	70,388,185	–
Excess of fair value over book value of assets acquired	19	**–**	(14,948,314)	(404,618,684)
Loss on sale of property and equipment		**–**	–	16,208
Operating loss before working capital changes		**(6,879,013)**	(53,551,794)	(170,554,088)
Decrease (increase) in:				
Trade and other receivables		**(688,669,589)**	(267,850,152)	(2,396,719)
Real estate for sale		**235,173,817**	(256,952,101)	(269,022,732)
Other assets		**(56,847,626)**	(112,776,777)	169,135,378
Increase (decrease) in:				
Accounts payable and other liabilities		**411,779,373**	145,715,970	155,404,375
Customers' deposits		**(67,651,294)**	293,352,667	–
Cash used in operations		**(173,094,332)**	(252,062,187)	(117,433,786)
Interest paid		**(56,366,021)**	(246,695,404)	(42,477,334)
Interest received		**8,786,221**	2,826,073	476,712
Income taxes paid		**(44,629,398)**	(471,065)	(94,971)
Net cash used in operating activities		**(265,303,530)**	(496,402,583)	(159,529,379)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of subsidiary		**587,423,969**	–	–
Acquisitions of property and equipment	10	**(11,738,651)**	(7,968,360)	(18,635,535)
Proceeds from disposals of property and equipment	10	**979,361**	1,767,415	982,144
Net cash provided by (used in) investing activities		**576,664,679**	(6,200,945)	(17,653,391)

(Forward)

	Note	2012	2011	2010
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from borrowings	12	**₱361,266,407**	₱996,669,777	₱339,421,155
Net proceeds from issuance of capital stock	15	**–**	436,000,000	–
Settlement of loan and other interest-bearing liabilities	12	**(497,821,101)**	(820,505,963)	(138,199,856)
Proceeds from collection of subscriptions		**–**	–	15,000,000
Net cash generated from (used in) financing activities		**(136,554,694)**	612,163,814	216,221,299
NET INCREASE IN CASH AND CASH EQUIVALENTS		**174,806,455**	109,560,286	39,038,529
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6	**160,920,587**	51,360,301	12,321,772
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱335,727,042**	₱160,920,587	₱51,360,301

See accompanying Notes to Separate Financial Statements.

1. Corporate Matters

Arthaland Corporation (the Parent Company or ALCO) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on August 10, 1994. ALCO's shares of stocks are listed for trading in the Philippine Stock Exchange (PSE). The Parent Company is primarily engaged in real estate development and sales of Arya Residences Towers 1 and 2 (the Project) located and currently rising in Global City, Taguig as its first major development project. The Project is the first residential high-rise in the Philippines to be registered with US Green Building Council's Leadership in Energy and Environmental Design program with the certification goal of Gold.

The Parent Company is currently 34%-owned by CPG Holdings, Inc. (CPG), a holding company of leading food manufacturers domiciled in the Philippines and 26% owned by AO Capital Holdings, Inc. (AOC), a company domiciled in the Philippines and was incorporated primarily as a holding company.

The consolidated financial statements include the Parent Company and the following subsidiaries (collectively referred herein as "the Group"):

Subsidiary	Place of Incorporation	Effective % of Ownership		
		2012	2011	2010
Cazneau, Inc. (Cazneau)	Philippines	100%	100%	100%
Manchesterland Properties, Inc. (MPI)	Philippines	100%	100%	100%
Technopod, Inc. (Technopod)	Philippines	100%	100%	100%
Urban Property Holdings, Inc. (UPHI)	Philippines	100%	100%	100%
Irmo, Inc. (IRMO)	Philippines	–	100%	100%

All of the subsidiaries are established to engage primarily in real estate development and presently most of them hold parcels of land for future development.

On April 23, 2012, the Parent Company sold its 100% interest in IRMO to Future State Myspace, Inc. (Myspace) for ₱345.8 million. The disposal of the interest in IRMO resulted to a net gain of ₱332.6 million. As a result, the assets and liabilities of IRMO were deconsolidated from the time of its disposal.

The Parent Company's registered office, which is also its principal place of business, is located at 8/F Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City.

The consolidated financial statements of the Company as at and for the year ended December 31, 2012, were approved and authorized for issue by the Board of Directors (BOD) on April 10, 2013.

2. Basis of Preparation and Statement of Compliance

The consolidated financial statements of the Group have been prepared on a historical cost basis and are presented in Philippine peso, the Group's functional currency. All values are stated in absolute amounts, unless otherwise indicated.

Moreover, the consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council (FRSC) and adopted by the SEC. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS), Philippine interpretations from International Financial Reporting Interpretations Committee (IFRIC) and SEC provisions.

3. Summary of Changes in PFRS

Adoption of New and Revised PFRS
The Group adopted new and revised PFRS effective January 1, 2012. These are summarized below:

- PFRS 7, *Financial Instruments: Disclosures - Enhanced Derecognition and Transfer of Financial Assets Disclosure Requirements* – The amended standard requires additional disclosure on financial assets that have been transferred but not derecognized and an entity's continuing involvement in the derecognized assets. This disclosure is required to enable the user of the financial statements to any remaining risks on the transferred assets.

- PAS 12, *Income Taxes - Deferred Taxes: Recovery of Underlying Assets* (Amended) – The amendment clarifies the movement of deferred tax on investment property using the fair value model in PAS 40, *Investment Property*. The deferred tax should be determined considering that the carrying amount of the investment property will be recovered through a sale transaction. Deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, should also be measured by determining the recoverability of the non-depreciable assets in a sale transaction.

These new and revised PFRS have no significant impact on the amounts and disclosures in the financial statements of the Group.

New and Revised PFRS Not Yet Adopted
Relevant new and revised PFRS which are not yet effective for the year ended December 31, 2012 and have not been applied in preparing the consolidated financial statements are summarized below:

Effective for annual periods beginning on or after July 1, 2012:

- PAS 1, *Financial Statement Presentation, Presentation of Items of Other Comprehensive Income* – The amendment changed the presentation of items in Other Comprehensive Income. Items that could be reclassified to profit or loss at a future point in time should be presented separately from items that cannot be reclassified.

Effective for annual periods beginning on or after January 1, 2013:

- PAS 19, *Employee Benefits* (Amendment) – There were numerous changes ranging from the fundamental such as removing the corridor mechanism in the recognition of actuarial gains or losses and the concept of expected returns on plan assets to simple clarifications and re-wording.

- PAS 27, *Separate Financial Statements* (as Revised in 2011) – As a consequence of the new PFRS 10 and PFRS 12, PAS 27 is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.

- PAS 28, *Investments in Associates and Joint Ventures* (as Revised in 2011) – This standard prescribes the application of the equity method to investments in joint ventures and associates.

- PFRS 7, *Financial Instruments Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments) – The amendment requires entities to disclose information that will enable users to evaluate the effect or potential effect of netting arrangements on an entity's financial position. The new disclosure is required for all recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

- PFRS 10, *Consolidated Financial Statements* – The standard replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and SIC-12, *Consolidation - Special Purpose Entities.* It establishes a single control model that applies to all entities including special purpose entities. Management will have to exercise significant judgment to determine which entities are controlled, and are required to be consolidated by a parent company.

- PFRS 11, *Joint Arrangements - PFRS 11* replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers* – The standard removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, joint venture entities that meet the definition of a joint venture must be accounted for using the equity method.

- PFRS 12, *Disclosure of Interests with Other Entities* – The standard includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosure requirements that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

- *Amendments to* PFRS 10, PFRS 11 *and PFRS 12: Transition Guidance* – The amendments provide additional transition relief in PFRS 10, PFRS 11 and PFRS 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before PFRS 12 is first applied.

- PFRS 13, *Fair Value Measurement* – The standard establishes a single source of guidance under PFRS for all fair value measurements. It 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.

- Improvements to PFRS

  The omnibus amendments to PFRS were issued in May 2012, which are effective for annual periods beginning on or after January 1, 2013, were issued primarily to clarify accounting and disclosure requirements to assure consistency in the application of the following standards.

  - PFRS 1, *First-time Adoption of International Financial Reporting Standards*
  - PAS 1, *Presentation of Financial Statements*
  - PAS 16, *Property Plant and Equipment*
  - PAS 32, *Financial Instruments : Presentation*
  - PAS 34, *Interim Financial Reporting*

Effective for annual periods beginning on or after January 1, 2014:

- *Amendments to* PFRS 10, PFRS 12 *and* PAS 27: *Investment Entities* – The amendments provide an exception from the requirements of consolidation to investment entities and instead require these entities to present their investments in subsidiaries as a net investment that is measured at fair value. Investment entity refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both.

- *Amendments to* PAS 32: *Offsetting Financial Assets and Financial Liabilities* – The amendments address inconsistencies in current practice when applying the offsetting criteria in PAS 3. The amendments clarify (a) the meaning of 'currently has a legally enforceable right of set-off'; and (b) that some gross settlement systems may be considered equivalent to net settlement.

Effective for annual periods beginning on or after January 1, 2015:

- PFRS 9, *Financial Instruments: Classification and Measurement* – This standard is the first phase in replacing PAS 39 and applies to classification and measurement of financial assets as defined in PAS 39.

Deferred effectivity:

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate* (IFRIC 15) – The Financial Reporting Standards Council (FRSC) has approved in September 2011 the deferral of the effectivity of IFRIC 15 until the final revenue standard is issued by 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. IFRIC 15 provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11, Construction Contracts or PAS 18, Revenue and, accordingly, when revenue from the construction should be recognized.

Under prevailing circumstances, except for PAS 19, PFRS 13 and IFRC 15, the adoption of the foregoing new and revised PFRS, is not expected to have any material effect on the consolidated financial statements. The Group is currently in the process of assessing the impact of such changes in its consolidated financial statements.

4. Summary of Significant Accounting Policies

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

Basis of Consolidation

Subsidiaries – Subsidiaries are entities controlled by the Parent Company. The consolidated financial statements include the accounts of the Parent Company and its subsidiaries. In assessing control, the existence and effect of potential voting rights that are currently exercisable or convertible are considered. Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

Transactions Eliminated on Consolidation – All intragroup balances, transactions, income and expenses and unrealized gains and losses are eliminated in full.

Accounting Policies of Subsidiaries – The financial statements of subsidiaries are prepared for the same reporting year using uniform accounting policies as that of the Parent Company.

Financial Assets and Liabilities

Date of Recognition. Financial instruments are recognized in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument.

Initial Recognition. Financial assets and financial liabilities are recognized initially at fair value. Directly attributable transaction costs are included in the initial measurement of financial instruments, except for financial instruments classified at fair value through profit or loss (FVPL).

Classification of Financial Instruments. The Group classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for sale (AFS) financial assets, and loans and receivables. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities at amortized cost.

The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

The Group does not have financial instruments classified as financial assets or financial liabilities at FVPL, HTM investments and AFS financial assets.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate. Gains and losses are recognized in consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.

The Group's cash and cash equivalents and trade and other receivables are classified under this category.

Other Financial Liabilities. Other financial liabilities at amortized cost pertain to issued financial instruments or their components that are not classified of designated at FVPL and contain obligations to deliver cash or another financial asset to the holder as to settle the obligation other than by the exchange of fixed amount of cash or another financial asset for a fixed number of own equity.

The Group's loans payable, customers' deposit and accounts payable and other liabilites are classified as other financial liabilities.

Derecognition of Financial Assets and Liabilities

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

Impairment of Financial Assets
The Group assesses at each reporting date whether there is objective evidence that a financial or group of financial assets is impaired. Objective evidence includes observable data that comes to the attention of the Group about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that borrower will enter bankruptcy or other financial reorganization. If there is objective evidence that an impairment loss on financial assets carried at amortized cost (e.g., receivables) 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 discounted at the asset's original effective interest rate. Time value is generally not considered when the effect of discounting is not material. 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 comprehensive 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 of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of comprehensive income, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

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

Cost includes acquisition cost plus any other directly attributable costs of developing the asset to its saleable condition and cost of improving the properties up to the reporting date. Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when incurred.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less estimated costs to complete and the estimated costs of sale. NRV in respect of land under development is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less an estimate of the time value of money to the date of completion.

Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes.

Investment properties are measured at cost, including transaction costs, less accumulated depreciation and any impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

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

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the ending of owner-occupation, commencement of an operating lease to another party or ending of the construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the commencement of owner occupation or commencement of development with a view to sale.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and impairment losses, if any.

The initial cost of property and equipment consists of the purchase price, including import duties, borrowing costs (during the construction period) and other costs directly attributable to bring the asset to its working condition and location for its intended use. Cost also includes the cost of replacing parts of such property and equipment when the recognition criteria are met and the present value of the estimated cost of dismantling and removing the asset and restoring the site where the asset is located.

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

Depreciation and amortization is calculated on a straight-line basis over the following estimated useful lives of the property and equipment:

	Number of Years
Office equipment	3 to 5
Furniture and fixtures	3
Leasehold improvements	3 to 5
Transportation equipment	5

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

Fully-depreciated assets are retained in the account until they are no longer in use and no further change for depreciation is made in respect to those assets.

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

Impairment of Nonfinancial Assets

The carrying amounts of the Group's nonfinancial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's net recoverable amount is estimated.

Any impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its net recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets of the Company. Impairment losses are recognized in the consolidated statement of comprehensive income in the period incurred.

The net recoverable amount of an asset is the greater of its value in use or its fair value less costs to sell. Value in use is the present value of future cash flows expected to be derived from an asset while fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss has been recognized.

Value-Added Tax (VAT)
Revenues, expenses and assets are recognized net of the amount of VAT except:

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; or

- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the tax authority is included as part of "Other assets" or "Accounts payable and other liabilities" accounts, respectively, in the consolidated statement of financial position.

Deferred Input VAT
In accordance with the Revenue Regulation (RR) No. 16-2005, input VAT on purchases or imports of the Group of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter. Deferred input VAT represents the unamortized amount of input VAT on capital goods. Deferred input VAT that are expected to be claimed against output VAT for no more than 12 months after the financial reporting period are classified as other current assets. Otherwise these are classified as other noncurrent assets.

Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ₱1.0 million, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

Prepayments
Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and charged to consolidated statement of comprehensive income when incurred.

Business Combination and Goodwill

Acquisitions Starting January 1, 2010

Business combinations are accounted for using the acquisition method. The acquisition cost is measured as the sum of the considerations transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

When the business combination is achieved in stages, any previously held non-controlling interest is remeasured to its fair value at the date of obtaining control, and a gain or loss is recognized in profit or loss.

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

Goodwill is initially measured at the acquisition date as the sum of the fair value of consideration transferred; the recognized amount of any non-controlling interest in the acquiree; and, if the business combination is achieved in stages, the fair value of existing equity interest in the acquiree less the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the bargain purchase gain is recognized directly in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity, are expensed as incurred.

Any contingent consideration payable by the acquirer is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity. Otherwise, subsequent changes to the fair value of contingent consideration are recognized either in profit or loss or as a change to other comprehensive income.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the acquisition in which goodwill arose. The Group assesses the carrying amount of goodwill annually or more frequently if events or changes in circumstances indicate that such carrying amount may not be recoverable.

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

Acquisitions Prior to January 1, 2010

Business combinations were accounted for using the purchase accounting method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities but excluding future restructuring) of the acquired business at fair value with any difference recognized as goodwill.

The non-controlling interest, previously referred to as minority interest, was measured at the proportionate share of the acquiree's identifiable net assets.

Transaction costs incurred in connection with business acquisition were capitalized as part of the cost of acquisition.

Goodwill is initially measured at cost being the excess of the cost of acquisition over the net identifiable assets acquired and liabilities assumed. If the cost of acquisition is less than the net identifiable assets acquired and liabilities assumed the difference is recognized directly in profit or loss.

Contingent consideration was recognized if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognized as part of goodwill.

Customers' Deposit
Customers' deposits represent reservation fees and advance payments from real estate buyers. These deposits will be recognized as revenue in the consolidated statement of comprehensive income as the related obligations to the real estate buyers are fulfilled.

Capital Stock
Capital stock is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital. Incremental costs incurred directly attributable to the issuance of new shares are recognized as deduction from equity, net of any tax.

Subscription Receivable
Subscription receivable is the amount to be collected before the subscribed shares are issued and is presented as a deduction from equity.

Retained Earnings
Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration.

Basic and Diluted Earnings/Loss Per Share (EPS)
Basic EPS is computed by dividing the net income for the year attributable to equity holders of the Group by the weighted average number of issued and outstanding and subscribed common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effects of convertible securities.

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

Revenue from Real Estate Sales. The Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectibility of the contract price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuous investments that motivates the buyer to honor its obligation. Collectibility is also assessed by considering factors such as collections, credit standing of the buyer and location of the property.

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee Q&A No. 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Company has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. 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 "Customers' deposits" account in the consolidated statement of financial position. If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Customers' deposits" account in the consolidated statement of financial position.

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

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

Rental Income. Revenue is recognized on a straight-line basis over the lease term.

Interest Income. Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

Operating Expense Recognition

Operating expenses constitute cost of administering the business and cost of selling and marketing condominium units for sale. It includes commissions, marketing and selling expenses and other operating expenses, among others. Operating expenses are recognized as incurred.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or 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 the term of the renewal or extension was initially included in the lease term;

c. there is a change in the determination of whether fulfilment is dependent on a specified asset; or

d. there is a substantial change to the asset.

Where 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) and at the date of renewal or extension period for scenario (b).

Group as Lessee. Leases where all the risks and rewards and benefits of ownership of the assets are not substantially transferred to the Company are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Group as Lessor. Leases where the Company retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as income in the period they are earned.

Retirement Benefit Costs

The Group has an unfunded, noncontributory defined benefit retirement plan covering all of its eligible regular and full time employees. The plan provides for a lump sum benefit payment upon retirement. Retirement benefits costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Retirement benefit cost includes current service cost, interest cost, and amortization of unrecognized past service costs, recognition of actuarial gains (losses) and effect of any curtailments or settlements. Past service cost is amortized over a period until the benefits become vested. The portion of the actuarial gains and losses is recognized when it exceed the corridor (10% of the present value of obligation) at the previous reporting date.

The amount recognized as defined benefit obligation is the net of the present value of the defined benefit obligation at the reporting date, plus any actuarial gains not recognized minus past service cost not recognized. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and the past service cost.

If the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost, net actuarial losses of the current period and past service cost of the current period are recognized immediately to the extent that they exceed any reduction in the present value of those economic benefits. If there is no change or an increase in the present value of the economic benefits, the entire net actuarial losses of the current period and past service cost of the current period are recognized immediately. If there is no change or a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service cost of the current period are recognized immediately.

Actuarial valuations are made with sufficient regularity that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at reporting date.

Borrowing Costs

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

Foreign Currency-Denominated Transactions
Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at reporting date. Resulting exchange differences arising on the settlement of or on translating such monetary assets and liabilities are recognized in the consolidated statement of comprehensive income.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred Tax. Deferred 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 tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over the 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 unused MCIT and NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are applicable 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.

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

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

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

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

Segment Reporting
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

Provisions and Contingencies
Provisions are recognized when the Group has a present legal or constructive obligation 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 assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

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

5. Significant Accounting Judgments and Estimates

The preparation of consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

Revenues from real estate sale amounted to ₱1,453.3 million, ₱473.4 million and nil in 2012, 2011 and 2010, respectively.

Operating Lease Commitments - Group as Lessor. The Group has entered into parking rental agreement for its unsubdivided land. Considering that there will be no transfer of ownership of the leased properties to the lessee, the Group has determined that it retains all the significant risks and benefits of ownership of these properties. Accordingly, the leases are accounted for as operating leases.

Rental income amounted to ₱3.8 million, ₱3.1 million and ₱2.1 million in 2012, 2011 and 2010, respectively (see Notes 19 and 21).

Operating Lease Commitments - Group as Lessee. The Group has entered into a property lease as a lessee for its office premises and sales pavilion. The Group has determined that the risks and benefits of ownership related to the leased properties are retained by the lessor. Accordingly, the leases are accounted for as operating leases.

Rental expense amounted to ₱13.1 million, ₱11.1 million and ₱12.7 million in 2012, 2011 and 2010, respectively (see Notes 17 and 21).

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

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

Trade and other receivables amounted to ₱801.3 million and ₱286.8 million as at December 31, 2012 and 2011, respectively (see Note 7). Impairment loss charged under "Operating expenses" account in the consolidated statement of comprehensive income amounted to ₱0.4 million in 2012 and nil in 2011 and 2010 (see Notes 7 and 17).

Determining Net Realizable Value of Real Estate Assets. The Group adjusts the cost of its real estate assets to NRV based on its assessment of the recoverability of the real estate assets. NRV for completed real estate assets is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. NRV in respect of real estate assets under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

The carrying amount of real estate for sale as at December 31, 2012 and 2011 amounted to ₱2,050.1 million and ₱2,592.4 million, respectively. Considering the pricing policies of the Company, cost is considerably lower than the NRV (see Note 8).

Estimated Useful Lives of Property and Equipment. The Group reviews annually the estimated useful lives of property and equipment based on expected asset's utilization, market demands and future technological development consistent with the Group's pursuit of constant modernization of the equipment fleet to ensure the availability, reliability and cost efficiency of the equipment. It is possible that the factors mentioned may change in the future, which could cause a change in estimated useful lives. A reduction in estimated useful lives could cause a significant increase in depreciation and amortization of property, plant and equipment.

The carrying amount of property and equipment as at December 31, 2012 and 2011 amounted to ₱24.3 million and ₱31.3 million, respectively (see Note 10).

Impairment of Nonfinancial Assets. The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In assessing whether there is any indication that an asset may be impaired, the Group considers the external and internal sources of information. External sources of information include but are not limited to unexpected significant decline in market value and any other significant changes with an adverse effect on the Group, whether it had taken place during period or will take place in the near future in the market, economic or legal environment in which the entity operates or in the market to which the asset is dedicated. Internal sources of information include evidence of obsolescence or physical damage on an asset, significant changes with an adverse effect on the Group whether it had taken place during the period, or are expected to take place in the near future, to the extent to which, or in a manner in which, an asset is used or is expected to be used, and any other evidence that indicates that the economic performance of an asset is, or will be, worse than expected.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

Recoverable amount represents the value in use, determined as the present value of estimated future cash flows expected to be generated from the continued use of the assets. The estimated cash flows are projected using growth rates based on historical experience and business plans and are discounted using pretax discount rates that reflect the current assessment of the time value of money and the risks specific to the asset.

Impairment loss amounting to ₱0.9 million was recognized on goodwill in 2012 (see Note 11).

The carrying amount of investment properties and property and equipment aggregated ₱174.1 million and ₱181.1 million as at December 31, 2012 and 2011, respectively (see Notes 9 and 10).

Retirement Benefit Costs. The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 20 and include among others, discount rate, expected return on plan assets and salary increase rate. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions materially affect retirement obligations.

The estimated retirement benefit obligation amounted to ₱19.9 million and ₱14.6 million as at December 31, 2012 and 2011, respectively (see Note 20).

Realizability of Deferred Tax Assets. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the projected taxable income in the following periods. Based on the projection, not all temporary differences will be realized, therefore, only a portion of deferred tax assets was recognized.

The carrying amount of deferred tax assets amounted to ₱84.0 million and ₱96.7 million, as at December 31, 2012 and 2011, respectively (see Note 22).

6. Cash and Cash Equivalents

This account consists of:

	2012	2011
Cash on hand	**₱30,000**	₱59,000
Cash in banks	**45,467,992**	160,861,587
Short-term placements	**290,229,050**	–
	₱335,727,042	₱160,920,587

Cash in banks earns interest at the prevailing bank deposit rates and is immediately available for use in the current operations. Short-term placements are made for varying periods up to three (3) months and earn interest at the respective short-term deposit rates. Interest income earned from cash in banks and short-term placements amounted to ₱9.1 million, ₱2.8 million and ₱0.5 million in 2012, 2011 and 2010, respectively (see Note 19).

7. Trade and Other Receivables

This account consists of:

	Note	2012	2011
Sale of real estate		**₱657,274,281**	₱173,366,586
Advances for project development	16	**133,597,388**	105,126,826
Advances to employees		**5,645,368**	4,091,973
Other receivables		**5,129,708**	4,202,556
		801,646,745	286,787,941
Allowance for impairment losses		**(368,292)**	–
		₱801,278,453	₱286,787,941

Receivables from sale of real estate pertain to receivables from sale of condominium units. These receivables are noninterest-bearing and generally collectible in monthly installments over a maximum period of three (3) years. Titles to the units sold under this arrangement are transferred to the buyers only upon full payment of the contract price. Receivables from sale of real estate aggregating ₱806.0 million and ₱600.0 million were used as collateral for loans obtained from certain local banks in 2012 and 2011, respectively (see Note 12).

In 2011, the Parent Company discounted receivables from sale of real estate to a certain local bank without recourse amounting to ₱247.8 million. The cost of financing these receivables recorded under "Finance costs" account in the 2011 consolidated statement of comprehensive income amounted to ₱27.8 million (see Note 18).

Advances for project development pertain to advances made to contractors for the construction of condominium units. These advances are noninterest-bearing and are being recouped against contractors' progress billings.

Advances to employees represent salary and other loans granted to Parent Company's employees which are noninterest-bearing and collectible through salary deduction. This also includes various cash advances used for immediate expenses not covered by petty cash fund and subject to liquidation.

8. Real Estate for Sale

This account consists of:

	2012	2011
Raw land inventory	**₱517,116,617**	₱1,283,857,876
Assets under construction	**1,533,013,606**	1,308,531,650
	₱2,050,130,223	₱2,592,389,526

Raw land inventory pertains to parcels of land for future development.

On April 23, 2012, the Parent Company sold its 33.61% *pro indiviso* interest in a parcel of land located at Bonifacio Global City, Taguig to IRMO for ₱150.0 million. Prior to the sale, IRMO owns 66.39% *pro indviso* interest in the parcel of land. The disposal of interest in the parcel of land resulted to a gain of ₱25.0 million.

Raw land located at Taguig City amounting to ₱472.1 million and ₱580.9 million as at December 31, 2012 and 2011, respectively, are mortgaged in favor of certain creditor banks as collaterals for the Parent Company's loans (see Note 12).

Assets under construction consist of land cost and project development costs incurred by the Parent Company for the construction of the Project. Estimated cost to complete of Tower 1 amounted to ₱618.5 million and ₱1,259.6 million, as at December 31, 2012 and 2011, respectively.

The Parent Company partially finances its project developments through availment of loans. Capitalized borrowing cost amounted to ₱31.0 million and ₱60.5 million in 2012 and 2011, respectively (see Note 12).

In 2011, the Group recognized a gain amounting to ₱179.5 million in the 2011 consolidated statement of comprehensive income representing recovery of the impairment loss recognized on the raw land inventory located at Bonifacio Global City, Taguig (see Note 19). Management believes that the value of this land has substantially improved based on the appraisal conducted by independent appraisers.

Raw land inventory and assets under construction are stated at cost as at December 31, 2012 and 2011, respectively.

9. Investment Properties

This account consists of:

	2012	2011
Land	**₱138,513,560**	₱138,513,560
Development cost	**11,302,817**	11,302,817
	₱149,816,377	₱149,816,377

The Group's investment properties include UPHI's agricultural land with an area of 33 hectares located at Barangay Gonzalo-Bontog, Calamba City and Barangay Calabuso, Tagaytay City.

Portion of the UPHI's agricultural land is currently under expropriation proceedings filed by the National Power Corporation (NAPOCOR) with the Regional Trial Court of Calamba City, Laguna. NAPOCOR built a tower on the agricultural land owned by UPHI covering an area of one (1) hectare, the tower forms part of the Tayabas - Dasmarinas Line Project. The covered area is about 3% of the total land area owned by UPHI. As at December 31, 2012 and 2011, management believes that the effect of the expropriation on the Group's consolidated financial statements is not significant.

A complaint for quieting of title was filed by UPHI on October 18, 2010 because of the erroneous issuance of tax declarations by the City of Tagaytay covering UPHI's property located in Calamba City, Laguna. As at December 31, 2012 and 2011, management believes that the potential effect of the case on the Group's consolidated financial statements is not significant.

Based on the independent appraisal report dated February 3, 2012, the fair value of the land amounted to ₱332.0 million.

10. Property and Equipment

The balances and movements of this account as at and for the years ended December 31, 2012 and 2011 consist of:

		2012				
	Note	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Total
Cost						
Balance at beginning of year		₱8,006,504	₱6,110,888	₱47,469,076	₱13,132,707	₱74,719,175
Additions		3,416,649	442,906	660,878	7,218,218	11,738,651
Disposals		–	(57,054)	(4,285,688)	(3,460,425)	(7,803,167)
Balance at end of year		11,423,153	6,496,740	43,844,266	16,890,500	78,654,659
Accumulated Depreciation and Amortization						
Balance at beginning of year		5,549,365	4,385,572	26,778,747	6,745,701	43,459,385
Depreciation and amortization	17	2,315,404	1,438,751	11,246,010	2,767,118	17,767,283
Disposals		–	(50,714)	(4,285,688)	(2,487,404)	(6,823,806)
Balance at end of year		7,864,769	5,773,609	33,739,069	7,025,415	54,402,862
Carrying Amount		₱3,558,384	₱723,131	₱10,105,197	₱9,865,085	₱24,251,797

		2011				
	Note	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Total
Cost						
Balance at beginning of year		₱6,846,281	₱5,656,052	₱43,051,489	₱13,710,020	₱69,263,842
Additions		1,160,223	454,836	4,417,587	1,935,714	7,968,360
Disposals		–	–	–	(2,513,027)	(2,513,027)
Balance at end of year		8,006,504	6,110,888	47,469,076	13,132,707	74,719,175
Accumulated Depreciation and Amortization						
Balance at beginning of year		3,240,088	2,432,742	17,689,071	4,876,622	28,238,523
Depreciation and amortization	17	2,309,277	1,952,830	9,089,676	2,614,691	15,966,474
Disposals		–	–	–	(745,612)	(745,612)
Balance at end of year		5,549,365	4,385,572	26,778,747	6,745,701	43,459,385
Carrying Amount		₱2,457,139	₱1,725,316	₱20,690,329	₱6,387,006	₱31,259,790

As at December 31, 2012 and 2011, fully depreciated property and equipment that are being used by the Company amounted to ₱1.6 million and ₱0.4 million, respectively.

Depreciation and amortization on property and equipment were included as part of "Operating expenses" account in the consolidated statement of comprehensive income (see Note 17).

11. **Other Assets**

This account consists of:

	2012	2011
Creditable withholding taxes	**₱80,519,150**	₱49,660,140
Amounts held in escrow	**57,857,382**	76,235,951
Input VAT	**27,219,106**	15,362,200
Deposits	**22,262,114**	11,690,058
Prepayments	**2,786,879**	817,179
Deferred input VAT	**2,669,524**	896,250
Others	**3,854,950**	945,034
	197,169,105	155,606,812
Allowance for impairment	**(945,034)**	–
	₱196,224,071	₱155,606,812

Amounts held in escrow pertain to security for the payment of claims for breach of representations and warranties in the contract which the Parent Company has entered into.

Input VAT represents VAT paid to suppliers that can be claimed as credit against the Group's future output VAT liabilities. Deferred input VAT pertains to unamortized input VAT on property and equipment acquired whose amount, excluding VAT, exceeds ₱1.0 million.

Deposits pertain to guarantee deposits for the construction of the Project. Deposits are refundable to the Parent Company upon completion of the Project.

Prepayments pertain mainly to prepaid rent, taxes, insurance and others expenses.

In 2012, others mainly pertain to advance payments to Group's consultants. In 2011, this include goodwill amounting to ₱0.9 million which pertains to the excess of acquisition cost over net assets of UPHI at the time of acquisition. In 2012, the management assessed that the carrying amount of the Group's goodwill arising from the acquisition of UPHI will not be recoverable. Accordingly, impairment loss amounting to ₱0.9 million was recognized as part of "Other expenses" in the consolidated statement of comprehensive income (see Note 17).

12. **Loans Payable**

This account consists of:

	2012	2011
Local creditor banks	**₱1,413,658,550**	₱1,396,142,143
Private funders	**89,551,966**	243,623,067
	₱1,503,210,516	₱1,639,765,210

The summary of loans payable follows:

	2012	2011
Availments to Date		
Balance at beginning of year	**₱2,006,765,210**	₱1,010,095,433
Availments during the year	**361,266,407**	996,669,777
Balance at end of year	**2,368,031,617**	2,006,765,210
Payments to Date		
Balance at beginning of year	**(367,000,000)**	(150,000,000)
Payments during the year	**(497,821,101)**	(217,000,000)
Balance at end of year	**(864,821,101)**	(367,000,000)
Loans payable at end of year	**1,503,210,516**	1,639,765,210
Less: Current portion of loans payable	**(979,551,966)**	(243,623,067)
Long term portion of loans payable	**₱523,658,550**	₱1,396,142,143

Local creditor banks

Loans from local banks consist of interest-bearing secured loans obtained to finance the Parent Company's working capital requirements, project development and acquisition of property from GPDC. These loans have interest rates ranging from 5.00% to 7.39% in 2012 and 5.00% to 10.00% in 2011.

Loan obtained to finance the Parent Company's working capital requirements is secured by receivables from real estate sales aggregating ₱201.1 million and nil in 2012 and 2011, respectively. Loans obtained to finance the Parent Company's project developments are secured by certain raw land inventory amounting to ₱472.1 million and ₱580.9 million in 2012 and 2011, respectively (see Note 8). Loan obtained to finance the Parent Company's acquisition of property from GPDC is secured by receivables from real estate sales aggregating ₱604.9 million and ₱600.0 million in 2012 and 2011, respectively, and all the outstanding shares of MPI (see Note 7).

Private funders

Loans from private funders represent unsecured borrowings with maturities of 30 to 180 days from reporting date. These loans have interest rates ranging from 5.00% to 7.20% in 2012 and 5.00% to 7.00% in 2011.

Borrowing costs capitalized as part of "Real estate for sale" account in the consolidated statement of financial position amounted to ₱31.0 million and ₱60.5 million in 2012 and 2011, respectively (see Note 8). The average rates used to determine the amount of borrowing costs eligible for capitalization are 6.25% and 7.36% in 2012 and 2011, respectively.

Total interest expense charged under "Finance costs" account in the consolidated statement of comprehensive income amounted to ₱69.4 million, ₱125.7 million and ₱80.4 in 2012, 2011 and 2010, respectively (see Note 18).

13. Accounts Payable and Other Liabilities

This account consists of:

	2012	2011
Accounts payable	**₱215,258,196**	₱246,959,091
Accrued expenses	**148,752,832**	19,066,581
Others	**3,284,724**	446,005
	₱367,295,752	₱266,471,677

Accounts payable consist mainly of liabilities to contractors and suppliers, which are noninterest-bearing and are normally settled on a 30-day term.

Accounts payable includes retention payable amounting to ₱108.3 million and ₱50.2 million as at December 31, 2012 and 2011, respectively. It also includes advances from Export and Industry Bank, Inc. (EIB) amounting to ₱27.0 million and ₱54.0 million as at December 31, 2012 and 2011, respectively.

Accrued expenses mainly represent accruals for interest, utilities, salaries and wages and other employee benefits which are expected to be paid within the next 12 months.

14. Customers' Deposits

Customers' deposits include reservation fees paid to the Company by prospective buyers which are to be applied against the receivable upon recognition of revenue. This account also includes excess collections from buyers over the related revenue recognized based on the percentage of completion method.

15. Capital Stock

The account consists of:

	Shares	
	2012	2011
Common shares - ₱0.18 par value		
Authorized - 16,368,095,199 shares		
Issued:		
Balance at beginning of year	**4,296,865,199**	2,096,865,199
Issued during the year	**–**	2,000,000,000
Subscribed and issued during the year	**–**	200,000,000
Balance at end of year	**4,296,865,199**	4,296,865,199
Subscribed:		
Balance at beginning of year	**1,021,230,000**	3,021,230,000
Issued during the year	**–**	(2,000,000,000)
Balance at end of year	**1,021,230,000**	1,021,230,000
	5,318,095,199	5,318,095,199

	Amount	
	2012	2011
Issued:		
Balance at beginning of year	**₱773,435,736**	₱377,435,736
Issued during the year	**–**	360,000,000
Subscribed and issued during the year	**–**	36,000,000
Balance at end of year	**773,435,736**	773,435,736
Subscribed:		
Balance at beginning of year	**183,821,400**	543,821,400
Issued during the year	**–**	(360,000,000)
Balance at end of year	**183,821,400**	183,821,400
Subscription receivable:		
Balance at beginning of year	**127,075,400**	487,075,400
Collected during the year	**–**	(360,000,000)
Balance at end of year	**127,075,400**	127,075,400
Subscribed - net	**56,746,000**	56,746,000
	₱830,181,736	₱830,181,736

The details and movement of the shares listed with PSE follows:

Date of SEC Approval	Type of Issuance	No. of Shares Issued	Issue/Offer Price
1996	Initial public offering	351,000,000	₱1.00
1998	Payment of subscription	256,203,748	1.00
1999	Stock dividends	410,891,451	1.00
2009	Payment of subscription	628,770,000	0.20
2010	Payment of subscription	100,000,000	0.20
2011	Payment of subscription	2,200,000,000	0.20

The total number of shareholders is 2,096 and 2,118 as at December 31, 2012 and 2011, respectively.

16. Related Party Transactions

The Group engages, in the normal course of business, in various transactions with its related parties which include entities under common control, key management and others, as described below.

The Group grants unsecured, noninterest-bearing advances to its related parties for working capital requirements and capital expenditures.

Joint Development Agreement with MPI

On November 3, 2009, the Parent Company and MPI (the Co-developers) entered into a Joint Development Agreement (JDA) whereby the Co-developers agreed to jointly undertake the development of the Project on a lot owned by MPI (see Note 1). The Project is a high-rise residential condominium to be held primarily for sale to third parties. Under the JDA, MPI agreed to contribute the land whereas the Parent Company agreed to contribute the development costs to finance the construction of the residential condominium. In return for their respective contributions, the Co-developers have agreed to distribute and allocate among themselves the condominium units to their pro-rata interest therein. The development and construction period is estimated to be 72 months from the date of the execution of the JDA. Total costs incurred by the Parent Company in connection with the JDA amounted to ₱1,365.6 million as at 2012 and ₱582.8 million as at 2011 including borrowing costs of ₱31.0 million in 2012 and ₱60.5 million in 2011 and is presented as part of Real Estate Assets in the consolidated statement of financial position. The portion of the lot contributed by MPI pertaining to the Project has a fair value of ₱594.5 million.

Advances to Officers and Employees

The Group grants advances to its officers and employees. These are funds given to officers and employees to carry out their functions in the group subject to liquidation. These are noninterest-bearing and are due and demandable. Advances to officers and employees amounted to ₱5.6 million and ₱4.1 million as at December 31, 2012 and 2011, respectively (see Note 7).

Key Management Personnel

The compensation of key management personnel amounted to ₱37.0 million in 2012, ₱37.0 million in 2011 and ₱27.9 million in 2010.

17. Operating Expenses

The operating expenses in the consolidated statement of comprehensive income are classified as follows:

	2012	2011	2010
Administrative	**₱203,410,797**	₱171,699,656	₱168,343,735
Selling and marketing	**100,468,319**	52,839,356	54,590,050
	₱303,879,116	₱224,539,012	₱222,933,785

Details of operating expenses by nature are as follows:

	Note	**2012**	2011	2010
Salaries and other employee benefits	20	**₱84,759,787**	₱75,645,762	₱47,637,378
Advertising		**56,771,860**	19,897,341	41,323,137
Brokers' commissions		**43,696,459**	32,942,015	13,266,913
Depreciation and amortization	10	**17,767,283**	15,966,474	22,433,538
Management and professional fees		**14,944,743**	17,997,567	19,890,325
Transportation and travel		**14,198,696**	4,456,884	3,490,163
Communication and office expenses		**13,161,335**	12,536,971	13,138,405
Rental	21	**13,055,116**	11,131,682	12,695,487
Taxes and licenses		**11,960,315**	18,078,189	7,516,665
Insurance		**6,429,987**	3,779,897	4,018,771
Repairs and maintenance		**5,922,914**	–	–
Utilities		**3,032,874**	2,825,285	4,358,100
Representation		**2,349,749**	438,414	24,299,962
Others	7,11	**15,827,998**	8,842,531	8,864,941
		₱303,879,116	₱224,539,012	₱222,933,785

18. Finance Costs

This account arises from:

	Note	2012	2011	2010
Loans	12	**₱69,392,720**	₱80,608,008	₱42,477,334
Bank charges		**1,882,873**	1,834,797	1,315,360
Opportunity cost on early extinguishment of debt		**–**	70,388,185	–
Other interest-bearing liability - GPDC	12	**–**	45,116,308	37,966,901
Discount on receivables financing	7	**–**	27,786,843	–
		₱71,275,593	₱225,734,141	₱81,759,595

19. Other Income

This account consists of:

	Note	2012	2011	2010
Gain on sale of assets - net	1	**₱332,609,899**	₱–	₱–
Gain on sale of receivables		**81,310,717**	–	–
Interest income on cash in banks	6	**9,094,934**	2,826,073	476,712
Rental	21	**3,750,832**	3,075,555	2,104,832
Reversal of impairment loss on real estate assets	8	**–**	179,498,812	–
Excess of fair values over book value of assets acquired		**–**	14,948,314	404,618,684
Management fees		**–**	–	16,185,029
Marketing fees		**–**	–	12,557,826
Others		**(13,738,523)**	4,388,944	397,624
		₱413,027,859	₱204,737,698	₱436,340,707

On April 23, 2012, the Parent Company assigned its receivables from IRMO amounting to ₱174.1 million to Myspace for ₱265.0 million inclusive of accumulated uncollected interest income amounting to ₱81.3 million.

Gain on sale of assets is net of commission paid to broker amounting to ₱13.7 million for 2012.

Others comprise of gain and loss on foreign transactions, forfeited reservations and loss on retirement of assets.

20. Retirement Benefit Obligation

The Parent Company has an unfunded and non-contributory defined benefit retirement plan covering substantially all of its regular employees.

The latest actuarial valuation of the retirement expense was made on December 31, 2012.

Retirement benefit cost recognized in the consolidated statement of comprehensive income is as follows:

	2012	2011
Current service cost	**₱4,399,125**	₱3,822,035
Interest cost	**874,714**	771,046
Past service cost	**–**	10,044,162
Total retirement expense	**₱5,273,839**	₱14,637,243

The amounts of retirement benefit obligation recognized in the consolidated statement of financial position are determined as follows:

	2012	2011
Balance at beginning of year	**₱14,637,243**	₱–
Current service cost	**4,399,125**	3,822,035
Interest cost	**874,714**	771,046
Past service cost	**–**	10,044,162
Balance at end of year	**₱19,911,082**	₱14,637,243

Movements in the present value of retirement obligation (PVRO) are as follows:

	2012	2011
Balance at beginning of year	**₱14,142,082**	₱9,638,076
Current service cost	**4,399,125**	3,822,035
Interest cost	**874,714**	771,046
Past service cost	**–**	10,044,162
Actuarial gain	**(4,429,319)**	(10,133,237)
Balance at end of year	**₱14,986,602**	₱14,142,082

Reconciliation of the PVRO to the accrued retirement payable is as follows:

	2012	2011
Unfunded PVRO	**₱14,975,602**	₱14,131,082
Cumulative unrecognized actuarial gain at end of year	**4,935,480**	506,161
Accrued retirement payable	**₱19,911,082**	₱14,637,243

The principal actuarial assumptions used in determining pension asset are as follows:

	2012	2011
Discount rate	**5.66%**	6.19%
Salary increase rate	**5.00%**	5.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working life of an employee retiring at the age of 60 is 21.7 years.

The post-employment expense is presented as part of Salaries and other employee benefits under "Administrative Expenses" presented under Operating Expenses in the 2012 and 2011 consolidated statement of comprehensive income.

Assumptions regarding future mortality are based on published statistics and mortality tables. The average expected remaining working life of employees retiring at the age of 60 is 23 for both male and female.

21. Lease Commitments

Operating Lease Commitments - Group as Lessee

The Company is a lessee under non-cancellable operating leases covering office space and land where its model unit is situated. The leases have terms ranging from three to five years, with renewal options, and provisions for escalation.

The future minimum rental payables under these non-cancellable operating leases are as follows:

	2012	2011	2010
Within one year	**₱7,776,987**	₱7,294,381	₱6,914,510
After one year but not more than five years	**4,129,230**	15,183,741	27,775,524
	₱11,906,217	₱22,478,122	₱34,690,034

The total rental expense recognized from these operating leases amounted to ₱13.1 million, ₱11.1 million and ₱12.7 million in 2012, 2011 and 2010, respectively (see Note 17).

Operating Lease Commitments - Group as Lessor

The Group is a lessor under cancellable operating leases with Ayala Property Management Corporation covering parking space. The lease term shall be for indefinite period of time until either party terminates the agreement by giving at least thirty (30) days prior written notice to the other party.

The rental shall be seventy percent (70%) of the net operating income from parking operations of the leased premise per one month period.

The total rental income recognized from this operating lease amounted to ₱3.8 million, ₱3.1 million and ₱2.1 million in 2012, 2011 and 2010, respectively (see Note 19).

22. Income Taxes

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

	2012	2011	2010
Current income tax			
MCIT	**₱8,235,412**	₱6,279,470	₱2,580,379
Final taxes	**36,393,987**	471,065	94,971
	44,629,399	6,750,535	2,675,350
Deferred income tax	**12,711,047**	(96,671,688)	–
	₱57,340,446	(₱89,921,153)	₱2,675,350

The reconciliation between the income tax expense (benefit) based on statutory income tax rate and effective income tax rate reported in the consolidated statement of comprehensive income is as follows:

	2012	2011	2010
Income tax computed at statutory tax rate	**₱97,000,321**	(₱24,898,444)	₱39,494,198
Tax effects of:			
Non-taxable income	**(116,721,927)**	(54,154,615)	(109,134,773)
Non-deductible expenses	**94,238,630**	386,365	–
Change in unrecognized deferred tax assets	**(36,770,331)**	(28,608,624)	31,607,171
Expired NOLCO	**20,489,396**	17,637,308	40,756,239
Income subjected to final tax	**(909,493)**	(376,664)	(47,485)
Expired MCIT	**13,850**	93,521	–
	₱57,340,446	(₱89,921,153)	₱2,675,350

The components of the Group's deferred tax assets (liability) as at December 31, 2012 and 2011, respectively are as follows:

	2012	2011
Deferred tax assets (liability):		
NOLCO	**₱50,701,349**	₱36,184,460
Difference in gross profit on sale of real estate	**27,142,521**	57,990,390
Retirement benefits liability	**5,973,325**	4,391,173
Allowance for doubtful accounts	**110,488**	–
Rental accrual	**32,958**	–
Interest accrual	–	(6,282,742)
MCIT	–	4,388,407
Deferred tax assets-net	**₱83,960,641**	₱96,671,688

The details of the Group's NOLCO and MCIT, which can be claimed as deduction from future taxable income and as tax credit against future income tax due, respectively, are as follows:

Year Incurred	MCIT	NOLCO	Expiry Date
2012	₱8,235,412	₱2,417,662	2015
2011	6,279,470	175,825,617	2014
2010	2,580,379	135,854,131	2013
	₱17,095,261	₱314,097,410	

The Company incurred NOLCO in 2009 amounting to ₱120,614,865. NOLCO amounting to ₱52,316,878 was applied in 2012 while the remaining amount of ₱68,297,987 expired during the year. MCIT incurred in 2009 amounting to ₱13,850 expired in 2012.

The Group did not recognize the deferred tax assets on the following items since management believes that these items will not be realized in the future:

	2012	2011
NOLCO	**₱42,077,289**	₱91,457,588
MCIT	**17,095,261**	4,485,292
Allowance for impairment	**2,547,982**	2,547,983
	₱61,720,532	₱98,490,863

23. Earnings Per Share

Basic and diluted earnings (loss) per share are computed as follows:

	2012	2011	2010
Net profit	**₱265,993,957**	₱6,926,340	₱128,971,977
Divided by weighted average number of outstanding common shares	**5,318,095,199**	3,563,531,866	2,071,865,199
Earnings per share	**₱0.0500**	₱0.0019	₱0.0622

Diluted earnings per share equals the basic earnings per share as the Parent Company does not have any dilutive potential common shares at the end of each of the three years presented.

24. Financial Risk Management Objectives and Policies

The Company's financial instruments comprise cash and cash equivalents, trade and other receivables, deposits, accounts and other liabilities and loans payable. The main purpose of these financial instruments is to finance the Company's operations.

It is the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest risk. The BOD reviews and approves policies for managing these risks as summarized below.

The Group's exposure to foreign currency risk is minimal, as it does not enter into transactions in currencies other than its functional currency.

Credit Risk

Credit risk is the risk that the Group will incur a loss because its counterparties fail to discharge their contractual obligations. The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. As customary in the real estate business, title to the property is transferred only upon full payment of the purchase price. There are also provisions in the sales contract which allow forfeiture of installments or deposits made by the customer in favor of the Group. Also, customers are required to deposit postdated checks to the Group covering all installment payments. These measures minimize the credit risk exposure or any margin loss from possible default in the payment of installments. As of December 31, 2012 and 2011, there were no significant credit concentrations.

With respect to credit risk arising from the other financial assets of the Group, which are composed of cash, receivables and deposits, the Group's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amounts of the instruments.

The table below shows the gross maximum exposure to credit risk for the components of the Group's consolidated statement of financial position, before taking into consideration any collateral and credit enhancements:

	Note	2012	2011
Cash and cash equivalents*	6	**₱335,697,042**	₱160,861,587
Trade and other receivables**	7	**662,403,989**	177,569,142
Amounts held in escrow	11	**57,857,382**	76,235,951
Deposits	11	**22,262,114**	11,690,058
		₱1,078,220,527	₱426,356,738

**Excludes cash on hand amounting to ₱30,000 and ₱59,000 in 2012 and 2011, respectively.*

***Excludes advances to contractors, suppliers and employees amounting to ₱139,242,756 and ₱109,218,799 in 2012 and 2011, respectively.*

The Group's credit risk is primarily attributable to its contracts receivables and other financial assets. The credit quality of the Group's financial assets is managed using internal credit ratings. The tables below show the credit quality by class of financial assets based on the Group's credit rating system and aging of past due but not impaired financial assets.

	2012						
	Neither Past Due nor Impaired		Past Due but not Impaired				
	High Grade	Standard Grade	Less than 1 year	1-2 years	2-3 years	over 3 years	Total
Cash and cash equivalents*	₱335,697,042	₱–	₱–	₱–	₱–	₱–	₱335,697,042
Trade and other receivables**	657,274,281	5,129,708	–	–	–	–	662,403,989
Amounts held in escrow	–	57,857,382	–	–	–	–	57,857,382
Deposits	–	22,080,760	181,354	–	–	–	22,262,114
	₱992,971,323	₱85,067,850	₱181,354	₱–	₱–	₱–	₱1,078,220,527

**Excludes cash on hand amounting to ₱30,000.*

***Excludes advances to contractors, suppliers and employees amounting to ₱139,242,756*

	2011						
	Neither Past Due nor Impaired		Past Due but not Impaired				
	High Grade	Standard Grade	Less than 1 year	1-2 years	2-3 years	over 3 years	Total
Cash and cash equivalents*	₱160,861,587	₱–	₱–	₱–	₱–	₱–	₱160,861,587
Trade and other receivables**	173,366,586	–	4,202,556	–	–	–	177,569,142
Amounts held in escrow	–	76,235,951	–	–	–	–	76,235,951
Deposits	–	11,690,058	–	–	–	–	11,690,058
	₱334,228,173	₱87,926,009	₱4,202,556	₱–	₱–	₱–	₱426,356,738

**Excludes cash on hand amounting to ₱59,000.*
***Excludes advances to contractors, suppliers and employees amounting to ₱109,218,799.*

Financial instruments classified as "high grade" are those "cash transacted with reputable local banks and receivables with no history of default on the agreed contract terms. Financial instruments classified as "standard grade" are those receivables from customers who need to be reminded of their dues. Past due but not impaired are items with history of frequent default, nevertheless, the amounts are still collectible.

Liquidity Risk

Liquidity risk is the risk that the Group may not be able to settle its obligations as they fall due.

The table below summarizes the maturity profile of the financial liabilities of the Group based on remaining contractual undiscounted cash flows as at December 31, 2012 and 2011:

	2012					
	Due and Demandable	**Less than 1 year**	**1-2 years**	**2-3 years**	**over 3 years**	**Total**
Loans Payable	₱–	₱979,551,966	₱285,000,000	₱225,000,000	₱13,658,550	₱1,503,210,516
Accounts Payable and other liabilities*	281,957,832	–	–	–	–	281,957,832
	₱281,957,832	₱979,551,966	₱285,000,000	₱225,000,000	₱13,658,550	₱1,785,168,348

**Excludes nonfinancial liabilities amounting to ₱85,455,920 as at December 31, 2012.*

	2011					
	Due and Demandable	Less than 1 year	1-2 years	2-3 years	over 3 years	Total
Loans Payable	₱–	₱243,623,067	₱–	₱493,750,000	₱902,392,143	₱1,639,765,210
Accounts Payable and other liabilities*	175,149,670	–	–	–	–	175,149,670
	₱175,149,670	₱243,623,067	₱–	₱493,750,000	₱902,392,143	₱1,814,914,880

**Excludes nonfinancial liabilities amounting to ₱91,322,007 as at December 31, 2011.*

The Group monitors its risk to a shortage of funds through analyzing the maturity of its financial investments and financial assets and cash flows from operations. The Group monitors its cash position by a system of cash forecasting. All expected collections, check disbursements and other payments are determined on a daily basis to arrive at the projected cash position to cover its obligations.

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group addresses liquidity concerns primarily through cash flow from operations. All financial liabilities of the Group, which consist of payable to clearing house, brokers and customers and accounts payable and other liabilities (excluding taxes payable to government agencies), are payable on demand.

Interest Rate Risk
Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

The Group's loans payable to local banks subject to floating interest rates are exposed to cash flow interest rate risk. The re-pricing of these instruments is done on intervals of three months. On the other hand, the Group's other loans payable to local banks and financing institutions subject to fixed interest rate are exposed to fair value interest rate risk.

The Group regularly monitors interest rate movements and on the basis of current and projected economic and monetary data, decides on the best alternative to take.

25. Fair Value Measurement

The table below presents a comparison of the carrying amounts and fair values of all of the Group's financial instruments as at December 31, 2012 and 2011.

	2012		2011	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	**₱335,697,042**	**₱335,697,042**	₱160,861,587	₱160,861,587
Trade and other receivables	**662,403,989**	**662,403,989**	177,569,142	177,569,142
Amounts held in escrow	**57,857,382**	**57,857,382**	76,235,951	76,235,951
Deposit	**22,262,114**	**22,262,114**	11,690,058	11,690,058
	₱1,078,220,527	**₱1,078,220,527**	₱426,356,738	₱426,356,738
Financial liabilities:				
Loans payable	**₱1,503,210,516**	**₱1,511,276,554**	₱1,639,765,210	₱1,639,765,210
Accounts payable and other liabilities	**281,957,832**	**281,957,832**	175,149,670	175,149,670
	₱1,785,168,348	**₱1,793,234,386**	₱1,814,914,880	₱1,814,914,880

The carrying amounts of financial assets and accounts payable and other liabilities approximate their fair values due to the short-term nature of these financial instruments. Interest-bearing loans payable includes accrued interest in the estimation of its fair value.

Fair Value Hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

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

26. Classification of Statement of Financial Position Accounts

The Group's current portions of its assets and liabilities as at December 31, 2012 and 2011 are as follows:

	Note	2012	2011
Current assets:			
Cash and cash equivalents	6	**₱335,727,042**	₱160,920,587
Sale of real estate	7	**657,274,281**	173,366,586
Advances to employees	7	**5,645,368**	4,091,973
Other receivables	7	**4,761,416**	4,202,556
Real estate for sale	8	**2,050,130,223**	2,592,389,526
Other assets*	11	**159,956,112**	65,839,519
		₱3,213,494,442	₱3,000,810,747

**Includes amounts from creditable withholding taxes, input VAT and prepayments.*

	Note	2012	2011
Current liabilities:			
Loans payable-current portion	12	**₱979,551,966**	₱243,623,067
Accounts payable and other liabilities	13	**288,741,754**	266,471,677
Customers' deposits	14	**429,164,393**	496,765,687
		₱1,697,458,113	₱1,006,860,431

27. Reclassification of Accounts

Certain accounts in 2011 consolidated financial statements were reclassified to conform with the presentation in the current year financial statements.

	Increase (Decrease)
Trade and other receivables	(₱494,594,332)
Real estate for sale	265,419,273
Accounts payable and other liabilities	584,892,908
Estimated liability for future development	(436,247,433)
Deferred gross profit	(377,820,534)

28. Capital Management Objectives, Policies and Procedures

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

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

	2012	2011
Total liabilities	**₱2,319,581,743**	₱2,417,639,817
Total equity	**1,321,806,861**	1,055,812,904
Debt-to-equity ratio	**1.75:1.00**	2.29:1.00

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

29. Segment Reporting

The Group is organized into one reportable segment which is development and sale of real estate. The Group also has one geographical segment and derives all its revenues from domestic operations. All of the Group's activities are interrelated and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial information about the sole business segment is equivalent to the consolidated financial statements of the Group.

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

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November 12, 2012, valid until December 31, 2015
SEC Accreditation No. 0207-F (Group A)
August 26, 2010, valid until August 25, 2013

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Arthaland Corporation and Subsidiaries
8/F Picadilly Star Building
4th Avenue corner 27th Street
Bonifacio Global City, Taguig City

We have audited in accordance with Philippines Standards on Auditing, the consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries included in this Form 17-A and have issued our report thereon dated April 10, 2013. Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68 Part II and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state in all material respect the financial data required to be set forth therein in relation to the consolidated financial statements taken as a whole.

REYES TACANDONG & CO.

Carolina P. Angeles

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PTR No. 3670315
Issued January 2, 2013, Makati City

April 10, 2013
Makati City, Metro Manila

ARTHALAND CORPORATION AND SUBSIDIARIES

FINANCIAL RATIOS

DECEMBER 31, 2012

Below is a schedule showing financial soundness indicators in the years 2012 and 2011.

	2012	2011
Current/Liquidity Ratio	**1.89**	3.98
Current assets	**₱3,213,494,442**	₱3,000,810,747
Current liabilities	**1,697,458,113**	1,006,860,431
Solvency Ratio	**0.12**	0.01
Net loss before depreciation	**283,761,242**	22,892,814
Total liabilities	**2,319,581,744**	2,417,639,817
Debt-to-equity Ratio	**1.75**	2.29
Total liabilities	**2,319,581,744**	2,417,639,817
Total equity	**1,321,806,861**	1,055,812,904
Asset-to-equity Ratio	**2.75**	3.29
Total assets	**3,641,388,605**	3,473,452,721
Total equity	**1,321,806,861**	1,055,812,904
Interest rate coverage Ratio	**5.54**	0.63
Pretax income before interest	**394,609,997**	142,739,328
Interest expense	**71,275,593**	225,734,141
Profitability Ratio	**0.20**	0.01
Net income	**265,993,958**	6,926,340
Total equity	**₱1,321,806,861**	₱1,055,812,904

ARTHALAND CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF ADOPTION OF EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS

DECEMBER 31, 2012

Title	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 (PFRSs)

PFRS	Title	Adopted	Not Adopted	Not Applicable
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	Title	Adopted	Not Adopted	Not Applicable
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	✓		
	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 (PASs)

PAS	Title	Adopted	Not Adopted	Not Applicable
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 Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures		✓	
PAS 19 (Amended)*	Employee Benefits		✓	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
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		✓	
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			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓

PHILIPPINE INTERPRETATIONS

No.	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment		✓	
IFRIC 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			✓

No.	Title	Adopted	Not Adopted	Not Applicable
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes – Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

ARTHALAND CORPORATION AND SUBSIDIARIES
SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6 PART II
OF SRC RULE 68 AS AMENDED
DECEMBER 31, 2012

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ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTES)
DECEMBER 31, 2012

There are no receivables which are considered outside of the Company's ordinary course of business.

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2012

Name and designation of debtor	Balance at beginning of period	Additions	Deductions		Ending Balance		
			Amounts collected	Amounts written off/sold	Current	Not current	Balance at end of period
Advances to subsidiaries:							
Irmo, Inc.*	₱173,785,711	₱333,786	₱–	(₱174,119,497)	₱–	₱–	**₱–**
Urban Property Holdings, Inc. (UPHI)**	93,558,962	29,244,170	(65,800,000)	–	57,003,132	–	**57,003,132**
Manchesterland Properties, Inc. (net of allowance for impairment amounting to ₱3,261,249)	14,607,315	2,567,426	–	–	17,174,741	–	**17,174,741**
Cazneau, Inc.***	75,547	72,367	(147,914)	–	–	–	–
Technopod, Inc.***	74,918	72,367	(147,285)	–	–	–	–
	₱282,102,453	₱32,290,116	₱–	₱–	₱74,177,873	₱–	**₱74,177,873**

*In 2012, investment in Irmo, Inc. were sold, thus related advances were also sold.
**The Company has subscribed additional 200,000 common shares from UPHI at ₱329 per share which shall be paid by applying ₱65.8 million of the outstanding advances as at December 31, 2102.
***Advances to Cazneau and Technopod, Inc. were applied to subscriptions payable to the respective subsidiaries representing 1,479 shares and 1,472 share at ₱100 par value

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2012

				Deductions	Ending Balance	
Description	Beginning Balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)*	Balance at end of period
Other Assets - Goodwill	₱945,034	₱–	₱–	₱–	(₱945,034)	₱–

*Pertains to impairment loss recognized in 2012.

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
DECEMBER 31, 2012

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" related balance sheet	Amount shown under caption "Long-Term Debt" in related statement of financial position			
			Face Amount	Interest Rate(s)	Number of Periodic Payments	Maturity Dates
Bank Loans						
Bank 1	–	90,000,000	510,000,000	7.388%	Nine quarterly payments	January 2015
Bank 2 – A	–	200,000,000	–	5.850%	One-time Lumpsum	January 2013
Bank 2 – B	–	180,000,000	–	5.929%-6.125%	Three periodic	August 2013
Bank 2 – C	–	180,000,000	–	6.125%-8.061%	Three periodic	August 2013
Bank 2 – D	–	90,000,000	–	5.929%-6.125%	Three periodic	August 2013
Bank 2 – various	–	–	13,658,550	9.00%-16%	36-60 monthly payments depending on the agreed term	
Bank 3	–	150,000,000		5.600%-6.000%	One-time Lumpsum	May 2013
Various Loan from private funders		89,551,966	–	5.000%-7.200%	One-time Lumpsum renewable on maturity	January-February 2013
		₱979,551,966	₱523,658,550			

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES
DECEMBER 31, 2012

The Company has no outstanding loans from related parties.

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2012

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common shares - ₱0.18 par value per share	16,368,095,199	5,318,095,199	–	–	9	5,318,095,190

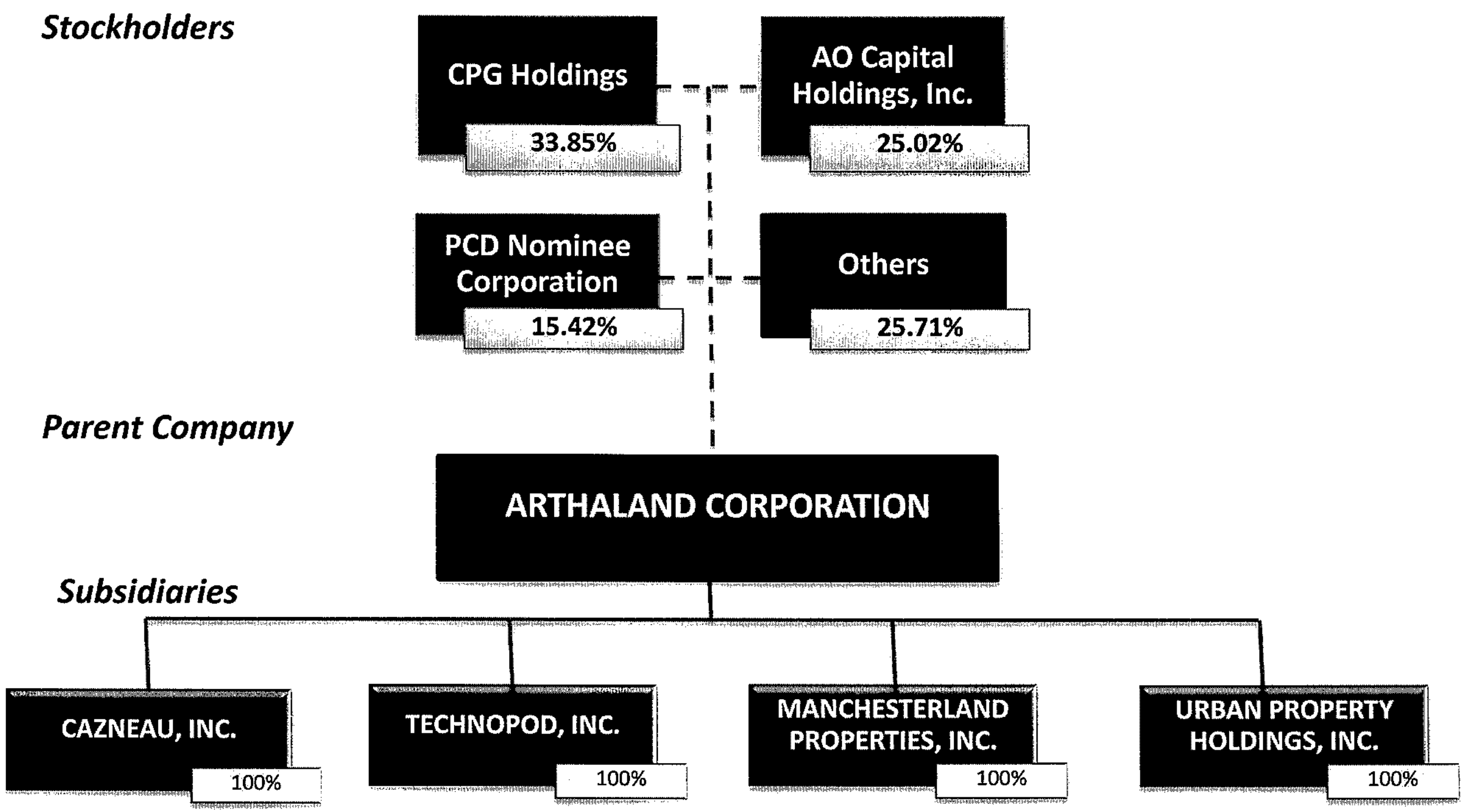
ARTHALAND CORPORATION

RECONCILIATION OF PARENT COMPANY'S RETAINED EARNINGS

DECEMBER 31, 2012

Unappropriated Retained Earnings, *as adjusted to available for dividend distribution, beginning*		(₱221,323,188)
Adjustments:		
Adjustments in previous year's reconciliation		
Unappropriated Retained Earnings, as adjusted, beginning		
Net Income based on the face of AFS	₱422,419,693	
Less: Non-actual/unrealized net income net of tax		
Equity in net income of Associate income (net of Tax.	–	
Unrealized foreign exchange gain	–	
Fair value adjustment (M2M gains)	–	
Adjustment due deviation from PFRS/GAAP	–	
Sub-total	422,419,693	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP – loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
	422,419,693	
Net Income Actual/Realized		422,419,693
Unappropriated Retained Earnings, as adjusted , ending		₱201,096,505

CONGLOMERATE MAP



ARTHALAND
FUTURE PROOF BY DESIGN

UNDERTAKING

ARTHALAND CORPORATION (ALCO) undertakes to provide, without charge, a copy of its Annual Report, SEC Form 17-A, to any person soliciting a copy thereof upon written request addressed to the Corporate Secretary with principal office address at the 8/F Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City.

ERNEST K. CUYEGKENG
Chairman of the Board

ANGELA DE VILLA LACSON
President and CEO

PONCIANO S. CARREON, JR.
Chief Finance Officer