COVER SHEET

5 2 4 1 2

SEC Registration Number

BELLE CORPORATION

(Company's Full Name)

5TH FLOOR TOWER A, TWO E-COM CENTER, MOA COMPLEX CBP, PASAY

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

A. BAYANI K. TAN

632-09-05/10

Company Telephone Number

1 2 (Month) 3 1 (Day)

Fiscal Year

Every last Thursday of 0 5 (Month) (Day)

Annual Meeting

DEFINITIVE 20-IS

Form Type

Secondary License Type, if applicable

Department Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be Accomplished by SEC Personnel Concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

TO: ALL STOCKHOLDERS

NOTICE is hereby given that there will be an annual meeting of the stockholders of Belle Corporation on **Monday, 22 April 2013**at 2 o'clock in the afternoon, at the Mindanao Ballroom, Sofitel Philippine Plaza Manila, CCP Complex, Roxas Boulevard, Pasay City, Metro Manila, to consider the following:

AGENDA

1. Call to Order
2. Proof of Notice of Meeting
3. Certification of Quorum
4. Approval of the Minutes of the Previous Meeting of Stockholders
5. Approval of 2012Operations and Results
6. Ratification of all Acts of the Board of Directors and Officers
7. Election of Directors
8. Appointment of SyCipGorresVelayo& Co. as External Auditors
9. Other Matters
10. Adjournment

In accordance with the rules of the Philippine Stock Exchange, the close of business on **22 March 2013** has been fixed as the record date for the determination of the stockholders entitled to notice of and vote at said meeting and any adjournment thereof.

Registration for those who are personally attending the meeting will start at 1:00 p.m. and end promptly at 1:45 p.m. All stockholders who will not, are unable, or do not expect to attend the meeting in person are encouraged to fill out, date, sign and send a proxy to the Corporation at 28/F East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila, Philippines. All proxies should be received by the Corporation **at least four (4) days** before the meeting, or on or before **18 April 2013**. Proxies submitted shall be validated by a Committee of Inspectors on **19 April 2013** at 10:00 o'clock in the morning at Unit 2803C East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City. For corporate stockholders, the proxies should be accompanied by a Secretary's Certification on the appointment of the corporation's authorized signatory.

To avoid inconvenience in registering your attendance at the meeting, you (or your proxy) are requested to bring identification paper(s) containing a photograph and signature, e.g. passport, driver's license, or credit card.

City of Pasig, Metro Manila, 13 March 2013.

ARTHUR A. SY
Assistant Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS

Information Statement Pursuant to Section 20 of the Securities Regulation Code

1. Check the appropriate box
   [] Preliminary Information Statement
   [✔]Definitive Information Statement

2. Name of Registrant as specified in its charter: **BELLE CORPORATION**

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

4. SEC Identification Number: **52412**

5. BIR Tax Identification Number: **043-000-156-011**

6. Address of principal office: **5th Floor Tower A, Two E-com Center, Palm Coast Avenue, Mall of Asia Complex CBP-1A, Pasay City 1300**

7. Registrant's telephone number, including area code: **(632) 662-8888**

8. Date, time, and place of the meeting of security holders:

Date	:	**22 April 2013 (Monday)**
Time	:	**2:00 PM**
Venue	:	**Mindanao Ballroom, Sofitel Philippine Plaza Manila** **CCP Complex, Roxas Boulevard, Pasay City, Metro Manila**

9. Approximate date on which the Information Statement is to be sent or given to security holders: **01 April 2013**

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, ₱1.00 par value	**10,559,382,799** **(as of 28 February 2013)**

11. Are any or all of Registrant's securities listed on a Stock Exchange?

    Yes [✔] No [ ]

If so disclose name of the Exchange	:	**The Philippine Stock Exchange, Inc.**
Class of securities listed	:	**Common Shares**

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

GENERAL INFORMATION

Date, time and place of meeting of security holders

(a) Date - 22 April 2013 (Monday)
Time - 2:00 P.M.
Place - Mindanao Ballroom, Sofitel Philippine Plaza Manila
CCP Complex, Roxas Boulevard, Pasay City, Metro Manila

(b) The approximate date on which the Information Statement will be sent or given to security holders is on **01 April 2013**.

(c) The complete mailing address of the principal office of Belle Corporation (the 'Company') is:
5th Floor Tower A, Two E-com Center, Palm Coast Avenue, Mall of Asia Complex CBP-1A, Pasay City 1300

Dissenters' Right of Appraisal

The matters to be voted upon in the Annual Stockholders' Meeting on **22 April 2013** are not among the instances enumerated in Sections 42 and 81 of the Corporation Code whereby the right of appraisal, defined to be the right of any stockholder to dissent and demand payment of the fair value of his shares, may be exercised. The instances where the right of appraisal may be exercised are as follows:

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

2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code;

3. In case the Company decides to invest its funds in another corporation or business outside of its primary purpose; and

4. In case of merger or consolidation.

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

(a) No person who has been a director or officer or any nominee for election as director of the Company or associate of such persons, have substantial interest, direct or indirect, in any matter to be acted upon other than the election of directors for the year 2013-2014.

(b) The Company is not aware of any director or security holder who intends to oppose any action to be taken by the registrant during the stockholders' meeting.

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

(a) As of 28 February 2013, the Registrant had 10,559,382,799 common shares outstanding and each share is entitled to one vote.

(b) The record date with respect to the determination of the stockholders entitled to notice of and vote at the Annual Stockholders' Meeting is **22 March 2013**.

(c) With respect to the election of eleven (11) directors, each stockholder may vote such number of shares for as many as eleven (11) persons he may choose to be elected from the list of nominees, or he may cumulate said shares and give one candidate as many votes as the number of his shares multiplied by eleven (11) shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by eleven (11).

(d) Security ownership of certain record and beneficial owners and management.

(1) Security Ownership of Certain Record and Beneficial Owners

The following persons or groups are known to the Company as directly or indirectly the record or beneficial owners of more than five percent (5%) of the Company's voting securities as of 28 February 2013:

Title of Class	Name and Address of Record Owner and Relationship with issuer	Name and Address of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	PCD Nominee Corporation[(1)] G/F Makati Stock Exchange 6767 Ayala Avenue, Makati City	*(see footnote)*	Filipino	2,792,107,193	26.44
Common	SM Commercial Properties, Inc. MakatiStockExchangeBuilding Ayala Avenue, Makati City	SM Commercial Properties, Inc.	Filipino	2,591,715,833	24.54
Common	Sysmart Corporation[(2)] MakatiStockExchangeBuilding Ayala Avenue, Makati City	Sysmart Corporation	Filipino	1,629,353,802	31.29
Common	PCD Nominee Corporation[(1)] G/F Makati Stock Exchange 6767 Ayala Avenue, Makati City	*(see footnote)*	Non-Filipino	1,103,220,830	10.45
Common	SM Development Corporation[(2)] Makati Stock Exchange Building Ayala Avenue, Makati City	SM Development Corporation *(see footnote)*	Filipino	735,553,560	6.97

[(1)] PCD Nominee Corporation ("PCDNC") is a wholly-owned subsidiary of Philippine Central Depository, Inc. ("PCD"). The beneficial owners of such shares registered under the name of PCDNC are PCD's participants who hold the shares in their own behalf or in behalf of their clients. The PCD is prohibited from voting these shares; instead the participants have the power to decide how the PCD shares in Belle are to be voted. The participants of PCD who own more than 5% of the Company's outstanding capital are as follows:

i. The Hong Kong Shanghai Banking Corporation Limited – Clients' Account – 7.35%

[(2)] Mr. Henry Sy, Sr. is the single largest shareholder of Sysmart Corporation and SM Development Corporation.

The shares held by Sysmart Corporation, SM Development Corporation, Hong Kong Shanghai Banking Corporation-Client's Account, and the Social Security System shall be voted or disposed by the persons who shall be duly authorized by these record or beneficial shareholders for the purpose. The natural person/s that has/have the power to vote on the shares of the foregoing companies shall be determined upon the submission of its proxy form to the Company, which is not later than four (4) days before the date of the meeting.

Apart from the foregoing, there are no other persons holding more than 5% of the Company's outstanding capital stock.

(2) Security Ownership of Management

The following table shows the shares beneficially owned by the directors and executive officers of the Company as of 28 February 2013:

Title of Class	Name and Citizenship	Amount and nature of beneficial ownership		Percent of Class
Common	Benito Tan Guat (Filipino)	20,000	Direct	0.00
Common	Willy N. Ocier (Filipino)	7,310,709	Direct	0.07
Common	Virginia A. Yap (Filipino)	10,000	Direct	0.00
Common	Washington Z. SyCip (American)	1,318,334	Direct	0.01
Common	GregorioU.Kilayko (Filipino)	1	Direct	0.00
Common	Cesar E. A. Virata (Filipino)	1	Direct	0.00
Common	Emilio De Quiros, Jr. (Filipino)	1	Direct	0.00
Common	Jacinto C. Ng, Jr. (Filipino)	135,860,666	Direct	1.29
Common	Jose T. Sio (Filipino)	1,000	Direct	0.00
Common	Elizabeth Anne C. Uychaco (Filipino)	1,000	Direct	0.00
Common	Rogelio R. Cabuñag (Filipino)	11,001	Direct	0.00
Common	Manuel A. Gana (Filipino)	0	Direct	0.00
Common	Joselito R. Consunji (Filipino)	0	Direct	0.00
Common	Nancy O. Hui (Filipino)	1,500,000	Direct	0.01
Common	Rudy P. Aninipot (Filipino)	0	Direct	0.00
Common	Margaret Y. Hernando (Filipino) *	0	Direct	0.00
Common	Marilyn G. Rico (Filipino)	0	Direct	0.00
Common	RogelioI.Robang (Filipino)	20,000	Direct	0.00
Common	Melvin U. Cadampog (Filipino) **	0	Direct	0.00
Common	Michelle T. Hernandez (Filipino)	0	Direct	0.00
Common	Zenia K. Sy	0	Direct	0.00
Common	A. Bayani K. Tan (Filipino)	347,341	Direct	0.00
Common	Arthur A. Sy (Filipino)	0	Direct	0.00
Common	All directors and executive officers as a group	146,400,054		1.39

Resigned effective April 30, 2012
*** Resigned effective June 30, 2012*

(3) Voting Trust Holders of 5% or More

There is no party known to the Company as holding any voting trust or any similar arrangement for 5% or more of the Company's voting securities.

Changes in Control

There is no arrangement that may result in a change in control of the Company.

Directors and Executive Officers

The names, ages and periods of service of all incumbent Directors and Executive Officers of the Company are as follows:

Directors:

Name	Citizenship	Age	Position	Period Served
Benito Tan Guat	Filipino	82	Chairman	06/24/99 – present
Willy N. Ocier	Filipino	56	Vice-Chairman	06/24/99 – present
Elizabeth Anne C. Uychaco	Filipino	57	Vice-Chairman	12/23/09 – present
Rogelio R. Cabuñag	Filipino	64	Director/President	08/07/00 – present
Emilio De Quiros, Jr.	Filipino	64	Director	10/28/10 – present
GregorioU.Kilayko	Filipino	57	Director (Independent)	02/05/03 – present
Jacinto C. Ng, Jr.	Filipino	43	Director	08/07/00 – present
Jose T. Sio	Filipino	73	Director	12/23/09 – present
Washington Z. SyCip	American	91	Director (Independent)	05/20/96 – present
Virginia A. Yap	Filipino	61	Director	07/30/10 – present
Cesar E. A. Virata	Filipino	82	Director (Independent)	05/20/96 – present

Executive Officers:

Name	Citizenship	Age	Position
Armin B. Raquel-Santos	Filipino	45	Deputy Head and EVP – Premium Leisure & Amusement, Inc.
Manuel A. Gana	Filipino	55	EVP & Chief Financial Officer
Joselito R. Consunji	Filipino	49	EVP & Chief Operating Officer
Rudy P. Aninipot	Filipino	56	VP Property Management
Melvin U. Cadampog*	Filipino	39	VP Corporate Planning
Zenia K. Sy	Filipino	51	VP - Sales
Michele T. Hernandez**	Filipino	41	VP Marketing
Margaret Y. Hernando	Filipino	56	VP Finance
Nancy O. Hui	Filipino	55	VP & Executive Assistant to the Chairman
Marilyn G. Rico	Filipino	52	VP Internal Audit
RogelioI.Robang	Filipino	53	VP Project Management & External Affairs
A. Bayani K. Tan	Filipino	54	Corporate Secretary
Arthur A. Sy	Filipino	43	Asst. Corporate Secretary

**Resigned effective June 30, 2012*
*** Resigned effective April 30, 2012*

Board of Directors

The information on the business affiliations and experiences of the following directors and officers are current and/or within the past five (5) years.

The following are the incumbent members of the Board of Directors who, with the exception of Mr. Rogelio R. Cabuñag who is no longer seeking re-election, are also nominated herein, as certified by the Nomination Committee composed of Messrs. Washington Z. SyCip (Chairman), Willy N. Ocier, Jose T. Sio and Ms. Virginia A. Yap, for re-election as members of the Board of Directors for 2013-2014:

Benito Tan Guat

Mr. Tan Guat is the Chairman of the Company. Currently, he is the Chairman and President of Eastern Securities Development Corporation, and the President of Guatson International Travel and Tours.

Willy N. Ocier

Mr. Ocier is one of the Vice Chairmen of the Company, and is currently the Chairman of Sinophil Corporation and APC Group, Incorporated. He is also one of the Vice Chairmen of Highlands Prime, Incorporated; Chairman of Tagaytay Midlands Golf Club, Inc.; Vice Chairman of Tagaytay Highlands International Golf Club, Inc; and Chairman and President of Pacific Online Systems Corporation. Previously, he was the President and the Chief Operating Officer of Eastern Securities Development Corporation.

Elizabeth Anne C. Uychaco

Ms. Uychaco is one of the Vice-Chairpersons of the Company. She is the Senior Vice President, Corporate Services of SM Investments Corporation. She was formerly Senior Vice President and Chief Marketing Officer of the Philippine American Life Insurance Company. She was also Board Director of the Philamlife Call Center. Prior to that, she was Vice-President of Globe Telecom, Inc. and was responsible for National and International Sales and Distribution as well as Retail Marketing and Management of the Globe Business Centers. She was previously President of Fontana Properties and Executive Vice President of Fontana Resort and Leisure Club. She was Director of Kuok Properties and served as consultant of Shangrila Mall and was seconded as CEO to manage EPRC, a Kuok joint venture company. She also served as Board Director, Vice President and Managing Director of Transnational Diversified Group. Ms. Uychaco graduated from St. Scholastica's College in 1978 with Bachelor of Arts Degree. She obtained a Master's Degree in Business Economics from the University of Asia and Pacific in 1988, and a Master's Degree in Business Administration from the Ateneo Business School in 1992.

Rogelio R. Cabuñag

Mr. Cabuñag is the President and Director of Belle Corporation. He was the President and Director of SM Development Corporation and Executive Vice President and Director of SM Synergy Properties Holdings Corporation, prior to his retirement therefrom in 2011. Currently, he serves as a Director of the following companies: Highlands Prime, Inc., Sinophil Corporation, Keppel Philippines Holdings, Premium Leisure and Amusement, Inc., and Tagaytay Highlands International Golf Club, Inc. He graduated from De La Salle University with a Bachelor of Science degree in Commerce and finished the Top Management Program at Asian Institute of Management (AIM). He has 42-year experience in banking, finance, and real estate development.

Emilio De Quiros, Jr.

Mr. Emilio De Quiros, Jr. serves as a Director of the Company since 21 September 2010. He is currently the President and Chief Executive Officer of the Social Security System. He is also a Director of UnionBank of the Philippines and BPI Investment Management Inc. He served as Executive Vice President of Bank of the Philippine Islands since May 2004, and President of Ayala Life Insurance Inc., Ayala Plans, Inc. and BPI Bancassurance, Inc. He was also a director of ALFM Dollar Bond Fund, Inc., ALFM Euro Bond Fund, Inc., and Philippine Stock Index Fund Corp., and Treasurer of Far East Bank and Trust Company. Mr. De Quiros graduated from Ateneo de Naga with a Bachelor of Arts in Economics degree (Cum Laude), and is a holder of the Master of Arts in Economics from University of the Philippines and a Ph.D in Economics from University of the Philippines.

Jacinto C. Ng, Jr.

Mr. Ng is a Director of the Company and currently a Director and Treasurer of both Republic Biscuit Corporation and Suncrest Foods, Incorporated. Mr. Ng is also a Director of the following companies: Asia United Insurance Corporation, Extraordinary Development Corporation, Highlands Prime, Inc., Manila Bay Development Corporation, Earth+Style Corporation and Quantuvis Resources Corporation.

Jose T. Sio

Mr. Sio is a Director of the Company and currently the Executive Vice President and Chief Finance Officer of SM Investments Corporation. He is also a Director of China Banking Corporation, Manila North Tollways Corporation, SM Keppel Land, Inc., as well as other companies within the SM Group of Companies. Mr. Sio is also an adviser to the Board of Directors of Banco de Oro Unibank, Inc. Mr. Sio holds a master's degree in Business Administration from New York University, is a Certified Public Accountant, and was formerly a Senior Partner at Sycip Gorres Velayo & Co. (a member practice of Ernst & Young).

Virginia A. Yap

Ms. Virginia A. Yap is a Director of the Company. She is also a member of the Company's Executive and Nomination Committees. Ms. Yap holds key positions in the SM Group of Companies including being Treasurer of SM Development Corporation, and Vice President – Office of the Chairman of the Board of Directors of SM Investments Corporation, SM Land, Inc. (formerly Shoemart, Inc.) and SM Retail Inc.

She is also the Treasurer of Highlands Prime, Inc. since 22 August 2002, a member of the Board of Directors since 25 January 2010, and a member of Executive, Compensation and Remuneration, and Audit Committees of Highlands Prime Inc. She holds a Bachelor of Science in Commerce (Major in Accounting) degree from the University of Mindanao. She has been connected with the SM Group of Companies for the last twenty-five years.

Independent Directors

Messrs. Gregorio U. Kilayko, Washington Z. SyCip, and Cesar E.A. Virata were elected as independent directors during the 23 April 2012 annual stockholders meeting to comply with the requirements set forth in Section 38 of the Securities Regulation Code.

The nomination, pre-screening and election of independent directors were made in compliance with the requirements of the Code of Corporate Governance and the Securities and Exchange Commission's Guidelines on the Nomination and Election of Independent Directors, which have been adopted and made part of the Corporation's By-Laws.

The Nomination Committee constituted by the Company's Board of Directors, indorsed their respective nominations for re-election as independent directors given in favor of Messrs. Kilayko (by Mr. A. Bayani K. Tan), SyCip (by Mr. Jacinto C. Ng, Jr.), and Virata (by Mr. Rogelio R. Cabuñag). The Nomination Committee, composed of Messrs. Washington Z. SyCip (Chairman), Willy N. Ocier, Jose T. Sio, and Ms. Virginia A. Yap, has determined that these nominees for independent directors possess all the qualifications and have none of the disqualifications for independent directors as set forth in the Company's Manual on Corporate Governance and Rule 38 of the Implementing Rules of the Securities Regulation Code (SRC).

The nominees, whose required information are discussed above (Board of Directors section), are in no way related to the stockholders who nominated them and have signified their acceptance of the nominations. These nominees are expected to attend the scheduled Annual Stockholders' Meeting.

Gregorio U. Kilayko

Mr. Kilayko is an Independent Director of the Company. He is presently a Director of The Royal Bank of Scotland. He was founding head of ING Barings' stockbrokerage and investment banking business in the Philippines, and a Philippine Stock Exchange Governor in 1996 and 2000. Mr. Kilayko holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania.

Washington Z. SyCip

Mr. SyCip is an Independent Director of the Company. He is the founder of The SGV Group, an auditing and management consulting group with operations throughout East Asia. He is the Chairman Emeritus of the Board of Trustees and Board of Governors of the Asian Institute of Management; a Member of the Board of Overseers of Columbia University Graduate School of Business, New York; the Honorary Chairman of Euro-Asia Centre, INSEAD, Fontainbleau, France since 1989; a Member of the International Advisory Board, Council on Foreign Relations, New York; and an Honorary Life Trustee of the Asia Society, New York. Additionally, he is a Member of the International Advisory Board of the American International Group in New York. Mr. Sycip is a Director of a number of major corporations in the Philippines and other parts of the world.

Cesar E. A. Virata

Mr. Virata is an Independent Director of the Company. He is the President and Principal Consultant of C. Virata & Associates, Inc., Management Consultants. He is currently the Vice Chairman of Rizal Commercial Banking Corporation (RCBC); and Director of RCBC subsidiaries and some affiliates. He is also an Independent Director of Benpres Holdings Corporation, City & Land Development Corporation and Business World. Mr. Virata was formerly the Minister of Finance and Prime Minister of the Philippines.

Additional Nominee

In view of Mr. Rogelio R. Cabuñag's decision not to seek re-election, Mr. Frederic C. Dybuncio was nominated by the Nomination Committee in his stead.

Frederic C. Dybuncio

Mr. Dybuncio is currently a Senior Vice President of SM Investments Corporation. Prior to holding this post, he was a career banker who spent over 20 years with JPMorgan Chase and its predecessor institutions. During his stint in the banking industry, he was assigned to various managerial/executive positions where he gained substantial professional experience in the areas of credit, relationship management and origination, investment banking, capital markets, and general management. He has worked and lived in several major cities including New York, Seoul, Bangkok, Hong Kong and Manila. He is concurrently the Vice Chairman of the Board and Chairman of the Executive Committee of Atlas Consolidated Mining and Development Corporation and Carmen Copper Corporation, the Chairman and CEO of Philippine Geothermal Production Company, Inc., the President, CEO and Director of APC Group Inc., Director of Pacific Online Systems Corporation, Director of Sinophil Corporation and Director of Indophil Resources.

Executive Officers

Armin B. Raquel-Santos

Mr. Raquel-Santos is presently the Deputy Head of the Company and the Executive Vice President of PremiumLeisure and Amusement, Inc. ("PLAI"), a 100% subsidiary of Belle Corporation. Prior to joining PLAI in 2011, Mr. Raquel-Santos was the Chief Financial Officer of the following companies: Abotizland, Inc., Cebu Industrial Park, Inc., and Mactan Economic Zone II (a real estate arm of the Aboitiz Group) and First Philippine Electric Company (a private intermediate holding company for all manufacturing investments of First Philippine Holdings of the Lopez Group of companies). He had a Masters of Arts in Liberal Studies in Dartmouth College, in New Hampshire, and a Bachelor of Business Administration (BBA) degree Major in Finance from Iona College in New York.

Manuel A. Gana

Mr. Gana is the Executive Vice President and Chief Financial Officer of the Company. He is also the President of Sinophil Corporation. He joined Belle in 1997 as Vice President for Corporate Development and Special Projects, during which time he was also assigned as the Vice President-Finance and Chief Financial Officer for MagiNet Corporation, which was then a subsidiary of Sinophil Corporation (an affiliate of Belle). He is a Director of Sinophil Corporation, Tagaytay Highlands International Golf Club, Inc. and Woodland Development Corporation. Previously, he was Director of Investment Banking at Nesbitt Burns Securities Inc. in New York. He also previously worked for Bank of Montreal and Merrill Lynch Capital Markets (both in New York), and for Procter & Gamble Philippine Manufacturing Corporation. Mr. Gana holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania, and degrees in Accounting and Economics from De La Salle University. He is a Certified Public Accountant.

Joselito R. Consunji

Mr. Consunji is the Executive Vice President and Chief Operating Officer of the Company. Before joining Belle, Mr. Consunji was the General Manager of both Alsons Land Corporation and LIMA Land, Inc., responsible in the overall strategies and development directions of both companies. He also held key positions in various companies, including Lorenzo Shipping Corporation, Luisita Realty Corporation and the Department of Tourism (Region IV). Mr. Consunji is a graduate of San Beda College with a Bachelor of Arts degree, with major in Economics and minor in Mathematics (cum laude), and valedictorian of the collegiate class of 1983.

Rudy P. Aninipot

Mr. Aninipot is the Vice President for Property Management and responsible for the efficient and effective operation and maintenance of buildings, infrastructures and facilities in Tagaytay Highlands, Tagaytay Midlands and The Greenlands. He joined Belle in 1995 as Assistant Vice President for Engineering. Prior to joining Belle, Mr. Aninipot held key positions in Shangri-La's EDSA Plaza Hotel, Mandarin Oriental and San Miguel Corporation. He also had previous work experience in the Middle East (Saudi Arabia and Yemen). A professional electrical engineer, Mr. Aninipot holds a degree in Electrical Engineering from the Mapua Institute of Technology.

Michelle T. Hernandez

Michelle Angeli T. Hernandez is the Vice President for Marketing and Sales Administration. She is responsible in promoting the Company's projects, and ensuring that the Company's property/membership share buyers are provided excellent after-sales service. She has a bachelor's degree in Tourism (cum laude) from the University of Sto. Tomas. Before joining the Company, she worked in Thomas Cook Philippines, Inc., a member of Metrobank's Group of Companies.

Nancy O. Hui

Ms. Hui is the Executive Assistant to the Chairman and concurrently in-charge of the Logistics and Purchasing Division of the Company. Before joining the Company, Ms. Hui was the Managing Director of Guatson International Travel and Tours. An advocate for environmental concerns, Ms. Hui has a bachelor's degree in Biology and a degree in veterinary medicine from the University of the Philippines.

Marilyn G. Rico

Ms. Rico is the Vice President for Internal Audit. Her main responsibility is to provide an independent and objective assurance designed to improve the Company's operations. Prior to joining Belle, Ms. Rico headed the internal audit group of AB Capital Group of Companies. She has extensive audit exposures in investment banking, financing/leasing, stock brokering and transfer office. Ms. Rico is a Certified Public Accountant.

Rogelio I. Robang

Mr. Robang is the Vice President for Project Management and External Affairs and currently the President of both APC Mining Corporation and Aragorn Coal Resources Incorporated. A BS Geodetic Engineering graduate, with studies in Civil Engineering, from the University of the Philippines, he joined the Company as the Assistant Project Director for the Tagaytay Highlands Golf Club project and also supervised the construction of the Tagaytay Midlands project. He also served as Technical Assistant to the President, and, subsequently, to the Vice Chairman. Prior to joining Belle, Mr. Robang was the Manager for Mining Tenements at Surigao Consolidated Mining Company. Mr. Robang, a board topnotcher, also holds a Master in Business Administration degree from De La Salle University.

Zenia K. Sy

Ms. Zenia has 23 years of extensive experience in real estate specifically in Sales and Marketing in an executive position. She spent the last five years with Federal Land, Inc. in International Sales in addition to her regular functions overseeing the sales operations in Italy, Spain, France, UK, US, Guam, Canada, Japan, Singapore and the Middle East. She once held the position of President and a member of the board of the various Condominium Corporation of the company she worked for. A Certified Public Accountant from the University of Santo Tomas and a Licensed Broker, she is responsible for the reorganization of the Sales Division and sales performance of the Company.

A. Bayani K. Tan

Mr. Tan is the Corporate Secretary of the Company since 1994. He is currently a Director, Corporate Secretary or both of the following reporting and/or listed companies: Coal Asia Holdings, Inc. (July 2012-present), Destiny Financial Plans, Inc. (2003-present), First Abacus Financial Holdings Corporation (May 1994-present), I-Remit, Inc. (May 2007-present), Pacific Online Systems Corporation (May 2007-present), Philequity Balanced Fund, Inc. (March 2010-present), Philequity Dollar Income Fund, Inc. (March 1999-present), Philiequity Foreign Currency Fixed Income Fund, Inc. (March 2010-present), Philequity Fund, Inc. (June 1997-present), Philequity Peso Bond Fund, Inc. (June 2000-present), Philequity PSE Index Fund, Inc. (February 1999-present), Philequity Resources Fund, Inc. (March 2010-present), Philequity Strategic Growth Fund, Inc. (April 2008-present), Sinophil Corporation (December 1993-present), July 2003 TKC Steel Corporation (February 2007-present), Tagaytay Highlands International Golf Club, Inc. (November 1993-present), Tagaytay Midlands Golf Club, Inc. (June 1997-present), The Country Club at Tagaytay Highlands, Inc. (August 1995-present), The Spa and Lodge at Tagaytay Highlands, Inc. (December 1999-present), Touch Solutions, Inc. (October 2007-present), Vantage Equities, Inc. (January 1993-present) and Yehey! Corporation (June 2004-present). Mr. Tan is also the Corporate Secretary and a Director of Sterling Bank of Asia Inc. since December 2006. He is also a Director, Corporate Secretary, or both for the following private companies: Destiny LendFund, Inc. (December 2005-present), Monte Oro Resources & Energy, Inc. (March 2005-present) Palm Concepcion Power Corporation (January 2013-present), Pharex HealthCorp. (March 2012-

present), and Southern Visayas Property Holdings, Inc. (March 2013 as Director, July 2003 –present as Corporate Secretary), among others. Atty. Tan is Managing Partner of the law offices of Tan Venturanza Valdez (1988 to present) and Managing Director/President of Shamrock Development Corporation (May 1988-present). He is currently the legal counsel of Xavier School, Inc.

Atty. Tan holds a Master of Laws degree from New York University USA (Class of 1988) and earned his Bachelor of Laws degree from the University of the Philippines (Class of 1980) where he was a member of the Order of the Purple Feather (U.P. College of Law Honor Society) and ranked ninth in his class. Atty. Tan passed the bar examinations in 1981 where he placed sixth. He has a Bachelor of Arts major in Political Science degree from the San Beda College (Class of 1976) from where he graduated Class Valedictorian and was awarded the medal for Academic Excellence.

Arthur A. Sy

Arthur A. Sy is the Assistant Corporate Secretary of the Company. He is also the Vice President, Corporate Legal Affairs of SM Investments Corporation. He is the Corporate Secretary of various corporations within the SM Group of Companies. He is also the Corporate Secretary of the National University. He holds a Juris Doctor degree from Ateneo de Manila University and is a member of the New York Bar. He has been with the SM Group for the last 12 years.

Significant Employees

There are no other significant employees.

Family Relationships

Mr. Benito Tan Guat, Chairman, is the father of Mr. Willy N. Ocier, Vice Chairman, and Ms. Nancy O. Hui, Executive Assistant to the Chairman.

Involvement in Certain Legal Proceedings

As a result of the delay in the delivery of the facilities of the Universal Leisure Club, Inc. (ULC), some of its members have initiated legal actions against ULC, the Universal Rightfield Property Holdings, Inc. (URPHI) and the Universal Leisure Corporation (ULCorp), as well as their respective incumbent and former officers and directors, including their former Corporate Secretary, Mr. A. Bayani K. Tan. Other than the Complaint for Estafa (docketed as I.S. No. 08-K-19713) filed before the City Prosecutor of Manila, all the legal actions initiated have been dismissed. A Counter-Affidavit has already been filed before the City Prosecutor in I.S. No. 08-K-19713seeking to dismiss the Complaint for lack of cause of action. As of 29 February 2012, the case is still pending resolution by the City of Manila, Office of the City Prosecutor.

Except as provided above, the Company is not aware of any of the following events wherein any of its directors, nominees for election as director, executive officers, underwriter or control person were involved during the past five (5) years up to the latest date:

(a) any bankruptcy petition filed by or against any business of which any of the above persons was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

(b) any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the above persons in any type of business, securities, commodities or banking activities; and

(c) any finding by a domestic or foreign court of competent jurisdiction (in civil action), the Securities and Exchange Commission or comparable foreign body, or a domestic of foreign exchange or electronic marketplace or self-regulatory organization, that any of the above persons has violated a securities or commodities law, and the judgment has not been reversed, suspended or vacated.

Certain Relationships and Related Transactions

No director or executive officer or any member of their immediate family has, during the last two years, had a direct or indirect, material interest in a transaction or proposed transaction to which the Company was a party.

Disagreement with Director

No director has resigned nor declined to stand for re-election to the Board of Directors since the date of the last annual meeting of stockholders because of a disagreement with the Company on any matter relating to the latter's operations, policies, or practices.

Compensation of Directors and Executive Officers

All independent directors get a per diem of ₱50,000.00 each while other directors get a per diem of ₱10,000.00 each per meeting.

As of 28 February 2013, there were no outstanding warrants or options held by any of the Company's directors and officers.

The aggregate compensation paid or incurred during the last two fiscal years and estimated to be paid in the ensuing fiscal year to the Chief Executive Officer and executive officers of the Company are as follows:

Summary Compensation Table (Annual Compensation)

Name	Position	Year	Salary	Bonus	Other Annual Compensation
1. Rogelio R. Cabunag	President				
2. Armin B. Raquel-Santos	Deputy Head and EVP of PLAI				
3. Joselito R. Consunji	EVP and Chief Operating Officer				
4. Manuel A. Gana	EVP and Chief Financial Officer				
5. Rudy P. Aninipot	VP Property Management				
President and 4 Most		2013(Estimate)	18,613,466	1,595,440	476,908
Highly Compensated		2012	16,921,333	1,450,400	433,553
Executive Officers		2011	15,072,492	1,314,663	270,028
All other officers and		2013(Estimate)	13,899,728	1,287,656	415,709
Directors as a group		2012	12,636,116	1,170,596	377,917
unnamed		2011	14,071,401	1,287,775	481,110

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

There was no compensatory plan or arrangement with respect to named executive officers that resulted or will result from the resignation, retirement or termination of such executive officer or from a change-in-control in the Company.

Warrants and Options Outstanding

Warrants

There were no outstanding warrants as of 28 February 2013.

Options

There are no option grants outstanding as of 28 February 2013.

Pursuant to Section 5.2 of the Amended Stock Option Plan, the number of shares granted under the Plan shall be correspondingly adjusted in the event of any merger, consolidation, reorganization, recapitalization, reclassification of stock, stock dividends, splits, rights, or any other change in the corporate structure or capitalization of the Company's common stock as presently constituted.

Independent Public Accountants

SyCipGorresVelayo& Co. ("SGV"), the Company's external auditors for 2013-2014,will be recommended for re-appointment as such for the current year. Representatives of SGV are expected to be present at the Annual Meeting to respond to appropriate questions and will be given the opportunity to make a statement if they so desire.

Over the past five (5) years, there was no event where SGV and the Company had any disagreement with regard to any matter relating to accounting principles or practices, disclosure of financial statements or auditing scope or procedure.

In Compliance with the SEC Memorandum Circular No. 8 Series of 2003, Mr. Jose Joel M. Sebastian was assigned in 2002 as SGV's engagement partner for the Company to replace Ms. Betty C. Siy. Mr. Sebastian's five-year assignment ended after the 2006-2007 audit engagement.

Mr. Juanito A. Fullecido was assigned in 2007 as SGV's engagement partner for the Company to replace Mr. Sebastian. Mr. Fullecido's assignment ended after the 2009-2010 audit engagement. SGV appointed Mr. Roel E. Lucas as the engagement partner for the Company starting 2010-2011. For the 2012 audit engagement SGV appointed Ms. Clairma T. Mangangey as the engagement partner.

The Company and its subsidiaries paid SGV ₱1.0million for external audit services for 2012, and ₱1.1 million for 2011.

For each of the last two (2) fiscal years, SGV did not render services for tax accounting, planning, compliance, advice, or any other professional services for which it billed the Company the corresponding professional fees.

The Audit Committee, composed of Mr. Gregorio U. Kilayco as Chairman, and Messrs. Jacinto C. Ng, Jr. and Cesar E. A. Virataand Ms. Virginia A. Yap as Members, recommends to the Board of Directors the appointment of the external auditors. The Board of Directors and the stockholders approve the Audit Committee's recommendation. The Executive Committee approves the audit fees as recommended by the Management Committee.

Compensation Plans

The Company will not be taking any action as regards its existing Stock Option Plan.

OTHER MATTERS

Action with Respect to Reports

The Company will seek the approval by the stockholders of the Minutes of the previous Stockholders' Meeting during which the following were taken up: (1) Call to Order, (2) Proof of Notice of Meeting, (3) Certification of Quorum, (4) Approval of the Minutes of the Previous Meeting of Stockholders, (5) Approval of 2011 Operations and Results, (6) Ratification of all Acts of the Board of Directors and Officers, (7) Election of Directors, (8) Appointment of SyCipGorresVelayo& Co. as External Auditors, (9) Other Matters, and (10) Adjournment.

The Company will also seek approval by the stockholders of the 2012 Operations and Reports, contained and discussed in the Annual Report attached and made part of this Information Statement. Approval of the reports will constitute approval and ratification of the acts of management and of the Board of Directors for the past year.

Two inspectors, who shall be officers or employees of the Company, shall be appointed by the Board of Directors to count the votes to be cast before or at each meeting of the stockholders; if no such appointment shall have been made or if the inspectors appointed by the Board of Directors refused to act or fail to attend then the appointment shall be made by the presiding officer of the meeting.

Matters Not Required to be Submitted

No action is to be taken with respect to any matter, which is not required to be submitted to a vote of security holders.

Amendment of Charter, By-Laws or Other Documents

There are no matters to be voted upon by the stockholders of the Company pertaining to any amendment of Company By-laws and other documents.

Other Proposed Actions

The following are to be proposed for approval during the stockholders' meeting:

1. Minutes of the Previous Meeting of Stockholders;
2. 2012 Operations and Results;
3. Ratification of all Acts of the Board of Directors and Officers;
4. Election of Directors for 2013-2014;
5. Appointment of SyCipGorresVelayo& Co. as External Auditors;
6. Other Matters.

The items covered with respect to the ratification of the acts of the Board of Directors and officers for the past year up to the date of the meeting are those items entered into in the ordinary course of business, with those of significance having been covered by appropriate disclosures such as:

(a) Membership in the relevant committees such as the Executive Committee;
(b) Designation of authorized signatories;
(c) Financing activities;
(d) Opening of accounts;
(e) Appointments in compliance with corporate governance policies; and
(f) Funding support for projects.

Management reports which summarize the acts of management for the year 2012 are included in the Company's Annual Report to be sent to the stockholders together with this Information Statement and shall be submitted for approval by the stockholders at the meeting. Accordingly, approval of the Annual Report will constitute approval and ratification of the acts of Management stated in the Management Report during the period covered thereby.

Voting Procedures

(a) Actions to be taken at the Annual Stockholders' Meeting shall require the vote of the stockholders representing at least a majority of the Company's outstanding capital stock.

(b) Two inspectors, who shall be officers or employees of the Company, shall be appointed by the Board of Directors before or at each meeting of the stockholders, at which an election of directors shall take place; if no such appointment shall have been made or if the inspectors appointed by the Board of Directors refused to act or fail to attend then the appointment shall be made by the presiding officer of the meeting. For purposes of the Annual Stockholders' Meeting on 22 April 2013, the Corporate Secretary and/or his representative together with the Audit Partner of the External Auditor and/or his representative, have been designated as inspectors who have been tasked to oversee the counting of votes.

(c) Stockholders may vote at all meetings either in person or by proxy duly given in writing in favor of any person of their confidence and each stockholder shall be entitled to one vote for each share of stock standing in his name in the books of the Company; provided, however, that in the election of Directors, each stockholder shall be entitled to cumulate his votes in the manner provided for by law.

(d) The By-Laws of the Company is silent as to the method by which votes are to be counted. In practice, however, the same is done by the raising of hands or *viva voce*.

(e) With respect to the election of eleven (11) directors, each stockholder may vote such number of shares for as many as eleven (11) persons he may choose to be elected from the list of nominees, or he may cumulate said shares and give one candidate as many votes as the number of his shares multiplied by eleven (11) shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by eleven (11).

(f) Upon confirmation by the inspectors that there is a mathematical impossibility for certain nominees to be elected into office based on proxies held and votes present/represented in the meeting, the actual casting and counting of votes for the election of Directors may be dispensed with.

Omitted Items

Items 2, 4, 11, 12, 13, 14, 15 and 16 are not responded to in this report, the Company having no intention to take any action with respect to the information required therein.

SIGNATURE

After reasonable inquiry and to the best of our knowledge and belief, we hereby certify that the information set forth in this report are true, complete and correct.

This report is signed in the City of Pasig, Metro Manila on 13 March 2013.

WILLY N. OCIER
Vice Chairman

BELLE CORPORATION

BUSINESS AND GENERAL INFORMATION

Background

Belle Corporation ("Belle" or the "Company") was incorporated in 1973 as Belle Mining and Oil Exploration, Incorporated ("Belle Resources") and, in 1976, was listed on the Philippine Stock Exchange. In 1989, Belle Resources developed a golf club named Tagaytay Highlands International Golf Club, Incorporated ("Tagaytay Highlands"), which became its initial foray into the property development sector. In 1994, Belle Resources changed its name to Belle Corporation to underscore the shift in its principal activity. In 1996, a publicly-listed affiliate, Dominion Asian Equities, Incorporated ("Dominion"), was merged into Belle, with Belle being the surviving entity. Dominion was Belle's partner in its gaming-related investments and selected property ventures. The merger resulted in the consolidation of the gaming and property development activities of Belle and Dominion. Belle then refocused its activities away from gaming and onto property development at that time.

In early 2001, Belle decided to spin-off some of its property development assets. The spin-off involved the transfer of approximately 534 hectares of undeveloped land, 70 developed subdivision lots and 25 finished residential units into a newly formed subsidiary, Highlands Prime, Incorporated ("Highlands Prime"). Highlands Prime was registered with the Securities and Exchange Commission on 15 February 2001, and its shares became listed on the Philippine Stock Exchange on 23 April 2002, at which time Belle sold approximately 64% of its interest in Highlands Prime to investors.

Development of the Business of the Registrant and its Subsidiaries/Affiliates during the Past 3 Years

Belle, the registrant, shifted its principal activity from mining and oil exploration to property development when it developed a golf course named Tagaytay Highlands Golf Club in 1989. Its property development projects are located in Tagaytay City and Batangas, and include the following: Alta Mira, Fairfield, Lakeside Fairways, Lakeview Heights, Pinecrest Village, Plantation Hills, Tagaytay Highlands Golf Club, Tagaytay Midlands Golf Club, The Belleview, The Country Club at Tagaytay Highlands, The Parks at Saratoga Hills, The Spa and Lodge at Tagaytay Highlands, The Verandas at Saratoga Hills, The Villas, and The Woodlands. Due to the overwhelming success of Plantation Hills, Belle launched its fourth phase (named "The Heights") in 2005. The Heights was completed during the first quarter of 2007. Land development work for The Parks at Saratoga Hills ("The Parks"), a house and lot development north of Plantation Hills, was completed as of 31 December 2007. Construction of individual houses is ongoing, as units are sold. Land development for The Verandas at Saratoga Hills ("The Verandas") was also completed as of 31 December 2007. The Verandas was launched during the fourth quarter of 2006 as a subdivision lots project. Saratoga Hills follows an American Country theme. In October 2009, Belle launched a new subdivision project named Fairfield in Tanauan, Batangas, within The Saratoga Hills development area. Fairfield, located adjacent to The Verandas, was 97% complete as of 31 December 2011. In April 2010, Nob Hill, the second phase of Fairfield was launched and was 71% complete as of 31 December 2011.

Lakeside Fairways was introduced by Belle in April 2007. This project consists of subdivision lots located south of the existing 18-hole Tagaytay Midlands golf course in Talisay, Batangas.The construction of 9 more holes for the Tagaytay Midlands golf course also commenced after ground breaking for Lakeside Fairways, during the first half of 2008. As of 31 December 2011, the first four phases of Lakeside Fairways (Kew Gardens, Terrazas de Alava, Lakeside Enclave and Tivoli Place) average a completion rate of 99%. The fifth and sixth phases (Cotswold and Katsura, respectively) were both 96% and 97% complete, respectively, as of 31 December 2011. In April 2010, Belle launched the addition to its Katsura line of Japanese themed subdivision properties namely Yume, which was 14% complete as of 31 December 2011. In April 2011, Belle launched its latest phase in Lakeside Fairways, Sycamore Heights, with more than 23 hectares in gross land area and comprises 331 lots. As of 31

December 2011, Sycamore Heights was 28% complete.

Highlands Prime, Inc. ("Highlands Prime"), incorporated in 2001, is a 36%-owned affiliate of Belle. Its properties are located mainly in the vicinity of the Tagaytay Highlands and Tagaytay Midlands golf clubs in Calamba, Tagaytay City and Batangas. In 2002, Highlands Prime started the development of The Woodridge, a high-end multi-family condominium complex with an environmentally-sensitive "highlands rustic" design, located in Tagaytay Highlands, which was completed and fully sold in 2006. In 2004, Highlands Prime started construction of another condominium project, called The Horizon at Tagaytay Midlands, a 220-unit condominium development beside the north fairways of the Tagaytay Midlands golf course. In 2007, Highlands Prime launched Woodridge Park, a 65-unit, 7-building condominium complex near The Woodridge, and The Hillside, a lots-only subdivision. In 2008, Woodlands Point, a subdivision of 60 log houses, was launched. In 2009, Highlands Prime launched Pueblo Real, a subdivision overlooking the Tagaytay Midlands golf course. Highlands Prime shares became listed on the Philippine Stock Exchange on 23 April 2002. For 2010, Highlands Prime launched two projects namely: Phase 2 of Woodridge Place, amid rise condominium project with a total of 88 units; and Sierra Lago, a subdivision project with 187 lots. In 2011 Highlands Prime continued the development of previously launched projects namely Woodlands Point, Pueblo Real, Woodridge Place and SieraLago. Highlands Prime is currently completing several homes at The Woodlands Point, its most luxurious project to date, located near Fairway 15 of the Tagaytay Highlands golf course. The community will have 60 North American log cabins with floor areas ranging from 250-330 square meters, highlighted by floor-to-ceiling glass windows, Western Red Cedar and stone accents. Highlands Prime is also finishing the site development of Pueblo Uno, the first phase of Pueblo Real, its Santa Fe-Mexican inspired village in Tagaytay Midlands with a total of 85 lots. Highlands Prime has launched Phase II of The Woodridge Place and Sierra Lago, the second phase of Pueblo Real this 2010. Woodridge Place Phase II is a two-tower condominium development comprising of a total of 88 residential units. Sierra Lago is a modern-Mediterranean-themed lot development with about 187 lots.

Belle Bay City Corporation ("BBCC"), incorporated in 1996, is a 35%-owned affiliate of Belle. BBCC was incorporated with originally about 19 hectares (gross) of reclaimed land located along Roxas Boulevard in Parañaque, part of which had been earmarked for future development into "Belle Bay Plaza", a mixed-use complex. Due to the Asian Financial Crisis and related economic reasons, the shareholders of BBCC decided to dissolve BBCC and distribute the property among the shareholders as a return of their investments.In January 2005, the Securities and Exchange Commission and the Bureau of Internal Revenue approved the dissolution of BBCC. Subdivision of the property is ongoing, with Belle to receive approximately 5 hectares of the property upon the dissolution of BBCC. Part of the said said property will be the future site of the integrated resort complex of PremiumLeisure& Amusement Inc. named the "Belle Grande Manila Bay".

Metro Manila Turf Club, Inc.("MMTC"), incorporated in 1993, has a congressional franchise for horseracing, which was granted in 1995, and is still in its pre-operating stage. Belle and Sinophil owned a combined 100% of MMTC as of 31 December 2007. During 2009, Belle and Sinophil had sold a combined 87.5% of MMTC for to a group of investors who are working towards the activation of MMTC's congressional horse racing franchise and seeking financing for the construction of a race track. Belle's ownership interest in MMTC was 8.75%, with Sinophil owning 3.75% as of 31 December 2011. Prior to 2006, MMTC had approximately 121 hectares of land in Tanauan, Batangas, which was originally intended as the site for a racetrack (the "Land"). However, the construction activity on the racetrack never commenced, and MMTC returned the Land pro-rata to Belle and Sinophil in 2006, as a return of their investments or deposits. Belle and Sinophil plan to use the land for real estate projects in the future. In 2010, the new majority shareholders of MMTC unveiled a plan to build a racetrack on another tract of land in Batangas, with construction to commence during the first half of 2011. This race track is targeted for launch in the first quarter of 2012.

Pacific Online Systems Corporation ("Pacific Online"), incorporated in 1993, leases on-line betting equipment to the Philippine Charity Sweepstakes Office (PCSO) for their lottery operations in the Visayas and Mindanao. Pacific Online has been consistently profitable since its fiscal year 2002. Pacific Online listed its shares on the Philippine Stock Exchange with a successful initial public offering on 12

April 2007. A total of 39.8 million shares were offered to the public at ₱8.88 per share. Because of high demand for Pacific Online shares, it opened in the market at ₱13.25 per share on the listing date. Belle owned 35% of Pacific Online as of 31 December 2011.

Investment Agreement on PremiumLeisure& Amusement, Inc. ("PLAI")

On 10 November 2009, Belle and certain entities under the SM Group (collectively, "SM") entered into a Memorandum of Agreement ("MOA") for the acquisition by Belle of all the outstanding capital stock of PLAI from SM in exchange for the 2.7 billion new common shares of Belle, to be issued out of its existing authorized but unissued shares of 7.6 billion.

PLAI is a grantee by the Philippine Amusement and Gaming Corporation (PAGCOR) of a Certificate of Affiliation and Provisional License (the "License") to operate integrated resorts, including casinos, in the vicinity of the BagongNayong Pilipino Manila Bay Entertainment City and the Newport City Integrated Resort. PLAI's License runs concurrent with PAGCOR's Congressional Franchise, which expires in 2033.

In consideration of the License, the SM Consortium, of which PLAI is a member, had committed to PAGCOR that the Consortium shall invest US$1.0 billion (the "Investment Commitment') over twenty-three years, comprised of the value of land used for the projects and the construction costs of various facilities and infrastructure within the site of the project, provided that 40% of the Investment Commitment is spent within two years from the date of approval of the License. Belle and PLAI do not expect any problem in meeting the investment commitment, with total capital expenditures on the project by Belle and its operating partners (including the value of its land deployed for the project) anticipated to exceed ₱28 billion by 2014.

On 06 October 2010, the transfer and valuation of Belle and PLAI shares was approved by the SEC. The approval of the Certificate Authorizing Registration ("CAR") from the Bureau of Internal Revenue ("BIR"), which triggered the completion of the transfer, has been approved on 04 October 2011.

On 14 January 2011, the Operating Agreement between PLAI and AB Leisure Global, Inc. ("ABLGI"), a 100% subsidiary of Leisure and Resorts World Corporation ("LRWC"), whereby ABLGI shall operate PLAI's casino with the help of a management partner and the Lease Agreements between Belle and LRWC/ABLGI for the land and building owned by Belle which will be used for the casino operations and to be leased to LRWC/ABLGI, were both signed and executed. Belle has since recognized a total of ₱62.1 million in rental revenues from ABLGI as of 31 December 2011.

Construction of Belle's Integrated resort (Belle Grande Manila Bay) located along Roxas Boulevard and Aseana Avenue in Parañaque City is currently in full swing, and the Belle Grande casino is expected to hold its Grand Opening during the first quarter of 2013.

Bankruptcy, Receivership or Similar Proceedings

None for any of the companies above.

Material Reclassification, Merger, Consolidation or Purchase or Sale of a Significant Amount of Assets (Not Ordinary)

None for any of the companies above.

Products

Belle is principally engaged in real estate development, particularly the development of golf courses, country clubs, residential properties and other leisure and resort facilities. Since 2010, Belle has allocated significant resources to the development of its mixed-use gaming facility, The Belle Grande Manila Bay integrated resort, which is scheduled to soft launch in the first quarter of 2013. Aside from the formerly mentioned business lines, Belle is indirectly engaged in other gaming-related activities through its investments in various subsidiaries and affiliates.

The Company's other subsidiaries/affiliates in real estate development are:

1. Highlands Prime, Incorporated ("Highlands Prime"), whose properties are located around the vicinity of Tagaytay Highlands and Tagaytay Midlands in Tagaytay City and Batangas.

2. Belle Bay City Corporation ("BBCC"), which was formed in 1995 to hold and develop 19 hectares of reclaimed property located along Roxas Boulevard in the City of Manila. In January 2005, the Securities and Exchange Commission and the Bureau of Internal Revenue approved the eventual dissolution of BBCC, which is presently still in process.

Belle also has investments in companies engaged in gaming and gaming-related activities. In the Philippines, the gaming industry is largely untapped by other companies in the private sector, creating opportunities for experienced leisure operators. Belle's gaming businesses are undertaken, or will be undertaken, mainly by the following subsidiaries/affiliates:

1. PremiumLeisure & Amusement, Inc. ("PLAI"), a wholly-owned subsidiary of Belle acquired from SM in 2010 in exchange for 2.7 billion new common shares of Belle, to be issued out of its existing authorized but unissued shares of 7.6 billion. PLAI is a grantee by Philippine Amusement and Gaming Corporation (PAGCOR) of a Certificate of Affiliations and Provisional Licenses (the "License") to operate integrated resorts, including casinos, in the vicinity of the BagongNayong Pilipino Manila Bay Entertainment City and the Newport City Integrated Resort. The License runs concurrent with PAGCOR's Congressional Franchise, which expires in 2033.

2. Pacific Online Systems Corporation ("Pacific Online"), a 35%-owned affiliate of Belle that leases on-line betting equipment to the Philippine Charity Sweepstakes Office ("PCSO") for their lottery operations in the Visayas and Mindanao regions.

3. Metro Manila Turf Club, Incorporated ("MMTC"), which has a congressional franchise to engage in horse racing related gaming activities, and /or build and operate a racetrack. Belle owned 8.75% of MMTC as of 31 December 2011.

Revenues

The following are the major revenue items in 2012 and 2011:

	2012		2011	
	Amount in Millions	% of Total Revenue	Amount in Millions	% of Total Revenue
Sale of real estate and club shares	**323,563**	24%	520,176	60%
Gain on liquidating dividend	**539,671**	39%		0%
Rental Income	**18,427**	1%	62,070	7%
Interest and investment income	**116,453**	9%	28,498	3%
Equity in net earnings of associates	**288,730**	21%	140,484	16%
Other Revenues and Income	**79,497**	6%	114,275	13%
Totals	**1,366,341**	100%	865,503	100%

Distribution Methods of Products

Belle's high-end real estate products are sold principally to the A and B property market segments. The Company has its own in-house staff responsible for marketing and sales of the Company's products, as well as after-sales service. The Company also accredits and taps the services of external brokers to complement its in-house marketing and sales teams. In 2005, Belle started to actively sell its products to wealthy Filipinos abroad through its accredited overseas brokers. Today, approximately 20% of total sales have been sold overseas.

Status of Projects

Real Estate:

In 2011, revenues from operations came mainly from sales of Lakeside Fairways lots, sales of club shares, sales of Saratoga Hills properties (namely The Parks Saratoga Hills, The Verandas at Saratoga Hills and Fairfield), and sales of farm lots in Plantation Hills.

The Belle View:
This project was completed and fully sold in 1998.

The Woodlands:
Belle started the delivery of units to homeowners in 1998. The project was completed in 1999.

Alta Mira:
The project was completed in 2000.

Fairfield:
As of 31 December 2011, Fairfield was 97% complete. The project was launched in October 2009.

Nob Hill:
As of 31 December 2011, Nob Hill was 71% complete. The project was launched in April 2010.

Lakeview Heights:
The project was completed in 2002.

Lakeside Fairways:
As of 31 December 2011, the first four phases (Kew Gardens, Terrazas de Alava, Lakeside Enclave and Tivoli Place) of the project were approximately 99% completed, while the fifth and sixth and phases (Cotswold and Katsura) were 96% and 97% complete, respectively. In April 2010, Belle launched Yume, a new Japanese-themed subdivision in the Lakeview Heights development area, which was 14% complete as of 31 December 2011. In April 2011, Belle launched its newest subdivision within Lakeside Fairways, Sycamore Heights, with more than 23 hectares in gross land area, comprising 331 residential lots averaging 374 sqm per lot. As of 31 December 2011, Sycamore Heights was 28% complete.

Plantation Hills:
Only a few remaining lots in The Sanctuary, The Ridge, The Heights (Phases 1, 2 and 5 of Plantation Hills, respectively) were unsold, and construction of these phases was fully completed, as of December 31, 2007. Plantation Hills is a farm lots subdivision.

The Parks at Saratoga Hills:
The Parks at Saratoga Hills ("The Parks"), located in Tanauan, Batangas, was launched in 2005. As of 31 December 2007, land development for The Parks was fully completed.

The Verandas at Saratoga Hills:
The Verandas at Saratoga Hills ("The Verandas"), located in Tanauan, Batangas beside The Parks, was launched in 2006. It was fully completed as of 31 December 2007. The Verandas is a lots-only subdivision project.

Tagaytay Midlands Golf Club, Inc.:
The golf clubhouse and an 18-hole golf course were completed and fully operational in 1998. An

additional 9-hole golf course is expected to be fully operational by May 2012.

The Spa and Lodge at Tagaytay Highlands:
The Spa and Lodge was completed in 2001. The Spa and Lodge structure is a hotel-like facility that boasts 25 five-star suites and spa facilities.

The Country Club at Tagaytay Highlands, Inc.:
The project was completed in 1996.

For 2012, Belle plans to continue the development of its Belle Grande Manila Bay project and its newly launched real estate projects in the Tagaytay Midlands and Greenlands areas (Nob Hill, Yume and Sycamore Heights).

Gaming:

In 2009, the Company entered into a memorandum of agreement to acquire PremiumLeisure& Amusement, Inc. ("PLAI"), which holds Provisional License from the Philippine Amusement and Gaming Corporation ("PAGCOR"), from a consortium of companies within the SM Group, in exchange for 2.7 billion new common shares. This marked the Company's strategic entry into the integrated resort industry. The construction of the Belle Grande Manila Bay integrated resort ("Belle Grande") began in January 2010 and is currently in full swing. Belle Grande is being constructed on 6.2-hectares of prime land at the corner of Roxas Boulevard and Aseana Avenue in Parañaque City. In response to PAGCOR's requirement to all gaming license holders to an Investment Commitment of US$1.0 billion dollars, Belle engaged in a Stock Rights Offering ("SRO") during the last quarter of 2011. Through the SRO, Belle was able to successfully raise a total of ₽4.5 billion despite the volatile market environment at the time. Out of 1.51 billion rights shares offered, total subscription reached 1.71 billion, for an oversubscription of ₽202 million shares or 13%. ₽2.8 billion has been collected during the course of the SRO and the remaining ₽1.7 billion will be received during the mandatory payment period 30 January to 03 February 2012. All proceeds from the stock rights offering will be used to finance the construction of Belle Grande Manila Bay. At completion, the integrated resort will have more than 25 hectares of gross floor area, and will house approximately 1.8 hectares of gaming areas, more than 2 hectares of retail and restaurant facilities, more than 800 hotel rooms of 5-star and 6-star quality, a state-of–the-art performing arts theater and other entertainment facilities. Belle Grande is only about 1 kilometer away from the Mall of Asia complex.

Pacific Online has been profitable since 2002, and listed its shares on the Philippine Stock Exchange on 12 April 2007.

Competition

Property development has been Belle's historical core business area. Belle believes that, at present, there is no other company in the Philippines that has successfully launched large-scale, self-contained and community-type leisure properties such as the developments around TagaytayHighlands and Tagaytay Midlands.

In general, Belle competes somewhat with developers such as AyalaLand, Landco, Fil-Estate, and Brittany Corporation, with respect to its residential and subdivision projects. Some of these developers, like AyalaLand, are bigger in size than Belle. Nevertheless, Belle is able to effectively compete with the above companies primarily on the basis of product quality, reliability to deliver the projects as promised, project location and high-end property development expertise. Furthermore, Belle has a market base of more than 6,000 wealthy individuals who are existing members of TagaytayHighlands, Tagaytay Highlands Country Club and Tagaytay Midlands, which provides a marketing advantage over other developers.

Suppliers

The Company has a broad base of local and foreign suppliers.

Customers

Belle's market base includes wealthy local and foreign individual and institutional clients. The Company has historically sold its real estate projects (residential units) to its golf or country club members.

Transactions with and/or Dependence on Related Parties

Please refer to the portion on "Certain Relationships and Related Transactions".

Licenses

Please refer to the portion on "Government Regulations".

Government Approvals/Regulations

As part of its normal course of operation, the Company secures government approvals such as the Environment Compliance Certificate, Development Permits, DAR Clearances and Licenses to Sell, etc.

Effect of Existing or Probable Government Regulations on the Business

Belle has complied with all the government requirements necessary for its operations.

The implementation of the 12% R-VAT on real estate sales in February 2006 had very little impact on the salability of Belle's real estate products since it caters principally to the A and B market segments. Likewise, the implementation of a 35% income tax on corporations effective November 2005 and until December 2008 did not significantly hamper Belle's liquidity and profitability, since the Company has ample tax credits which it can offset against future income tax liability. The reduction of income tax to 30% in 2009 somewhat contributed positively to Belle's net income for the year.

Future government regulations are perceived to have no material impact to the normal operations of the Company.

Amount Spent on Research and Development Activities and Compliance with Environmental Laws

Consultancy fees, engineering and architectural design, surveying, ECC, permits and licenses, etc. are being added to the cost of the project. Generally, these costs represent about 4% of gross revenues.

Number of Employees

As of 31 December 2012, Belle had 131 employees, all of whom were full-time employees. Belle employees are not subject to Collective Bargaining Agreements. Belle's management had generally not encountered any significant difficulties with its labor force, and no major strikes had been staged in the past.

The following are the breakdown of Belle employees according to type:

Officers	12
Managers	25
Supervisors and Rank and File	94
Total	131

Aside from the basic salary and 13th month pay, other supplemental benefits or incentives that are being provided by Belle to its employees include: service car for executives, medical and dental benefits, life and accident insurance, medical allowance and various loan facilities, among others.

Risks

Some of the risks that the Company and its related subsidiaries and affiliates may be exposed to are the following:

Economic and Political Conditions

The Company's business is mainly the development and sale of high-end leisure properties in the Philippines, which is generally influenced by the Philippine political and macroeconomic climate. Events and conditions that may negatively impact the Philippine economy as a whole may also adversely affect the Company's ability to sell its real estate projects.

Competition

The degree of competition in the property industry varies considerably by sector and geography. In general, Belle may compete with other developers for purchases of land, as well as clientele for its residential and club projects. However, the Company believes that other major property companies do not generally pursue leisure property development as a core business area.

Changes in Local and International Interest Rates

Belle's local and foreign-denominated borrowings may be adversely affected by drastic increases in interest rates.

Changes in the Value of the Peso

Depreciation of the Peso will negatively affect Belle's foreign-denominated borrowings, as well as the cost of some of the goods that Belle imports as part of its ordinary course of business.

Contractors and Suppliers

As is the case with most property development companies, there is a risk that contractual arrangements with contractors may not meet the Company's performance standards. To serve as safeguards to these eventualities, therefore, performance bonds are normally required for these contractors.

Government Regulations

Belle's property development business is subject to certain laws and regulations of various branches of the government, such as the local governments, the Department of Environment and Natural Resources ("DENR") and the Housing and Land Use Regulatory Board ("HLURB"). Belle has complied with the licensing and regulatory requirements necessary for its operations.

Belle's gaming businesses are also subject to certain laws and regulations. Belle's involvement in the lottery run by the PCSO is via its ownership in Pacific Online, which holds an equipment lease agreement with the PCSO for the operation of on-line lottery system in the Visayas-Mindanao regions.

For horse-racing and the operation of off-track betting stations, MMTC (a subsidiary of Belle in 1995, and owned 8.75% as of 31 December 2011), was granted a franchise in 1995 by the Philippine Congress to construct, operate and maintain a horse racetrack and to establish branches thereof for booking purposes, and hold or conduct horse races with betting, on the results of the races either directly or by means of any mechanical, electrical or computerized system. In 2009, Belle agreed to acquire from SMCPI a PAGCOR License to operate integrated resorts, including casinos, through PLAI, which will become a wholly-owned subsidiary of Belle after the transaction is executed.

Changes to the Philippine Laws and Regulations

Although laws and regulations are enacted for the common benefit, changes to these laws and regulations may create negative effects to the operating and financial condition of Belle including its subsidiaries and affiliates.

In order to mitigate the risks mentioned above, the Company will continue to exercise fiscal prudence and adopt what it considers conservative financial and operational controls.

Working Capital

Belle finances its working capital requirements through a combination of internally-generated funds, pre-selling, borrowing and discounting of receivables.

DISAGREEMENT WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

No principal accountant or independent accountants of the registrant has resigned, was dismissed or has ceased to perform services during the two (2) most recent fiscal years or any subsequent interim period.

There have been no disagreements with any accountant on any matter of accounting principles or practices, financial statement disclosure or auditing scope of procedure.

GOVERNMENT REGULATIONS

Belle's property development business is subject to certain laws and regulations of various branches of the government, such as the local governments, the Department of Environment and Natural Resources ("DENR") and the Housing and Land Use Regulatory Board ("HLURB"). Belle has complied with the licensing and regulatory requirements necessary for its operations.

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MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING PERFORMANCE AND FINANCIAL CONDITION

31 December 2012 versus 31 December 2011 Results of Operations (in thousands)

	Years ended December 31				Horizontal Analysis		Vertical Analysis	
		2012		2011	**Increase (Decrease)**		**2012**	2011
REVENUE								
Sales of real estate and club shares	**P**	**323,563**	P	520,176	**(196,613)**	-37.8%	**76.8%**	74.7%
Lease income		**18,427**		62,070	**(43,643)**	-70.3%	**4.4%**	8.9%
Others		**79,500**		114,275	**(34,775)**	-30.4%	**18.9%**	16.4%
		421,490		696,521	**(275,031)**	-39.5%	**100.0%**	100.0%
COST OF REAL ESTATE AND CLUB SHARES SOLD		**(117,152)**		(235,983)	**(118,831)**	50.4%	**-27.8%**	-33.9%
GENERAL AND ADMINISTRATIVE EXPENSES		**(275,748)**		(235,158)	**40,590**	-17.3%	**-65.4%**	-33.8%
INTEREST EXPENSE		**(128,151)**		(158,160)	**(30,009)**	19.0%	**-30.4%**	-22.7%
EQUITY IN NET EARNINGS OF ASSOCIATES		**288,730**		140,484	**(148,246)**	-105.5%	**68.5%**	20.2%
GAIN ON LIQUIDATING DIVIDEND		**539,671**		-	**(539,671)**	100.0%	**128.0%**	0.0%
NET FOREIGN EXCHANGE GAIN (LOSS)		**(36,718)**		270	**(36,988)**	-13699.3%	**-8.7%**	0.0%
INTEREST INCOME		**116,453**		28,498	**87,955**	308.6%	**27.6%**	4.1%
OTHER CHARGES - net		**(95,064)**		(12,910)	**82,154**	-636.4%	**-22.6%**	-1.9%
INCOME BEFORE INCOME TAX		**713,511**		223,562	**(938,077)**	-419.6%	**169.3%**	32.1%
PROVISION FOR INCOME TAX								
Current		**79,154**		15,972	**63,182**	395.6%	**18.8%**	2.3%
Deferred		**78,903**		7,130	**71,773**	1006.6%	**18.7%**	1.0%
		158,057		23,102	**134,955**	584.2%	**37.5%**	3.3%
NET INCOME	**P**	**555,454**	P	200,460	**354,994**	177.1%	**131.8%**	28.8%

Revenues

Gross revenue from sales of real estate and club shares for 2012 of ₱323.6 million was lower by ₱196.6 million (38%), compared to ₱520.2 million during 2011. Gross profit from sales of real estate and club shares for 2012 of P206.4 million was also lower than gross profit therefrom during 2011 of ₱284.2 million by ₱77.8 million (27%), due to the lower sales of real estate and club shares. There were no additional real estate projects launched by the Company in 2012. In 2011, Belle introduced Lakeside Fairways Phase 8 (Sycamore Heights), with more than 23 hectares of gross saleable area and 309 residential lots and extensions of existing projects, namely three new pads for log cabins at The Woodlands and nine new lots in Lakeside Fairways Phase 6 (Cotswold). These project extensions will carry total potential sales of about ₱225.0 million. The Company's project launches during 2010 (Nob Hill and Yume) comprised a total of approximately 162 saleable lots and 70,741 sqm in saleable area also contributed some revenues for 2011. During 2012 and 2011, the Company has been devoting significant resources to development activities connected with Belle Grande Manila Bay ("Belle Grande"), its integrated resort project located in Parañaque City, which is targeted for its grand opening by the third quarter of 2014. During the year ended December 31, 2012, the Company recorded net rental income of ₱18.4 million on land and buildings leased by the Company to AB Leisure Global, Inc. ("ABLGI").

Cost of Real Estate and Club Shares Sold

Cost of real estate and clubs shares sold decreased by ₽118.8 million (50%) to ₽117.2 million in 2012 from ₽236.0 million in 2011 due mainly to lower unit sales of real estate and club shares sold in 2012.

General and Administrative Expenses

The increase by ₽40.6 million (11%), from ₽235.2 million in 2011 to ₽275.7 million in 2012, was caused by the following: additional salaries and consultancy expenses incurred by its wholly-owned subsidiary, PremiumLeisure and Amusement Inc., (PLAI), higher office rental expense, marketing expenses and registration fees. The increase was partially offset by lower taxes and licenses and professional fees.

Financial Income (Expense)

Interest expense decreased by ₽30.0 million (19%), to ₽128.2 million, from ₽158.2 million in 2011 due to lower interest rates. The Company also capitalized borrowing costs amounting to ₽247.0 million in 2012 and ₽49.0 million in 2011.

Interest income increased by ₽88.0 million (309%), from ₽28.5 million to ₽116.6 million in 2012 due to placement of funds. The significant increase in 2012 fund level of the Company was brought by new long-term loan drawdown of ₽2,254.0 million and proceeds from the subscription receivable of ₽2,082.9 million received in 2012 from last year's stock rights offering.

Equity in Net Earnings of Associates

The Company's equitized net earnings from associated companies increased by ₽148.2 million (106%) to ₽288.7 million in 2012, from ₽140.5 million in 2011. Woodland Development Corporation (WDC), Belle's 47% owned associate, brought equitized earnings of ₽135.0 million out of net income of ₽287.3 million in the 2012 period, compared to equitized earnings of ₽2.9 million out of net income of P6.1 million in the 2011 period. The increase in net income of WDC was brought about by the gain on its sale of land to SM Development Corporation (SMDC). Other equitized earnings were from its 36%-owned associate, Highlands Prime, Inc. (HPI), and from its 35%-owned associate, Pacific Online Systems Corporation (Pacific Online). HPI is also engaged in real estate development within the Tagaytay Highlands and Midlands complexes, while Pacific Online leases on-line equipment to the Philippine Charity Sweepstakes Office for their lottery operations in the Visayas and Mindanao.

Gain on Liquidating Dividend

In November 2012, the Company received its assigned land valued at ₽1,066.7 million, with 42,166 square meters in area as liquidating dividend. The receipt of the land from BBCC as liquidating dividend resulted in the cancelation of Belle's investments in BBBC and recognition of gain on liquidating dividend of ₽539.7 million.

Net Foreign Exchange Loss

Based on the closing exchange rate of the Philippine Peso against the US Dollar of ₽41.05:US$1.00 as of 31 December 31, 2012, the Company posted a ₽98.1 million foreign exchange translation loss from its foreign currency-denominated deposits, mainly its US$50 million Escrow Fund being maintained at Banco de Oro in compliance with requirements under its Provisional License from PAGCOR (which was set up on 23 February 2012 at an exchange rate of ₽43.02:US$1.00). The foreign currency loss from foreign currency-denominated deposits was offset by a foreign exchange translation gain from its US$22.0 millionFloating Rate Notes, amounting to ₽61.4 million, based on the exchange rate of ₽41.05:US$1.00 as of 31 December 2012 compared to ₽43.84:US$1.00 as of 31 December 2011. During 2011, the Company realized a foreign exchange translation gain of ₽0.3 million.

Provision for Income Tax

Current provision for income tax was higher by ₱63.2 million, to ₱79.2 million from ₱16.0 million in 2011, due to the capital gains tax paid under protest amounting to ₱63.3 million for the transfer of 43,381 square meters of land from BBCC as Belle's liquidating dividend.

Deferred income tax increased by ₱71.8 million, to ₱78.9 million in 2012 from ₱7.1 million in 2011, mainly due to the additional deferred tax liability recognized for capitalized borrowing cost of P80.7 million. The increase in deferred tax liability in 2012 was partly offset by the deferred tax asset recognized on additional minimum corporate income tax of ₱7.2 million.

Net Income

As a result of the foregoing, Belle Corporation realized consolidated net income of ₱555.5 million for the year ended 31 December 2012. This is ₱355.0 million (177%) higher than the consolidated net income of ₱200.5 million for the year ended 31 December 2011. Moreover, the Company's consistent profitability has allowed it to post positive consolidated retained earnings of ₱893.8 million as of 31 December 2012.

31 December 2012 versus31 December 2011 Statement of Financial Position (in thousands)

		December			Horizontal Analysis		Vertical Analysis	
		2012		2011	Inc (Dec)	%	2012	2011
ASSETS								
Cash and cash equivalents	**P**	**1,419,711**	P	2,766,880	(1,347,169)	-49%	**6%**	12%
Short-term Investments		**965**		9,668	(8,703)	-90%	**0%**	0%
Receivables		**1,352,972**		930,124	422,848	45%	**5%**	4%
Subscription receivables		**-**		2,082,920	(2,082,920)	-100%	**0%**	9%
Real estate for sale		**2,901,335**		3,036,153	(134,818)	-4%	**11%**	13%
Club shares		**2,812,642**		2,786,148	26,494	1%	**11%**	12%
Investments in and advances to associates		**1,883,059**		2,118,166	(235,107)	-11%	**7%**	9%
Available-for-sale Investments		**28,619**		22,336	6,283	28%	**0%**	0%
Held-to-maturity investments		**750,000**		-	750,000	0%	**3%**	0%
Advances to related parties		**482,469**		457,764	24,705	5%	**2%**	2%
Investment properties		**5,584,824**		2,434,194	3,150,630	129%	**22%**	11%
Property and equipment		**160,283**		175,599	(15,316)	-9%	**1%**	1%
Intangible assets		**5,261,186**		5,261,186	-	0%	**21%**	23%
Escrow fund		**2,064,450**		-	2,064,450	100%	**8%**	0%
Other assets		**758,284**		562,390	195,894	35%	**3%**	2%
Total Assets	**P**	**25,460,799**	P	22,643,528	2,817,271	12%	**100%**	100%
LIABILITIES AND EQUITY								
				3,923,404				
Liabilities								
Loans payable	**P**	**2,081,714**	P	2,155,857	(74,143)	-3%	**8%**	10%
Accounts payable and other liabilities		**1,870,224**		1,759,193	111,031	6%	**7%**	8%
Deferred tax liabilities		**165,870**		85,468	80,402	94%	**1%**	0%
Long-term debt		**4,719,165**		2,559,584	2,159,581	84%	**19%**	11%
Pension liability		**5,272**		8,354	(3,082)	-37%	**0%**	0%
Total Liabilities		**8,842,245**		6,568,456	2,273,789	35%		
Equity								
Attributable to equity holders of the parent								
Preferred stock		**1,000,000**		1,000,000	-	0%	**4%**	4%
Common stock		**10,559,383**		9,170,770	1,388,613	15%	**41%**	41%
Subscribed Stock		**-**		1,388,613	(1,388,613)	-100%	**0%**	6%
Additional paid-in capital		**5,503,731**		5,503,731	-	0%	**22%**	24%
Equity share in cost of Parent Company shares hel		**(731,696)**		(731,696)	-	0%	**-3%**	-3%
Cost of Parent Company shares held by subsidiarie		**(562,375)**		(497,758)	64,617	-13%	**-2%**	-2%
Unrealized gain on available-for-sale investments		**14,868**		8,585	6,283	73%	**0%**	0%
Other reserves		**(6,007)**		(52,369)	46,362	-89%	**0%**	0%
Retained Earnings		**893,754**		338,243	555,511	164%	**4%**	1%
		16,671,658		16,128,119	543,539	3%		
Non-Controlling Interests		**(53,104)**		(53,047)	(57)	0%	**0%**	0%
					-			
Total Equity		**16,618,554**		16,075,072	543,482	3%		
					-			
Total Liabilities and Equity	**P**	**25,460,799**	P	22,643,528	2,817,271	12%	**100%**	100%

ASSETS

Total assets of the Company increased by ₱2,817.3 million (12%), to ₱25,460.8 million as of 31 December 2012, from ₱22,643.5 million as of 31 December 2011, due to the increases in value of investments (Escrow Fund amounting to US$50 million, with a Peso equivalent of ₱2,064.5 million, and held-to-maturity investments amounting to ₱750.0 million) and increases in investment properties for the construction of Belle Grande Manila Bay.

Cash and cash equivalents

Cash and cash equivalents decreased by ₱1,347.2 million (-49%), from ₱2,766.9 million as of 31 December 2011 to ₱1,419.7 million as of 31 December 2012, due mostly to: (i) investment in Escrow Fund of ₱2,064.4 million; (ii) investment in held-to-maturity investments of ₱750.0 million; (iii) expenditures on the construction of Belle Grande Manila Bay of ₱2,061.8 million; and (iv) payment of capital gains tax under protest of ₱63.3 million for the transfer of land from BBCC as a liquidating dividend to Belle. The decrease in cash and cash equivalents was offset by the proceeds from the subscriptions receivable from the stock rights offering of ₱2,082.9 million and additional loan proceeds of ₱2,254.0 million.

Receivables

Receivables increased by ₱422.8 million (45%), to ₱1,356.3 million in 2012 from ₱930.1 million in 2011, the increase was mainly due to receivables from its operating partners in the Belle Grande Manila Bay Project.

Real Estate for Sale and Club Shares

Real estate for sale decreased by ₱134.8 million (-4%), to ₱2,901.3 million in 2012 from ₱3,036.2 million in 2011, due to the sales made during the year.

Club shares held by the Company, valued at historical cost, increased by ₱26.5 million (1%), to ₱2,812.6 million in 2012 from ₱2,786.1 million in 2011 due to additional development spending on Tagaytay Midlands Golf Course. The increases in the club shares were offset by the sale of clubs during the year.

Investments in and Advances to Associates

Investments and advances decreased by ₱235.1 million (-11%), to ₱1,883.1 million in 2012 from ₱2,118.2 million in 2011, due mainly to the liquidation of its investments in Belle Bay City Corporation (BBCC). In November 2012, the Company received its assigned land valued at ₱1,066.7 million, with 43,381 square meters in area as a liquidating dividend. The receipt of the land from BBCC as a liquidating dividend resulted in the cancelation of Belle's investments in BBBC and recognition of a gain on liquidating dividend of ₱539.7 million. The decrease in the investment in and advances to Associates in 2012 for the liquidation of BBCC was offset by the additional equity in net earnings recognized in 2012 amounting to ₱288.7 million.

Investment properties

Investment properties increased by ₱3,150.6 million (129%) to P5,584.8 million from ₱2,434.2 million in 2011. The increases were due to the land received from BBCC as liquidating dividend valued at ₱1,066.7 million and from the continuing construction of Belle Grande Manila Bay. During the year, the Company spent ₱2,061.8 million in construction costs for the project's structures that will contain the six hotel towers and retail facilities

LIABILITIES

Total liabilities increased by ₱2,273.8 million (35%) to ₱8,842.2 million as of 31 December 2012, from ₱6,568.5 million as of 31 December 2011, mainly due to the borrowings for the construction of Belle Grande.

Loans Payable and Long-Term Debt

Total debt amounting to ₱6,800.9 million as of 31 December2012 were comprised mostly of Peso loans from various local financial institutions, with interest at an approximate range of 4.3% to 5.8% per annum amounting to ₱2,081.7 million, foreign-currency denominated Floating Rate Notes ("FRNs"), with a peso equivalent amounting to P903.6 million and peso long-term debt of ₱3,927.0 million. The FRNs have a principal amount of US$22 million due on 10 May 2014 and carry interest at 2% per annum above the six-month LIBOR.

Total debt increased by ₱2,085.5 million (44%), from ₱4,715.4 million in 2011 to₱6,800.9 million in 2012, due to the availment of new peso long-term loans for the construction of Belle Grande.

Accounts payable and other liabilities

Accounts payable and other liabilities increased by ₱111.0 million (7%), to ₱1,870.2 million in 2012 compared to ₱1,759.2 million in 2011. Comprising accounts payable and other liabilities are principally trade payables of ₱1,033.3 million, advances from related parties of ₱183.3 million, accrued expenses of ₱427.3 million, non-trade payables of ₱204.4 million and customers' deposits of ₱28.5 million in 2012. The increase in the accounts payable and other liabilities is attributed to the construction of Belle Grande.

EQUITY

The Company's equity as of 31 December 2012 of ₱16,618.6 million was higher by ₱543.5 million (3%) compared to the year-end 2011 level of ₱16,075.1 million, with the increase mainly attributed to the net income of ₱555.5 million for 2012. Due to its consistent profitability, the Company had consolidated retained earnings of ₱893.8 million as of 31 December 2012, compared to consolidated retained earnings of ₱338.2 million as of 31 December 2011.

Below are the comparative key performance indicators of the Company and its subsidiaries:

	The manner by which the Company calculates the performance indicators	**31 Dec 2012**	31 Dec 2011
Asset-to-equity ratio	Total assets / Total Equity	**1.53 : 1:00**	1.41 : 1.00
Current or Liquidity Ratio	Current assets / Current Liabilities	**2.46:1.00**	3.17 : 1.00
Debt-to-equity ratio	Interest-bearing debt / Equity	**0.41 : 1.00**	0.29 : 1.00
Net debt-to-equity ratio	Interest-bearing debt less cash and cash equivalents / Equity	**0.32 : 1.00**	0.12 : 1.00
Interest rate coverage ratio	Earnings Before Interest and Taxes / Interest Expense	**6.57 : 1.00**	2.41 : 1.00
Return on assets	Net income / Average Total Assets during the period	**2.3%**	1.2%
Return on equity	Net income / Average Equity during the period	**3.4%**	1.8%

The Company does not foresee any cash flow or liquidity problems over the next twelve months. The ₱2,081.7 million of debt obligations classified as loans payable have historically been mostly renewed or rolled-over, while the ₱3,927.0 million long-term debt from the ₱5.6 billion project finance facility from Banco de Oro Unibank for the Belle Grande project, will be amortized over a 5-year period starting April 2013. The Company's US$ 22 million Floating Rate Notes, with a peso equivalent of ₱903.6 million, is due on 10 May 2014. Aside from the planned Belle Grande Manila Bay integrated resort project, Belle also has a number of revenue-generating real estate projects in the pipeline to enhance cash flow. Meanwhile, the Company continues to be in compliance with the terms of all of its debt obligations.

As of 31 December 2012, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the Company;
- Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- Significant elements of income or loss that did not arise from the Company's continuing operations;
- Seasonal aspects that had a material impact on the Company's results of operations; and
- Material changes in the financial statements of the Company from the year ended 31 December 2012 to 31 December 2011.

2013 Plan of Operations

Since 1989, Belle has launched a total of 19 real estate projects, two golf clubs and one country club, with total gross land area of approximately 600 hectares in Tagaytay City and Batangas. Residential projects in Tagaytay City include Pinecrest Village, The Villas, The Belle View and The Woodlands. Residential projects in Batangas comprise the Midlands and Greenlands development areas. Among the Midlands residential projects are Alta Mira, Lakeview Heights and Lakeside Fairways; among the Greenlands residential projects are Plantation Hills, The Verandas at Saratoga Hills, The Parks at

Saratoga Hills, Fairfield and Nob Hill. Belle shall continue to strive for being the high-end real estate gem in Asia by its holistic approach of developing eco-friendly properties.

Lakeside Fairways was introduced by Belle in April 2007. This project consists of subdivision lots adjacent to 27 holes of the Tagaytay Midlands golf course in Talisay, Batangas. In August 2009, Belle launched Fairfield in Tanauan, Batangas. Fairfield, located adjacent to The Verandas, was 100% complete as of 31 December 2012. In April 2010, Nob Hill was launched, and was 73% complete as of 31 December 2012. As of 31 December 2012, the first four Lakeside Fairways (Kew Gardens, Terrazas de Alava, Lakeside Enclave and Tivoli Place) averaged a completion rate of 99%. The fifth and sixth subdivisions inside Lakeside Fairways (Cotswold and Katsura, respectively) were both 99% and 96% complete as of 31 December 2012. The construction of the third 9 holes for the Tagaytay Midlands golf course also commenced during the first half of 2008. In April 2010, Belle launched Yume, a new Japanese-themed subdivision in the Lakeview Heights development area, which was 61% complete as of 31 December 2011. In April 2011, Belle launched its newest subdivision within Lakeside Fairways, Sycamore Heights, with more than 23 hectares in gross land area, comprising 352 residential lots averaging 360 sqm per lot, which was 42% complete as of 31 December 2012.

As of 31 December 2012, construction on the first six phases of Lakeside Fairways and on the third nine holes of the Tagaytay Midlands golf course were on-going, and are expected to establish 100% completion in 2013. Belle will also work towards the completion of land development for Fairfield in 2013. Construction of its newest project, Sycamore Heights, shall be developed continuously towards a targeted project completion by 2014.

For the gaming side in the 2012 period, the construction of the Belle Grande Manila Bay started in January 2010 and is in full swing, with the Grand Opening of the Belle Grande casino and resort anticipated during 2014. Belle Grande is being constructed on 6.2-hectares of prime land at the corner of Roxas Boulevard and Aseana Avenue in Parañaque City. In response to PAGCOR's requirement to all gaming license holders of an Investment Commitment of US$1.0 billion, Belle launched a Stock Rights Offering ("SRO") in September 2011. Through the SRO, Belle was able to successfully raise a total of ₱4.5 billion despite the volatile market environment at the time. All proceeds from the SRO are being used to finance the construction of Belle Grande Manila Bay. At completion in 2014, the integrated resort is projected to approximately 30 hectares of gross floor area, and will house approximately 2.2 hectares of gaming space, more than 2 hectares of retail and restaurant facilities, more than 900 high-quality hotel rooms and other entertainment facilities. Belle Grande is only about 1 kilometer away from the Mall of Asia complex.

Existing investments will continue to be managed at Pacific Online Systems Corporation. Pacific Online, Belle's 35% - owned affiliate, leases online equipment to the Philippine Charity Sweepstakes Office for its lottery operations.

31 December 2011 versus 31 December 2010 Results of Operations (in thousands)

	Years Ended December 31		Horizontal Analysis		Vertical Analysis	
	2011	2010	Increase (Decrease)		2011	2010
REVENUE						
Sale of real estate and club shares	**520,176**	1,163,986	(643,810)	-55.3%	74.7%	92.2%
Lease income	**62,070**	-	62,070	100.0%	8.9%	0.0%
Others	**114,275**	99,137	15,138	15.3%	16.4%	7.8%
	696,521	1,263,123	(566,602)	-44.9%	100.0%	100.0%
COST OF REAL ESTATE AND CLUB SHARES	**(235,983)**	(508,979)	272,996	-53.6%	-33.9%	-40.3%
GENERAL AND ADMINISTRATIVE EXPENSES	**(235,158)**	(221,431)	(13,727)	6.2%	-33.8%	-17.5%
INTEREST EXPENSE	**(158,160)**	(191,353)	33,193	-17.3%	-22.7%	-15.1%
EQUITY IN NET EARNINGS OF ASSOCIATES	**140,484**	156,184	(15,700)	-10.1%	20.2%	12.4%
NET FOREIGN EXCHANGE GAIN	**270**	51,522	(51,252)	-99.5%	0.0%	4.1%
INTEREST INCOME	**28,498**	3,556	24,942	701.4%	4.1%	0.3%
OTHER CHARGES - Net	**(12,910)**	(10,600)	(2,310)	21.8%	-1.9%	-0.8%
INCOME BEFORE INCOME TAX	**223,562**	542,022	(318,460)	-58.8%	32.1%	42.9%
PROVISION FOR INCOME TAX						
Current	**15,972**	49,006	(33,034)	-67.4%	2.3%	3.9%
Deferred	**7,130**	27,548	(20,418)	-74.1%	1.0%	2.2%
	23,102	76,554	(53,452)	-69.8%	3.3%	6.1%
NET INCOME	**200,460**	465,468	(265,008)	-56.9%	28.8%	36.9%
Net profit attributable to:						
Equity holders of the parent	**200,517**	465,535	(265,018)	-56.9%	28.8%	36.9%
Non-controlling interests	**(57)**	(67)	10	-14.9%	0.0%	0.0%
	200,460	465,468	(265,008)	-56.9%	28.8%	36.9%

Revenues

Gross revenue for 2011 of ₱696.5 million was lower by ₱566.6 million (45%), compared to ₱1,263.1 million during 2010. Gross profit as of December 2011 of P460.5 million was also lower than gross profit as of December 2010 of ₱754.1 million by ₱293.6 million (39%), due to the lower sales of real estate and club shares. The Company's revenues for the 2010 period were stimulated by the launches of Katsura and Fairfield, and the grand launch of Cotswold, during 2009. These three projects comprised a total of 487 saleable lots and 165,175 square meters ("sqm") in net saleable area. In contrast, the Company's project launches during 2010 (Nob Hill and Yume), which were to help stimulate its revenues for 2011, comprised a total of approximately 162 saleable lots and 70,741 sqm in saleable area. During 2011, the Company has been devoting significant resources to development activities connected with Belle Grande Manila Bay ("Belle Grande"), its integrated resort project located in Parañaque City, which is targeted for its grand opening in 2013. During the year ended 31 December 2011, the Company recorded net rental income of P62.1 million on land and buildings leased by the Company to AB Leisure Global, Inc. ("ABLGI") for the site of Belle Grande, starting 14 January 2011. In the second quarter of 2011, Belle introduced Lakeside Fairways Phase 8 (Sycamore Heights), with more than 23 hectares of gross saleable area and 309 residential lots. In the third quarter of 2011, the Company introduced extensions of existing projects, namely three new pads for log cabins at The Woodlands and nine new lots in Lakeside Fairways Phase 6 (Cotswold). These project extensions will carry total potential sales of about ₱225.0 million.

Cost of Real Estate and Club Shares Sold

Cost of real estate and clubs shares sold decreased by ₱273.0 million (54%) to ₱236.0 million in 2011 from ₱509.0 million in 2010 due mainly to lower unit sales of real estate and club shares sold in 2011.

General and Administrative Expenses

The increase by ₱13.8 million (6%) from ₱221.4 million in 2010 to ₱235.2 million in 2011 were caused by the following: higher marketing expenses and higher registration fees. The increase was partially offset by lower taxes and licenses and professional fees.

Financial Income (Expense)

Interest expense decreased by ₱33.2 million (17%), to ₱158.2 million, from ₱191.4 million in 2010 due to lower interest rates. In 2011, the Company also capitalized borrowing costs amounting to ₱107.3 million.

Interest income increased by ₱24.9 million (701%), from ₱3.6 million to ₱28.5 million in 2011 due to placement of funds. The significant increase in the 2011 fund level of the Company was brought by new long-term loan drawdown and proceeds from the stock rights offering.

Equity in Net Earnings of Associates

The Company's equitized net earnings from associated companies decreased by ₱15.7 million (10%) to ₱140.5 million in 2011, from ₱156.2 million in 2010. Equitized earnings were mainly from its 36%-owned associate, Highlands Prime, Inc. (HPI), and from its 35%-owned associate, Pacific Online Systems Corporation (Pacific Online). HPI is also engaged in real estate development within the Tagaytay Highlands and Midlands complexes, while Pacific Online leases on-line equipment to the Philippine Charity Sweepstakes Office for their lottery operations in the Visayas and Mindanao.

Net Foreign Exchange Gain

With the exchange rate of the Philippine Peso against the US Dollar to ₱43.84:US$1.00 as of 31 December 2011 and 2010, the Company posted a minimal ₱0.3 million foreign exchange translation gain from its foreign currency deposits. While in 2010, the foreign exchange translation gain amounted to ₱51.5 million.

Provision for Income Tax

Current provision for income tax was lower by ₱33.0 million (67%) in 2011 due to lower sales in real estate and club shares.

Deferred income tax decreased by ₱20.4 million (74%) in 2011 mainly due to recognition of deferred income tax assets on MCIT and NOLCO amounting to ₱10.7 million and ₱6.1 million, respectively.

Net Income

As a result of the foregoing, Belle Corporation realized consolidated net income of ₱200.5 million for the year ended 31 December 2011. This is ₱265.0 million (57%) lower than the consolidated net income of ₱465.5 million for the year ended 31 December 2010. Moreover, the Company's consistent profitability has allowed it to post positive consolidated retained earnings of ₱338.2 million as of 31 December 2011.

31 December 2011 versus31 December 2010 Statement of Financial Position (in thousands)

	December		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2011	2010	Amount	%	2011	2010
ASSETS						
Cash and Cash Equivalents	**2,766,880**	41,052	2,725,828	6639.9%	12.2%	0.4%
Short-term Investments	**9,668**	-	9,668	100.0%	0.0%	0.0%
Receivables - net	**930,124**	1,116,402	(186,278)	-16.7%	4.1%	10.6%
Subscription Receivables	**2,082,920**	-	2,082,920	100.0%	9.2%	0.0%
Real Estate for Sale - at cost	**3,036,153**	3,012,896	23,257	0.8%	13.4%	28.6%
Club Shares - at cost	**2,786,148**	2,816,442	(30,294)	-1.1%	12.3%	26.8%
Investments in and Advances to Associates	**2,118,166**	2,050,882	67,284	3.3%	9.4%	19.5%
Available-for-sale Investments	**22,336**	13,751	8,585	62.4%	0.1%	0.1%
Advances to Related Parties - net	**457,764**	449,958	7,806	1.7%	2.0%	4.3%
Investment Properties	**2,434,194**	493,245	1,940,949	393.5%	10.8%	4.7%
Property and Equipment - net	**175,599**	178,458	(2,859)	-1.6%	0.8%	1.7%
Intangible Asset	**5,261,186**	-	5,261,186	100.0%	23.2%	0.0%
Other Assets - net	**562,390**	354,970	207,420	58.4%	2.5%	3.4%
Total Assets	**22,643,528**	10,528,056	12,115,472	115.1%	100.0%	100.0%
LIABILITIES AND EQUITY						
Liabilities						
Loans payable	**2,155,857**	1,743,069	412,788	23.7%	9.5%	16.6%
Accounts payable and other liabilities	**1,759,193**	1,547,077	212,116	13.7%	7.8%	14.7%
Long-term debt	**2,559,584**	964,993	1,594,591	165.2%	11.3%	9.2%
Assignment of receivables with recourse	**-**	5,027	(5,027)	-100.0%	0.0%	0.0%
Pension liability	**8,354**	11,262	(2,908)	-25.8%	0.0%	0.1%
Deferred tax liabilities - net	**85,468**	78,338	7,130	9.1%	0.4%	0.7%
Total Liabilities	**6,568,456**	4,349,766	2,218,690	51.0%	29.0%	41.3%
Equity						
Attributable to equity holders of the parent:						
Preferred stock	**1,000,000**	1,000,000	-	0.0%	4.4%	9.5%
Common stock	**9,170,770**	6,350,900	2,819,870	44.4%	40.5%	60.3%
Subscribed stock	**1,388,613**	-	1,388,613	100.0%	6.1%	0.0%
Additional paid-in capital	**5,503,731**	-	5,503,731	100.0%	24.3%	0.0%
Equity share in cost of Parent Company shares held by associates	**(731,696)**	(731,696)	-	0.0%	-3.2%	-6.9%
Cost of Parent Company common shares held by subsidiaries	**(497,758)**	(497,758)	-	0.0%	-2.2%	-4.7%
Unrealized gain on available-for-sale investments	**8,585**	-	8,585	100.0%	0.0%	0.0%
Retained earnings	**338,243**	137,726	200,517	145.6%	1.5%	1.3%
Other reserves	**(52,369)**	(27,892)	(24,477)	87.8%	-0.2%	-0.3%
Total Equity Attributable to Equity Holders of the Parent	**16,128,119**	6,231,280	9,896,839	158.8%	71.2%	59.2%
Non-controlling interests	**(53,047)**	(52,990)	(57)	0.1%	-0.2%	-0.5%
Total Equity	**16,075,072**	6,178,290	9,896,782	160.2%	71.0%	58.7%
	22,643,528	10,528,056	12,115,472	115.1%	100.0%	100.0%

ASSETS

Total assets of the Company increased by ₱12,115.4 million (115%), to ₱22,643.5 million as of 31 December 2011, from ₱10,528.1 million as of 31 December 2010, due to the increases in cash and cash equivalents, value of investments, subscription receivable from stock rights offering and acquisition of intangible assets.

Cash and cash equivalents

Cash and cash equivalents increased by ₱2,725.8 million to ₱2,766.9 million in 2011 from ₱41.1 million in 2010, due mostly to (i) subscription payments received from stockholders under the Company's stock rights offering in September 2011 of ₱977.0 million,(ii) net proceeds from loans and long-term debt of ₱2,751.0 million and (iii) cash generated from operations of ₱417.7 million. The increases in cash and cash equivalents were offset by the expenditures for the construction of Belle Grande of ₱1,940.9 million, an integrated resort complex to be located on approximately 6.2 hectares of land (of which 4.2 hectares are owned by the Company) along Roxas Boulevard in Parañaque City.

Receivables

Receivables decreased by ₱186.3 million (17%), to ₱930.1 million in 2011 from ₱1,116.4 million in 2010, the reduction was mainly due to collection of trade receivables.

Real Estate for Sale and Club Shares

Real estate for sale increased by ₱23.3 million (1%), to ₱3,036.2 million in 2011 from ₱3,012.9 million in 2010, due to the development of raw lands for various projects.

Club shares held by the Company, valued at historical cost, decreased by ₱30.3 million (1%), to ₱2,786.1 million in 2011 from ₱2,816.4 million in 2010 due to sales made in 2011.

Investments in and Advances to Associates

Investments and advances increased by ₱67.3 million (3%), to ₱2,118.2 million in 2011 from P2,050.9 million in 2010, due mainly to equity in net earnings of associates for the year.

Investment properties

Investment properties increased by ₱1,941.0 million (394%), from ₱493.2 million as of 31 December 2010 to ₱2,434.2 million as of 31 December 2011, due mainly to the continuing construction of Belle Grande.

Intangible Asset

Intangible asset increased by ₱5,261.2 million (100%) of 31 December 2011, from nil as of 31 December 2010, due mainly to the acquisition of PLAI, a grantee by the Philippine Amusement and Gaming Corporation (PAGCOR) of a license to operate integrated resorts, including casinos.

On 14 April 2011, Belle has issued 2.7 billion new common shares valued at ₱1.95 per share in exchange for 100% of the outstanding capital stock of PLAI.

LIABILITIES

Total liabilities increased by ₱2,218.7 million (51%) to ₱6,568.5 million as of 31 December 2011, from ₱4,349.8 million as of 31 December 2010, due to borrowings for the construction of Belle Grande.

Loans Payable and Long-Term Debt

Total debt amounting to ₱4,715.5 million in 2011 were comprised mostly of Peso loans from various local financial institutions, with interest at an approximate range of 7.0% to 7.5% per annum amounting to P2,155.9 million, foreign-currency denominated Floating Rate Notes ("FRNs"), with a peso equivalent amounting to P965.0 million and new peso long-term debt of P1,594.6 million. The FRNs have a principal amount of US$22 million due on 10 May 2014 and carry interest at 2% per annum above the six-month LIBOR.

Total debt increased by ₱2,007.3 million (74%), from ₱2,708.1 million in 2010 to ₱4,715.4 million in 2011, due to the availment of new peso long-term loans for the construction of Belle Grande.

Accounts payable and other liabilities

Accounts payable and other liabilities increased by ₱203.8 million (13%), to ₱1,750.9 million in 2011 compared to ₱1,547.1 million in 2010. Comprising accounts payable and other liabilities are principally trade payables of ₱750.6 million, advances from related parties of ₱214.6 million, accrued expenses of P418.0 million, non-trade payables of ₱332.5 million and customers' deposits of ₱35.2 million in 2011. The increase in the accounts payable and other liabilities is attributed to the construction of Belle Grande.

EQUITY

The Company's equity as of 31 December 2011 of ₱16,075.1 million was higher by ₱9,896.8 million compared to the year-end 2010 level of ₱6,178.3 million, due to: (i) the net income for 2011; (ii) the issuance of 2.7 billion new common shares for the acquisition of PLAI in April 2011 and (iii) the issuance and subscription of 1.5 billion new common shares in September 2011 as a result of the Company's stock rights offering.The issuances and subscription of these new common shares also resulted in additional paid-in-capital of ₱5,503.7 million as of 31 December 2011. Due to its consistent profitability, the Company had consolidated retained earnings of ₱338.2 million as of 31 December 2011, compared to consolidated retained earnings of ₱137.7 million as of 31 December 2010.

Below are the comparative key performance indicators of the Company and its subsidiaries:

	The manner by which the Company calculates the performance indicators	31 Dec 2011 (audited)	31 Dec 2010 (audited)
Asset-to-equity ratio	Total assets / Total Equity	1.41 : 1.00	1.70 : 1.00
Current or Liquidity Ratio	Current assets / Current Liabilities	3.17 : 1.00	2.27 : 1.00
Debt-to-equity ratio	Interest-bearing debt / Equity	0.29 : 1.00	0.44 : 1.00
Net debt-to-equity ratio	Interest-bearing debt less cash and cash equivalents / Equity	0.12 : 1.00	0.43 : 1.00
Interest rate coverage ratio	Earnings Before Interest and Taxes / Interest Expense	2.41 : 100	3.83 : 1.00
Return on assets	Net income / Average Total Assets during the period	1.2%	4.5%
Return on equity	Net income / Average Equity during the period	1.8%	7.8%

The Company does not foresee any cash flow or liquidity problems over the next twelve months. The ₱2,155.9 million of debt obligations classified as loans payable have historically been mostly renewed or rolled-over, while the ₱1,594.6 million long-term debt from the ₱5.6 billion project finance facility from Banco de Oro Unibank for the Belle Grande project, will be amortized over a 5-year period starting December 2012. The Company's FRN of ₱965.0 million is due on 10 May 2014. Aside from the planned Belle Grande integrated resort project, Belle also has a number of revenue-generating real estate projects in the pipeline to enhance cash flow. Meanwhile, the Company continues to be in compliance with the terms of all of its debt obligations.

As of 31 December 2011, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the Company;
- Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- Significant elements of income or loss that did not arise from the Company's continuing operations;
- Seasonal aspects that had a material impact on the Company's results of operations; and
- Material changes in the financial statements of the Company from the year ended 31 December 2011 to 31 December 2010.

2012 Plan of Operations

Since 1989, Belle has launched a total of 19 real estate projects, two golf clubs and one country club, with total gross land area of approximately 600 hectares in Tagaytay City and Batangas. Residential projects in Tagaytay City include Pinecrest Village, The Villas, The Belle View and The Woodlands. Residential projects in Batangas comprise the Midlands and Greenlands development areas. Among the Midlands residential projects are Alta Mira, Lakeview Heights and Lakeside Fairways; among the Greenlands residential projects are Plantation Hills, The Verandas at Saratoga Hills, The Parks at

Saratoga Hills, Fairfield and Nob Hill. Belle shall continue to strive for being the high-end real estate gem in Asia by its holistic approach of developing eco-friendly properties.

Lakeside Fairways was introduced by Belle in April 2007. This project consists of subdivision lots adjacent to 27 holes of the Tagaytay Midlands golf course in Talisay, Batangas. In August 2009, Belle launched Fairfield in Tanauan, Batangas. Fairfield, located adjacent to The Verandas, was 97% complete as of 31 December 2011. In April 2010, Nob Hill was launched, and was 71% complete as of 31 December 2011. As of 31 December 2011, the first four Lakeside Fairways (Kew Gardens, Terrazas de Alava, Lakeside Enclave and Tivoli Place) averaged a completion rate of 99%. The fifth and sixth subdivisions inside Lakeside Fairways (Cotswold and Katsura, respectively) were both 96% complete as of 31 December 2011. The construction of the third 9 holes for the Tagaytay Midlands golf course also commenced during the first half of 2008. In April 2010, Belle launched Yume, a new Japanese-themed subdivision in the Lakeview Heights development area, which was 14% complete as of 31 December 2011. In April 2011, Belle launched its newest subdivision within Lakeside Fairways, Sycamore Heights, with more than 23 hectares in gross land area, comprising 331 residential lots averaging 374 sqm per lot.

As of 31 December 2011, construction on the first six phases of Lakeside Fairways and on the third nine holes of the Tagaytay Midlands golf course were on-going, and are expected to establish 100% completion in 2012. Belle will also work towards the completion of land development for Fairfield in 2012. Construction of Yume and Nob Hill shall be in full swing in 2012 while its newest project, Sycamore Heights, shall be developed continuously towards a targeted project completion by 2013.

For the gaming side in the 2012 period, the construction of the Belle Grande Manila Bay started in January 2010 and is in full swing, with the Grand Opening of the Belle Grande casino and resort anticipated during 2013. Belle Grande is being constructed on 6.2-hectares of prime land at the corner of Roxas Boulevard and Aseana Avenue in Parañaque City. In response to PAGCOR's requirement to all gaming license holders to an Investment Commitment of US$1.0 billion, Belle launched a Stock Rights Offering ("SRO") in September 2011. Through the SRO, Belle was able to successfully raise a total of ₱4.5 billion despite the volatile market environment at the time. All proceeds from the SRO are being used to finance the construction of Belle Grande Manila Bay. At completion, the integrated resort will have more than 25 hectares of gross floor area, and will house approximately 1.8 hectares of gaming space, more than 2 hectares of retail and restaurant facilities, more than 800 high-quality hotel rooms, a state-of–the-art performing arts theater and other entertainment facilities. Belle Grande is only about 1 kilometer away from the Mall of Asia complex.

For other gaming ventures, existing investments will continue to be managed at MMTC and Pacific Online. During 2008 and 2009, Belle and Sinophil sold 87.5% of their investments in MMTC to an investor group, with ownership being reduced thereby to 8.75% and 3.75% for Belle and Sinophil, respectively. Prior to 2006, MMTC had approximately 121 hectares of land in Tanauan, Batangas, which was originally intended as the site for a racetrack (the "Land"). However, there had been no construction activity on the Land and MMTC returned the Land pro-rata to Belle and Sinophil, as a return of their investments or deposits, during 2006. Belle and Sinophil plan to use the land for real estate projects in the future.

ANNEX TO MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) SECTION

Events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of obligation

None. The Company does not foresee any events that may trigger material financial obligation to the Company, including default or acceleration of an obligation.

All material off-balance sheet transactions, arrangement, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period

None. There were no material off-balance sheet transactions, arrangement, obligations, and other relationships of the Company with unconsolidated entities or other persons that the Company is aware of during the reporting period.

FINANCIAL STATEMENTS

The consolidated Financial Statements and Supplementary Schedules as of and for the year ended 31 December 2012 listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Information Statement. Supplementary information are as follows:

MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

The principal market where the registrant's common equity is traded is the Philippine Stock Exchange ("PSE").

The high and low sales prices for each quarter within the last two (2) fiscal years of the registrant's common shares, as quoted on the PSE, are as follows:

Stock Prices		
	High	Low
2012		
First Quarter	**5.25**	**4.00**
Second Quarter	**5.36**	**4.62**
Third Quarter	**5.62**	**4.70**
Fourth Quarter	**5.45**	**4.64**
2011		
First Quarter	6.49	4.42
Second Quarter	6.12	4.69
Third Quarter	5.10	3.08
Fourth Quarter	5.15	3.15

As of 31 December 2012, Belle's market capitalization amounted to ₱51.3 billion based on the closing price of ₱4.86 per share. Likewise, Belle's market capitalization as of 28 February 2013 amounted to ₱62.3 billion based on the closing price of ₱5.90 per share.

Security Holders

The Company had 2,017 shareholders as of 28 February 2013. Common shares outstanding as of 28 February 2013totaled 10,559,382,799. The top 20 stockholders as of 28 February 2013, with their corresponding shareholdings and percentage thereof to total shares outstanding, are:

RANK	NAME	No. of Shares Held	% to Total
1	SM COMMERCIAL PROPERTIES, INC.	2,591,715,833	24.54%
2	SYSMART CORPORATION	1,629,353,802	15.43%
3	LUCKY SECURITIES, INC.	1,118,988,447	10.60%
4	THE HONGKONG & SHANGHAI BANKING	953,062,934	9.03%
5	SM DEVELOPMENT CORP.	735,553,560	6.97%
6	SYBASE EQUITY INVESTMENTS CORPORATION	522,720,577	4.95%
7	SOCIAL SECURITY SYSTEM	468,020,199	4.43%
8	EASTERN SEC. DEVT. CORP.	373,086,735	3.53%
9	GOVERNMENT SERVICE I NSURANCE SYSTEM	142,762,841	1.35%
10	JACINTO C. JR. NG	135,860,666	1.29%
11	WEALTH SECURITIES, INC.	124,703,407	1.18%
12	CITIBANK N.A.	104,456,202	0.99%
13	SINOPHIL CORPORATION	99,987,719	0.95%
14	MAYBANK ATR KIM ENG SECURITIES, INC.	93,117,111	0.88%
15	JACINTO L. SR. NG	88,835,833	0.84%
16	BANCO DE ORO-TRUST BANKING GROUP	86,840,131	0.82%
17	PARALLAX RESOURCES, INC.	84,691,073	0.80%
18	DEUTSCHE BANK MANILA-CLIENTS	77,991,831	0.74%
19	SLW DEVELOPMENT CORPORATION	66,082,333	0.63%
20	BDO SECURITIES CORPORATION	63,513,026	0.60%

Dividends

No dividends on common stock were declared in 2012 and 2011. There is no restriction that limits or would likely limit the Company’s ability to pay dividends.

Recent Sales of Unregistered Securities

The Company did not sell or issue securities within the past three (3) years that were not registered under the Securities Regulation Code.

Pursuant to the stock rights offering conducted on September 2011, the Company offered for subscription One Billion Five Hundred Eight Million Four Hundred Eighty-Three Thousand Two Hundred Fifty-Seven (1,508,483,257) common shares out of its authorized but unissued capital stock to qualified shareholders of record as of 02 September 2011 at an exchange ratio of one (1) offer share for every six (6) common shares held by qualified shareholders of record. The offer price was Three Pesos (₱3.00) per share.Exemption from registration has been claimed under Section 10.1(e) of the Securities Regulation Code, being a sale by the Company of its common shares to its own stockholders exclusively, and no commission or other remuneration was paid in connection with such sale of common shares.

DIRECTORS AND EXECUTIVE OFFICERS

Please refer to the portion of this Information Statement on “Directors and Executive Officers”

COMPLIANCE WITH THE MANUAL OF CORPORATE GOVERNANCE

The Company remains focused on insuring the adoption of systems and practices of good corporate governance in enhancing value for its shareholders.

In compliance with the initiative of the Securities and Exchange Commission (“SEC”) Bellesubmitted its Corporate Governance Manual (the “Manual”) to the SEC. Even prior to the submission of its Manual, however, the Company already created various Board level committees. These committees were comprised of an Executive Committee, a Nomination Committee for the selection and evaluation of qualifications of directors and officers, a Compensation and Remuneration Committee to look into an appropriate remuneration system, and an Audit Committee to review financial and accounting matters. A Compliance Officer was also appointed. Members of various committees are expected to serve for a term of one (1) year. The Company submits its Corporate Governance Self-Rating reports to the SEC and PSE as proof of its compliance with the leading practices and principles on good corporate governance.

The Board establishes the major goals, policies and objectives of the Company, as well as the means to monitor and evaluate the performance of Management. The Board also ensures that adequate internal control mechanisms are implemented and properly complied in all levels.

The Company is not aware of any non-compliance with its Manual of Corporate Governance, by any of its officers or employees.

UNDERTAKING TO PROVIDE PRINTED COPIES OF THE INFORMATION STATEMENT AND ANNUAL REPORT

UPON WRITTEN REQUEST OF ANY SHAREHOLDER OF RECORD ENTITLED TO NOTICE OF AND VOTE AT THE MEETING, THE COMPANY SHALL FURNISH SUCH SHAREHOLDER WITH A COPY OF THE COMPANY’S INFORMATION STATEMENT (ON SEC FORM 20-IS) AND ANNUAL REPORT (ON SEC FORM 17-A) WITHOUT CHARGE. ANY SUCH WRITTEN REQUEST SHALL BE ADDRESSED TO:

THE CORPORATE SECRETARY
BELLE CORPORATION
5th FLOOR TOWER A, TWO E-COM CENTER
PALM COAST AVENUE, MALL OF ASIA COMPLEX
CBP-1, PASAY CITY 1300, PHILIPPINES

BELLE
CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong City, Metro Manila

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

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

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

BENITO TAN GUAT
Chairman of the Board

ROGELIO R. CABUÑAG
President

MANUEL A. GANA
Executive Vice President
and Chief Financial Officer

Signed this 6th day of March, 2013

5th Floor Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, CBP-1A, Pasay City • Tel: 662-8888 • Fax: 662-8890

SUBSCRIBED AND SWORN to before me, this 26th day of March 2013 at Makati City, affiant having exhibited to me their Community Tax Certificate Nos. (CTC) and Tax Identification Number (TIN):

Name	CTC No./Date Issued/ Place Issued	TIN
Benito Tan Guat		101-935-043
Rogelio R. Cabuñag	01734792/01.18.2013/Pasig	103-432-824
Manuel A. Gana	06128747/01.10.2013/Manila	906-105-409

Doc. No. 183;
Page No. 38;
Book No. I;
Series of 2013

EMMA THERESA M. CABOCHAN
Notary Public for and in Makati City
Appointment No. M-514 (2012-2013)
Commission Expires on December 31, 2013
2/F JTKC Center, [illegible] Chino Roces Street
Makati City, Metro Manila
Attorney's Roll No. 60586
PTR No. 8411740 / 01.03.2013 / Pasig City
IBP No. 913436 / 12.28.12 / Quezon City

COVER SHEET

52412

SEC Registration Number

BELLE CORPORATION AND SUBSIDIARIES

(Company's Full Name)

5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, CBP-1A, Pasay City

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

Mr. Manuel A. Gana	**662-8888**
(Contact Person)	(Company Telephone Number)

12 31	17-A	04 23
Month *Day*	(Form Type)	*Month* *Day*
(Fiscal Year)		(Annual Meeting)

–

(Secondary License Type, If Applicable)

–	–
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

2,157	**₱5.9 billion**	**$22.0 million**
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

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SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Belle Corporation
5th Floor, Tower A
Two E-Com Center, Palm Coast Avenue
Mall of Asia Complex, CBP-1A, Pasay City

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

SYCIP GORRES VELAYO & CO.

Clairma T. Mangangey

Clairma T. Mangangey
Partner
CPA Certificate No. 86898
SEC Accreditation No. 0779-AR-1 (Group A),
February 2, 2012, valid until February 1, 2015
Tax Identification No. 129-434-867
BIR Accreditation No. 08-001998-67-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3669697, January 2, 2013, Makati City

March 6, 2013

BELLE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2012	2011
ASSETS		
Cash and Cash Equivalents (Notes 8, 32, 36 and 37)	**₱1,419,711**	₱2,766,880
Short-term Investments (Notes 8, 36 and 37)	**965**	9,668
Receivables (Notes 9, 32, 36 and 37)	**1,352,972**	930,124
Subscription Receivables (Notes 23 and 37)	**–**	2,082,920
Real Estate for Sale - at cost (Notes 10, 20, 21 and 37)	**2,901,335**	3,036,153
Club Shares - at cost (Notes 11, 20, 32 and 37)	**2,812,642**	2,786,148
Investments in and Advances to Associates - net (Notes 12, 20, 22, 23, 32, 36, 37 and 38)	**1,883,059**	2,118,166
Held-to-maturity Investments (Notes 13 and 32)	**750,000**	–
Available-for-sale Financial Assets (Notes 14 and 36)	**28,619**	22,336
Advances to Related Parties - net (Notes 32, 36 and 37)	**482,469**	457,764
Investment Properties (Notes 15, 22, 30 and 33)	**5,584,824**	2,434,194
Property and Equipment (Notes 16, 18 and 26)	**160,283**	175,599
Intangible Asset (Notes 17, 33 and 38)	**5,261,186**	5,261,186
Escrow Fund (Notes 19, 32, 33 and 36)	**2,064,450**	–
Other Assets (Notes 16, 18, 22 and 30)	**758,284**	562,390
	₱25,460,799	₱22,643,528

LIABILITIES AND EQUITY		
Liabilities		
Loans payable (Notes 10, 11, 12, 14, 20, 32, 36 and 37)	**₱2,081,714**	₱2,155,857
Accounts payable and other liabilities (Notes 10, 21, 32, 36, 37 and 38)	**1,869,808**	1,750,935
Income tax payable	**416**	8,258
Long-term debt (Notes 22, 32 and 36)	**4,719,165**	2,559,584
Pension liability (Note 31)	**5,272**	8,354
Deferred tax liabilities - net (Note 29)	**165,870**	85,468
Total Liabilities	**8,842,245**	6,568,456
Equity		
Attributable to equity holders of the parent:		
Preferred stock - issued (Notes 9, 23 and 32)	**1,000,000**	1,000,000
Common stock (Note 23):		
Issued	**10,559,383**	9,170,770
Subscribed	**–**	1,388,613
Additional paid-in capital (Notes 17 and 23)	**5,503,731**	5,503,731
Equity share in cost of Parent Company shares held by associates (Notes 12 and 23)	**(731,696)**	(731,696)
Cost of Parent Company common shares held by subsidiaries (Note 23)	**(562,375)**	(497,758)
Unrealized gain on available-for-sale financial assets - net (Note 14 and 29)	**14,868**	8,585
Retained earnings (Note 23)	**893,754**	338,243
Other reserves (Note 12)	**(6,007)**	(52,369)
Total Equity Attributable to Equity Holders of the Parent	**16,671,658**	16,128,119
Non-controlling interests	**(53,104)**	(53,047)
Total Equity	**16,618,554**	16,075,072
	₱25,460,799	₱22,643,528

See accompanying Notes to Consolidated Financial Statements.

BELLE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands, Except Per Share Amounts)

	Years Ended December 31		
	2012	2011	2010
REVENUE			
Sale of real estate and club shares (Note 32)	**₱323,563**	₱520,176	₱1,163,986
Lease income (Note 33)	**18,427**	62,070	–
Others (Notes 9 and 24)	**79,500**	114,275	99,137
	421,490	696,521	1,263,123
COST OF REAL ESTATE AND CLUB SHARES SOLD (Note 25)	**(117,152)**	(235,983)	(508,979)
GENERAL AND ADMINISTRATIVE EXPENSES (Notes 16, 26, 30, 31 and 32)	**(275,748)**	(235,158)	(221,431)
GAIN ON LIQUIDATING DIVIDEND (Notes 12, 15 and 38)	**539,671**	–	–
EQUITY IN NET EARNINGS OF ASSOCIATES (Note 12)	**288,730**	140,484	156,184
INTEREST EXPENSE (Notes 9, 20, 22, 27 and 32)	**(128,151)**	(158,160)	(191,353)
INTEREST INCOME (Notes 8, 9, 13, 19, 27 and 32)	**116,453**	28,498	3,556
NET FOREIGN EXCHANGE GAIN (LOSS) (Notes 19 and 22)	**(36,718)**	270	51,522
OTHER CHARGES - Net (Notes 9, 12, 14, 16, 28 and 32)	**(95,064)**	(12,910)	(10,600)
INCOME BEFORE INCOME TAX	**713,511**	223,562	542,022
PROVISION FOR INCOME TAX (Note 29)			
Current	**79,154**	15,972	49,006
Deferred	**78,903**	7,130	27,548
	158,057	23,102	76,554
NET INCOME	**555,454**	200,460	465,468
OTHER COMPREHENSIVE INCOME (LOSS)			
Unrealized gain (loss) on available-for-sale financial assets of associates (Note 12)	**46,362**	(24,477)	12,923
Unrealized gain on available-for-sale financial assets - net (Note 14)	**6,283**	8,585	–
	52,645	(15,892)	12,923
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**₱608,099**	₱184,568	₱478,391
Net profit attributable to:			
Equity holders of the parent (Note 35)	**₱555,511**	₱200,517	₱465,535
Non-controlling interests	**(57)**	(57)	(67)
	₱555,454	₱200,460	₱465,468
Total comprehensive income attributable to:			
Equity holders of the parent	**₱608,156**	₱184,625	₱478,458
Non-controlling interests	**(57)**	(57)	(67)
	₱608,099	₱184,568	₱478,391
Basic/Diluted Earnings Per Share (Note 35)	**₱0.054**	₱0.023	₱0.075

See accompanying Notes to Consolidated Financial Statements.

BELLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

(Amounts in Thousands)

	Attributable to Equity Holders of the Parent											
							Other Reserves					
	Preferred Stock (Notes 23 and 32)	Common Stock (Note 23)	Additional Paid-in Capital (Note 23)	Equity Share in Cost of Parent Company Shares Held by Associates (Notes 12 and 23)	Cost of Parent Company Common Shares Held by Subsidiaries (Note 23)	Unrealized Gain on Available-for-Sale Financial Assets - net (Note 14)	Share in Cumulative Translation Adjustments of an Associate (Note 12)	Share in Unrealized Gain (Loss) on Available-for-Sale Financial Assets of Associates (Note 12)	Retained Earnings (Deficit) (Note 23)	Total	Non-controlling Interests	Total Equity
Balance at December 31, 2011	**₱1,000,000**	**₱10,559,383**	**₱5,503,731**	**(₱731,696)**	**(₱497,758)**	**₱8,585**	**(₱26,393)**	**(₱25,976)**	**₱338,243**	**₱16,128,119**	**(₱53,047)**	**₱16,075,072**
Acquisitions of parent company common shares by subsidiaries	–	–	–	–	**(64,617)**	–	–	–	–	**(64,617)**	–	**(64,617)**
Net income	–	–	–	–	–	–	–	–	**555,511**	**555,511**	**(57)**	**555,454**
Other comprehensive income	–	–	–	–	–	**6,283**	–	**46,362**	–	**52,645**	–	**52,645**
Total comprehensive income (loss) for the year	–	–	–	–	–	**6,283**	–	**46,362**	**555,511**	**608,156**	**(57)**	**608,099**
Balance at December 31, 2012	**₱1,000,000**	**₱10,559,383**	**₱5,503,731**	**(₱731,696)**	**(₱562,375)**	**₱14,868**	**(₱26,393)**	**₱20,386**	**₱893,754**	**₱16,671,658**	**(₱53,104)**	**₱16,618,554**
Balance at December 31, 2010	₱1,000,000	₱6,350,900	₱–	(₱731,696)	(₱497,758)	₱–	(₱26,393)	(₱1,499)	₱137,726	₱6,231,280	(₱52,990)	₱6,178,290
Issuance during the year	–	2,819,870	2,776,140	–	–	–	–	–	–	5,596,010	–	5,596,010
Subscriptions during the year	–	1,388,613	2,727,591	–	–	–	–	–	–	4,116,204	–	4,116,204
Net income	–	–	–	–	–	–	–	–	200,517	200,517	(57)	200,460
Other comprehensive income (loss)	–	–	–	–	–	8,585	–	(24,477)	–	(15,892)	–	(15,892)
Total comprehensive income (loss) for the year	–	–	–	–	–	8,585	–	(24,477)	200,517	184,625	(57)	184,568
Balance at December 31, 2011	₱1,000,000	₱10,559,383	₱5,503,731	(₱731,696)	(₱497,758)	₱8,585	(₱26,393)	(₱25,976)	₱338,243	₱16,128,119	(₱53,047)	₱16,075,072
Balance at December 31, 2009	₱1,000,000	₱6,350,900	₱–	(₱731,696)	(₱497,758)	₱–	(₱26,393)	(₱14,422)	(₱327,809)	₱5,752,822	(₱52,923)	₱5,699,899
Net income	–	–	–	–	–	–	–	–	465,535	465,535	(67)	465,468
Other comprehensive income	–	–	–	–	–	–	–	12,923	–	12,923	–	12,923
Total comprehensive income for the year	–	–	–	–	–	–	–	12,923	465,535	478,458	(67)	478,391
Balance at December 31, 2010	₱1,000,000	₱6,350,900	₱–	(₱731,696)	(₱497,758)	₱–	(₱26,393)	(₱1,499)	₱137,726	₱6,231,280	(₱52,990)	₱6,178,290

See accompanying Notes to Consolidated Financial Statements.

BELLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱713,511**	₱223,562	₱542,022
Adjustments for:			
Gain on receipt of liquidating dividend (Notes 12 and 15)	**(539,671)**	–	–
Equity in net earnings of associates (Note 12)	**(288,730)**	(140,484)	(156,184)
Interest expense (Note 27)	**128,151**	158,160	191,353
Interest income (Note 27)	**(116,453)**	(28,498)	(3,556)
Unrealized foreign exchange loss (gain) - net	**37,325**	31	(51,620)
Depreciation and amortization (Notes 16 and 26)	**30,926**	27,059	21,179
Amortization of discount on trade receivables (Notes 9 and 24)	**(29,392)**	(54,465)	(44,409)
Provision for (reversal of) allowance:			
Impairment loss on advances to associates (Notes 12, 28 and 32)	**10,633**	–	2,200
Doubtful accounts on receivables (Notes 9 and 28)	**2,353**	–	–
Impairment loss on advances to related parties (Notes 28 and 32)	**2,121**	–	5,969
Probable loss on other assets (Notes 18 and 28)	**(368)**	–	(11,030)
Impairment loss on available-for-sale financial assets (Notes 14 and 28)	–	–	20
Pension costs (Notes 25 and 31)	**5,290**	5,464	6,302
Gain on sale of:			
Property and equipment (Note 28)	**(612)**	–	(2,934)
Investment (Note 12)	**–**	(10,234)	–
Dividend income	**(272)**	(278)	(371)
Working capital adjustments			
Decrease (increase) in:			
Receivables	**(425,393)**	246,136	170,190
Club shares	**(26,494)**	30,294	(22,376)
Real estate for sale	**134,818**	(23,257)	(76,995)
Other assets	**(182,961)**	(207,420)	(67,831)
Increase (decrease) in accounts payable and other liabilities	**137,829**	184,607	(31,478)
Contributions to the retirement fund (Note 31)	**(8,372)**	(8,372)	(9,133)
Income tax paid	**(86,996)**	(7,714)	(6,776)
Interest received	**91,417**	23,105	3,556
Net cash provided by (used in) operating activities	**(411,340)**	417,696	458,098
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Escrow fund (Notes 19 and 32)	**(2,150,150)**	–	–
Held-to-maturity investments (Note 13)	**(750,000)**	–	–
Property and equipment (Note 16)	**(27,321)**	(24,200)	(28,393)
Available-for-sale financial assets (Note 14)	**–**	–	(757)
Expenditures on investment properties (Note 15)	**(2,077,804)**	(1,940,949)	(493,245)

(Forward)

	Years Ended December 31		
	2012	2011	2010
Increase (decrease) in:			
Investments in and advances to associates and related parties	**(₱13,675)**	(₱19,123)	(₱2,345)
Short-term investments	**7,624**	(9,668)	–
Dividends received	**272**	44,692	37,906
Proceeds from disposal of:			
Property and equipment (Notes 16 and 28)	**612**	–	3,054
Investments in an associate (Note 12)	–	25,125	–
Net cash used in investing activities	**(5,010,442)**	(1,924,123)	(483,780)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availment of loans (Notes 20 and 22)	**2,222,318**	2,379,855	607,547
Stock rights offering (Note 23)	**2,082,920**	2,368,108	–
Payments of:			
Interest	**(115,825)**	(140,783)	(188,978)
Loans payable	**(94,143)**	(371,868)	(410,306)
Assignment of receivables with recourse	**–**	(5,027)	(11,390)
Obligations under capital lease	–	–	(1,720)
Increase (decrease) in advances from related parties	**(21,267)**	1,874	(14,473)
Net cash provided by (used in) financing activities	**4,074,003**	4,232,159	(19,320)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**610**	96	(328)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,347,169)**	2,725,828	(45,330)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,766,880**	41,052	86,382
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 8)	**₱1,419,711**	₱2,766,880	₱41,052

See accompanying Notes to Consolidated Financial Statements.

BELLE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Corporate Information
Belle Corporation ("Belle" or "Parent Company") is a stock corporation organized in the Philippines on August 20, 1973 and was listed at the Philippine Stock Exchange ("PSE") on February 2, 1977. The businesses of Belle, direct and through subsidiaries and associates, include mainly real estate development, principally in the high-end leisure property market, and various investment holdings (see Note 12).

The registered office address of Belle is 5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, CBP-1A, Pasay City.

Authorization of the Issuance of the Consolidated Financial Statements
The accompanying consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors ("BOD") on March 6, 2013.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation
The consolidated financial statements have been prepared on a historical cost basis, except for certain available-for-sale ("AFS") financial assets that have been measured at fair value (see Note 14). The consolidated financial statements are presented in Philippine peso, the Parent Company's functional and presentation currency, and all values are rounded to the nearest thousands, except when otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards ("PFRS").

Basis of Consolidation
The consolidated financial statements comprise the financial statements of Belle and the following subsidiaries (collectively referred to as "the Company") that it controls:

	Percentage of Ownership		
Subsidiaries	**2012**	2011	2010
Belle Bay Plaza Corporation (Belle Bay Plaza)*	**100**	100	100
Colossal Construction Corporation*	**100**	100	100
Metropolitan Leisure and Tourism Corporation*	**100**	100	100
Parallax Resources, Inc. (Parallax)	**100**	100	100
SLW Development Corporation (SLW)*	**100**	100	100
PremiumLeisure and Amusement, Inc. (PLAI)	**100**	100	–
Highland Gardens Corporation (HGC)*	**80**	80	80

* *Non-operating*

The subsidiaries are all incorporated in the Philippines.

The subsidiaries are consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies. All significant intercompany balances, transactions, income and expense and profits and losses from intercompany transactions are eliminated in full in the consolidation.

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year, except for the adoption of the following new, revised and amended Philippine Accounting Standards ("PAS"), PFRS and Philippine Interpretations from International Financial Reporting Interpretations Committee ("IFRIC") which were adopted as at January 1, 2012. The adoption of the following amendments and interpretations did not have material effect on the accounting policies, financial position or performance of the Company, except for additional disclosures.

- PFRS 7, *Financial Instruments: Disclosures - Transfer of Financial Assets* (Amendment)

  The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets.

- PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets*

  This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset.

4. Summary of Significant Accounting Policies

<u>Cash and Cash Equivalents</u>
Cash includes cash on hand and in banks. Cash in banks earns interest at the prevailing bank deposit rates.

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

Financial Assets

Date of Recognition of Financial Assets. The Company recognizes financial assets in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognized on settlement date, i.e., the date that an asset is delivered to or by the Company.

Initial Recognition of Financial Assets. Financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss ("FVPL"), directly attributable transaction costs.

Categories of Financial Assets. Financial assets are classified as financial assets at FVPL, loans and receivables, held-to-maturity ("HTM") investments, AFS financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition and where allowed and appropriate, re-evaluates such classification every financial reporting date.

As at December 31, 2012 and 2011, the Company has no financial assets designated at FVPL and derivatives designated as hedging instruments.

- Loans and Receivables

  Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as financial assets at FVPL or AFS financial assets.

  This category includes the Company's cash in banks and cash equivalents, short-term investments, receivables, advances to associates as shown under "Investments in and advances to associates" account in the consolidated statement of financial position, advances to related parties and escrow fund (see Note 36).

- HTM Investments

  HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. When the Company sells other than an insignificant amount of HTM financial assets, the entire category would be tainted and reclassified as AFS financial assets.

  The Company's investment in SM Investments Corporation ("SMIC") retail bonds is classified as HTM investment as at December 31, 2012 (see Note 13). The Company has no HTM investment as at December 31, 2011.

- AFS Financial Assets

  AFS financial assets are those nonderivative financial assets that are designated as AFS financial assets or are not classified as FVPL, loans and receivables and HTM investments. The Company designates financial instruments as AFS if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

This category includes the Company's investments in quoted and unquoted equity securities shown under "Available-for-sale financial assets" account in the consolidated statement of financial position (see Note 36).

Subsequent Measurement. The subsequent measurement of financial assets depends on their classification as follows:

- Loans and Receivables

  After initial measurement, loans and receivables are carried at amortized cost using the effective interest rate ("EIR") method less any allowance for impairment. Gains and losses are recognized in profit or loss in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

- HTM investments

  After initial measurement, these investments are subsequently measured at amortized cost using the EIR method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR.

- AFS Financial Assets

  After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized as a separate component of other comprehensive income in the consolidated statement of comprehensive income and in the consolidated statement of changes in equity until the investment is derecognized or determined to be impaired, at which time, the cumulative gain or loss is recognized in profit or loss in the consolidated statement of comprehensive income.

  AFS financial assets in equity instruments that do not have a quoted market price in an active market, or derivatives linked to such equity instruments are measured at cost because its fair value cannot be measured reliably.

  The Company evaluated its AFS financial assets whether the ability and intention to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent significantly changes to do so in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and the Company has the intent and ability to hold these assets for the foreseeable future or maturity. The reclassification to HTM is permitted only when the Company has the ability and intent to hold until the financial asset matures accordingly.

  For a financial asset reclassified out of the AFS financial assets category, any previous gain or loss on that asset that has been recognized in other comprehensive income is amortized to profit or loss in the consolidated statement of comprehensive income over the remaining life of the investment using the effective interest method. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the effective interest method. If the asset is subsequently determined to be impaired, then the amount recorded in the consolidated statement of changes in equity is reclassified to the profit or loss in the consolidated statement of comprehensive income.

Where the Company holds more than one investment in the same security, these are deemed to be disposed of on a moving average basis. Interest earned on holding AFS financial assets are reported as interest income using the effective interest rate. Dividends earned on holding AFS financial assets are recognized in profit or loss in the consolidated statement of comprehensive income when the right to receive payment has been established. The losses arising from impairment of such financial assets are recognized in profit or loss in consolidated statement of comprehensive income.

Financial Liabilities

Date of Recognition of Financial Liabilities. The Company recognizes financial liabilities in the statement of financial position when it becomes a party to the contractual provisions of the instrument.

Initial Recognition of Financial Liabilities. Financial liabilities are recognized initially at fair value of the consideration received which is determined by reference to the transaction price or other market prices, and in the case of other financial liabilities, inclusive of any directly attributable transaction costs. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for similar instruments with similar maturities.

Categories of Financial Liabilities. Financial liabilities are classified as financial liabilities at FVPL, other financial liabilities which are measured at amortized cost or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition and where allowed and appropriate, re-evaluates such classification every financial reporting date.

As at December 31, 2012 and 2011, the Company has no financial liabilities as at FVPL and derivatives designated as hedging instruments.

Other financial liabilities are not held for trading or not designated as at FVPL upon the inception of the liability. This includes liabilities arising from operations (e.g., accounts payable and other current liabilities).

As at December 31, 2012 and 2011, this category includes the Company's loans payable, accounts payable and other liabilities (excluding customers' deposits, statutory payables and other liabilities to the government) and long-term debt (see Note 36).

Subsequent Measurement. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

Offsetting of Financial Assets and Financial Liabilities
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Determination of Fair Value and Fair Value Hierarchy of Financial Assets and Financial Liabilities

The fair value for financial assets and financial liabilities traded in active markets at reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For financial assets and financial liabilities where there is no active market, except for investment in unquoted equity securities, fair value is determined by using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis; and options pricing models. In the absence of a reliable basis for determining fair value, investments in unquoted equity securities are carried at cost, net of impairment.

The Company uses the following hierarchy for determining and disclosing the fair value of financial assets and financial liabilities by valuation technique:

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

Fair value measurement disclosures are presented in Note 36.

Amortized Cost of Financial Assets and Financial Liabilities

Amortized cost is computed using the EIR 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.

"Day 1" Difference

Where the transaction price in a nonactive market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference amount.

Classification of Financial Assets and Financial Liabilities Between Debt and Equity
A financial instrument is classified as debt if it provides for a contractual obligation to:

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

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

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

Financial Assets Carried at Amortized Cost. For financial assets carried at amortized cost, the Company 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 there is objective evidence that an impairment loss 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 financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through use of an allowance account and the amount of the loss is recognized in profit or loss in the consolidated statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the effective interest rate of the asset.

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

The Company provides an allowance for loans and receivables which they deemed to be uncollectible despite the Company's continuous effort to collect such balances from the respective customers. The Company considers those past due receivables as still collectible if they become past due only because of a delay on the fulfillment of certain conditions as agreed in the contract and not due to incapability of the customers to fulfill their obligation. However, for those receivables associated with pre-terminated contracts, the Company directly writes them off from the account since there is no realistic prospect of future recovery.

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

AFS Financial Assets. For AFS equity investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. The evidence of impairment for equity securities classified as AFS financial assets would include a significant or prolonged decline in fair value of investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the other comprehensive income - is removed from other comprehensive income and recognized in profit or loss in the consolidated statement of comprehensive income. Impairment losses on equity investments are not reversed through the profit or loss in the consolidated statement of comprehensive income. Increases in fair value after impairment are recognized directly in other comprehensive income in the consolidated statement of comprehensive income.

Financial Asset Carried at Cost. If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument 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 current market rate of return for a similar financial asset.

Derecognition of Financial Assets and Financial Liabilities

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

- the Company's right to receive cash flows from the asset has expired; or

- the Company 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 Company has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the assets, 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 Company has transferred its right to receive cash flows from an asset or has entered into a "pass-through" arrangement, 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 Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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

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

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

Cost includes land acquisition cost, amounts paid to contractors for construction, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs and borrowing costs. 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 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.

<u>Club Shares</u>
Club shares are stated at the lower of cost and NRV. The cost of club shares sold is determined on the basis mainly of the actual development cost incurred plus the estimated development cost to complete the project based on the estimates as determined by the in-house engineers, adjusted with the actual costs incurred as the development progresses, including borrowing costs during the development stage. NRV is the estimated selling price less estimated cost to complete and sell.

<u>Investments in Associates</u>
Investments in associates are accounted for under the equity method. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Company's share of net assets of the associates, less any impairment in value.

The profit or loss in the consolidated statement of comprehensive income reflects the Company's share of the financial performance of the associates. When there has been a change recognized directly in the equity of the associates, the Company recognizes its share of any changes and discloses this, when applicable, as part of other comprehensive income and in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associates are eliminated to the extent of the interest in the associates.

The share in income or loss of associates is presented as part of profit or loss in the consolidated statement of comprehensive income. This is the income or loss attributable to equity holders of the associates and therefore is income or loss after tax and non-controlling interest in the subsidiaries of the associates.

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

If the Company's share of losses of an associate equals or exceeds the carrying amount of an investment, the Company discontinues including its share of further losses. After the Company's investment is reported at zero value, additional losses are provided for and a liability is recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Company resumes recognizing its share of those profits only after its share of the profits equals the share of net losses not recognized.

After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on the Company's investment in its associates. The Company determines at each reporting date whether there is any objective that the investment in associates is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the investment in associate and its carrying value and recognizes against profit or loss in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the investment in associates upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss in the consolidated statement of comprehensive income.

Investment Properties

Investment properties include land and building under construction held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when the definition of an investment property is met. Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also 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. Subsequent to initial recognition, investment property is stated at amortized cost less impairment, if any. Investment properties under construction are not depreciated until such time that the relevant assets are completed and become available for operational purpose.

Investment property is 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, which are the difference between the net disposal proceeds and the carrying amount of the investment property, on the retirement or disposal, are recognized in profit or loss in the consolidated statement of comprehensive income 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 ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Property Acquisitions and Business Combinations
Where property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business. The basis of judgment is set out in Note 5.

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated to the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises. Otherwise, acquisitions are accounted for as business combinations.

Property and Equipment
Property and equipment, except land, are stated at cost, excluding the cost of day-to-day servicing, less accumulated depreciation, amortization and impairment in value. Such cost consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of replacing part of the property and equipment is included in the carrying amount when the cost incurred meets the recognition criteria. When major repairs and maintenance is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are charged against profit or loss in the consolidated statement of comprehensive income. Land is carried at cost less any impairment in value.

Depreciation and amortization commences once the assets are available for use and is computed using the straight-line method over the following estimated useful lives of the assets:

Leasehold improvements	15 years or the term of the lease, whichever is shorter
Machinery and equipment	5 years
Condominium units and improvements	17 years
Transportation equipment	4 years or the term of the lease, whichever is shorter
Office furniture, fixtures and equipment	5 years

The assets' residual values, useful lives and depreciation and amortization method are reviewed, and adjusted if appropriate, at each financial year-end to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Construction-in-progress represents property and equipment under construction and is stated at cost. This includes cost of construction and other direct costs. Construction-in-progress is transferred to the related property and equipment when the construction or installation and related activities necessary to prepare the property and equipment for their intended use have been completed and the property and equipment are ready for service. Construction-in-progress is not depreciated until such time that assets are completed and available for use.

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

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

Intangible Asset

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of comprehensive income in the year the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or infinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in the accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in the useful life from the indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

Other Assets

Other assets are stated at cost less accumulated impairment in value and are shown in the consolidated statement of financial position. The accounting policies specific to the related assets are as follows:

Creditable Withholding Tax ("CWT"). CWT is recognized by virtue of Republic Act 8424 relative to the withholding on income subject to expanded and final withholding tax on compensation, value-added tax and other percentage taxes. CWT is recognized when the other party withheld certain taxes payable to the tax authority, and is reduced to the extent of that CWT which will not be realized through the use of an allowance account.

Project Development Costs. Costs incurred by subsidiaries in the development of its leisure, entertainment and residential projects are capitalized. An allowance for impairment in value is provided on the portion of such costs which is not likely to be recoverable. These are written off against the allowance when the costs are determined to be unrecoverable.

Supplies Inventory. Supplies inventory is valued at the lower of cost and NRV. Cost is determined using the moving average method. NRV of supplies inventory is the current replacement cost.

Impairment of Nonfinancial Assets
The Company assesses at each reporting date whether there is an indication that investments in associates, investment properties, property and equipment, intangible asset and other assets may be impaired. If any such indication exists and when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's cash-generating unit's fair value less costs to sell or its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples and other available fair value indicators. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Any impairment loss is recognized in profit or loss in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired assets.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the consolidated statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

Retained earnings represent the accumulated earnings.

Equity Share in Cost of Parent Company Shares Held by Associates
Equity share in cost of Parent Company common shares held by associates represent the amount that reduces the Company's "Investments in and advances to associates" account and equity balance by the Company's effective ownership in Parent Company common shares held by associates.

Cost of Parent Company Common Shares Held by Subsidiaries
Cost of Parent Company common shares held by subsidiaries are equity instruments which are reacquired (treasury shares) and are recognized at cost and deducted from equity. No gain or loss is recognized in the profit or loss in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration is recognized in other reserves.

<u>NCI</u>
NCI represent the portion of profit or loss and the net assets not held by the Parent Company and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from total equity attributable to owners of the Parent Company. Any losses applicable to a non-controlling shareholder of a consolidated subsidiary in excess of the non-controlling shareholder's equity in the subsidiary are charged against the NCI even if this results in NCI having a deficit.

NCI represent the equity interest in HGC not held by the Parent Company.

<u>Revenue Recognition</u>
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. Except for "Commission income," the Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Revenue from Sale of Real Estate and Club Shares. Revenue from sale of real estate, which include the sale of lots and condominium units and club shares, are accounted for under the full accrual method of accounting. Under this method, revenue and cost is recognized when: (a) the collectibility of the sales price is reasonably assured; (b) the earnings process is virtually complete; and (c) the seller does not have a substantial continuing involvement with the subject properties.

Real estate sales, where the Company has material obligations under the sales contract to provide improvements after the property are sold, are accounted for under the percentage of completion method. Under this method, the gain on sale is realized as the related obligations are fulfilled and the units are completed, measured principally as a percentage of actual cost incurred to date over the total estimated project cost.

If none of the revenue recognition criteria are met, deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers is accounted as customers' deposits included under "Accounts payable and other liabilities" account in the consolidated statement of financial position.

Commission Income. Revenue is recognized when the related services are rendered. Commission is computed as a certain percentage of the net contract price of the sold real estate project of a related party.

Dividends. Revenue is recognized when the Company's right to receive the payment is established.

Lease Income. Lease income arising from operating leases on investment properties is accounted for on a straight-line basis over the terms of the lease.

Gain on Liquidating Dividend. Revenue is recognized when the right to receive the payment is established.

Service Income. Revenue is recognized as services of providing utilities and maintenance are performed.

Income from Forfeitures. This represents income from forfeitures of the deposits and, to a certain extent, installments from customers in the event of a default and/or from cancellations of sales. Revenue is recognized upon approval of cancellation.

Interest Income. Interest income from trade receivables is recognized as the interest accrues using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount. Interest income from bank deposits is recognized as it accrues.

Penalty. Penalty pertains to income from surcharges for buyers' default and late payments. Income is recognized when penalty is actually collected.

Other Income. Revenue is recognized when there is an incremental economic benefit, other than the usual business operations, that will flow to the Company and the amount of the revenue can be measured reliably.

Costs and Expense Recognition

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Costs and expenses are recognized in profit or loss in the consolidated statement of comprehensive income on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, cease to qualify, for recognition in the statement of financial position as an asset.

Cost of real estate sold includes all direct materials and labor costs, and those indirect costs related to contract performance. When it is probable that the labor contract cost will exceed total contract revenue, the expected loss is recognized immediately. Changes in job performance, job conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements which may result in revisions to estimated costs and gross margins, are recognized in the year in which the revisions are determined.

Leases

The determination of whether an arrangement is, or contain, a lease is based on the substance of the arrangement at inception date or 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 fulfillment is dependent on a specified asset; or
d. There is a substantial change to the asset.

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

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are charged against profit or loss in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Capitalization of Operating Lease. Where a building will be constructed on a land under operating lease, the operating lease costs that are incurred during the construction period may be capitalized as part of the construction cost of the building. Otherwise, this may be expensed outright.

When capitalized, such lease costs are viewed as costs directly attributable to bringing the building to the location and condition necessary for it to be capable of operating in a manner intended by management. Lease costs are necessary and unavoidable costs of constructing the building, because without this lease, no construction could occur.

Borrowing Costs
Borrowing costs directly attributable to the development of the Company's projects that necessarily take a substantial period of time to get ready for its intended sale are capitalized as part of the cost of the "Real estate for sale", "Club shares", "Investment properties" and "Property and equipment" accounts in the consolidated statement of financial position. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Pension Costs
The defined benefit plan requires contributions to be made to separately administered funds. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Pension cost includes current service cost, interest cost, amortization of unrecognized past service costs and recognition of actuarial gains (losses) and effect of any curtailments or settlements. Past service cost, if any, is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately.

Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets ("FVPA") at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company nor can they be paid directly to the Company. Fair value is based on market price information and, in the case of quoted securities, it is the published bid price.

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

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 the reporting date.

Foreign Currency-denominated Transactions and Translations

Transactions denominated in foreign currency are recorded in Philippine peso by applying to the foreign currency amount the exchange rate between the Philippine peso and the foreign currency at the date of transaction. Monetary assets and monetary liabilities denominated in foreign currencies are restated using the closing exchange rate at the reporting date. All differences are recognized in profit or loss in the consolidated statement of comprehensive income. Nonmonetary items measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Income Taxes

Current Tax. Current income tax assets and income tax liabilities for the current and prior periods 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 are enacted or substantively enacted at the reporting date.

Deferred Tax. Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and the carryforward benefit of minimum corporate income tax (MCIT) over the regular corporate income tax ("RCIT"), to the extent that it is probable that future taxable profit will be available against which the temporary differences and carryforward benefit of unused MCIT can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences 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 profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

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 the deferred taxes relate to the same taxable entity and the same tax authority.

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

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

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

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Input VAT" under "Other Assets" account or "Output VAT payable" under "Accounts payable and other liabilities" account, respectively, in the consolidated statement of financial position.

<u>Earnings Per Share ("EPS")</u>
Basic EPS is computed by dividing net profit or loss for the year attributable to common equity holders of the parent, after recognition of the dividend requirement of preferred shares, as applicable, by the weighted average number of issued and outstanding common shares during the year, after giving retroactive effect to any stock dividends declared during the year.

Diluted EPS is computed by dividing net profit or loss for the year attributable to common equity holders of the parent by the weighted average number of issued and outstanding common shares during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted EPS does not assume conversion, exercise, or other issue of potential common shares that would have an anti-dilutive effect on EPS.

Business Segments
The Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products.

Segment Assets and Liabilities. Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, real estate for sale, club shares, investment properties and property and equipment, net of accumulated depreciation and impairment. Segment liabilities include all operating liabilities and consist principally of accounts payable and other liabilities. Segment assets and liabilities do not include deferred income taxes, investments and advances, and borrowings.

Inter-segment Transactions. Segment revenue, segment expenses and segment performance include transfers among business segments. The transfers, if any, are accounted for at competitive market prices charged to unaffiliated customers for similar products. Such transfers are eliminated in consolidation.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and, a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented as part of profit or loss in the consolidated statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, 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 a finance cost.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They 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 consolidated financial statements when an inflow of economic benefits is probable.

Events after the Reporting Period
Post year-end events that provide additional information about the Company's financial position at the reporting period (adjusting events), if any, are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect certain reported amounts and disclosures. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

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

Determination of Functional Currency. Based on the economic substance of the underlying circumstances relevant to the Company, the Company has determined its functional currency to be Philippine peso. It is the currency of the primary economic environment in which the Company operates and the currency that mainly influences the revenue and expenses.

Recognition of Revenue on and Cost of Sale of Real Estate and Club Shares. Selecting an appropriate revenue recognition method for a particular sale transaction requires certain judgments based on sufficiency of cumulative payments by the buyer and completion of development. The completion of development is determined based on actual costs incurred over the total estimated development costs reconciled with the engineer's judgment and estimates on the physical portion of contract work done if the development cost is beyond preliminary stage.

Revenue and cost from sale of real estate and club shares recognized amounted to ₱323.6 million and ₱117.2 million, respectively, in 2012, ₱520.2 million and ₱236.0 million, respectively, in 2011 and ₱1,164.0 million and ₱509.0 million, respectively, in 2010 (see Note 25).

Determination of Fair Value of Financial Assets and Financial Liabilities. PFRS requires certain financial assets and financial liabilities to be carried and disclosed at fair value, which requires extensive use of accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates and volatility rates), the amount of changes in fair value would differ if the Company utilized a different valuation methodology. Any changes in the assumptions could affect the fair value of these financial assets and financial liabilities.

The fair value of financial assets amounted to ₱6,016.7 million and ₱4,348.3 million as at December 31, 2012 and 2011, respectively. The fair value of financial liabilities amounted to ₱8,187.0 million and ₱6,187.4 million as at December 31, 2012 and 2011, respectively (see Note 36).

Determination of Fair Value of Financial Assets Not Quoted in an Active Market. The Company classified financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly accruing market transaction in an arm's length basis.

The fair values of the Company's investments in unquoted shares cannot be reasonably determined as these shares are not quoted in an active market. There were no recent transactions involving these shares, therefore these investments are carried at cost less impairment, if any. The Company does not intend to dispose these investments in unquoted shares.

The carrying amount of AFS financial assets in unquoted shares amounted to ₱2.8 million as at December 31, 2012 and 2011 (see Note 14).

Classification of Property. The Company determines whether a property is classified as investment property, inventory or property and equipment:

- Investment property comprises land, building and leasehold improvements which are not occupied substantially for use by, or in the operations of, the Company, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.

- Inventory comprises property that is held for sale in the ordinary course of business. Principally, these are condominium units and residential lots that the Company develops and intends to sell before or on completion of construction.

- Property and equipment includes land and leasehold improvements and condominium units and improvements, among others. These properties are used by the Company as model houses and are neither for sale nor for rentals. Other properties and equipment are intended for operations or administrative purposes.

Evaluation of Lease Commitments. The evaluation of whether an arrangement obtains a lease is based on its substance. An arrangement is, or contains a lease when the fulfillment of the arrangement depends on specific asset or assets and the arrangement conveys a right to use the asset.

The Parent Company, as a lessee, has entered into leases of its office space, land, parking lots, machinery, office and transportation equipment. The Parent Company has determined that it has not acquired the significant risks and rewards of ownership of the leased properties because of the following factors: a) the Company will not acquire ownership of the leased properties upon termination of the lease; and b) the Company was not given an option to purchase the assets at a price that is sufficiently lower than the fair value at the date of the option. Thus, the Company recognized the lease agreements as operating leases.

Rental expense recognized from operating lease in 2012, 2011 and 2010 amounted to ₱8.4 million, ₱4.3 million and ₱4.4 million respectively (see Notes 26 and 30).

Property Acquisitions. In 2011, the Company acquired a subsidiary, a grantee of the provisional license to establish and operate a casino through a share swap agreement. The Company accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made to the extent to which significant processes is acquired.

Management considered the substance of the assets and activities of the acquired entity and assessed that the acquisition of a subsidiary does not represent a business, but rather an acquisition of an intangible asset, the subsidiary being the holder of the right to establish and operate a casino (see Note 17). The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

Estimates and Assumptions

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

Determination of Impairment of Receivables and Advances to Associates and Other Related Parties. The Company maintains allowance for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables and advances. The level of this allowance is evaluated by the management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the age and status of receivable, the length of relationship with the customers and related parties, the counterparty's payment behavior and known market factors.

The Company reviews the allowance on a continuous basis. Accounts that are specifically identified to be potentially uncollectible are provided with adequate allowance through charges to income in the form of provision for doubtful accounts. A provision is also established as a certain percentage of receivables and advances not provided with specific allowance. This percentage is based on a collective assessment of historical collection, current economic trends, changes in customer payment terms and other factors that may affect the Company's ability to collect payments. The amount and timing of recorded provision for doubtful accounts for any period would differ if the Company made different judgments or utilized different estimates. An increase in the Company's allowance for doubtful accounts would increase the recorded operating expenses and decrease its assets.

Provision for doubtful accounts on receivables amounted to ₱2.4 million and nil in 2012 and 2011. Receivables, net of allowance for doubtful accounts, amounted to ₱1,353.0 million and ₱930.1 million as at December 31, 2012 and 2011, respectively. Allowance for doubtful accounts amounted to ₱37.1 million and ₱34.8 million as at December 31, 2012 and 2011, respectively (see Note 9).

Provision for doubtful accounts on advances to associates and related parties amounted to ₱12.7 million and nil in 2012 and 2011 (see Notes 12, 28 and 32). Advances to associates and other related parties, net of allowance for doubtful accounts, amounted to ₱4,219.8 million and ₱4,264.3 million as at December 31, 2012 and 2011, respectively (see Notes 12 and 32). Allowance for impairment amounted to ₱169.1 million and ₱157.7 million as at December 31, 2012 and 2011, respectively (see Notes 12 and 32).

Determination of NRV of Real Estate for Sale, Club Shares and Supplies Inventory. The Company writes down the carrying value of real estate for sale, club shares and supplies inventory whenever the NRV becomes lower than cost due to changes in market prices or other causes. The carrying value is reviewed at least annually for any decline in value.

The carrying values of inventories carried at cost are as follows:

	2012	2011
	(In Thousands)	
Real estate for sale (see Note 10)	**₱2,901,335**	₱3,036,153
Club shares (see Note 11)	**2,812,642**	2,786,148
Supplies inventory*(see Note 18)	**5,067**	119

**Included under "Other assets" account in the consolidated statements of financial position.*

Determination of Impairment of AFS Financial Assets. The Company determines that AFS financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The Company determines that a decline in fair value of greater than 20% of cost is considered to be a significant decline and a decline for a period of more than 12 months is considered to be a prolonged decline. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates, among other factors, the normal volatility in share price for quoted equities. In addition, AFS financial assets are considered impaired when management believes that future cash flows generated from the investment is expected to decline significantly. The Company's management makes significant estimates and assumptions on the future cash flows expected and the appropriate discount rate to determine if impairment exists. Impairment may also be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

Net provision for impairment of AFS financial assets amounted to nil in 2012 and 2011 and ₱0.02 million in 2010 (see Note 28). The carrying values of AFS financial assets amounted to ₱29.4 million and ₱22.3 million as at December 31, 2012 and 2011, respectively (see Note 14).

Determination of Commencement of Amortization of Intangible Asset. The Company's casino gaming license ("License") will be amortized on a straight-line basis over the term of the License which is concurrent with Philippine Amusement and Gaming Corporation's ("PAGCOR") congressional franchise set to expire in 2033. The amortization of the License will commence upon issuance by PAGCOR of the Notice to Commence Casino Operations which will replace the current provisional license.

Evaluation of Realizability of CWT. The carrying amount of CWT is reviewed at each reporting date and reduced to the extent that such CWT will not be realized.

The carrying amount of the CWT is reduced through the use of an allowance account. The allowance, if any, is established by charges against profit or loss in the form of provision for probable loss on CWT. The amount and timing of recorded expenses for any period would therefore differ based on the judgment or estimates made. An increase in the allowance for probable loss on CWT would increase the Company's recorded expenses and decrease assets.

No additional provision for probable loss on CWT was recognized in 2012, 2011 and 2010. In 2010, allowance for probable loss amounting to ₱16.5 million was reversed. Allowance for probable loss on CWT amounted to ₱4.3 million as at December 31, 2012 and 2011. The carrying value of the CWT included under "Other assets" account in the consolidated statements of financial position amounted to ₱177.5 million and ₱170.1 million as at December 31, 2012 and 2011, respectively (see Note 18).

Estimation of Useful Lives of Property and Equipment. The useful life of each of the Company's property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any property and equipment would increase the recorded depreciation and amortization expense and decrease assets.

There were no changes in the estimated useful lives of property and equipment in 2012 and 2011.

Determination of Impairment of Nonfinancial Assets. The Company assesses whether there are any indicators of impairment for all nonfinancial assets at each reporting date. Investments in associates, investment properties, property and equipment and other assets are reviewed for impairment when there are indicators that the carrying amounts may not be recoverable. Intangible asset is reviewed for impairment while it is still not yet available for use. Determining the value in use of these nonfinancial assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Company to conclude that such nonfinancial assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's consolidated financial statements.

The carrying values of nonfinancial assets subjected to impairment review as at December 31, 2012 and 2011 are as follows:

	2012	2011
	(In Thousands)	
Investments in associates - net (see Note 12)	**₱5,478,098**	₱5,644,043
Investment properties (see Note 15)	**5,584,824**	2,434,194
Property and equipment (see Note 16)	**160,283**	175,599
Intangible asset (see Note 17)	**5,261,186**	5,261,186
Other assets* (see Note 18)	**753,217**	562,271

**Excluding supplies inventory.*

The aggregate accumulated impairment loss of investments in associates, property and equipment, and other assets amounted to ₱2,546.2 million and ₱2,546.6 million as at December 31, 2012 and 2011. Impairment was provided since management believes that future cash flows generated from the assets is expected to decline significantly.

Impairment losses recognized on these nonfinancial assets amounted to ₱0.02 million, nil and ₱9.3 million in 2012, 2011 and 2010, respectively (see Notes 12, 15, 16 and 17). Reversal of allowance for probable loss on other assets amounted to ₱0.4 million, nil and ₱16.5 million in 2012, 2011 and 2010, respectively. No impairment of intangible asset was recognized in 2012 and 2011.

Realizability of Deferred Tax Assets. Deferred tax assets are recognized for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable income will be available against which the deferred tax assets can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable profit together with future tax planning strategies.

The carrying value of recognized deferred tax assets amounted to ₱142.0 million and ₱141.4 million as at December 31, 2012 and 2011, respectively. Unrecognized deferred tax assets amounted to ₱657.8 million and ₱697.2 million as at December 31, 2012 and 2011, respectively (see Note 29).

Determination and Computation of Pension Cost. The present value of the retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for pension include the discount rates, expected rates of return on assets and future salary increases. Actual results that differ from the Company's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligation. In determining the appropriate discount rate, the Company considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

The assumption of the expected return on plan assets is determined on a uniform basis, taking into consideration the long-term historical returns, asset allocation and future estimates of long-term investment returns.

Other key assumptions for pension liability are based in part on current market conditions.

While it is believed that the Company's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Company's retirement obligation.

Pension liability amounted to ₱5.3 million and ₱8.4 million as at December 31, 2012 and 2011, respectively (see Note 31).

Evaluation of Legal Contingencies. The Company is currently involved in legal and administrative proceedings. The Company's estimate of the probable costs for the resolution of these claims has been developed in consultation with outside legal counsel handling defense in these matters and is based upon an analysis of potential results. The Company currently does not believe these proceedings will have a material adverse effect on its financial statements. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings (see Note 34).

No provision for probable losses has been recognized in 2012, 2011 and 2010.

6. Future Changes in Accounting Policies

The Company will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its consolidated financial statements.

New and Amended Standards

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

The amendments to PAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be recycled.

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

  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk.

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

	As at December 31, 2012	As at January 1, 2012
	(In Thousands)	
Increase (decrease) in:		
Consolidated statements of financial position		
Pension liability	(₱7,632)	(₱11,922)
Deferred tax liability	2,290	3,577
Other comprehensive income (loss)	(4,599)	1,426
Retained earnings	216	1,465

	2012
Consolidated statement of comprehensive income	
Pension costs	(₱309)
Provision for income tax	93
Net income	216

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

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

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

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

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

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

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

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

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

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

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

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

  PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures 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.

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

  PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted.

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

  This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset.

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

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

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

  PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

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

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

<u>Annual Improvements to PFRSs</u>

- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information* (effective for annual periods beginning on or after January 1, 2013, with retrospective application)

  The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required.

- PAS 16, *Property, Plant and Equipment - Classification of servicing equipment* (effective for annual periods beginning on or after January 1, 2013, with retrospective application)

  The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise.

- PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments* (effective for annual periods beginning on or after January 1, 2013 , with retrospective application)

  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*.

- PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities* (effective for annual periods beginning on or after January 1, 2013 , with retrospective application)

  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment.

- PFRS 1, *First-time Adoption of PFRS – Borrowing Costs* (effective for annual periods beginning on or after January 1, 2013 , with retrospective application)

  The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*.

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

7. Segment Information

The primary segment reporting format is presented based on business segments in which the Company's risks and rates of return are affected predominantly by differences in the products and services provided. Thus, the operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Company is in the businesses of real estate development and gaming and gaming-related activities, among others.

Financial information about the Company's business segments are shown below:

			2012		
	Real Estate Development	Gaming and Gaming Related Activities	Others	Eliminations/ Adjustments	Consolidated
			(In Thousands)		
Earnings Information					
Revenue	**₱421,490**	**₱25,000**	**₱–**	**(₱25,000)**	**₱421,490**
Costs and expenses	**(400,005)**	**(17,748)**	**(147)**	**25,000**	**(392,900)**
Equity in net earnings of associates	**146,601**	**142,129**	**–**	**–**	**288,730**
Interest expense	**(128,151)**	**–**	**–**	**–**	**(128,151)**
Interest income	**116,450**	**3**	**–**	**–**	**116,453**
Provision for income tax	**157,142**	**915**	**–**	**–**	**158,057**
Net profit (loss) for the year	**408,663**	**148,442**	**(151)**	**(1,500)**	**555,454**
Net profit (loss) attributable to equity holders of the parent	**408,701**	**148,442**	**(132)**	**(1,500)**	**555,511**

	2012				
	Real Estate Development	**Gaming and Gaming Related Activities**	**Others**	**Eliminations/ Adjustments**	**Consolidated**
			(In Thousands)		
Other Information					
Investments in and advances to associates	**₱7,795,662**	**₱151,622**	**₱764**	**(₱6,064,989)**	**₱1,883,059**
HTM investments	**750,000**	**–**	**–**	**–**	**750,000**
Available-for-sale financial assets	**24,898**	**1,208,497**	**24,409**	**(1,229,185)**	**28,619**
Advances to related parties	**482,469**	**–**	**–**	**–**	**482,469**
Segment assets	**9,720,421**	**28,753**	**53,519**	**12,513,959**	**22,316,652**
Segment liabilities	**2,397,569**	**3,428**	**(822)**	**(708,008)**	**1,692,167**
Consolidated total assets	**18,773,449**	**1,388,874**	**78,691**	**5,219,785**	**25,460,799**
Consolidated total liabilities	**11,839,219**	**824,420**	**19,935**	**(3,841,329)**	**8,842,245**
Capital expenditures	**(2,105,074)**	**(51)**	**–**	**–**	**(2,105,125)**
Depreciation and amortization	**(30,414)**	**(411)**	**(101)**	**–**	**(30,926)**

	2011				
	Real Estate Development	Gaming and Gaming Related Activities	Others	Eliminations/ Adjustments	Consolidated
			(In Thousands)		
Earnings Information					
Revenue	₱696,521	₱–	₱–	₱–	₱696,521
Costs and expenses	(461,787)	(9,153)	(201)	–	(471,141)
Equity in net earnings of associates	(10,391)	150,875	–	–	140,484
Interest expense	(158,160)	–	–	–	(158,160)
Interest income	28,419	79	–	–	28,498
Provision for income tax	23,102	–	–	–	23,102
Net profit (loss) for the year	58,907	141,781	(228)	–	200,460
Net profit (loss) attributable to equity holders of the parent	58,907	141,781	(228)	57	200,517
Other Information					
Investments in and advances to associates	9,001,613	146,923	760	(7,031,130)	2,118,166
Available-for-sale investments	17,954	1,106,869	33,446	(1,135,933)	22,336
Advances to related parties	457,764	–	–	–	457,764
Segment assets	6,532,579	68,770	53,061	13,390,852	20,045,262
Segment liabilities	120,669	700	2,148,402	(716,835)	1,552,936
Consolidated total assets	16,009,921	1,322,551	87,268	5,223,788	22,643,528
Consolidated total liabilities	3,587,558	811,739	2,169,159	–	6,568,456
Capital expenditures	(1,965,149)	–	–	–	(1,965,149)
Depreciation and amortization	(26,954)	(4)	(101)	–	(27,059)

	2010				
	Real Estate Development	Gaming and Gaming Related Activities	Others	Eliminations/ Adjustments	Consolidated
			(In Thousands)		
Earnings Information					
Revenue	₱1,263,123	₱–	₱–	₱–	₱1,263,123
Costs and expenses	(729,246)	(1,046)	(118)	–	(730,410)
Equity in net earnings of associates	5,811	150,373	–	–	156,184
Interest expense	(191,353)	–	–	–	(191,353)
Interest income	3,556	–	–	–	3,556
Provision for income tax	(76,554)	–	–	–	(76,554)
Net profit (loss) for the year	316,306	149,293	(131)	–	465,468
Net profit (loss) attributable to equity holders of the parent	316,306	149,293	(131)	67	465,535

	2010				
	Real Estate Development	Gaming and Gaming Related Activities	Others	Eliminations/ Adjustments	Consolidated
			(In Thousands)		
Other Information					
Investments in and advances to associates	₱2,506,337	₱151,642	₱763	(₱607,860)	₱2,050,882
Available-for-sale investments	13,751	–	–	–	13,751
Advances to related parties	449,958	–	–	–	449,958
Segment assets	8,430,617	66,985	53,308	(537,445)	8,013,465
Segment liabilities	2,015,344	391	(825)	(669,310)	1,345,600
Consolidated total assets	11,400,663	218,626	54,072	(1,145,305)	10,528,056
Consolidated total liabilities	7,582,433	805,775	19,931	(4,058,373)	4,349,766
Capital expenditures	(521,638)	–	–	–	(521,638)
Depreciation and amortization	(21,179)	–	–	–	(21,179)

The following illustrate the reconciliations of reportable segment revenues, net profit, assets and liabilities to the Company's corresponding amounts:

	2012	2011	2010
		(In Thousands)	
Revenues			
Total revenue for reportable segments	**₱446,490**	₱696,521	₱1,263,123
Elimination for intercompany revenue	**(25,000)**	–	–
Consolidated revenue	**₱421,490**	₱696,521	₱1,263,123
Net Profit for the Year			
Total profit for reportable segments	**₱556,954**	₱200,460	₱465,468
Elimination for intercompany profits	**(1,500)**	–	–
Consolidated net profit	**₱555,454**	₱200,460	₱465,468
Assets			
Total assets for reportable segments	**₱22,316,652**	₱20,045,262	₱8,013,465
Investments in and advances to associates	**1,883,059**	2,118,166	2,050,882
HTM investments	**750,000**	–	–
AFS financial assets	**28,619**	22,336	13,751
Advances to related parties	**482,469**	457,764	449,958
Consolidated assets	**₱25,460,799**	₱22,643,528	₱10,528,056
Liabilities			
Total liabilities for reportable segments	**₱1,692,167**	₱1,552,936	₱1,345,600
Loans payable	**2,081,714**	2,155,857	1,743,069
Long-term debt	**4,719,165**	2,559,584	964,993
Deferred tax liabilities	**165,870**	85,468	78,338
Advances from related parties*	**183,329**	214,611	212,739
Assignment of receivables with recourse	–	–	5,027
Consolidated liabilities	**₱8,842,245**	₱6,568,456	₱4,349,766

**Presented under "Accounts payable and other liabilities" account in the consolidated statements of financial position.*

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, financing (including interest expense and interest income) and income taxes are managed as a whole and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

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

8. Cash and Cash Equivalents

This account consists of:

	2012	2011
	(In Thousands)	
Cash on hand and in banks	**₱188,687**	₱325,775
Cash equivalents (see Note 32)	**1,231,024**	2,441,105
	₱1,419,711	₱2,766,880

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term investments which are made for varying periods within one day to three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term investment rates.

Short-term investments with original maturities of more than three months to one year are shown separately in the consolidated statements of financial position (see Note 32).

Interest income earned from cash in banks, cash equivalents and short-term investments amounted to ₱86.3 million, ₱24.9 million and ₱1.7 million in 2012, 2011 and 2010, respectively (see Note 27).

9. **Receivables** - net

This account consists of:

	2012	2011
	(In Thousands)	
Trade (see Note 32)	**₱1,158,862**	₱873,176
Dividend	**–**	42,501
Others	**231,235**	49,219
	1,390,097	964,896
Less allowance for doubtful accounts	**37,125**	34,772
	₱1,352,972	₱930,124

- Trade receivables are noninterest-bearing and are generally collected in installment within 3 to 5 years. Some trade receivables were restructured by the customers resulting to recognition of interest income amounting to nil, ₱3.6 million and ₱1.9 million in 2012, 2011 and 2010, respectively (see Note 27).

- Dividend receivable is due and demandable. In 2012, the Company's subsidiary has fully collected its dividend receivable.

- Other receivables mainly pertain to advances to third parties, which are noninterest-bearing and generally have 90 days term.

As at December 31, 2012 and 2011, trade receivables with nominal amount of ₱1,222.1 million and ₱921.0 million, respectively, were recorded initially at fair value. The fair value of the receivables was obtained by discounting future cash flows using applicable interest rates ranging from 2.0% to 5.1% and 2.9% to 6.1% as at December 31, 2012 and 2011. The unamortized discount amounted to ₱63.3 million and ₱47.9 million as at December 31, 2012 and 2011, respectively. Amortization of discount on trade receivables, shown under "Other revenue" account in the consolidated statements of comprehensive income, amounted to ₱29.4 million, ₱54.5 million and ₱44.4 million in 2012, 2011 and 2010, respectively (see Note 24).

Movement of unamortized discount on trade receivables are as follows:

	2012	2011
	(In Thousands)	
Trade receivables at nominal amount	**₱1,222,112**	₱921,034
Less discount on trade receivables:		
Balance at beginning of year	**47,858**	62,220
Discount recognized during the year	**44,784**	40,103
Amortization during the year (see Note 24)	**(29,392)**	(54,465)
Balance at end of year	**63,250**	47,858
	₱1,158,862	₱873,176

As at December 31, 2012 and 2011, the gross undiscounted trade receivables amounting to ₱242.4 million and ₱582.0 million, respectively, have been assigned on a without recourse basis to BDO Unibank, Inc. (BDO), an associate of SMIC, a stockholder. Under the terms of the assignment, the Company will deliver all Contracts to Sell and customers' copies of the Certificates of Title covered by these receivables to be held in custody by the counterparty until the receivables are paid and/or repurchased by the Company. The Company also agreed that the counterparty may at its sole option, assign, sell, transfer or otherwise dispose of, or encumber or create a lien or liability on the receivables in favor of any third party (see Note 32).

Interest expense recognized on assigned receivables amounted to ₱24.1 million, ₱48.5 million and ₱47.8 million in 2012, 2011 and 2010, respectively (see Note 27).

Trade receivables also include receivables amounting to ₱105.7 million as at December 31, 2012 and 2011 arising from the transfer of Tagaytay Midlands Golf Club, Inc. ("TMGCI") shares to Sinophil Corporation ("Sinophil") (see Note 32).

Terms and conditions relating to related party receivables are disclosed in Note 32.

In 2012, the movement in the allowance for doubtful accounts is as follows:

	Trade	Others	Total
		(In Thousands)	
Balance at beginning of year	₱5,085	₱29,687	₱34,772
Provision (see Note 28)	688	1,665	2,353
Balance at end of year	₱5,773	₱31,352	₱37,125

No provision and reversal for doubtful accounts was recognized in 2011.

Allowance for doubtful accounts is determined using specific identification.

10. **Real Estate for Sale** - at cost

This account consists of:

	2012	2011
	(In Thousands)	
Land held for future development	**₱2,401,338**	₱2,370,514
Residential lots	**483,107**	248,293
Land under development (see Note 15)	**13,587**	413,898
Condominium units	**3,303**	3,448
	₱2,901,335	₱3,036,153

Land held for future development consists of properties in Tagaytay City, Batangas and Cavite. It also includes certain parcels of land with a carrying value amounting to ₱391.2 million and ₱892.2 million as at December 31, 2012 and 2011, respectively, located in Batangas which are already in the Company's possession but are not yet fully paid pending the transfer of certificates of title to the Company. Outstanding payable related to the acquisition shown under "Accounts payable and other liabilities" account in the consolidated statements of financial position amounted to ₱147.7 million and ₱177.5 million as at December 31, 2012 and 2011, respectively (see Note 21).

Land held for future development and residential lots with carrying values of ₱16.0 million and ₱59.1 million, respectively, as at December 31, 2012 and ₱174.6 million and ₱5.4 million, respectively, as at December 31, 2011 are mortgaged as security for the Company's loans payable (see Note 20).

Land under development pertains to land with on-going developments which are not yet opened up for sale due to pending License to Sell from Housing and Land Use Regulatory Board.

A summary of the movement in inventory is set out below:

	2012	2011
Balance at beginning of year	**₱3,036,153**	₱3,012,896
Land acquired during the year	**137,914**	82,945
Land costs transferred from land for future development to residential lots	**(242,272)**	–
Construction/development costs incurred	**420,545**	229,158
Disposals (recognized as cost of sales)	**(91,968)**	(187,274)
Other adjustments/reclassifications	**(359,037)**	(101,572)
Balance at end of year	**₱2,901,335**	₱3,036,153

11. **Club Shares -** at cost

This account consists of:

	2012	2011
	(In Thousands)	
TMGCI (see Notes 9 and 32)	**₱1,264,332**	₱1,245,796
The Country Club at Tagaytay Highlands, Inc. ("Country Club")	**803,528**	796,568
Tagaytay Highlands International Golf Club, Inc. ("Tagaytay Highlands")	**652,700**	651,702
The Spa and Lodge at Tagaytay Highlands, Inc.	**92,082**	92,082
	₱2,812,642	₱2,786,148

The Company has a Development Agreement ("DA") with TMGCI for the construction and development of a 36-hole golf course which was amended on December 15, 1999. The terms of the amended DA call for as many subscriptions as there are shares, such that the club shares to be issued by TMGCI to the Company as the development progresses will be in proportion to pre-agreed amount of development cost, inclusive of the initial capital contribution.

Club shares with total carrying value of ₱2,074.1 million and ₱2,436.3 million as at December 31, 2012 and 2011, respectively, are pledged as security for the Company's loans payable (see Note 20).

12. **Investments in and Advances to Associates** - net

This account consists of:

	2012	2011
	(In Thousands)	
Investments in associates - net of impairment in value of ₱141.9 million in 2012 and 2011	**₱5,478,098**	₱5,644,043
Advances to associates - net of allowance for doubtful accounts of ₱159.9 million in 2012 and ₱150.6 million in 2011 (see Notes 28 and 32)	**3,737,345**	3,806,507
Subscription payable	**(7,332,384)**	(7,332,384)
	₱1,883,059	₱2,118,166

The details of investments in the following significant associates which are accounted for under the equity method are as follows:

		2012			2011		
		Percentage of Ownership			Percentage of Ownership		
Associates	**Industry**	**Direct**	**Indirect**	**Total**	Direct	Indirect	Total
Belle Jai Alai Corporation ("Belle Jai Alai")*	Gaming	**50.00**	–	**50.00**	50.00	–	50.00
Lucky Star Gaming Corporation ("Lucky Star")*	Gaming	**49.00**	–	**49.00**	49.00	–	49.00
Woodlands Development Corporation ("WDC")	Real estate	**47.00**	–	**47.00**	47.00	–	47.00
APC Group, Inc. ("APC")	Mining	**46.59**	**2.21**	**48.80**	46.59	2.21	48.80
Sinophil	Holding	**45.33**	**0.16**	**45.49**	45.33	0.16	45.49
Highlands Prime, Inc. ("Highlands Prime")	Real Estate	**35.82**	**0.19**	**36.01**	35.82	0.19	36.01
Pacific Online Systems Corporation ("Pacific Online")	Gaming	**21.53**	**13.41**	**34.94**	21.53	13.41	34.94
Belle Bay City Corporation ("Belle Bay City")**	Real Estate	**34.89**	–	**34.89**	34.89	–	34.89

**Non-operating*
***In liquidation*

The associates are all incorporated in the Philippines.

Movements in investments in associates consist of:

	2012	2011
	(In Thousands)	
Acquisition cost:		
Balance at beginning of year	**₱12,341,598**	₱12,369,034
Acquisition during the year	**927**	–
Liquidation of Belle Bay City during the year	**(907,386)**	–
Disposal during the year	**–**	(27,436)
Balance at end of year	**11,435,139**	12,341,598
Accumulated equity in net losses:		
Balance at beginning of year	**(5,876,945)**	(5,993,906)
Liquidation of Belle Bay City during the year	**433,565**	–
Equity in net earnings for the year	**288,730**	140,484
Share in declared dividends	**(28,143)**	(23,523)
Balance at end of year	**(5,182,793)**	(5,876,945)
Accumulated equity in dividends declared on Parent Company preferred shares held by associates	**147,590**	147,590
Share in cumulative translation adjustments of an associate	**(26,393)**	(26,393)
Share in unrealized gain (loss) on AFS financial assets of associates:		
Balance at beginning of year	**(25,976)**	(1,499)
Share during the year	**46,362**	(24,477)
Balance at end of year	**20,386**	(25,976)
Total	**6,393,929**	6,559,874
Less allowance for impairment in value	**141,924**	141,924
	6,252,005	6,417,950
Less equity in cost of Parent Company shares held by associates (see Note 23):		
Preferred	**450,937**	450,937
Common	**280,759**	280,759
	731,696	731,696
Less deferred income on intercompany sale of TMGCI shares by Parent Company to Sinophil (see Note 32)	**42,211**	42,211
	₱5,478,098	₱5,644,043

Investments in Associates

The details of carrying values of the investments accounted for under the equity method, advances and subscriptions payable are as follows:

		2012	
	Carrying Values	**Advances**	**Subscription Payable**
		(In Thousands)	
Publicly listed:			
Sinophil	**₱3,464,526**	**₱3,526**	**(₱3,611,456)**
Highlands Prime	**999,625**	**29,319**	**–**
Pacific Online	**805,434**	**–**	**–**
APC	**77,422**	**3,675,102**	**(3,675,000)**
Closely held:			
Others	**131,091**	**29,398**	**(45,928)**
	₱5,478,098	**₱3,737,345**	**(₱7,332,384)**

	2011		
	Carrying Values	Advances	Subscription Payable
		(In Thousands)	
Publicly listed:			
Sinophil	₱3,424,434	₱2,996	(₱3,611,456)
Highlands Prime	988,755	34,209	–
Pacific Online	669,433	–	–
APC	77,422	3,675,132	(3,675,000)
Closely held:			
Belle Bay City	473,823	36,634	–
Others	10,176	57,536	(45,928)
	₱5,644,043	₱3,806,507	(₱7,332,384)

The market values of investments in associates which are listed in the Philippine Stock Exchange are as follows:

	2012	2011
	(In Thousands)	
APC	**₱2,969,235**	₱2,602,663
Highlands Prime	**1,274,324**	1,059,469
Pacific Online	**1,178,549**	1,300,526
Sinophil	**1,082,804**	1,226,245

Condensed financial information of the following significant associates is shown below:

	2012	2011
	(In Thousands)	
APC:		
Current assets	**₱177,261**	₱156,112
Noncurrent assets	**323,437**	442,516
Current liabilities	**148,216**	208,706
Noncurrent liabilities	**100,465**	103,807
Revenue	**368,951**	345,028
Expenses	**339,871**	321,271
Net income	**104,514**	21,656
Sinophil:		
Current assets	**30,827**	88,675
Noncurrent assets	**1,995,832**	3,407,763
Current liabilities	**56,122**	53,119
Noncurrent liabilities	**105,650**	105,650
Revenue	**33,324**	–
Expenses	**1,592,002**	6,676
Net loss	**1,567,953**	6,676

	2012	2011
	(In Thousands)	
Highlands Prime:		
Current assets	**₱2,003,776**	₱1,804,132
Noncurrent assets	**2,034,621**	2,856,551
Current liabilities	**1,202,902**	1,532,793
Noncurrent liabilities	**80,893**	404,037
Revenue from real estate sales	**521,486**	330,523
Cost of real estate sold	**283,558**	163,627
Net income (loss)	**32,178**	(35,042)
Pacific Online:		
Current assets	**1,801,663**	1,080,842
Noncurrent assets	**605,766**	592,717
Current liabilities	**778,221**	346,088
Noncurrent liabilities	**53,229**	74,312
Revenue	**1,631,002**	1,354,422
Expenses	**1,007,123**	894,117
Net income	**406,781**	392,062

Investment in Sinophil. In 1997, Belle together with Sinophil, entered into a Swap Agreement with Metroplex Berhad ("Metroplex") whereby Sinophil issued 3,870,000,000 of its common shares in exchange for 46,381,600 shares of Legend International Resort H.K Limited. ("LIR-HK"), a Hong Kong based company which is a subsidiary of Metroplex. In 1998, a dispute on the terms of the Swap Agreement about an unconditional guarantee issued by Metroplex on the combined net income of wholly owned subsidiaries of LIR-HK, caused Metroplex to advise Sinophil that it deemed the Swap Agreement terminated and will cause the cancellation of the shares covering the LIR-HK shares and the return of the Sinophil shares, which Sinophil, together with Belle, objected to.

On August 4, 1998, Belle, Sinophil and Metroplex entered into another agreement ("Agreement") to confirm the validity of the aforementioned Swap Agreement. The terms of the Agreement again included among others, an unconditional guarantee by the Metroplex on the combined net income of LIR-HK's wholly owned subsidiaries. The Agreement with Metroplex also provided that LIR-HK shall maintain a minimum equity of 20% in the Belle Bay Plaza Project. In 1998, LIR-HK advanced ₱524.1 million to the Parent Company pending full payment of the subscription, which was intended as an equity contribution of LIR-HK in the Belle Bay Plaza Project. The shares will be issued to LIR-HK upon full payment of its subscription.

On August 23, 2001, a Memorandum of Agreement ("MOA") was entered into by and among the Parent Company, Sinophil, Metroplex and LIR-HK rescinding the Swap Agreement and cancelling all obligations stated therein and reversing all the transactions as well as returning all the objects thereof in the following manner:

a. Metroplex shall surrender the certificates of Sinophil shares held by them in relation to the Swap Agreement. Belle shall then cause the reduction of the capital stock of Sinophil to the extent constituting Sinophil shares of stock surrendered by Metroplex and the cancellation and delisting of such shares from the PSE.

b. Sinophil shall surrender the LIR-HK shares back to Metroplex.

The MOA shall be deemed terminated should the regulatory agencies deny approval of Sinophil's reduction of capital stock and the cancellation and delisting of such shares of stock, in which case the Swap Agreement shall continue to be in full force and effect, and Metroplex shall continue to hold its Sinophil shares, without prejudice to the parties continuing in good faith to explore other ways to unwind the Swap Agreement. The SEC had already approved Sinophil's reduction of capital stock by 1,000,000,000 shares and 1,870,000,000 shares on June 24, 2008 and March 28, 2006, respectively. In 2009, Metroplex filed before the Court of appeals to review the Order of the SEC denying their petition to nullify the approval of the reduction of the capital stock of Sinophil.

As at March 6, 2013, the remaining 1,000,000,000 undelivered Sinophil shares of Metroplex are still being held by a creditor as collateral by Metroplex for loans obtained. Metroplex is negotiating for the release of such pledge to be able to carry out the terms of the MOA.

Investment in Highlands Prime. Investments in shares of stock of Highlands Prime with total carrying value of ₱650.9 million and ₱644.1 million as at December 31, 2012 and 2011, respectively, are pledged as security for the Company's loans payable (see Note 20).

Investment in Pacific Online. The Company is also involved in gaming and gaming-related activities within the country, through Pacific Online. Pacific Online is engaged in lottery in Visayas and Mindanao. On June 18, 2012, the SEC approved Pacific Online's 50% stock dividend declaration with record date of July 4, 2012 and payment date of July 25, 2012. The Company received 27,940,938 new shares and now owns a total of 83,822,814 Pacific Online shares. The Company's percentage of ownership in Pacific Online did not change after the receipt of stock dividends. Investments in shares of stock of Pacific Online with total carrying value of ₱420.4 million and ₱283.5 million as at December 31, 2012 and 2011, are pledged as security for the Company's loans payable (see Note 20).

Investment in Belle Bay City. Belle Bay City's major development project is a 19-hectare mixed-use real estate development along Roxas Boulevard, on reclaimed land in Manila Bay. On June 27, 2003, the BOD of Belle Bay City approved the resolution to amend its articles of incorporation to shorten the corporate term from 50 years to end on January 31, 2004. The stockholders of Belle Bay City ratified the resolution on July 10, 2003. On January 27, 2005, the SEC approved the dissolution of Belle Bay City. In relation to the dissolution, the Parent Company partially received land with carrying value of ₱252.1 million in 2005. In 2007, the Parent Company received additional land as part of its distributive share in Belle Bay City worth ₱12.9 million. The land was conveyed to Sinophil as payment of advances. On December 6, 2011, the Company has sold 1,640 square meter land with carrying value of ₱27.4 million to Light Rail Transit Authority ("LRTA") for the construction of the guideway and concrete posts for the LRT 1 Cavite Extension Project which is being implemented by LRTA. Gain on sale amounting to ₱10.2 million is presented under "Other revenue" account in the consolidated statements of comprehensive income (see Note 24). On November 11, 2012, the Company received additional land as liquidating dividends from Belle Bay City amounting to ₱1,054.2 million (see Note 15). As a result, the Company derecognized its investment in and advances to Belle Bay City with a total carrying value of ₱513.4 million, prior to the receipt of the liquidating dividends, and recognized a gain on liquidating dividend in the consolidated statements of comprehensive income amounting to ₱539.7 million.

Belle Bay City's land with total carrying value of ₱338.7 million as at December 31, 2011 is pledged as security for the Company's long-term loans payable (see Note 22).

Investments in WDC. On June 18, 2012, WDC sold parcels of land to SM Development Corporation, a related party. Gain on sale of land amounted to ₱400.0 million. As a result of the transaction, the Company recognized an after tax gain of ₱131.6 million presented as part of "Equity in net earnings of associates" account in the 2012 consolidated statement of comprehensive income.

Investments in Belle Jai Alai and Lucky Star. Belle Jai Alai and Lucky Star are engaged in jai alai and other related games and nationwide online betting network related to jai alai games, respectively. In June 2001, the Supreme Court of the Philippines upheld its November 20, 2000 decision shutting down the jai-alai operations for lack of franchise which, it opined, can only be granted by the Philippine Congress. On the basis of such decision, Belle Jai Alai and Lucky Star were not able to operate their businesses. As of December 31, 2012 and 2011, the related investments and advances have been fully provided with allowance.

Allowance for Doubtful Accounts of Advances to Associates
Movement in allowance for doubtful accounts determined using specific identification method is as follow:

	2012	2011
	(In Thousands)	
Balance at beginning of year	**₱150,582**	₱150,582
Provision during the year (see Note 28)	**10,633**	–
Liquidation of Belle Bay City during the year	**(1,322)**	–
Balance at end of year	**₱159,893**	₱150,582

13. **Held-to-maturity Investments**

This pertains to the Company's investment in SMIC Series C 6.0000% and Series D 6.9442% fixed rate retail bonds. The retail bonds were purchased and issued on July 16, 2012 at face value and mature 7 and 10 years from the issue date, respectively. Interest payments are scheduled semi-annually.

Interest income earned on the HTM investments amounted to ₱17.9 million in 2012 (see Note 27).

14. **Available-for-sale Financial Assets**

This account consists of:

	2012	2011
	(In Thousands)	
Shares of stock:		
Quoted	**₱22,141**	₱15,197
Unquoted	**2,758**	2,758
Club shares	**3,720**	4,381
	₱28,619	₱22,336

The Company intends to hold these investments indefinitely in response to liquidity requirements or changes in market conditions.

Movement in AFS financial assets consists of:

	2012	2011
	(In Thousands)	
Acquisition cost	**₱34,306**	₱34,306
Unrealized gain on AFS financial assets:		
Balance at beginning of year	**8,585**	–
Increase in fair value during the year - net of tax	**6,283**	8,585
Balance at end of year	**14,868**	8,585
Less allowance for impairment in value	**20,555**	20,555
	₱28,619	₱22,336

AFS financial assets with total carrying value of ₱23.0 million and ₱15.2 million as at December 31, 2012 and 2011 are pledged as security for the Company's loans payable (see Note 20).

15. Investment Properties

This account consists of:

	2012	2011
	(In Thousands)	
Entertainment and Resort building - construction in progress ("CIP") (see Note 30)	**₱3,089,734**	₱1,687,963
Hotel buildings - CIP	**1,353,807**	671,669
Land (see Note 12)	**1,141,283**	74,562
	₱5,584,824	₱2,434,194

Investment properties consist of entertainment and resort facilities still under construction (see Note 33) and land intended for lease.

In 2011, the Company changed its intention from selling condotels to leasing out the hotels as Belle Grande Suites. Consequently, costs incurred amounting to ₱111.3 million as at December 31, 2010 previously classified as part of land under development under "Real estate for sale" account were reclassified to "Investment properties" account in the consolidated statement of financial position (see Note 10).

In 2012, the Company received 42,166 square meters of land as liquidating dividends from Belle Bay City amounting to ₱1,054.2 million and paid transfer taxes and registration fees amounting to ₱10.1 million which were capitalized under "Land" account presented as part of "Investment Properties" (see Note 12). The Company also paid ₱63.2 million of capital gains tax under protest in relation to the receipt of land (see Note 29).

As at December 31, 2012 and 2011, borrowing costs amounting to ₱201.9 million and ₱107.0 million, respectively, were capitalized as part of investment properties (see Notes 20 and 22). The annual rate used to determine the amount of borrowing costs for capitalization was 2.17% and 7.02% in 2012 and 2011, respectively.

Land, hotel and entertainment and resort buildings amounting to ₱5,274.4 million and ₱2,348.4 million as at December 31, 2012 and 2011, respectively, were mortgaged as security for the Company's long-term loans payable (see Note 22).

The carrying amount of the investment properties approximates the aggregate fair value as of December 31, 2012 and 2011. The fair values of investment properties were determined by independent, professionally qualified appraisers. The fair values represent the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's-length transaction at the date of valuation.

16. Property and Equipment

This account consists of:

	2012						
	Land and Leasehold Improvements	**Machinery and Equipment**	**Condominium Units and Improvements**	**Transportation Equipment**	**Office Furniture, Fixtures and Equipment**	**Construction-in-progress**	**Total**
				(In Thousands)			
Cost							
Balance at beginning of year	**₱237,807**	**₱170,262**	**₱286,644**	**₱78,220**	**₱73,525**	**₱73,237**	**₱919,695**
Additions	**20,845**	**2,445**	**–**	**–**	**3,532**	**363**	**27,185**
Disposal	**–**	**–**	**–**	**(3,346)**	**–**	**–**	**(3,346)**
Reclassifications (see Note 18)	**(5,189)**	**16,207**	**(26,549)**	**–**	**–**	**(68,518)**	**(84,049)**
Balance at end of year	**253,463**	**188,914**	**260,095**	**74,874**	**77,057**	**5,082**	**859,485**
Accumulated Depreciation, Amortization and Impairment Loss							
Balance at beginning of year	**235,536**	**147,522**	**238,604**	**62,911**	**59,523**	**–**	**744,096**
Depreciation and amortization for the year (see Note 22)	**3,143**	**4,541**	**13,981**	**4,969**	**4,292**	**–**	**30,926**
Disposal	**–**	**–**	**–**	**(3,346)**	**–**	**–**	**(3,346)**
Reclassifications (see Note 18)	**(3,416)**	**–**	**(69,058)**	**–**	**–**	**–**	**(72,474)**
Balance at end of year	**235,263**	**152,063**	**183,527**	**64,534**	**63,815**	**–**	**699,202**
Net Book Value	**₱18,200**	**₱36,851**	**₱76,568**	**₱10,340**	**₱13,242**	**₱5,082**	**₱160,283**

	2011						
	Land and Leasehold Improvements	Machinery and Equipment	Condominium Units and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction-in-progress	Total
				(In Thousands)			
Cost							
Balance at beginning of year	₱238,296	₱160,543	₱284,488	₱72,041	₱67,379	₱73,237	₱895,984
Additions	–	9,719	2,156	6,179	6,146	–	24,200
Disposal	(489)	–	–	–	–	–	(489)
Balance at end of year	237,807	170,262	286,644	78,220	73,525	73,237	919,695
Accumulated Depreciation, Amortization and Impairment Loss							
Balance at beginning of year	234,790	144,417	224,682	57,352	56,285	–	717,526
Depreciation and amortization for the year (see Note 22)	1,235	3,105	13,922	5,559	3,238	–	27,059
Disposal	(489)	–	–	–	–	–	(489)
Balance at end of year	235,536	147,522	238,604	62,911	59,523	–	744,096
Net Book Value	₱2,271	₱22,740	₱48,040	₱15,309	₱14,002	₱73,237	₱175,599

Allowance for impairment loss on property and equipment amounted to ₱186.3 million as at December 31, 2012 and 2011.

The Company has disposed of certain property and equipment at a gain of ₱0.6 million, nil and ₱2.9 million in 2012, 2011 and 2010, respectively (see Note 28).

In 2012, Management intends to sell the Company's previous office space in Pasig City. Consequently, the carrying's value amounting to ₱11.6 million as at December 31, 2012 was reclassified to "Other assets held for sale" and presented as part of "Prepayments and other assets" under "Other assets" account in the 2012 consolidated statements of financial position (see Note 18).

The cost of fully depreciated property and equipment which are still being used amounted to ₱312.4 million and ₱309.3 million as at December 31, 2012 and 2011, respectively. The Company has no idle assets as at December 31, 2012 and 2011.

17. Intangible Asset

Intangible asset pertains to the "License" of PLAI with a carrying value of ₱5,261.2 million. PLAI is a grantee by the PAGCOR of a license to operate integrated resorts, including casinos. PLAI's License runs concurrent with PAGCOR's Congressional Franchise, set to expire in 2033 (see Note 33).

On April 14, 2011, Belle has issued 2.7 billion new common shares valued at ₱1.95 per share ("shares swap") in exchange for shareholdings in PLAI constituting 100% of the outstanding capital stock of PLAI. The transfer and valuation of Belle for the shares swap was approved by SEC and BIR on October 16, 2010 and October 4, 2011, respectively. The related directly attributable costs amounting to ₱20.5 million were charged against additional paid-in capital.

The License with total carrying value of ₱5,261.2 million as at December 31, 2012 and 2011 is pledged as security for the Company's long-term loans payable (see Note 22).

18. Other Assets

This account consists of:

	2012	2011
	(In Thousands)	
Input VAT - net of allowance for probable loss of ₱1.3 million in 2012 and 2011	**₱323,948**	₱188,694
CWT - net of allowance for probable loss of ₱4.3 million in 2012 and 2011	**177,520**	170,097
Prepayments and other assets - net of allowance for probable loss of ₱59.4 million in 2012 and 2011 (see Note 16)	**134,060**	88,295
Advances to:		
Contractors - net of allowance for doubtful accounts of ₱12.7 million in 2012 and 2011	**72,476**	60,705
Officers and employees - net of allowance for doubtful accounts of ₱3.5 million in 2012 and ₱3.9 million in 2011	**7,207**	34,016
Debt service reserve and accrual account (see Note 22)	**38,006**	20,464
Supplies inventory - net of allowance for decline in value of ₱18.7 million in 2012 and ₱23.8 million in 2011	**5,067**	119
Project development costs - net of allowance for impairment of ₱2,136.8 million in 2012 and 2011	**–**	–
	₱758,284	₱562,390

Input VAT pertains to the VAT arising from ongoing construction of the investment properties and land under development.

CWT pertains to the withholding tax related to the goods sold and services rendered by the Company.

Prepayments and other assets pertain to various prepaid expenses such as insurance, commission, subscription and refundable deposits for various contracts. This also include the “Other assets held for sale” relating to sale of Company’s office space in Pasig City (see Note 16).

Advances to contractors are noninterest-bearing and are expected to be applied against future billings within a year.

Advances to officers and employees are noninterest-bearing and are normally liquidated within a year.

Debt service reserve and accrual account represents funds maintained with balance at least equal to the next principal and interest payments with the Omnibus Loan and Security Agreement (“OLSA”) covenants (see Note 22).

Project development costs consist of construction costs of the diaphragm wall, consultancy, architectural and design and other related expenses and fees incurred by Belle Bay Plaza in the initial phase of the development of a 6-hectare reclaimed property of Belle Bay City which is located in the seaward-side of Roxas Boulevard, City of Manila. Allowance for impairment was provided on the entire amount of the project amounting to ₱2,136.8 million as at December 31, 2012 and 2011.

19. Escrow Fund

This account pertains to the US$50.0 million escrow deposit required to be maintained for the Belle Grande Project by PAGCOR’s provisional license (see Notes 32 and 33).

Interest earned on the escrow fund amounted to ₱12.1 million in 2012 (see Note 27).

20. Loans Payable

Loans payable represents peso-denominated loans obtained from local banks with interest ranging from 3.1% to 4.6% in 2012 and 4.5% to 7.7% in 2011 (see Note 27). Loans payable have historically been renewed or rolled-over. The carrying values of nonfinancial assets pledged as collateral for these loans are as follows:

	2012	2011
	(In Thousands)	
Club shares (see Note 11)	**₱2,074,134**	₱2,436,291
Shares of stock of Highlands Prime (see Note 12)	**650,925**	644,116
Shares of stock of Pacific Online (see Note 12)	**420,400**	283,455
Real estate for sale (see Note 10)	**75,076**	179,955
AFS financial assets (see Note 14)	**22,953**	15,185
	₱3,243,488	₱3,559,002

The interest expense on loans payable charged to operations amounted to ₱75.2 million, ₱83.3 million and ₱114.9 million in 2012, 2011 and 2010, respectively (see Note 27).

Interest expense on loans payable amounting to ₱26.5 million and ₱54.0 million was capitalized as part of investment properties in 2012 and 2011, respectively (see Note 15).

21. Accounts Payable and Other Liabilities

This account consists of:

	2012	2011
	(In Thousands)	
Trade	**₱1,033,253**	₱750,635
Accrued expenses:		
Land transfer fees	**298,396**	291,738
Selling	**57,667**	56,812
Interest	**42,809**	31,712
Others	**64,865**	37,724
Advances from related parties (see Note 32)	**183,329**	214,611
Nontrade (see Note 10)	**160,994**	332,521
Customers' deposits	**28,496**	35,182
	₱1,970,284	₱1,750,935

- Trade payables are noninterest-bearing and are normally on a 90 days' term.
- Accrued expenses-others mainly pertain to accruals of taxes, rent, utilities and professional fees which are normally settled with an average term of 30 to 90 days.
- Nontrade payables mainly include payable relating to the purchase of land (see Note 10). These lands were acquired from various land owners in Tagaytay City, Batangas and Cavite. These are noninterest-bearing and are due and demandable. This also includes output VAT payable amounting to nil and ₱10.3 million as at December 31, 2012 and 2011, respectively.
- Customers' deposits include collections received from buyers for projects with pending recognition of sale.

22. Long-term Debt

This account consists of:

	2012	2011
	(In Thousands)	
United States ("US") Dollar floating rate notes ("FRNs")	**₱903,581**	₱964,993
Loans payable	**3,927,000**	1,673,000
	4,830,581	2,637,993
Less debt issuance costs	**111,416**	78,409
	₱4,719,165	₱2,559,584

FRNs
US dollar denominated borrowings of 22.0 million is translated using the exchange rate of ₱41.05 to US$1.0 and ₱43.84 to US$1.0 at December 31, 2012 and 2011, respectively. This borrowing, amounting to US$22.0 million, is part of the principal amount of US$150.0 million that was originally due in May 2002 but was extended until May 2014. These FRNs are in bearer form and are issued in denominations of approximately US$250,000, with coupons attached at the time of issue.

The following are the significant terms and features of the US$22.0 million FRNs:

Interest Payment	2% p.a. over 6-month London Interbank Offered Rate ("LIBOR") payable semi-annually in arrears in May and November of each year, starting May 2003 and up to maturity.
Redemption at the Option of the Parent Company	On certain conditions provided for in the terms of the FRNs.
Repurchase	The Parent Company and any of its subsidiaries may purchase the FRNs provided that all unmatured coupons relating thereto are purchased therewith.
Reissuance	All FRNs redeemed or purchased and any unmatured coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.
Restrictions and Covenants	The Parent Company or any of its subsidiaries or any other person will not create or permit to be outstanding any security upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any relevant indebtedness or any guarantee of or indemnity in respect of any relevant indebtedness according to the FRNs equal and ratable security or without having first obtained the approval of the Noteholders by extraordinary resolution. The Parent Company also ensures that its payment obligations in respect of the FRNs rank at least pari passu with all its other unsecured obligations in respect of any indebtedness incurred by it under arrangements entered into after the date of issue of the FRNs.

Interest expense on FRNs amounted to ₱27.7 million, ₱26.1 million and ₱27.7 million in 2012, 2011 and 2010, respectively (see Note 27).

Loans Payable
On December 1, 2010, the Parent Company ("Borrower") obtained a loan facility in the amount of ₱5,600.0 million from BDO ("Lender") for the purpose of financing the construction of entertainment and resort facilities. The first drawdown amounting to ₱570.0 million was made on April 13, 2011.

The following are the significant terms and features of the ₱5,600.0 million loan facility:

Drawdowns	The loan facility is available any time and from time to time during the period beginning on December 1, 2010 and ending on the earliest of: (i) the date occurring 2 years thereafter, (ii) the date the Commitment is fully drawn by the Borrower, or (iii) the date the Commitment is cancelled or terminated in accordance with the provisions of the OLSA. Any amount of the commitment that remains undrawn after the availability period shall be automatically cancelled. On October 29, 2012, BDO has approved the extension of availability period from December 1, 2012 to April 13, 2014, subject to the terms and conditions relating to the Availability Period remaining the same, including the requirement for the Borrower to pay all applicable commitment fees.
Repayment	The Borrower shall repay the principal of the Loan in 21 consecutive quarterly installments on each Repayment Date commencing on the 24th month from the Initial Drawdown Date.
Interest Payment	The Lender shall determine the interest rate that would apply for the relevant interest period, based on the applicable interest reference rate plus the applicable spread, and promptly give notice thereof to the Borrower and BDO – Trust and Investments Group, the Security Trustee. Interest on the unpaid principal amount of each Advance at the interest rate on each interest payment date for the interest period then ending should be paid by the Borrower.

The embedded early redemption and prepayment options are clearly and closely related to the host debt contract; thus, do not require to be bifurcated and accounted for separately in the host contract.

The Parent Company's loans payable is secured by all of the Company's lease and project receivables, an assignment of all rights, title and interest of the Company to its existing project agreements and performance guarantee and first ranking real estate mortgage on the present and future real assets with the Lender (see Notes 12, 15 and 17).

The carrying values of nonfinancial assets pledged as collateral for these loans in 2012 are as follows:

	2012	2011
	(In Thousands)	
Intangible asset (see Note 17)	**₱5,261,186**	₱5,261,186
Investment properties (see Note 15)	**4,443,542**	2,348,364
Land classified under "Investment properties" (see Note 15)	**830,812**	–
Land held by an associate (see Note 12)	–	338,724
	₱10,535,540	₱7,948,274

Interest expense on loans payable from OLSA amounting to ₱156.7 million and ₱48.7 million in 2012 and 2011, respectively, were capitalized as part of investment properties (see Note 15).

Debt Issuance Cost. As at December 31, 2012 and 2011, loan transaction costs consisting of documentary stamp tax, professional fees and underwriting fees amounting to ₱111.4 million and ₱78.4 million, respectively, were capitalized and presented as deduction from the related loan balance. Amortization of debt issuance cost in 2012 and 2011 amounting to ₱18.7 million and ₱4.3 million, respectively, was capitalized as part of "Investment properties" account in the consolidated statement of financial position (see Note 15).

Covenants. OLSA contains, among others, provisions regarding the maintenance of certain financial ratios such as debt service coverage ratio, debt-to-equity ratio, current ratio and maintenance of debt service reserve and accrual account (see Note 18). As at December 31, 2012 and 2011, the Parent Company has complied with these covenants.

The repayments of loans based on existing terms are scheduled as follows:

	2012	2011
	(In Thousands)	
2013	**₱235,620**	₱100,380
2014	**392,700**	167,300
2015	**549,780**	234,220
2016	**706,860**	301,140
2017 onwards	**2,042,040**	869,960
	₱3,927,000	₱1,673,000

23. **Equity**

Capital Stock

The composition of the Company's shares of capital stock is as follows:

	2012		2011	
	Number of Shares	**Amount**	Number of Shares	Amount
Preferred stock:				
Authorized - ₱1 par value	**6,000,000,000**	**₱6,000,000,000**	6,000,000,000	₱6,000,000,000
Issued (see Note 32)	**1,000,000,000**	**1,000,000,000**	1,000,000,000	1,000,000,000
Common:				
Authorized - ₱1 par value	**14,000,000,000**	**14,000,000,000**	14,000,000,000	₱14,000,000,000
Issued	**10,559,382,799**	**10,559,382,799**	9,170,769,532	9,170,769,532
Subscribed	**–**	**–**	1,388,613,267	1,388,613,267

Movements in issued common stock are as follows:

	2012	2011
	(In Thousands)	
Balance at beginning of year	**₱9,170,770**	₱6,350,900
Issuance during the year (see Note 35)	**1,388,613**	2,700,000
Subscriptions during the year	**–**	119,870
	₱10,559,383	₱9,170,770

On September 29, 2011, the Parent Company's stock rights offering was completed with a subscription of 1.508 billion common shares. Stockholders were entitled to 1 right for every 6 shares held as of September 2, 2011 at an exchange offering price of ₱3.0 per share. The net proceeds of approximately ₱4.5 billion from this offer will be used by the Parent Company to partially finance the construction of its entertainment and resort facilities (see Note 33). As at December 31, 2011, 119,870 common shares of the total subscription have been fully paid and issued. As at December 31, 2011, subscription receivables expected to be collected within the mandatory period of January 30, 2012 to February 3, 2012 amounted to ₱2,082.9 million and is separately shown in the 2011 consolidated statement of financial position. The directly related attributable costs amounting to ₱53.9 million were charged against additional paid-in capital.

On February 2, 2012, the entire subscription receivable has been fully collected.

The following are the salient features of the preferred shares:

Voting rights/convertibility	Non-voting and non-convertible
Dividends	9.75% per annum, cumulative. Holders shall be entitled to receive out of the net profits or net assets of the Company available for dividends when and as declared by the BOD.
Others	All shares of preferred stock of the same class shall rank equally and be identical in all respects regardless of series unless otherwise specified by the BOD, and if shares of any one series are issued at different terms, the subsequently issued shares need not be entitled to receive dividends previously paid on the outstanding shares of such series.

As at December 31, 2012 and 2011, the preferred shares are held by Sinophil. In 2009, Sinophil agreed to the renunciation of its rights to all past, present and future dividends. Sinophil also agreed to the revocation of the coupon rate originally provided for the preferred shares (see Notes 32 and 35).

The following summarizes the information on the Parent Company's registration of securities under the Securities Regulation Code:

Date of SEC Approval	Authorized Shares	Number of Shares Issued	Issue/ Offer Price
August 20, 1973	6,000,000,000	6,000,000,000	₱0.01
March 19, 1976	2,000,000,000	464,900,000	0.01
December 7, 1990	–	920,000,000	0.01
1990	–	833,500,000	0.01
October 19,1990	(7,000,000,000)	(8,136,216,000)	0.01
June 18, 1991	–	3,381,840	0.01
1991	–	47,435,860	1.00
1992	–	11,005,500	1.00
December 7, 1993	–	473,550,000	1.00
1993	–	95,573,400	1.00
January 24, 1994	–	100,000,000	1.00
August 3, 1994	–	2,057,948	7.00
August 3, 1994	–	960,375	10.00
June 6, 1995	–	138,257,863	1.00
February 14, 1995	1,000,000,000	–	1.00
March 8, 1995	–	312,068,408	1.00
March 17, 1995	2,000,000,000	–	1.00
March 28, 1995	–	627,068,412	1.00
July 5, 1995	–	78,060,262	1.00
September 1, 1995	–	100,000,000	1.00
March 1, 1995	–	94,857,072	1.00
September 13, 1995	–	103,423,030	1.00
1995	–	123,990,631	1.00
1996	–	386,225,990	1.00
February 21, 1997	10,000,000,000	–	1.00
1997	–	57,493,686	1.00
1998	–	36,325,586	1.00
March 19, 1999	–	16,600,000	1.00
April 26, 1999	–	450,000,000	1.00
April 27, 1999	–	300,000,000	1.00
1999	–	306,109,896	1.00
2000	–	2,266,666	1.00
2001	–	2,402,003,117	1.00
April 14, 2011	–	2,700,000,000	1.95
July 18, 2011	–	119,869,990	3.00
July 18, 2011	–	1,388,613,267	3.00
	14,000,000,000	10,559,382,799	

In a special meeting on November 18, 1989, the stockholders approved the increase in par value of capital stock from ₱0.01 to ₱1.00 and the decrease in the number of shares of authorized from 8.0 billion to 1.0 billion common shares. The resulting increase in par and reduction in the number of shares was approved by SEC on October 19, 1990.

On February 14, 1995, the SEC approved the increase in authorized capital stock from 1.0 billion shares with a par value of ₱1.00 to 2.0 billion shares with the same par value. Subsequently, on March 17, 1995, the SEC approved another increase in authorized capital stocks from 2.0 billion shares to 4.0 billion shares with the same par value.

On February 21, 1997, the SEC approved the increase in the authorized capital stocks from 4.0 billion shares at a par value of ₱1.00 per share to 20.0 billion shares divided into 6.0 billion preferred shares and 14 billion common shares, both at ₱1.00 par value.

The Parent Company declared stock dividends in 1991 and 1995. The total number of share holders of the Parent Company is 2,157 and 2,035 as at December 31, 2012 and 2011, respectively.

Equity Share in Cost of Parent Company Common Shares Held by Associates
There was no transaction that affected this account in 2012 and 2011.

Cost of Parent Company Shares Held by Subsidiaries
Details of this account as at December 31, 2012 and 2011 are shown below:

	2012	2011
	(In Thousands)	
Cost of Parent Company Common Held by Subsidiaries	**₱492,873**	₱428,256
Loss on Disposal of Parent Company Common Shares Held by Subsidiaries	**69,502**	69,502
	₱562,375	₱497,758

Parallax, SLW and other subsidiaries collectively holds 236,502,028 and 214,963,027 common shares of the Parent Company as at December 31, 2012 and 2011. These are presented as “Cost of Parent Company shares held by subsidiaries.”

Retained Earnings
The Company’s retained earnings of ₱893.8 million and ₱338.2 million as at December 31, 2012 and 2011, respectively, include accumulated equity in net losses of associates of ₱5,182.8 million and ₱5,876.9 million, respectively (see Note 12).

On May 25, 2005, the SEC approved the Parent Company’s application for a quasi-reorganization. Accordingly, the additional paid-in capital amounting to ₱3,269.3 million as at December 31, 2004 was offset against the deficit.

24. **Other Revenue**

This account consists of:

	2012	2011	2010
		(In Thousands)	
Amortization of discount on trade receivables (see Note 9)	**₱29,392**	₱54,465	₱44,409
Service income from:			
Pumping stations	**18,914**	14,239	20,960
Power and maintenance	**3,416**	8,647	14,977
Income from forfeitures	**13,807**	15,707	10,567
Penalty	**4,070**	5,056	4,088
Income from playing rights	**4,014**	–	–
Commission income	**859**	887	524
Gain on sale of investment (see Note 12)	**–**	10,234	–
Others	**5,028**	5,040	3,612
	₱79,500	₱114,275	₱99,137

Others pertain to revenues from revision works, sale of scrap supplies and various administrative fees during the year.

25. **Cost of Real Estate and Club Shares Sold**

This account consists of:

	2012	2011	2010
		(In Thousands)	
Materials and labor	**₱58,501**	₱119,125	₱231,243
Cost of club shares sold	**25,184**	48,709	145,445
Land	**21,775**	44,341	86,075
Overhead and others	**11,692**	23,808	46,216
	₱117,152	₱235,983	₱508,979

26. **General and Administrative Expenses**

This account consists of:

	2012	2011	2010
		(In Thousands)	
Personnel costs (see Notes 31 and 32)	**₱79,882**	₱75,077	₱63,473
Marketing and advertising (see Note 32)	**67,626**	51,169	34,082
Depreciation and amortization (see Note 16)	**30,926**	27,059	21,179
Taxes and licenses	**18,536**	20,888	33,342
Professional fees	**15,811**	10,098	12,560
Rentals and utilities (see Notes 30 and 32)	**14,054**	8,727	8,682
Security and janitorial	**9,692**	9,264	9,889

(Forward)

	2012	2011	2010
		(In Thousands)	
Representation and entertainment	**₱8,504**	₱3,992	₱4,723
Repairs and maintenance	**5,990**	6,435	6,423
Transportation and travel	**4,662**	4,474	3,401
Registration fees	**4,607**	7,267	1,779
Communication	**2,562**	2,686	2,745
Others	**12,896**	8,022	19,153
	₱275,748	₱235,158	₱221,431

Others pertain to office supplies, insurance, seminar fees and association dues incurred during the year.

Personnel Costs

	2012	2011	2010
		(In Thousands)	
Salaries and wages (see Note 32)	**₱61,039**	₱52,140	₱44,025
Pension costs (see Notes 31 and 32)	**5,290**	5,464	6,302
Employee benefits and others (see Note 32)	**13,553**	17,473	13,146
	₱79,882	₱75,077	₱63,473

27. **Interest Income and Interest Expense**

The sources of the Company's interest income follows:

	2012	2011	20109
		(In Thousands)	
Cash in banks (see Note 8)	**₱719**	₱1,166	₱542
Cash equivalents (see Note 8):			
With related banks (see Note 32)	**81,904**	23,395	833
With other banks	**2,377**	281	293
Short-term investments (see Note 8)	**1,297**	17	–
Receivables (see Note 9)	**–**	3,639	1,888
HTM investments (see Notes 13 and 32)	**17,906**	–	–
Escrow fund (see Notes 19 and 32)	**12,083**	–	–
Others	**167**	–	–
	₱116,453	₱28,498	₱3,556

The sources of the Company's interest expense follows:

	2012	2011	2010
		(In Thousands)	
Loans payable (see Notes 20 and 32)	**₱75,171**	₱83,313	₱114,939
Long-term debt (see Note 22)	**27,654**	26,114	27,656
Assignment of receivables (see Note 9)	**24,097**	48,547	47,765
Others	**1,229**	186	993
	₱128,151	₱158,160	₱191,353

28. **Other Charges** - net

This account consists of:

	2012	2011	2010
		(In Thousands)	
Provision for (reversal of) allowance:			
Probable loss on other assets - net	**₱61,692**	₱–	(₱11,030)
Doubtful accounts on advances to associates (see Note 12)	**10,633**	–	2,200
Doubtful accounts on receivables (see Note 9)	**2,353**	–	2,426
Impairment loss on advances to related parties (see Note 32)	**2,121**	–	5,969
Impairment loss on AFS financial assets (see Note 14)	**–**	–	20
Bank service charges	**11,034**	12,880	13,434
Gain on sale of property and equipment (see Note 16)	**(612)**	–	(2,934)
Others - net	**7,843**	30	515
	₱95,064	₱12,910	₱10,600

29. **Income Taxes**

The provision for current income tax consists of the following:

	2012	2011	2010
		(In Thousands)	
Capital gains tax and final tax on interest income	**₱64,965**	₱5,320	₱6,776
MCIT	**13,273**	10,652	–
Regular corporate income tax	**916**	–	42,230
	₱79,154	₱15,972	₱49,006

As at December 31, 2012 and 2011, the carryforward benefit of MCIT amounting to ₱17.8 million and ₱10.7 million can be claimed as tax credit against regular income tax until year 2014 and 2015, respectively. As at December 31, 2011, the carryforward benefit of NOLCO amounting to ₱20.3 million can be claimed as deduction against taxable income with expiry date on December 31, 2014.

The components of the Company’s net deferred tax liabilities are as follows:

	2012	2011
	(In Thousands)	
Deferred tax assets:		
Allowances for:		
Impairment in value of property and equipment	**₱55,891**	₱55,891
Doubtful accounts	**12,729**	12,140
Probable losses	**9,543**	9,543
Impairment of supplies inventory	**–**	1,537

(Forward)

	2012	2011
	(In Thousands)	
Discount on trade receivables	**₱18,975**	₱14,357
MCIT	**17,821**	10,652
Accrued selling expenses	**14,715**	14,458
Unrealized profit on sale of club shares to associates	**4,221**	4,221
Deferred lease income	**3,878**	4,357
Pension liability	**1,582**	2,506
Accretion of refundable deposit	**1,157**	638
Accrued rent	**847**	–
Unamortized past service costs	**635**	–
NOLCO	**–**	6,086
Advance receipts	**–**	5,049
	141,994	141,435
Deferred tax liabilities:		
Unrealized foreign exchange gain - net	**(190,361)**	(201,558)
Capitalized interest expense	**(90,292)**	(16,204)
Capitalized rent expense	**(10,019)**	(3,336)
Deferred income on real estate sales	**(9,770)**	–
Unaccreted discount on refundable deposits	**(4,027)**	(4,405)
Unrealized gain on AFS financial asset	**(1,499)**	–
Deferred lease expense	**(1,099)**	(603)
Unrealized gain on sale of real estate	**(797)**	(797)
	(307,864)	(226,903)
	(₱165,870)	(₱85,468)

The components of the Company's temporary differences as at December 31, 2012 and 2011 for which deferred tax assets were not recognized follows:

	2012	2011
	(In Thousands)	
Allowances for:		
Impairment of project development costs	**₱2,136,820**	₱2,136,820
Probable losses	**47,948**	177,175
Doubtful accounts	**8,036**	10,142
	₱2,192,804	₱2,324,137

The deferred tax assets of the above temporary differences amounting to ₱657.8 million and ₱697.2 million as at December 31, 2012 and 2011, respectively, are not recognized in the books since management believes that it is not probable that taxable income will be available against which the deferred tax assets can be utilized.

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

	2012	2011	2010
		(In Thousands)	
Income tax at statutory income tax rate of 30%	**₱214,053**	₱67,069	₱162,607
Nontaxable income	**(135,129)**	(42,296)	(51,784)
Capital gain tax paid under protest	**63,249**	–	–
Nondeductible expenses and others	**47,517**	11,547	(164)
Income subjected to final tax	**(34,886)**	(18,538)	(41,245)
Income subjected to capital gains tax	**1,716**	5,320	6,776
Change in unrecognized deferred tax assets	**1,537**	–	364
	₱158,057	₱23,102	₱76,554

Philippine Economic Zone Authority ("PEZA")
In 2010, the Company's pre-qualification clearance from PEZA in relation with its efforts to secure a Tourism Economic Zone status for a portion of its flagship project, Tagaytay Highlands, has been approved. However, as at March 6, 2013, this approval has not yet been issued with a Presidential Proclamation.

On October 11, 2012, Presidential Proclamation No. 491 has been issued creating and designating eleven parcels of land with an aggregate area of approximately 69,510 square meters located at Aseana Business Park, Paranaque City, as Tourism Economic Zone. Consequently, on November 27, 2012, the Company received its Certificate of Registration from PEZA as the developer of the Belle Grande Manila Bay Project. The Company shall not be entitled to PEZA incentives.

30. Lease Commitments

Operating Lease
The Company entered into a lease agreement for a parcel of land situated in Aseana Business Park, Parañaque City. The 20,218 square meter land area lease shall be for a period of 10 years commencing on April 23, 2010, inclusive of two years construction period. Rental payments are subject to escalation as stated in the agreement. The contract may be renewed or extended by written agreement of the parties and upon such terms and conditions that are mutually acceptable to them. The Company also paid ₱4.4 million refundable deposit which formed part of "Prepayments and other assets" account under "Other assets" in the consolidated statements of financial position (see Note 18). On April 15, 2012, the parties agreed to extend the lease term for an additional 15 years ending on April 22, 2035.

As at December 31, 2012 and 2011, the operating lease cost amounting to ₱22.3 million and ₱11.3 million was capitalized to leasehold improvements as the Company has started construction of the integrated resort (see Notes 15 and 33).

The Company entered into an operating lease agreement with SM Land, Inc., a related party, covering its new office space (see Note 32). The lease shall be for a period of 5 years commencing on August 1, 2012. Rental payments are subject to annual escalation adjustments. Total rent expense charged to operations relating to this transaction amounted to ₱6.1 million in 2012 (see Note 26). The Company also paid ₱2.4 million refundable deposit which is included as part of "Other assets" account in the consolidated statements of financial position (see Note 18).

Consequently, in July 2012, the Company ended its lease agreement on its old office space in Pasig City. Total rent expense charged to operations relating to this transaction amounted to ₱0.7 million, ₱1.2 million and ₱1.2 million in 2012, 2011 and 2010 respectively (see Note 26).

The Company also has several operating lease arrangements on parking lots, machineries, office and transportation equipments. Total rent expense charged to operations relating to these lease agreements amounted to ₱1.6 million, ₱3.1 million and ₱3.2 million in 2012, 2011, and 2010, respectively (see Note 26).

The future minimum rental payments by the Company under the lease agreement are as follows:

	2012	2011
Within one year	**₱38,024**	₱20,016
After one year but not more than five years	**170,555**	156,215
After more than five years	**1,668,745**	97,950
	₱1,877,324	₱274,181

31. **Pension Costs**

The Company has a defined benefit pension plan covering all regular and permanent employees. The benefits are based on employees' projected salaries and number of years of service. Costs are determined in accordance with the actuarial study, the latest of which is dated December 31, 2012.

The following tables summarize the components of pension costs recognized in the consolidated statements of comprehensive income and the pension liability recognized in the consolidated statements of financial position.

<u>Pension Costs (recognized in "General and Administrative Expenses")</u>

	2012	2011	2010
		(In Thousands)	
Current service cost	**₱5,239**	₱4,832	₱4,454
Interest cost	**3,459**	3,265	3,942
Expected return on plan assets	**(3,108)**	(2,491)	(1,860)
Net actuarial gain recognized	**(300)**	(142)	(234)
	₱5,290	₱5,464	₱6,302

Pension Liability

	2012	2011
	(In Thousands)	
Present value of defined benefit obligation	**₱62,491**	₱57,657
FVPA	**(64,239)**	(61,441)
Funded obligation	**(1,748)**	(3,784)
Unrecognized actuarial gain	**7,020**	12,138
	₱5,272	₱8,354

Changes in the present value of the defined benefit obligation are as follows:

	2012	2011
	(In Thousands)	
Balance at beginning of year	**₱57,657**	₱52,684
Current service cost	**5,239**	4,832
Interest cost	**3,459**	3,265
Benefits paid	**(7,291)**	(1,803)
Actuarial loss (gain) on obligation	**3,427**	(1,321)
	₱62,491	₱57,657

Changes in the FVPA are as follows:

	2012	2011
	(In Thousands)	
Balance at beginning of year	**₱61,441**	₱49,826
Actual contributions	**8,372**	8,372
Expected return on plan assets	**3,108**	2,491
Benefits paid	**(7,291)**	(1,803)
Actuarial gain (loss) on FVPA	**(1,391)**	2,555
	₱64,239	₱61,441
Actual return on plan assets	**₱1,717**	₱5,046

Unrecognized actuarial gain is as follows:

	2012	2011
	(In Thousands)	
Net cumulative unrecognized actuarial gain at beginning of the year	**₱12,138**	₱8,404
Actuarial gain (loss) on obligation	**(3,427)**	1,321
Actuarial gain (loss) on plan assets	**(1,391)**	2,555
Recognized actuarial gain	**(300)**	(142)
Net cumulative unrecognized actuarial gain at end of the year	**₱7,020**	₱12,138

Movements in the pension liability are as follows:

	2012	2011
	(In Thousands)	
Balance at beginning of year	**₱8,354**	₱11,262
Pension costs	**5,290**	5,464
Contributions to the retirement fund	**(8,372)**	(8,372)
	₱5,272	₱8,354

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The Company expects to contribute at a minimum of ₱6.0 million to the retirement plan in 2013.

The unfunded obligation and experience adjustment for the current period and for the four preceding periods follows:

	2012	2011	2010	2009	2008
			(In Thousands)		
Defined benefit obligation	**₱62,491**	₱57,657	₱52,684	₱44,290	₱54,775
FVPA	**64,239**	61,441	49,826	37,198	28,900
Unfunded (funded) obligation	**(1,748)**	(3,784)	2,858	7,092	25,875
Experience net adjustments on plan assets gain (loss)	**(1,391)**	2,555	2,950	4,214	(3,453)
As Percentage of FVPA (%)	**(2.17)**	4.16	5.92	11.33	(11.95)

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2012	2011
Investments in fixed income securities	**61%**	68%
Investments in unit investment trust funds	**36%**	31%
Others	**3%**	1%
	100%	100%

The Company’s retirement fund is in the form of a trust being maintained by a trustee bank.

The carrying amount and fair value of the fund amounted to ₱64.2 million as at December 31, 2012. The fund’s assets are comprised of: (i) cash in bank; (ii) investment in treasury bonds of government securities, equity securities of private corporations, mutual funds and unit investment trust funds and (iii) loans and receivables from individuals.

Contributions and withdrawals in the fund in 2012 amounted to ₱8.4 million and ₱7.3 million, respectively, and were approved by the Company’s Chief Financial Officer and President.

The fund has no investments in debt and equity securities of the Company.

The principal assumptions used in determining pension benefit obligations for the Company's plan are shown below:

	2012	2011	2010
Discount rates	**6.24%**	6.00%	9.00%
Expected rates of return on plan assets	**4.00%**	5.00%	5.00%
Future salary increases	**6.00%**	7.00%	8.00%

The tax exempt status of the plan was approved by the BIR on September 29, 1998.

32. Related Party Transactions

Related parties are enterprises and individuals that has the ability to control directly, or indirectly through one or more intermediaries or are controlled by, or under common control with the Company, including holding companies, and subsidiaries, or exercise significant influence over the other party in making financial and operating decisions. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related entities.

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

Settlement Agreement with Sinophil

On October 7, 1997, Sinophil, a 45% owned entity of Belle, subscribed to 1,000,000,000 preferred shares from Belle at ₱1.00 per share, with a coupon rate of 9.75% per annum (see Note 23). The accrued dividends on the preferred shares from 1997 to 1998 of ₱92.3 million remained outstanding until August 2009. No additional dividends have been declared on the preferred shares after 1998 because of the absence of retained earnings in Belle.

On August 28, 2009, a Settlement Agreement ("SA") was executed between Belle and Sinophil to settle the unpaid accrued dividends and to eventually cancel the preferred shares, subject to the transfer by Belle to Sinophil: (1) 220 shares in TMGCI, and (2) a 235,583 square meters of developed Rancho Montana land located in Tanauan, Batangas, completion of which is expected within five years from the date of the SA. The developed Rancho Montana land together with the 220 TMGCI shares shall be transferred to Sinophil at an aggregate value of at least ₱1,092.3 million.

Immediately after the execution of the SA, Belle transferred the 220 TMGCI shares and executed a Deed of Assignment over the said TMGCI shares to Sinophil. Sinophil, on the other hand, executed a Release, Waiver and Quitclaim: (1) accepting the payment of dividends in the form of 220 shares in TMGCI; (2) renouncing its rights to all past, present and future dividends; (3) agreeing to the revocation of the coupon rate originally provided for the preferred shares; and (4) agreeing to the cancellation of all its preferred shares in Belle upon receipt of the developed Rancho Montana land.

Gain from the transfer, which were part of its normal gross profit, amounted to ₱93.3 million. The Company's proportionate share in the unrealized profit from the sale of TMGCI shares to Sinophil amounting to ₱42.2 million has been deferred and will be recognized upon sale of TMGCI shares to unrelated party (see Note 12). As at December 31, 2012 and 2011, the Company's related outstanding receivable (after offsetting the outstanding payable of ₱92.3 million) amounting to ₱105.7 million is presented as part of "Receivables" account in the consolidated statements of financial position (see Note 9).

Other Transactions with Associates and Related Companies

The Company has the following significant related party transactions with associates and other related parties:

Related Party	Relationship	Transaction		Transaction Amounts	Outstanding Balance	Terms	Condition
				In Thousands			
APC	Associate	Advances to associate	**2012** 2011	**₱15** ₱132	**₱3,754,554** ₱3,754,539	Non-interest bearing, due and demandable	Unsecured, partially provided amounting to ₱79,452 in 2012 and ₱79,407 in 2011
Belle Jai Alai	Associate	Advances to associate	**2012** 2011	**–** –	**29,398** 29,398	Non-interest bearing, due and demandable	Unsecured, no allowance
Highlands Prime	Associate	Advances to associate	**2012** 2011	**(19,065)** 260	**43,834** 62,899	Non-interest bearing, due and demandable	Unsecured, partially provided amounting to ₱14,515 in 2012 and ₱28,690 in 2011
		Commission income (see Note 24)	**2012** 2011 2010	**302** 392 524	**–** – –		Not applicable
Belle Bay City	Associate	Advances to associate	**2012** 2011	**(37,689)** 1,822	**–** 37,689	Non-interest bearing, due and demandable	Liquidated
WDC	Associate	Advances to associate	**2012** 2011	**–** –	**54,334** 54,334	Non-interest bearing, due and demandable	Unsecured, fully provided in 2012 and partially provided amounting to ₱26,327 in 2011
Others	Associate	Advances to associates	**2012** 2011	**(2,845)** 21	**15,118** 17,963	Non-interest bearing, due and demandable	Unsecured, partially provided amounting to ₱11,592 in 2012 and ₱14,836 in 2011
Tagaytay Highlands	With common set of directors	Advances to other related parties	**2012** 2011	**5,566** 5,651	**365,782** 360,216	Non-interest bearing, due and demandable	Unsecured, partially provided amounting to ₱1,087 in 2012 and 2011
Country club	With common set of directors	Advances to other related parties	**2012** 2011	**4,134** (1,335)	**93,940** 89,806	Non-interest bearing, due and demandable	Unsecured, partially provided amounting to ₱1,737 in 2012 and 2011
Others	With common set of directors	Advances to other related parties	**2012** 2011	**17,126** 3,634	**31,945** 14,819	Non-interest bearing, due and demandable	Unsecured, partially provided amounting to ₱6,374 in 2012 and ₱4,253 in 2011
TMGCI	With common set of directors	Advances from other related parties	**2012** 2011	**3,901** (1,628)	**74,867** 70,966	Non-interest bearing, due and demandable	Unsecured
Belle Jai-Alai	Associate	Advances from associate	**2012** 2011	**–** –	**60,753** 60,753	Non-interest bearing, due and demandable	Unsecured
Sinophil Leisure and Resorts Corp.	Subsidiary of Sinophil	Advances from other related parties	**2012** 2011	**(38)** (38)	**29,034** 29,072	Non-interest bearing, due and demandable	Unsecured
Tagaytay Highlands	With common set of directors	Advances from other related parties	**2012** 2011	**–** –	**10,819** 10,819	Non-interest bearing, due and demandable	Unsecured
Sinophil	Associate	Advances from associate	**2012** 2011	**(19,602)** (5,102)	**3,426** 23,028	Non-interest bearing, due and demandable	Unsecured
Pacific Online	Associate	Advances from associate	**2012** 2011	**(10,016)** (77)	**–** 10,016	Non-interest bearing, due and demandable	Unsecured
Others	Associates	Advances from other related parties	**2012** 2011	**5,527** (8,719)	**4,430** 9,957	Non-interest bearing, due and demandable	Unsecured

Related Party	Relationship	Transaction		Transaction Amounts	Outstanding Balance	Terms	Condition
BDO	With common stockholders	Cash equivalents	**2012** 2011	**(₱1,111,120)** 2,306,897	**₱1,210,187** 2,321,307	Interest bearing	Unsecured, not impaired
		Interest income on cash equivalents (see Note 8 and 27)	**2012** 2011 2010	**81,904** 22,875 833	**–** – –	3.14% to 4.56% 3.87% to 4.56% 1.00% to 3.94%	Unsecured, not impaired
		Receivables purchase agreement (see Note 9)	**2012** 2011	**(339,454)** (160,221)	**242,429** 581,883	Interest bearing	Unsecured
		Escrow fund (see Note 19)	**2012** 2011	**2,064,450** –	**2,064,450** –	Interest bearing	Unsecured, not impaired
		Interest income on escrow fund (see Note 27)	**2012** 2011 2010	**12,083** – –	**–** – –	**0.62%-0.75%**	Unsecured, not impaired
		Short-term loans (see Note 20)	**2012** 2011	**(90,000)** 743,000	**1,668,000** 1,758,000	Interest bearing	Secured
		Interest expense on short-term loans, gross of capitalized interest (see Note 20 and 27)	**2012** 2011 2010	**78,072** 100,060 62,459	**–** – –	4.25% to 5.12% 4.50% to 7.00% 7.00% to 7.50%	Secured
		Long-term debt (see Note 22)	**2012** 2011	**2,254,000** –	**3,927,000** 1,673,000	Interest bearing	Secured
		Interest expense on long-term debt (see Note 15)	**2012** 2011 2010	**156,667** 48,962 –	**–** – –	3.75%-6.58% 4.25%-6.98% –	Secured
SM Land, Inc.	With common stockholders	Operating lease (see Note 26)	**2012** 2011	**6,063** –	**2,824** –	5 years, renewable	Not applicable
SM Arena Complex Corporation	With common stockholders	Sponsorship agreement (see Note 26)	**2012** 2011	**11,594** –	**–** –	5 years	Not applicable
SMIC	Stockholder	HTM investments (see Note 13)	**2012** 2011	**750,000** –	**750,000** –	Interest bearing, maturing in 7 and 10 years	Not applicable
		Interest income on HTM investments (see Note 13)	**2012** 2011	**17,906** –	**–** –	6.00%-6.94%	Not applicable
Directors and officers	Key management personnel	Receivables (see Note 9)	**2012** 2011	**(2,337)** (2,842)	**11,983** 14,320		Unsecured, interest-free, partially provided amounting to ₱688
		Short-term employee benefits	**2012** 2011	**44,889** 29,547	**–** –		Not applicable
		Post-employment benefits	**2012** 2011	**3,964** 3,249	**–** –		Not applicable

Allowance provided on advances to associates amounted to ₱159.9 million and ₱150.6 million as at December 31, 2012 and 2011, respectively (see Note 12).

Allowance for doubtful accounts of advances to related parties amounted to ₱9.2 million and ₱7.1 million as at December 31, 2012 and 2011, respectively. Provision for doubtful accounts on advances to related parties amounted to ₱2.1 million, nil and ₱6.0 million in 2012, 2011 and 2010, respectively (see Note 24).

Transactions with other related parties are as follows:

- On May 12, 2012, the Company entered into an operating lease agreement with SM Land, Inc. covering its new office space (see Note 30).

- The Company entered into a sponsorship agreement with SM Arena Complex Corporation ("SMACC") for 5 years commencing on May 21, 2012. The Company is charged for a sponsorship fee of ₱95.0 million payable in 5 equal installments of ₱19.0 million annually. In return, SMACC shall grant the Company marketing and promotional entitlements in the MOA Arena during the sponsorship period.

- The Parent Company entered into a service agreement with PLAI in 2012, wherein PLAI shall provide technical advisory support services relating to the operation, direction, management and supervision of the integrated resort project. Project management fee charged by PLAI to the Parent Company amounted to ₱25.0 million in 2012 and was eliminated in the consolidated statements of comprehensive income.

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33. **Significant Contracts**

Investment Commitment with PAGCOR
PLAI and its casino operator shall have an “Investment Commitment” per PAGCOR guidelines of US$1.0 billion, of which US$650.0 million shall be invested upon the opening of the casino and the other US$350.0 million shall be invested within a period of three (3) years from the commencement of casino operations. The Investment Commitment should comprise of the value of land used for the projects and the construction costs of various facilities and infrastructure within the site of the project.

The other salient provisions of the License are: (i) creation of an escrow account of at least US$100.0 million to be used exclusively for the project, with a maintaining balance of US$50.0 million (see Note 19); (ii) issuance of performance bond of ₱100.0 million to guarantee the completion of the project; and (iii) issuance of surety bond of ₱100.0 million to guarantee the payment to PAGCOR of all fees payable under the license granted.

As at December 31, 2012, escrow fund with a balance of US$50.3 million is being maintained. Interest income earned on the escrow fund amounted to ₱12.1 million in 2012 (see Note 27).

Lease Agreements with AB Leisure and Global, Inc. (ABLGI)
On January 14, 2011, the Parent Company, as a lessor, entered into an operating lease agreement with ABLGI for the lease of land allocable to Belle as part of its share in the remaining liquidating assets of Belle Bay City. The leased premises shall commence upon the execution of the lease agreement and shall expire 10 years after the commencement date of the lease period (earlier between the soft opening date and turnover date) for the integrated resort complex. During the construction period, from the date of execution of the lease agreement to the casino building lease commencement date, the lessee shall pay a nominal monthly rental of ₱30.25 per square meter which is equivalent to 25% of the base rate of ₱121 per square meter and ₱121 per square meter after the casino building lease commencement date to December 31, 2012. In 2012, Belle and ABLGI have agreed to the restructuring of the lease agreement to enable the entry of Melco Crown Entertainment Limited (“Melco”).

Rent income recognized by the Company from these lease agreements amounted to ₱18.4 million and ₱62.1 million in 2012 and 2011, respectively.

Cooperation Agreement with Melco
On October 25, 2012, the Company together with PLAI, formally entered into a Cooperation Agreement with Melco, a company listed in the Hong Kong Stock Exchange, which governs their cooperation in the development and operation of an integrated resort complex. The Cooperation Agreement places the Company as a co-licensee and the owner of the site’s land and buildings, while Melco will be a co-licensee and operator of all the facilities within the resort complex.

34. **Contingencies**

In the normal course of business, there are certain tax cases and legal cases related to labor disputes and land ownership issues filed against the Company. Management and its legal counsel believe that the Company has substantial legal and factual bases for its position and are of the opinion that losses arising from the aforementioned cases, if any, will not have a material impact on the Company's consolidated financial statements.

35. **Basic/Diluted EPS**

	2012	2011	2010
	(In Thousands, Except Number of Shares and EPS)		
Earnings attributable to Equity holders of the Parent (a)	**₱555,511**	₱200,517	₱465,535
Weighted average number of issued common shares - basic, at beginning of year	**8,533,117,798**	6,178,426,290	6,178,426,290
Issued during the year (see Notes 17 and 23)	**1,817,968,788**	2,354,691,508	–
Weighted average number of issued common shares - basic, at end of year (b)	**10,351,086,586**	8,533,117,798	6,178,426,290
Basic/diluted EPS (a/b)	**₱0.054**	₱0.023	₱0.075

There are no common stock equivalents that would have a dilutive effect on the basic EPS.

36. **Financial Assets and Financial Liabilities**

Financial Risk Management Objectives and Policies
The Company's principal financial assets and financial liabilities are composed of cash and cash equivalents, short-term investments, HTM investments, AFS financial assets, escrow fund, loans payables and long-term debt. The main purpose of these financial assets and financial liabilities is to raise finances for the Company's operations. The Company has various other financial assets and financial liabilities such as receivables, advances to associates and other related parties and accounts payable and other liabilities, which arise directly from its real estate operations.

The main risks arising from the Company's financial assets and financial liabilities are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Company's BOD and management review and agree on the policies for managing each of these risks and they are summarized below.

Interest Rate Risk. Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial assets and financial liabilities. The Company's exposure to interest rate risk relates primarily to the Company's long-term debt which is subject to cash flow interest rate risk. Re-pricing of FRNs is done every six months while re-pricing of long-term debt is normally done every three months.

The Company's policy is to manage its interest cost by limiting its borrowings. The Company's loans payable and long-term debt are subject to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's consolidated income before income tax in 2012 and 2011. There is no other impact on the Company's equity other than those already affecting the profit or loss in the consolidated statements of comprehensive income.

	2012		2011	
	Increase in Basis Points	**Decrease in Basis Points**	Increase in Basis Points	Decrease in Basis Points
	(In Thousands, Except Change in Basis Points)			
Change in basis points*	**+44**	**-44**	+52	-52
Effect on income before income tax	**(₱4,076)**	**₱4,076**	(₱4,959)	₱4,959

**Average movement in LIBOR interest rates for the past five years.*

Foreign Currency Risk. Foreign currency risk is the risk that the fair value or future cash flows of financial asset or financial liability will fluctuate due to changes in foreign exchange rates. As at December 31, 2012 and 2011, the Company's foreign currency-denominated FRNs amounted to ₱903.6 million and ₱965.0 million (US$22.0 million), respectively. As at December 31, 2012, the Company's foreign-denominated escrow fund amounted to ₱2,064.5 (US$50.3 million).

Foreign currency-denominated financial asset and financial liability in US dollars, translated into Philippine peso at the closing rate are as follows:

	2012	2011
	(In Thousands)	
Escrow fund	**$50,291**	$–
FRNs	**(22,012)**	(22,012)
Foreign currency-denominated financial assets (liabilities)	**$28,279**	($22,012)

In translating the foreign currency-denominated escrow fund and long-term debt into peso amounts, the exchange rate used was ₱41.05 to US$1.0 ₱43.84 to US$1.0, the Philippine peso to US dollar exchange rates as at December 31, 2012 and 2011, respectively.

It is the Company's policy to ensure that capabilities exist for active but conservative management of its foreign currency risk. The Company seeks to mitigate its transactional currency exposure by maintaining its costs at consistently low levels, regardless of any upward or downward movement in the foreign currency exchange rate.

The following table demonstrates the sensitivity to a reasonably possible change in the U.S. dollar exchange rates, with all other variables held constant, of the Company's consolidated income before tax as at December 31, 2012 and 2011. There is no other impact on the Company's equity other than those already affecting the profit or loss in the consolidated statements of comprehensive income.

	2012		2011	
	Increase in US$ Rate	**Decrease in US$ Rate**	Increase in US$ Rate	Decrease in US$ Rate
	(In Thousands, Except Change in US$ Rate)			
Change in US$ rate*	**₱0.23**	**(₱0.23)**	₱0.64	(₱0.64)
Effect on income before income tax	**6,504**	**(6,504)**	(14,087)	14,087

**Average movement of U.S. dollar against Philippine peso for the past five years.*

The increase in US$ rate means stronger US dollar against peso while the decrease in US$ means stronger peso against the US dollar.

Credit Risk. Credit risk is the risk that the Company will incur a loss because its customers or counterparties fail to discharge their contractual obligations. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. The Company does not offer credit terms without the specific approval of the management. There is no significant concentration of credit risk.

In the Company's 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/deposits made by the customer in favor of the Company and retain ownership of the property. The Company has the right to sell, assign or transfer to third party and any interest under sales contract, including its related receivables from the customers. The Company's primary target customers are high-income individuals and top corporations, in the Philippines and overseas. These measures minimize the credit risk exposure or any margin loss from possible default in the payments of installments.

Trade receivables from sale of real estate units are secured with pre-completed property units. The legal title and ownership of these units will only be transferred to the customers upon full payment of the contract price. Receivables from sale of club shares are secured by the shares held by the Company. For other receivables, since the Company trades only with recognized third parties, there is no requirement for collateral.

With respect to credit risk arising from the financial assets of the Company, which comprise of cash and cash equivalents, short-term investments, receivables, advances to associates and other related parties, escrow fund and AFS financial assets, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The table below shows the Company's aging analysis of financial assets.

	2012						
	Neither Past Due nor Impaired	Past Due but not Impaired: Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Impaired	Total
				(In Thousands)			
Cash and cash equivalents*	**₱1,419,561**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,419,561**
Short-term investments	**965**	–	–	–	–	–	**965**
Receivables:							
Trade**	**913,756**	**2,320**	**1,978**	**1,736**	**103,849**	**5,773**	**1,029,412**
Others	**199,883**	–	–	–	–	**31,352**	**231,235**
Advances to associates*** - net of subscription payable	**62,345**	–	–	–	–	**159,893**	**222,238**
Advances to related parties	**482,469**	–	–	–	–	**9,196**	**491,665**
HTM investments	**750,000**	–	–	–	–	–	**750,000**
AFS financial assets	**28,619**	–	–	–	–	**20,555**	**49,174**
Escrow fund	**2,064,450**	–	–	–	–	–	**2,064,450**
	₱5,922,048	₱2,320	₱1,978	₱1,736	₱103,849	**₱226,769**	**₱6,258,700**

**Excluding cash on hand.*
***Excluding non-financial trade receivables amounting to ₱129.5 million.*
****Presented under "Investments in and advances to associates" account in the consolidated statements of financial position.*

	2011						
	Neither Past Due nor Impaired	Past Due but not Impaired: Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Impaired	Total
	(In Thousands)						
Cash and cash equivalents*	₱2,766,730	₱–	₱–	₱–	₱–	₱–	₱2,766,730
Short-term investments	9,668	–	–	–	–	–	9,668
Receivables:							
Trade**	710,365	4,910	3,821	3,248	16,297	5,085	743,726
Dividend	42,501	–	–	–	–	–	42,501
Others	19,532	–	–	–	–	29,687	49,219
Advances to associates*** - net of subscription payable	131,507	–	–	–	–	150,315	281,822
Advances to related parties	457,764	–	–	–	–	7,077	464,841
AFS financial assets	22,336	–	–	–	–	20,555	42,891
	₱4,160,403	₱4,910	₱3,821	₱3,248	₱16,297	₱212,719	₱4,401,398

**Excluding cash on hand.*
***Excluding non-financial trade receivables amounting to ₱129.5 million.*
****Presented under "Investments in and advances to associates" account in the consolidated statements of financial position.*

Financial assets are considered past due when collections are not received on due date.

Past due accounts which pertain to trade receivables from sale of real estate units and club shares are recoverable since the legal title and ownership of the real estate units and club shares will only be transferred to the customers upon full payment of the contract price.

The table below shows the credit quality of the Company's financial assets that are neither past due nor impaired based on historical experience with the corresponding third parties.

	2012			
	High Grade	**Medium Grade**	**Unrated**	**Total**
	(In Thousands)			
Cash and cash equivalents*	**₱1,419,561**	**₱–**	**₱–**	**₱1,419,561**
Short-term investments	**965**	**–**	**–**	**965**
Receivables:				
Trade**	**913,756**	**–**	**–**	**913,756**
Others	**199,883**	**–**	**–**	**199,883**
Advances to associates*** - net of subscription payable	**62,345**	**–**	**–**	**62,345**
Advances to related parties	**482,469**	**–**	**–**	**482,469**
HTM investments	**750,000**	**–**	**–**	**750,000**
AFS financial assets	**25,861**	**–**	**2,758**	**28,619**
Escrow fund	**2,064,450**	**–**	**–**	**2,064,450**
	₱5,919,290	**₱–**	**₱2,758**	**₱5,922,048**

**Excluding cash on hand.*
***Excluding non-financial trade receivables amounting to ₱129.5 million.*
****Presented under "Investments in and advances to associates" account in the consolidated statements of financial position.*

	2011			
	High Grade	Medium Grade	Unrated	Total
		(In Thousands)		
Cash and cash equivalents*	₱2,766,730	₱–	₱–	₱2,766,730
Short-term investments	9,668	–	–	9,668
Receivables:				
Trade**	710,365	–	–	710,365
Dividend	42,501	–	–	42,501
Others	19,532	–	–	19,532
Advances to associates*** - net of subscription payable	131,507	–	–	131,507
Advances to related parties	457,764	–	–	457,764
AFS investments	19,578	–	2,758	22,336
	₱4,157,645	₱–	₱2,758	₱4,160,403

**Excluding cash on hand.*
***Excluding non-financial trade receivables amounting to ₱129.5 million.*
****Presented under "Investments in and advances to associates" account in the consolidated statements of financial position.*

High grade financial assets pertain to receivables from clients or customers who have no history of delayed payment while medium grade includes receivables from clients or customers who have history of delayed payment but is currently updated.

Cash in banks, cash equivalents, short-term investments and escrow fund are deposited with the top ten banks in the Philippines; hence, considered high grade.

Unquoted AFS financial assets are unrated while quoted AFS financial assets are assessed as high grade based on financial status of the counterparty and its current stock price performance in the market.

Liquidity Risk. Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company seeks to manage its liquidity profile to be able to finance its capital expenditures and service its maturing debts. The Company's objective is to maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information. The Company considers obtaining borrowings as the need arises.

The following table summarizes the maturity profile of the Company's financial assets and financial liabilities as at December 31, 2012 and 2011 based on contractual undiscounted cash flows. The table also analyzes the maturity profile of the Company's financial assets in order to provide a complete view of the Company's contractual commitments and liquidity.

	2012					
	On Demand	**< 6 Months**	**6 Months to 1 Year**	**1–3 Years**	**> 3 Years**	**Total**
			(In Thousands)			
Financial Assets						
Cash and cash equivalents	**₱1,419,711**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,419,711**
Short-term investments	**965**	**–**	**–**	**–**	**–**	**965**
Receivables*	**117,353**	**144,091**	**160,397**	**534,886**	**227,626**	**1,184,353**
Advances to associates** - net of subscription payable	**62,345**	**–**	**–**	**–**	**–**	**62,345**
Advances to related parties	**482,469**	**–**	**–**	**–**	**–**	**482,469**
HTM investments	**750,000**	**–**	**–**	**–**	**–**	**750,000**
AFS financial assets	**28,619**	**–**	**–**	**–**	**–**	**28,619**
Escrow fund	**2,064,450**	**–**	**–**	**–**	**–**	**2,064,450**
	₱4,925,912	**₱144,091**	**₱160,397**	**₱534,886**	**₱227,626**	**₱5,992,912**

	2012					
	On Demand	**< 6 Months**	**6 Months to 1 Year**	**1–3 Years**	**> 3 Years**	**Total**
Financial Liabilities						
Loans payable***	**₱–**	**₱2,114,650**	**₱1,183**	**₱339**	**₱–**	**₱2,116,172**
Accounts payable and other liabilities****	**1,837,427**	**–**	**–**	**–**	**–**	**1,837,427**
Long-term debt***	**–**	**63,874**	**313,473**	**2,100,087**	**2,888,658**	**5,366,092**
	₱1,837,427	**₱2,178,524**	**₱314,656**	**₱2,100,426**	**₱2,888,658**	**₱9,319,691**

**Excluding non-financial trade receivables amounting to ₱129.5 million.*
***Presented under "Investments in and advances to associates" account in the consolidated statements of financial position.*
****Including future interest payments.*
*****Excluding customers' deposits, statutory payables and other liabilities to the government.*

	2011					
	On Demand	< 6 Months	6 Months to 1 Year	1–3 Years	> 3 Years	Total
			(In Thousands)			
Financial Assets						
Cash and cash equivalents	₱2,766,880	₱–	₱–	₱–	₱–	₱2,766,880
Short-term investments	9,668	–	–	–	–	9,668
Receivables*	58,162	279,643	258,152	894,750	87,128	1,577,835
Advances to associates** - net of subscription payable	131,507	–	–	–	–	131,507
Advances to related parties	457,764	–	–	–	–	457,764
AFS financial assets	22,336	–	–	–	–	22,336
	₱3,446,317	₱279,643	₱258,152	₱894,750	₱87,128	₱4,965,990
Financial Liabilities						
Loans payable**	₱–	₱2,174,478	₱2,313	₱3,750	₱–	₱2,180,541
Accounts payable and other liabilities***	1,692,350	–	–	–	–	1,692,350
Long-term debt**	–	28,191	13,029	1,271,336	1,405,320	2,717,876
	₱1,692,350	₱2,202,669	₱15,342	₱1,275,086	₱1,405,320	₱6,590,767

**Excluding non-financial trade receivables amounting to ₱129.5 million.*
***Presented under "Investments in and advances to associates" account in the consolidated statements of financial position.*
****Including future interest payments.*
*****Excluding customers' deposits, statutory payables and other liabilities to the government.*

The Company expects to settle its maturing obligations on long-term debt from its gaming revenues from casino operations which is expected to open in 2013, rental income on land and casino building (see Note 33) and expected profits from real estate development operations.

Capital Management

The primary objective of the Company's capital management is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes made in the objectives, policies or processes during the years ended December 31, 2012 and 2011.

The Company considers the following as its capital:

	2012	2011
	(In Thousands)	
Preferred stock	**₱1,000,000**	₱1,000,000
Common stock	**10,559,383**	9,170,770
Subscribed stock	**–**	1,388,613
Additional paid-in capital	**5,503,731**	5,503,731
Equity share in cost of Parent Company shares held by associates	**(731,696)**	(731,696)
Cost of Parent Company common shares held by subsidiaries	**(562,375)**	(497,758)
Retained earnings	**893,754**	338,243
	₱16,662,797	₱16,171,903

The Company monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as total interest-bearing debt over equity.

The Company's strategy, which remains unchanged from prior period, is to maintain the debt-to-equity ratio at manageable levels. For purposes of monitoring debt-to-equity ratio, the Company excludes trade and other payables arising from operations. Only interest-bearing debt is included in the total debt.

The debt-to-equity ratio is as follows:

	2012	2011
	(In Thousands, except for debt-to-equity ratio)	
Interest-bearing debt (a)	**₱6,800,879**	₱4,715,441
Equity (b)	**16,618,554**	16,075,072
Debt-to-equity ratio (a/b)	**0:41:1**	0:29:1

Fair Value of Financial Assets and Financial Liabilities

Set out below is a comparison by category and by class of carrying values and fair values of all the Company's financial assets and liabilities:

	2012		2011	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
		(In Thousands)		
Cash on hand	**₱150**	**₱150**	₱150	₱150
Loans and receivables:				
Cash in banks and cash equivalents	**1,419,561**	**1,419,561**	2,766,730	2,766,730
Short-term investments	**965**	**965**	9,668	9,668
Receivables:				
Trade*	**1,023,639**	**1,038,925**	738,641	898,064
Dividend	**–**	**–**	42,501	42,501
Others	**199,883**	**199,883**	19,532	19,532
	1,223,522	**1,238,808**	800,674	960,097

(Forward)

	2012		2011	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
		(In Thousands)		
Advances to associates** - net of subscription payable	**₱62,345**	**₱62,345**	₱131,507	₱131,507
Advances to related parties	**482,469**	**482,469**	457,764	457,764
	3,188,862	**3,204,148**	4,166,343	4,325,766
HTM investments	**750,000**	**719,286**	–	–
AFS financial assets:				
Quoted shares	**22,141**	**22,141**	15,197	15,197
Unquoted shares	**2,758**	**2,758**	2,758	2,758
Club shares	**3,720**	**3,720**	4,381	4,381
	28,619	**28,619**	22,336	22,336
Escrow fund	**2,064,450**	**2,064,450**	–	–
	₱6,032,081	**₱6,016,653**	₱4,188,829	₱4,348,252
Other financial liabilities :				
Loans payable	**₱2,081,714**	**₱2,081,714**	₱2,155,857	₱2,155,857
Accounts payable and other liabilities:				
Trade	**1,033,253**	**1,033,253**	750,635	750,635
Accrued expenses	**463,736**	**463,736**	417,986	417,986
Nontrade***	**157,109**	**157,109**	309,118	309,118
Advances from related parties	**183,329**	**183,329**	214,611	214,611
	1,837,427	**1,837,427**	1,692,350	1,692,350
Long-term debt	**4,719,165**	**4,267,849**	2,559,584	2,339,201
	₱8,638,306	**₱8,186,990**	₱6,407,791	₱6,187,408

**Excluding non financial trade receivables amounting to ₱129.5 million.*
***Presented under "Investments in and advances to associates" account in the consolidated statements of financial position.*
****Excluding statutory payables and other liabilities to the government.*

Fair value is defined as the amount at which the financial assets and financial liabilities could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and other valuation models, as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial assets and financial liabilities:

Cash and Cash Equivalents, Short-term Investments, Advances to Associates and Other Related Parties, Dividend and Other Receivables, Escrow Fund, Loans Payable, Accounts Payable and Other Liabilities. The carrying amounts of these financial assets approximate their fair values due to the relatively short-term maturities of these financial assets.

Trade Receivables. The fair value of these instruments is determined by discounting the estimated cash flows using prevailing interest rates as at reporting dates. The discount rates used ranged from 2.0% to 5.1% in 2012 and 3.9% to 8.5% in 2011.

HTM and AFS Financial Assets. The fair values of HTM investments in quoted debt securities and AFS financial assets in quoted equity shares are based on quoted prices in the PSE or those shares whose prices are readily available from brokers or other regulatory agency as at reporting date. There are no quoted market prices for the unlisted shares and there are no other reliable sources of their fair values, therefore, these are carried at cost, net of any impairment loss.

Long-term Debt. The fair value of US FRNs and long-term loans payable is determined by discounting the obligations' expected future cash flows using the discount rate of 2.5% and 8.8% to 10.4, respectively, in 2012 and 2.2% and 9.3% to 10.4%, respectively, in 2011.

Determination of Fair Value and Fair Value Hierarchy
The Company has AFS financial assets in quoted equity securities amounting to ₱22.1 million and ₱19.6 million in 2012 and 2011, respectively, recorded at Level 1 fair value. These are the only financial assets and financial liabilities carried at fair value.

There were no transfers between fair value measurements in 2012 and 2011.

37. **Classification of Statement of Financial Position Accounts**

The current portions of assets and liabilities that are expected to be recovered or settled within no more than 12 months after the reporting date are as follows:

	2012	2011
	(In Thousands)	
Current assets:		
Cash and cash equivalents	**₱1,419,711**	₱2,766,880
Short-term investments	**965**	9,668
Receivables	**1,223,522**	602,163
Subscription receivable	**–**	2,082,920
Real estate for sale	**2,901,335**	3,036,153
Club shares	**2,812,642**	2,786,148
Advances to associates* - net of subscription payable	**62,345**	131,507
Advances to related parties	**482,469**	457,764
Other assets	**741,278**	553,408
	₱9,644,267	₱12,426,611
Current liabilities:		
Loans payable	**₱2,081,278**	₱2,152,162
Accounts payable and other liabilities	**1,831,294**	1,750,935
Income tax payable	**416**	8,258
	₱3,912,988	₱3,911,355

* *Presented under "Investments in and advances to associates" account in the consolidated statements of financial position.*

38. **Supplemental Disclosure of Cash Flow Information**

In 2012, the principal noncash transactions pertain to the Parent Company's gain on liquidating dividends from Belle Bay City amounting to ₱539.7 million (see Notes 12 and 15) and transfer of certain items of property and equipment to other assets amounting to ₱11.6 million (see Notes 16 and 18).

In 2011, the principal noncash transactions pertain to the Parent Company's share swap agreement for the acquisition of PLAI amounting to ₱5,261.2 million (see Notes 17 and 33) and the transfer of real estate for sale to investment property amounting to ₱111.3 million (see Notes 10 and 15).

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
Belle Corporation
5th Floor, Tower A
Two E-Com Center, Palm Coast Avenue
Mall of Asia Complex, CBP-1A, Pasay City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Belle Corporation and Subsidiaries as at December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012, included in this Form 17-A, and have issued our report thereon dated March 6, 2013. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules[A] are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

[A]These schedules include the following:

- Supplementary schedules required by Annex 68-E
- Schedule of all the effective standards and interpretations
- Map of the relationships of the companies within the group

SYCIP GORRES VELAYO & CO.

Clairma T. Mangangey

Clairma T. Mangangey
Partner
CPA Certificate No. 86898
SEC Accreditation No. 0779-AR-1 (Group A),
February 2, 2012, valid until February 1, 2015
Tax Identification No. 129-434-867
BIR Accreditation No. 08-001998-67-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3669697, January 2, 2013, Makati City

March 6, 2013

Belle Corporation

I. List of Philippine Financial Reporting Standards (PFRSs) effective as of December 31, 2012

PFRSs	Adopted/Not adopted/Not applicable[1]
PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*	Not applicable
PFRS 2, *Share-based Payment*	Not applicable
PFRS 3, *Business Combinations*	Not applicable
PFRS 4, *Insurance Contracts*	Not applicable
PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*	Not applicable
PFRS 6, *Exploration for and Evaluation of Mineral Resources*	Not applicable
PFRS 7, *Financial Instruments: Disclosures*	Adopted
PFRS 8, *Operating Segments*	Adopted
PAS 1, *Presentation of Financial Statements*	Adopted
PAS 2, *Inventories*	Adopted
PAS 7, *Statement of Cash Flows*	Adopted
PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*	Adopted
PAS 10, *Events after the Reporting Period*	Adopted
PAS 11, *Construction Contracts*	Adopted
PAS 12, *Income Taxes*	Adopted
PAS 16, *Property, Plant and Equipment*	Adopted
PAS 17, *Leases*	Adopted
PAS 18, *Revenue*	Adopted
PAS 19, *Employee Benefits*	Adopted
PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*	Not applicable
PAS 21, *The Effects of Changes in Foreign Exchange Rates*	Adopted
PAS 23, *Borrowing Costs*	Adopted
PAS 24, *Related Party Disclosures*	Adopted
PAS 26, *Accounting and Reporting by Retirement Benefit Plans*	Not applicable
PAS 27, *Consolidated and Separate Financial Statements*	Adopted
PAS 28, *Investments in Associates*	Adopted
PAS 29, *Financial Reporting in Hyperinflationary Economies*	Not applicable
PAS 31, *Interests in Joint Ventures*	Not applicable
PAS 32, *Financial Instruments: Presentation*	Adopted
PAS 33, *Earnings per Share*	Adopted
PAS 34, *Interim Financial Reporting*	Adopted
PAS 36, *Impairment of Assets*	Adopted

[1] Take note that the client should indicate as "Adopted" even those standards that it applied in previous years (since adoption of PFRSs in 2005) which have not yet been superseded as of December 31, 2012, for example, PFRS 1. However, for subsequent changes to PFRS 1, like those that became effective for 2012, the client should indicate as "Not applicable" since those changes/amendments are only for first time adopters.

There are also some standards that should be marked as "Not applicable", like those covering hyperinflationary economy, Euro, and other transactions and fact patterns in the interpretations (e.g. minimum funding requirement) that are not applicable in the Philippine context.

PFRSs	Adopted/Not adopted/Not applicable[1]
PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*	Adopted
PAS 38, *Intangible Assets*	Adopted
PAS 39, *Financial Instruments: Recognition and Measurement*	Adopted
PAS 40, *Investment Property*	Adopted
PAS 41, *Agriculture*	Not applicable
Philippine Interpretation IFRIC–1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*	Not applicable
Philippine Interpretation IFRIC–2, *Members' Shares in Co-operative Entities and Similar Instruments*	Not applicable
Philippine Interpretation IFRIC–4, *Determining whether an Arrangement contains a Lease*	Adopted
Philippine Interpretation IFRIC–5, *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*	Not applicable
Philippine Interpretation IFRIC–6, *Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*	Not applicable
Philippine Interpretation IFRIC–7, *Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*	Not applicable
Philippine Interpretation IFRIC–9, *Reassessment of Embedded Derivatives*	Not applicable
Philippine Interpretation IFRIC–10, *Interim Financial Reporting and Impairment*	Adopted
Philippine Interpretation IFRIC–12, *Service Concession Arrangements*	Not applicable
Philippine Interpretation IFRIC–13, *Customer Loyalty Programmes*	Not applicable
Philippine Interpretation IFRIC–14, *PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	Not applicable
Philippine Interpretation IFRIC–16, *Hedges of a Net Investment in a Foreign Operation*	Not applicable
Philippine Interpretation IFRIC–17, *Distributions of Non-cash Assets to Owners*	Not applicable
Philippine Interpretation IFRIC–18, *Transfers of Assets from Customers*	Not applicable
Philippine Interpretation IFRIC–19, *Extinguishing Financial Liabilities with Equity Instruments*	Not applicable
Philippine Interpretation SIC–7, *Introduction of the Euro*	Not applicable
Philippine Interpretation SIC–10, *Government Assistance - No Specific Relation to Operating Activities*	Not applicable
Philippine Interpretation SIC–12, *Consolidation - Special Purpose Entities*	Not applicable
Philippine Interpretation SIC–13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*	Not applicable

PFRSs	Adopted/Not adopted/Not applicable[1]
Philippine Interpretation SIC–15, *Operating Leases – Incentives*	Not applicable
Philippine Interpretation SIC–25, *Income Taxes - Changes in the Tax Status of an Entity or its Shareholders*	Not applicable
Philippine Interpretation SIC–27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	Not applicable
Philippine Interpretation SIC–29, *Service Concession Arrangements: Disclosures*	Not applicable
Philippine Interpretation SIC–31, *Revenue - Barter Transactions Involving Advertising Services*	Not applicable
Philippine Interpretation SIC–32, *Intangible Assets - Web Site Costs*	Not applicable

II. List of amended standards that became effective as of January 1, 2012

Amended standards	Adopted/Not adopted/Not applicable
Amendments to PFRS 1, *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*	Not applicable
Amendments to PFRS 7, *Disclosures—Transfers of Financial Assets*	Adopted
Amendments to PAS 12, *Deferred Tax: Recovery of Underlying Assets*[2]	Adopted

-End-

Important: If an entity has early adopted any of the following pronouncements, please take note of the: (1) additional disclosures the entity has to make for the early adoption of the said pronouncements and (2) the existing pronouncements that the entity may have to mark as "**Not applicable"**:

Pronouncements issued but not yet effective	Effective for annual periods beginning on or after	Early application allowed	Remarks
Amendments to PFRS 1, *Government Loans*	January 1, 2013	Yes	
Amendments to PFRS 7: *Disclosures—Offsetting Financial Assets and Financial Liabilities*	January 1, 2013	Not mentioned	
PFRS 9, *Financial Instruments*	January 1, 2015	Yes	Need to mark IFRIC–9 as "Not applicable" if the entity will early adopt PFRS 9 (2010 version).
PFRS 10, *Consolidated Financial Statements*[3]	January 1, 2013	Yes	Early application allowed provided that

[2] Said amendments to PAS 12 supersede Philippine Interpretation SIC–21, *Income Taxes - Recovery of Revalued Non-Depreciable Assets*.

			the entity will also early adopt PFRS 11, PFRS 12, PAS 27 (Amended) and PAS 28 (Amended) at the same time. Need to mark the existing PAS 27, PAS 28, PAS 31, SIC–12 and SIC–13 as "Not applicable".
PFRS 11, *Joint Arrangements*	January 1, 2013	Yes	Early application allowed provided that the entity will also early adopt PFRS 10, PFRS 12, PAS 27 (Amended) and PAS 28 (Amended) at the same time. Need to mark the existing PAS 27, PAS 28, PAS 31, SIC–12 and SIC–13 as "Not applicable".
PFRS 12, *Disclosure of Interests in Other Entities*	January 1, 2013	Yes	
PFRS 13, *Fair Value Measurement*	January 1, 2013	Yes	
Amendments to PAS 1, *Presentation of Items of Other Comprehensive Income*	July 1, 2012	Yes	
PAS 19, *Employee Benefits* (Revised)	January 1, 2013	Yes	Need to mark existing PAS 19 as "Not applicable" if the entity will early adopt PAS 19 (Revised).
PAS 27, *Separate Financial Statements*	January 1, 2013	Yes	Early application allowed provided that the entity will also early adopt PFRS 10, PFRS 11, PFRS 12, and PAS 28 (Amended) at the same time. Need to mark the existing PAS 27, PAS 28, PAS 31, SIC–12 and SIC–13 as "Not applicable".
PAS 28, *Investments in Associates and Joint Ventures*	January 1, 2013	Yes	Early application allowed provided that the entity will also early adopt PFRS 10, PFRS 11, PFRS 12,

[3] Note that *Investment Entities* (Amendments to PFRS 10, PFRS 12 and PAS 27) was not included here. An entity needs to early adopt PFRS 10 and the other related standards on group accounts before it can early adopt *Investment Entities.* Said amendments will become effective for annual periods beginning on or after January 1, 2014 and were adopted by FRSC on November 27, 2012.

			and PAS 27 (Amended) at the same time. Need to mark the existing PAS 27, PAS 28, PAS 31, SIC–12 and SIC–13 as "Not applicable".
Amendments to PAS 32, *Offsetting Financial Assets and Financial Liabilities*	January 1, 2014	Yes	Early application allowed provided that the entity will also early adopt *Disclosures—Offsetting Financial Assets and Financial Liabilities* (Amendments to PFRS 7).
Philippine Interpretation IFRIC–15, *Agreements for the Construction of Real Estate*	Deferred by SEC and FRSC	No	
Philippine Interpretation IFRIC–20, *Stripping Costs in the Production Phase of a Surface Mine*	January 1, 2013	Yes	
Annual Improvements to PFRSs 2009-2011 Cycle			
PFRS 1 - Repeated application of PFRS 1	January 1, 2013	Yes	
PFRS 1 - Borrowing Costs	January 1, 2013	Yes	
PAS 1 - Clarification of the requirements for comparative information	January 1, 2013	Yes	
PAS 16 - Classification of servicing equipment	January 1, 2013	Yes	
PAS 32 - Tax effect of distribution to holders of equity instruments	January 1, 2013	Yes	
PAS 34 - Interim financial reporting and segment information for total assets and liabilities	January 1, 2013	Yes	

Belle Corporation and Subsidiaries
Index to Supplementary Schedules
Form 17-A, Item 7
As at December 31, 2012

Supplementary Schedules

Belle Corporation and Subsidiaries
Schedule A - Financial Assets
As at December 31, 2012
(Amounts in Thousands)

	Name of Issuing Entity and Association of each use	Amount shown in the Balance Sheet	Income received and accrued
Loans and Receivables			
Cash in banks and cash equivalents	N/A	1,419,561	85,000
Short-term investments	N/A	965	1,298
Trade receivables	N/A	1,153,089	
Other receivables	N/A	199,883	
Advances to associates	N/A	3,737,345	
Advances to related parties	N/A	482,469	
Escrow fund		2,064,450	12,083
		9,057,762	98,381
AFS Investments			
Equity Investments	SM Investment Corporation	21,469	
Equity Investments	Tagaytay Highlands Int'l Golf Club	2,400	
Equity Investments	Highlands Gourmet	2,000	
Equity Investments	The Country Club at Tagaytay Highlands	1,980	
Equity Investments	Costa del Hamilo	757	
Equity Investments	PLDT	13	
		28,619	-
HTM Investments			
Debt investments	SM Investment Corporation	750,000	17,906
Total Financial Assets		9,836,381	116,287

Belle Corporation and Subsidiaries
Schedule B - Amounts of Receivables from Directors, Officers and Employees
As at December 31, 2012
(Amounts in Thousands)

Name and Designation of the Debtor	Balance at the Beginning of the Year	Additions	Amounts Collected	Amounts Provided with Allowance	Amounts Written Off	Current	Not Current	Balance at the end of the period
Employees	-	-	-		-	-	-	-
Officers	2,337	-	(2,337)		-	-	-	-
Directors	11,983	-	-	(688)		-	11,295	11,295
	14,320	-	(2,337)	(688)	-	-	11,295	11,295

Belle Corporation and Subsidiaries
Schedule C. Amounts of Receivables from Related Parties
As at December 31, 2012
(Amounts in Thousands)

Name of Subsidiary	Balance at January 1, 2012	Additions	Amounts Collected	Amounts Provided with Allowance	Reclassification	Current	Not current	Amount Eliminated
Belle Bay Plaza Corporation	543,930			(543,167)		763	-	763
Highland Gardens Corporation	1,200		(1,200)			-	-	-
SLW Development Corp.	23,280	200,402			179,252	402,934	-	402,934
Parallax Resources, Inc.	364,104	102,370				466,474	-	466,474
	932,514	302,772	(1,200)	(543,167)	179,252	870,171	-	870,171

Belle Corporation and Subsidiaries
Schedule D. Intangible Assets
As at December 31, 2012
(Amounts in Thousands)

Description	Beginning Balance	Additions at Cost	Charged to cost and expenses	Charged to other Accounts	Other Changes and Additions	Ending Balance
License - Casino	5,261,186	-	-	-	-	5,261,186

Belle Corporation and Subsidiaries
Schedule E. Long Term Debt
As at December 31, 2012
(Amounts in Thousands)

Title of Issue and Type of Obligation	Amount Authorized by Indenture		Balance at December 31, 2012		Current Portion of Long Term Debt		Non Current Portion of Long Term Debt		Interest Rate	Amount and Number of Periodic Payments			Maturity Date
	(In Original Currency)	(In PhP)	(In Original Currency)	(In PhP)	(In Original Currency)	(In PhP)	(In Original Currency)	(In PhP)		(In Original Currency)	(Approx in PhP)	Periodic Payments	
Foreign Loans:													
USD 22M Floating Rate Notes	$22,012	903,581	$22,012	903,581	-	-	$22,012	903,581	2.53%	$22,012	903,581	lump sum payment	May 2014
Domestic Loans:													
BDO Omnibus Loan	Php5,600,000	5,600,000	Php3,927,000	3,927,000	Php235,620	235,620	Php3,691,380	3,691,380	3.75 - 6.58%	Php187,000 (Average)	187,000	21 quarterly installments	April 13, 2018

Belle Corporation and Subsidiaries
Schedule F. Indebtedness to Related Parties
As at December 31, 2012

Name of Related Parties	Balance at January 1, 2012	Additions	Amounts Paid	Current	Not current	Balance at December 31, 2012
Banco de Oro	1,673,000	2,254,000	-	235,620	3,691,380	3,927,000

Belle Corporation and Subsidiaries
Schedule G. Guarantees of Securities of Other Issuers
As at December 31, 2012
(Amounts in Thousands)

Name of Issuing Entity of Securities Guaranteed by the Company for which this statement is filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which the Statement is Filed	Nature of Guarantee
Not Applicable				

Belle Corporation and Subsidiaries
H. Capital Stocks
As at December 31, 2012

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Subscribed	Number of Shares reserved for stock rights	Number of Shares Held by Related Parties	Number of Shares Held by Directors and Key Executive Officers	Others
Common Stocks	14,000,000,000	10,559,382,799	-	-	5,730,104,897	146,400,054	4,682,877,848
Percentage Held					54.27%	1.39%	44.35%
Preferred Shares	6,000,000,000	1,000,000,000	-	-	-	-	-
Percentage Held							

Belle Corporation and Subsidiaries

Schedule I. Reconciliation of Retained Earnings Available for Dividend Declaration

As at December 31, 2012

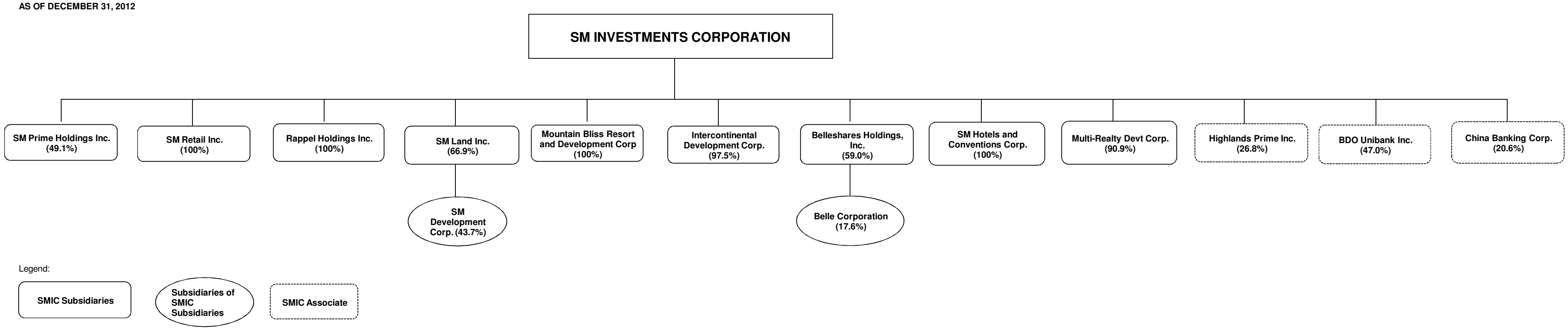
(Amounts in Thousands)

NOT APPLICABLE

Belle Corporation and Subsidiaries
Schedule J. Key Financial Ratios
As at December 31, 2012 and 2011

		2012	2011
Asset-to-equity ratio	Total assets over stockholders equity	1.53 : 1.00	1.41 : 1.00
Current or Liquidity Ratio	Current assets over current liabilties	2.46 : 1.00	3.17 : 1.00
Debt-to-equity ratio	Interest-bearing debt over stockholders equity	0.41 : 1.00	0.29 : 1.00
Net debt-to-equity ratio	Interest-bearing debt less cash and cash equivalents over stockholders equity	0.32 : 1.00	0.12 : 1.00
Interest rate coverage ratio	Earnings Before Interest and Taxes over interest expense	6.57 : 1.00	2.41 : 1.00
Return on assets	Net income over average total assets during the period	2.3%	1.2%
Return on equity	Net income over average equity during the period	3.4%	1.8%

SM INVESTMENTS CORPORATION
CONGLOMERATE MAP
AS OF DECEMBER 31, 2012



Note: % represents effective ownership.

Belle Corporation
Conglomerate Map
As of December 31, 2012
Annex I