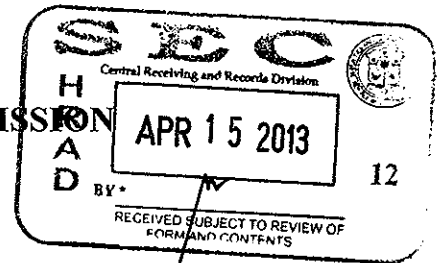


SECURITIES AND EXCHANGE COMMISSION



SEC FORM 17-A

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

- 1. For the fiscal year ended 31 December 2012
- 2. SEC Identification Number PW305
- 3. BIR Tax Identification No. 000-067-618 VAT

- 4. KEPPEL PHILIPPINES PROPERTIES, INC.
Exact name of registrant as specified in its charter
- 5. Philippines
Province, country or other jurisdiction of incorporation or organization
- 6. Industry Classification Code: (SEC Use Only)

Penthouse, Benguet Centre Building, 12 ADB Avenue, Ortigas Center, Mandaluyong City 1550 (business office temporarily moved to Units 2203-2204 Raffles Corporate Center F. Ortigas Jr. Avenue (formerly Emerald Ave.) Ortigas Center, Pasig City)

- 7. Address of registrant's principal office Postal Code
(632) 584-6170 to 71
- 8. Registrant's telephone number, including area code
N/A
- 9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC

<u>Title of each Class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
Common Stock – ₱ 1.00 Par Value	296,629,900 (Inclusive of Treasury Shares)
Debt Outstanding	Nil

11. Are any or all of the securities listed on the Philippine Stock Exchange?

Yes [/] No []

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Securities Regulation Code (SRC) and SRC Rule 17.1 thereunder or Section 11 of the Revised Securities Act (RSA) and RSA Rule 11 (a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports)

Yes [/] No []

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

Yes [/] No []

13. Aggregate market value of the voting stock held by non-affiliates of the registrant:

₱ 104,391,537

DOCUMENTS INCORPORATED BY REFERENCE

14. 2012 Audited Consolidated Financial Statements (incorporated as reference to item 7 of SEC Form 17-A)

KEPPEL PHILIPPINES PROPERTIES, INC.
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PART I- BUSINESS AND GENERAL INFORMATION

1. BUSINESS

The Company

Keppel Philippines Properties, Inc. (the Company or KPP), is a stock corporation organized under the laws of the Philippines. The Company was first incorporated on February 7, 1918 under the name Hoa Hin Co., Inc., then renamed Cebu Shipyard and Engineering Works, Inc. in 1957, and then to its present name Keppel Philippines Properties Inc. in 1998.

The Company currently holds investments in associates involved in property holding and development, and renders property management consultancy services to these associates.

Business

The Company holds investments in associates involved in property holding and development, and renders property management consultancy services to these associates.

Associated companies are engaged in acquisition and development of suitable land sites for residential, office and commercial uses.

i) Residential

Palmdale Heights

Palmdale Heights is a 7.6-hectare residential cum commercial development located in Pasig City. The project was master-planned to comprise 29 residential blocks of 10-storey buildings with about 4,000 condominium units, two commercial centers and parking facilities. It also includes amenities such as a two-storey clubhouse, swimming pools, parks and playgrounds. The project was to be developed over several phases.

Phase 1, comprising three residential blocks with a total of 414 units, was completed in October 2003; while, Phase 2, also comprising three residential blocks with 414 units, was completed in June 2004. As at December 31 2012, 85% (706 units) of the 828 launched units have been sold.

On December 28, 2012, the developer of Palmdale Heights, Buena Homes Sandoval, Inc. (BHSI) entered into a Contract to Sell (CTS) agreement with Phinma Property Holdings Corporation (PPHC) wherein BHSI sold a parcel of land with a total area of 20,009 square meters for a total consideration of ₱100.0 million which will be payable in installments within a period of 24 months. The receivable from the sale was recorded at fair value resulting to unamortized discount of ₱2.2 million at date of the disposal. The fair value of the receivable was obtained by discounting future cash flows using the applicable rates of similar instruments. There was no accretion recorded in 2012.

The disposal of the land resulted to a loss amounting to ₱32.2 million which includes the reversal of the related capitalized management fees and construction cost amounting to ₱13.6 million and ₱7.9 million, respectively.

ii) Office/Retail

The Podium

The Podium is a five-level shopping mall located in the Ortigas central business district. It was opened in December 2001 and houses over 152 specialty stores and restaurants and features two state-of-the-art cinemas. As at December 31, 2012, the mall has 91% occupancy rate.

In April 2011, SMKL entered into a Memorandum of Agreement with its JV partner, Banco de Oro Unibank (BDO), for the assignment of development rights allowing construction for and by BDO of an office tower on top of The Podium in Phase 1. The office tower will house BDO's business units and is estimated to be completed in 5 years. BDO has also purchased from SMKL the entire basement car park in Phase 1.

Subsidiaries

CSRI Investment Corporation ("CSRI") was incorporated in the Philippines and was registered with SEC on October 25, 1990. CSRI, a wholly owned subsidiary of KPP, is a holding company with investments in stocks, shares, securities and other investment instruments similar or related in nature. CSRI's source of income is solely from investment in securities.

Buena Homes, Inc. ("BHI") was incorporated in the Philippines on May 25, 2000. BHI, a wholly owned subsidiary of KPP, is engaged in property holding and development. It is presently developing Palmdale Heights, a residential condominium project in Pasig City through Buena Homes (Sandoval) Inc. ("BHSI"), 40% owned by BHI.

Associates

The Company does not have a direct project being developed. Projects are owned by the Company's associated companies.

Associates	Ownership	Project
SMKL	40%	The Podium Mall
BHSI	40% owned through BHI	Palmdale Heights Residential Condominium

Competition

As a property developer, KPP considers the following property developers as the industry's key players in terms of end products:

	Net Income FY2012 In Php Billions
Ayala Land Inc.	7.59 upto 3 rd qtr 2012
SM Development Corporation	3.27 upto 3 rd qtr 2012
Robinson's Land Corporation	4.24

Competitive pressures are expected to remain as new players have embarked on aggressive

developments.

In the residential sector, BHSI faces stiff competition from other developers who have set their targets on the middle income, a market segment that has also been the focus of BHSI. With its track record as a developer of quality housing projects, BHSI will remain competitive in this sector.

In the retail sector, the market is expected to remain competitive as more developers venture into, or expand in this sector. The Podium has established its presence since its launch in August 2002. With its unique design and spacious ambiance, The Podium has become the preferred meeting place for young professionals and also the venue of choice for gala events.

Transactions With and/or Dependence on Related Parties

In the normal course of business, significant transactions with related and associated companies consist of the following:

- a. On November 10, 2010, the Company exercised its option to redeem 13,600,000 preferred shares held by KLL for a total consideration of ₱278.8 million. This amount was fully remitted at the end of year 2012.
- b. The Company has a Consultancy Agreement with Keppel Land International (KLI) and pays KLI management consultancy fee computed based on agreed rates.
- c. The Company provides management advisory and consultancy services to SMKL and ORDC. Management consultancy fees are computed based on agreed rates.
- d. The Company grants advances to certain associated companies at prevailing market rates.

Need For Any Governmental Approval Of Principal Products Or Services

The Philippine real estate industry is regulated by numerous Government policies and guidelines, commencing from land acquisition and title issuance, development planning, design and construction up to mortgage financing/refinancing to pre-selling.

The Company, through its associated companies, has complied with the application and approval process required by the Government, which are described below:

After the developer has identified and finalized the project development plan, an application is made for a development permit. The developer is required to submit as part of each application for a development permit an Environmental Impact Statement (EIS) prepared by a qualified environmental consultant. Where a project or property is classified as "environmentally critical" the developer is required to obtain an Environmental Compliance Certificate (ECC) issued by the Department of Environment and Natural Resources (DENR). As a requirement for the issuance of ECC, an Environmental Geological and Geohazard Assessment Report (EGGAR) should be submitted.

After a development permit is obtained, an application is made for a license to sell the individual subdivision units from Housing and Land Use Regulatory Board. Approval may also be required from the Land Management Bureau (for industrial used land) or the Land Registration Authority (for residential used land) for the relevant subdivision plan.

The Company, through its associated companies, has complied with all applicable Philippine governmental and environmental laws and regulations.

Employees

The Company had 10 employees as at December 31, 2012. No significant hiring or recruitment is expected in 2013.

	No. of Employees
Senior Management	1
Human Resources and Administration	6
Finance and Accounting	3
Total	10

Major Risk Factors

The Company, through its associated companies, is engaged in real estate development. Property values in the Philippines are affected by the general supply and demand of real estate. The supply and demand is in turn affected by economic, political and industry factors.

Economic: Results of operations is influenced by the general condition of the Philippine and global economy. Any economic contraction, failure to register improved economic performance, may adversely affect the Company's operations.

Political: The Company's business is also influenced by the political situation in the country. Any political instability in the future could have a material adverse effect in the Company's business.

Industry: The Philippine real estate industry is cyclical and is sensitive to changes in general economic conditions in the Philippines. Property values in the Philippines are affected by the general supply and demand of real estate.

To manage these risks, BHSI and SMKL obtains updates on markets/prices and current economic and political developments. An assessment is then made of the financial viability of proposed projects in the light of current economic, political and industry indicators.

Projects Under Development

The Company does not have any project under development. Completed projects are owned by the Company's associated companies.

	<u>Percentage Completed</u>	
	<u>2012</u>	<u>2011</u>
BHSI – Palmdale Heights Phases 1 & 2	100%	100%
SMKL – The Podium Mall - Phase 1	100%	100%

2. PROPERTIES

As at 31 December 2012, the Company's investments in real estate properties are as follows:

Type Of Property	Location	Description	Remarks
a. Land & Buildings	ADB Avenue, Ortigas Center, Mandaluyong City	2-hectare site on which contains The Podium Mall	40% owned by the Company through its associate, SMKL. Not mortgaged
b. Land	Sandoval Avenue, Pasig City.	Land consisting of five (5) contiguous lots containing an aggregate of 60,282 sq. m, the undeveloped site of Palmdale Heights	40% owned by the Company through its associate, BHSL. Not mortgaged.

3. LEGAL PROCEEDINGS

As of December 31, 2012, the Company is a party to certain lawsuits or claims arising from the ordinary course of business. The Company management and legal counsels believe that the eventual liabilities under this lawsuits or claims, if any, will not have a material effect on the financial statements.

4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no other matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS' MATTERS

The common equity of the Company is traded in the Philippine Stock Exchange. The Company has no restriction for any cash dividends declared that limit the ability to pay on common equity or that are likely to do so in the future. However, no cash dividends were declared from 2003 to 2010.

STOCK PRICES	2013		2012		2011	
	High	Low	High	Low	High	Low
First Quarter	₱ 3.50	₱ 2.25	₱ 3.60	₱ 1.60	₱ 2.15	₱ 1.64
Second Quarter			2.30	1.78	1.95	1.72
Third Quarter			2.60	1.94	1.82	1.72
Fourth Quarter			2.60	2.12	1.88	1.50

The Company has no plans of acquisition, business combination, or other reorganization that will take effect in the near future that involves issuances of securities.

There were no recent sales of unregistered or exempt securities.

The Company's common shares were last traded on March 21, 2013 (the latest practicable trading date) at ₱3.00 per share.

As of December 31 2012, the number of shareholders on record was 1,270 and common shares outstanding were 293,828,900. Following is the table of the Company's top 20 stockholders as of December 31, 2012:

	Name	No. of Shares Held	% to Total
1.	Keppel Land Limited	148,365,050	50.49
2.	Kepwealth, Inc	51,033,178	17.37
3.	Keppel Corporation Limited	35,783,741	12.18
4.	PCD Nominee Corporation - Filipino	28,470,098	9.69
5.	PCD Nominee Corporation - Foreign	5,391,316	1.83
6.	International Container Terminal Services Inc.	4,265,171	1.45
7.	George S. Dee, Jr.	3,442,891	1.17
8.	PNOC Shipping and Transport Corporation	2,227,511	0.76
9.	Visayan Surety & Insurance Corporation	1,671,664	0.57
10.	Lee Foo Tuck	1,455,708	0.50
11.	S. Martina L. Go	1,100,000	0.37
12.	Sulpicio Lines, Inc.	694,719	0.24
13.	Augusto Go	410,423	0.14
14.	Negros Navigation Company, Inc.	357,777	0.12
15.	Eduardo Go Hayco	269,277	0.09
16.	Ho Tong Hardware, Inc.	248,018	0.08
17.	Adrienne Gotian Chu	236,795	0.08
18.	Mary Margaret G. Dee	236,788	0.08
19.	Tessa L. Navera	225,005	0.08
20.	Diosdado Rafanan and/or Antonio	181,453	0.06

6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

A. Results of Operations

The Company holds investments in associates involved in property holding and development. It derives its revenue from rendering management consultancy services to associates and from charging interest on certain advances to SM Keppel Land, Inc. (SMKL), a jointly controlled entity.

Year Ended 31 December 2012 Compared To Same Period In 2011

The Company generated total gross revenues of ₱45.8 million, or a net decrease of ₱181.3 million or 80% from ₱227.1 million total gross revenues for year 2011. The net decrease in revenues was attributable to the following:

- Equity in net earnings of associates amounted to ₱25.1 million, or a net decrease of ₱182.1 or 88%, compared with ₱207.2 million in 2011.

The decrease is due to an absence of a one-time gain booked in 2011 by SMKL which recorded a gain from sale of the entire basement carpark area and assignment of development rights in Phase 1. Excluding this one-time transaction, the Company's equity in net earning of SMKL derived from commercial space rental posted a ₱4.4 million increase as compared to last year.

BHSI recorded a loss, accounted for a decrease in equity in net earnings of ₱32.2 million due to BHSI disposal of the land and write-off of capitalized construction cost.

- Management, consultancy and franchise fees increased by ₱1.9 million or 27% from ₱7.0 million in year 2011 to ₱8.9 million.
- Interest income decreased to ₱11.9 million from ₱12.9 million in 2011 due to the collection of loans and advances to associates and a lower level of money market placements due to repatriation of the proceeds relating to the redemption of preferred shares.

	2012	2011	Decrease	
Interest Income	In Million Php			
On Loans	1.2	2.0	(0.8)	-40%
Bank	10.7	10.9	(0.2)	-2%
	11.9	12.9	(1.0)	-8%

General and administrative expenses went up by ₱2.3 million or 11% due to increases in salaries, management consultancy fee, professional fees, rental, taxes & licenses and write off of bad debts.

Other income (charges) comprise of:

- Other income pertains to commission income and rental income.
- Foreign exchange loss in 2012 arose from realized transactions denominated in Singapore Dollars (SGD). The SGD strengthened against the Peso on the dates the payables to KLI were settled.

Net income for the year amounted to ₱19.6 million, or a decrease of ₱183.8 million compared with 2011.

Year Ended 31 December 2011 Compared To Same Period In 2010

Consolidated revenues for 2011 amounted to ₱227.1 million. This is an increase of ₱194.5 million or 597% compared with 2010. The increase in revenues was attributable to the following:

- Equity in net earnings of associates amounted to ₱207.2 million in 2011, compared with ₱11.7 million in 2010. The increase of ₱195.5 million is due to higher earnings at SMKL, arising from sale of the entire basement carpark in Phase 1 and the assignment of development rights over the existing 5-storey Podium Mall.
- Interest income decreased to ₱12.9 million from ₱13.9 million in 2010 due to a lower level of money market placements.

Interest Income	2011	2010	Decrease	
Php Million				
On loans	2.0	2.2	(0.2)	-9%
Banks	10.9	11.7	(0.8)	-7%
	12.9	13.9	(1.0)	-7%

General and administrative expenses increased by ₱1.0 million primarily due to increases in salaries, management consultancy fee, rental and depreciation.

Other income (charges) comprise of:

- Gain on sale of property and equipment of ₱0.2 million which resulted from the disposal of a transportation equipment; and,
- Foreign exchange gain in 2011 arose from realized transactions denominated in Singapore Dollars (SGD). The Peso strengthened against the SGD on dates the transactions were paid.

Net income for the year amounted to ₱203.4 million, an increase of ₱193.2 million compared with 2010.

Year Ended 31 December 2010 Compared To Same Period In 2009

Consolidated revenues for 2010 amounted to ₱32.6 million. This is a decrease of 36% compared with 2009. The decrease in revenues was attributable to the following:

- Equity in net earnings of associates amounted to ₱11.7 million in 2010, compared with ₱25.1 million in 2009. The decrease of 53% is due to lower profits at BHSI and SMKL.
- Interest income decreased to ₱13.9 million from ₱18.3 million in 2009 due to lower average interest rates (2010: 3.5% 2009: 4%) and a lower level of money market placements.

Interest Income	2010	2009	Decrease	
Php Million				
On loans	2.2	2.5	(0.3)	-12%
Banks	11.7	15.8	(4.1)	-26%
	13.9	18.3	(4.4)	-24%

General and administrative expenses remained almost the same as 2009.

Other income (charges) comprise of:

- Gain on sale of available-for-sale financial assets: quoted securities were sold at a gain of ₱0.5 million.
- Foreign exchange loss was caused by appreciation of the Peso against the Singapore Dollar (SGD).

Net income for the year amounted to ₱10.2 million, or a decrease of 63% as compared to that in 2009.

KEY PERFORMANCE INDICATORS

For The Years Ended	December 2012	December 2011	% Change
Return On Assets	1.03%	11.93%	-91%
Earnings Per Share	₱0.07	₱0.69	-89%
Operating Expense Ratio	50.9%	9.23%	451%
Net Tangible Asset Value Per Share	₱3.53	₱3.46	2%
Working Capital Ratio	3:1	2:1	50%

- a. Return On Assets – The Company gauges its performance by determining the return on assets (net income after tax over total assets at beginning). It indicates how effectively the assets of the Company are utilized in generating profit. Net income after taxation decreased to ₱19.6 million from ₱203.4 million due primarily to a significant drop in equity in net earnings of associates.

	<u>2012</u>	<u>2011</u>
Net Income After Tax (a)	₱ 19,630,518	₱ 203,443,482
Total Assets At Beginning (b)	₱ 1,895,972,368	₱ 1,704,906,412
Return On Assets (a/b)	1.03%	11.93%

- b. Earnings Per Share – It shows the income earned from each share of common stock outstanding. The EPS in 2012 was lower by 89% compared to last year due mainly to the decrease in income after tax.

	<u>2012</u>	<u>2011</u>
Net Income After Tax (a)	₱ 19,630,518	₱ 203,443,482
Number of Common Stock (b)	293,828,900	293,828,900
Earnings Per Share (a/b)	₱ 0.07	₱ 0.69

- c. Operating Expense Ratio – It measures operating expenses as a percentage of revenues. The operating expense ratio increased by four times due to the 80% decrease in revenues coupled with an 11% increase in operating expenses.

	<u>2012</u>	<u>2011</u>
Operating Expenses (a)	₱ 23,319,332	₱ 20,969,859
Revenues (b)	₱ 45,822,815	₱ 227,112,073

Operating Expense Ratio (a/b)	50.9%	9.23%
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- d. Net Tangible Asset Value Per Share – It shows the tangible value of each share of common stock outstanding. The tangible value per share increased by 2% compared to the previous year due to the significant increase in retained earnings.

Note: Net Tangible Assets include ₱594.7 million subscription proceeds for Preferred Stock. As these Preferred Stocks are redeemable, the subscription proceeds have been excluded from Net Tangible Assets in the computation of Net Tangible Asset Per Share.

	<u>2012</u>	<u>2011</u>
Net Tangible Assets	₱ 1,630,803,914	₱ 1,611,173,396
Less : Preferred Stock	₱ (594,741,000)	₱ (594,741,000)
Net Tangible Assets Attributable To Common Stock	----- ₱ 1,036,062,914 -----	----- ₱ 1,016,432,396 -----
Number of Common Stock	293,828,900	293,828,900
Net Tangible Asset Value Per Share	₱3.53	₱3.46

- e. Working Capital Ratio – The Company’s ability to meet obligations is measured by determining current assets over current obligations. The Working Capital ratio increased by 50%.

	<u>2012</u>	<u>2011</u>
Current Assets (a)	₱ 365,730,024	₱ 548,669,044
Current Liabilities (b)	₱ 105,910,665	₱ 284,798,972
Working Capital Ratio (a/b)	3:1	2:1

B. Financial Position

Year Ended 31 December 2012 Compared To Same Period In 2011

Total assets decreased by ₱159 million to ₱1,737 million in 2012 as compared with last year’s figure of ₱1,896 million.

The causes of material changes in financial position from period to period are as follows:

- i. Cash and cash equivalents decreased to ₱ 164.6 million from ₱307.4 million in the previous year mainly due to the payment for the redemption of preferred shares amounting to ₱278.8 million, partially offset by the collection of loans and advances from associates. Net cash used in operating activities amounted to ₱6.2 million.
- ii. Investments in associates decreased by ₱54.2 million to ₱1,290.8 million from ₱1,345 million last year due to ₱79.3 million reclassification of preferred shares investment into available-for-sale financial asset, partially offset by the equity in net earnings of associates which amounted to ₱25.1 million for the current year.
- iii. Property and equipment net decreased by ₱0.9 million due to depreciation charges.

iv. Due to related parties decreased by ₱178.8 million primarily due to repatriation of the proceeds relating to the redemption of the preferred shares.

Year Ended 31 December 2011 Compared To Same Period In 2010

Total assets increased by ₱191 million to ₱1,896 million in 2011 as compared with last year's figure of ₱1,705 million.

The causes of material changes in financial position from period to period are as follows:

- i. Cash and cash equivalents decreased to ₱ 307.4 million from ₱325.7 million in the previous year due primarily to repayment of inter-company advances to KLL/KLIL amounting to ₱10.6 million. Net cash used in operating activities amounted to ₱7.9 million.
- ii. Investments in associates increased to ₱1,345.0 million from ₱1,137.8 million last year due mainly to equity in net earnings of associates which amounted to ₱207.2 million for the current year.
- iii. Property and equipment net decreased by ₱0.7 million due to depreciation charges.
- iv. Accounts payable and other current liabilities decreased by ₱1.5 million due to payment of taxes and accounts payable.
- v. Due to related parties decreased by ₱10.6 million due to repayment of advances to KLL.

Year Ended 31 December 2010 Compared To Same Period In 2009

Total assets decreased by ₱49 million to ₱1,705 million in 2010 as compared with last year's figure of ₱1,754 million.

The causes of material changes in financial position from period to period are as follows:

- i. Cash and cash equivalents decreased to ₱ 325.7 million from ₱385.9 million in the previous year due primarily to repayment of inter-company advances to KLL/KLIL amounting to ₱59.5 million. Net cash provided by operating activities amounted to ₱1.4 million.
- ii. Other current assets increased by ₱2.4 million due primarily to an increase in creditable withholding tax and prepaid rentals for the office premises.
- iii. Investments in associates increased to ₱1,137.8 million from ₱1,126.1 million last year due mainly to equity in net earnings of associates which amounted to ₱11.7 million in the current year.
- iv. Property and equipment net increased by ₱1.7 million due to furniture and fixtures acquired during the year.
- v. Accounts payable and other current liabilities increased by ₱0.4 million due to accruals of taxes and licenses.
- vi. Due to related parties increased by ₱219.3 million resulting from the net effect of repayment of advances to KLL/KLIL of ₱59.5 million and an accrued liability of ₱278.8 million for redemption of Redeemable Preferred Shares.

7. TRENDS, EVENTS OR UNCERTAINTIES THAT HAVE HAD OR THAT ARE REASONABLY EXPECTED TO AFFECT REVENUES OR INCOME

- a) As at 31 December 2012,
- o There are no known material commitments for capital expenditures.
 - o There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net revenues or income from continuing operations.
 - o There are no significant elements of income or loss that did not arise from the Company's continuing operations.
 - o There are no seasonal aspects that had a material impact on the results of operations of the Company.
- b) There are no events nor any default or acceleration of an obligation that will trigger direct or contingent financial obligation that is material to the Company.
- c) There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entries or other persons created during the reporting period.
- d) The Group is a party to certain lawsuits or claims arising from the ordinary course of business. The Group management and legal counsels believe that the eventual liabilities under these lawsuits or claims, if any, will not have material effect on the financial statements.
- e) The Philippine real estate industry is cyclical and is sensitive to changes in general economic conditions. Property values in the Philippines are affected by the general supply and demand of real estate.

8. INFORMATION ON EXTERNAL AUDITORS

Fees Paid to Independent Accountant is made up of audit and audit related fees only. There were no other fees paid.

	<u>2012</u>	<u>2011</u>
Audit and Audit Related Fees	₱ 474,500	₱ 444,800

The Audit Committee's approval policies and procedures included assessing the proposed scope of audit work to be conducted, evaluating if there are material audit issues to be resolved, and then determining whether the fee charged is commensurate with the work carried out.

9. FINANCIAL STATEMENTS

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules (page 27) are filed as part of this Form 17-A (pages 28 to 70).

10. CHANGES IN AND DISAGREEMENTS WITH EXTERNAL AUDITORS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no changes in and/or disagreements with the Company's external auditors on accounting and financial disclosures.

PART III- CONTROL AND COMPENSATION INFORMATION

11. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Board of Directors

(1) Linson Lim Soon Kooi, 51

Mr. Linson Lim Soon Kooi, 51, Malaysian, has been a Director of the Company since 13 November 2006. He was President of the Company from June 2009 to June 2011, when he was appointed as Chairman of the Board of directors.

Mr. Lim joined Keppel Land International Limited in 1995 and is currently its President (Vietnam & Philippines). He is concurrently the Chief Representative of Keppel Land Vietnam Properties, Director of a number of other subsidiaries and associated companies of KLL. Mr. Lim holds a Bachelor of Engineering Degree from Monash University, Australia and is a member of the Institute of Engineers Malaysia.

(2) Choo Chin Teck, 68

Mr Choo Chin Teck, 68, Singaporean, has been a Director of the Company since November 1999. He is the Director of Corporate Services of Keppel Land International Limited and Company Secretary of KLL. He held various senior positions in the Keppel Land Group, and is presently also a Director of Keppel Thai Properties Public Co Limited, and a number of other subsidiaries and associated companies of KLL.

(3) Ramon J. Abejuela, 64

Mr. Ramon J. Abejuela¹, 64 years old, Filipino, has been a director of the Company since November 1999. He is currently the Chairman of the Audit Committee of the Company. Mr. Abejuela holds a Degree in Bachelor of Science in Chemical Engineering (Cum Laude) from De La Salle University and Master's Degree in Business Management-General Management Curriculum from Asian Institute of Management. He served as a Director of Insular Savings & Trust Co. (1997-2002), Insular Life Health Care, Inc. (1997-2002), Home Credit Bldg. & Loan Asso. (1997-2002), Insular General Insurance Co. (1997-2003), Insular Investment & Trust Corp. (1997-2002), Pilipinas Shell Petroleum Corp. (1997-2002), Asian Hospital, Inc. (1998-2003), Subic Shipyard (1997-2002), Keppel Philippines Holdings, Inc. (1997-2002), Keppel Philippines Marine, Inc. (1997-2002), Keppel Philippines Properties, Inc. (1999-2008; 2009-present), Keppel Bank, Philippines (2004-2005), E. Zobel, Inc. (2005-2007), United Graphic Expression Corp. (2005-2007), Philippine Nutrifoods Corp. (1997-Present), NCP Publishing Corp. (1997-present). He was also connected with E. Zobel, Inc. as Executive Vice-President & CFO (January 2005-September 2007); Asian Hospital & Medical Center as CEO (September 2002-Jan 2003); The Insular Life Assurance Co. as Consultant (July 2002-July 2003); The Insular Life Assurance Co as Executive Vice-President and COO (July 1998-July 2002); The Insular Life Assurance Co. as Executive Vice-President and CFO (October 1996-June 1998); The Insular Life Assurance Co. as Consultant for

Finance & Investment (November 1994-September 1996); Pan Asian Managers Ltd. as Managing Director (Hong Kong Based) (August 1986-June 1993); Ayala Int'l (HK) Co. Ltd. as Executive Director-Group Controller and CFO (Hong Kong Based) (September 1981-July 1986); Ayala Corporation (July 1974-August 1981); Filipinas Life Assurance Co. as Asst. Manager-Corporate Planning (June 1972-June 1974); Elizalde & Co as Summer Trainee-Corporate Planning (Summer 1971); and Philippine Refining Co. as Summer Trainee-Process Dev. (Summer 1969).

(4) Celso P. Vivas, 66

Mr. Celso P. Vivas¹, 66, Filipino, has been an Independent Director of Keppel Philippines Properties Inc. since 2004 and is a member of the Company's Audit Committee. Mr. Vivas is a Certified Public Accountant and is currently Vice-Chairman and CEO of the Corporate Governance Institute of the Philippines. He is the Vice Chairman of Corporate Holdings Management, Inc. and Acacia Hotel Manila. He is a member of Marubeni Foundation's Board of Trustees and Canadian Chamber of Commerce's Board of Governors. He is also an Independent Director and Chairman of the Audit Committee of Keppel Philippines Marine, Inc. and Independent Director of Keppel Philippines Holdings since June 2005 and is currently the Chairman of the Audit Committee of the Company. He was Risk Consulting Partner and Assurance Business Advisory Partner of SGV & Company until his retirement in 2001. Mr. Vivas obtained his Bachelor's Degree in Business Administration (Cum Laude) from the University of the East. He also obtained a Master's Degree in Business Management from the Asian Institute of Management (SGV & Co. Scholar). He is also a graduate of Company Directors' Course from Australian Institute of Company Directors (ICD Scholar). Mr. Vivas has accumulated 45 years of experience in audit, finance, enterprise risk management and corporate governance.

(5) Stefan Tong Wai Mun, 40

Mr. Stefan Tong Wai Mun, 40, Malaysian, was elected as a Director of the Company on 14 June 2007. Mr. Tong holds a Bachelor of Commerce (Honours) from University of Western Australia. He is also a Member of the Institute of Chartered Accountants in Australia. Mr. Tong was Vice President – Comptroller of Keppel Bank Philippines, Inc. from May 2000 to February 2006. He was Vice President – Administration and Treasurer of Keppel Philippines Holdings, Inc. (KPH) from March 2006 to June 2007, when he was appointed President and Director of KPH. He is also Director and Executive Vice President of Keppel Philippines Marine, Inc., and a Director of several associate companies of Keppel Corporation Limited.

(6) Mr. Lee Foo Tuck, 57

Mr. Lee Foo Tuck, 57, Singaporean, was elected as a Director of the Company on 13 May 2008. He had been Vice President (Finance and Administration) and Treasurer of the Company from April 2004 to June 2008. He was Senior Vice President of the Company from July 2008 to June 2011, when he was appointed as President of the Company.

Mr. Lee is a Certified Accountant and is a Fellow of the Association of Chartered Certified Accountants (U.K.). He has more than thirty years of experience in accounting and finance. He has held various managerial positions in several companies prior to joining the Company.

(7) Lim Kei Hin, 55

Mr. Lim Kei Hin, 55, Singaporean, was elected a Director of the Company on 9 June 2011. Mr. Lim joined the Keppel Land Group as Chief Financial Officer on 9 July 2007. Prior to joining the Keppel Land Group, he was with Singapore Airlines Limited and has more than 20 years of diverse experience having served in different financial and general management roles in Singapore, the Philippines, Australia and the United States. His last appointment was Chief Financial Officer of

Singapore Airport Terminal Services Limited.

Mr. Lim holds a Bachelor of Science (Economics) Degree in Accounting & Finance (Honours) from London School of Economics & Political Science, UK. He is a Director of a number of subsidiaries and associated companies of the Keppel Land Group.

[†]Independent Director

Key Officers

Mr. Lee Foo Tuck, 57, Singaporean, was appointed President on 09 June 2011. He has been with the Company since April 2004. He held the position of Vice President (Finance and Administration) and Treasurer from April 2004 to June 2008, when he was appointed Senior Vice President of the Company. Mr. Lee is a Certified Accountant and is a Fellow of the Association of Chartered Certified Accountants (U.K.). He has more than thirty years of experience in accounting and finance. He has held various managerial positions in several companies prior to joining the Company.

Almira A. Añonuevo, 38, Filipino, was appointed Treasurer of the Company on 14 June 2012. She joined the Company on 25 July 2011 as Manager, Finance & Accounting. She is a Certified Public Accountant and has received various International Standard Certifications for her competencies in Understanding the Requirements of Quality Management Systems, Management Systems Auditing Techniques and Leading Management Systems Audit. She started her professional accounting stint as an Experienced Auditor at SGV & Co., while in the Keppel Group, as Finance Manager for Keppel Communications Philippines, Inc. She has also served as Consultant and Audit Manager to various local and multinational companies, namely; Schutzengel Telecoms, Trisilco Folec Philippines, Inc. and Eagle Broadcasting Corporation.

Atty. Ma. Melva E. Valdez, 53, Filipino, has been the Corporate Secretary of the Company since 1999. She also served as Director of the Company from 24 June 2008 to 11 June 2009. She was elected director of Keppel Philippines Holdings (KPH) in 2001. Atty. Valdez is also the Corporate Secretary of KPH since 1998. She is a Senior Partner and Chairman of the law firm of Jimenez Gonzales Bello Valdez Caluya & Fernandez (JGLaw). She is also the Corporate Secretary of Keppel Philippines Marine, Inc. (KPMI), Mabuhay Vinyl Corporation (listed corporations), Subic Shipyard & Engineering Works, Inc. and Asian Institute of Management. She is also a member of the Board of Directors of Leighton Contractors (Philippines), Inc., Servier Philippines, Inc., Buena Homes (Sandoval), Inc. and Asia Contractors Holdings, Inc. She holds directorship positions in the following companies: Logwin Air + Ocean Philippines, Inc., KPSI Property, Inc., Opon Realty & Development Corp., Opon-Ke Properties, Inc., KP Capital, Inc., Bridex Electric Philippines, Inc., Asia Control Systems Philippines, Inc., Kepwealth Property Philippines, Inc., Trisilco Folec Philippines, Inc. and Norfolk International, Inc. Atty. Valdez graduated from the University of the Philippines with a Bachelor of Arts Degree in Political Science and a Bachelor's Degree in Law. She has 23 years of working experience in her field of profession as a lawyer.

Atty. Myla Gloria A. Amboy, 42, Filipino, was elected as the Company's Assistant Corporate Secretary on 31 March 2007. She is a Senior Associate of the law firm of Jimenez Gonzales Liwanag Bello Valdez Caluya & Fernandez (JG Law). She is also the Assistant Corporate Secretary of SM Keppel Land, Inc., CSRI Investment Corporation, and Opon Ventures Inc. and the Corporate Secretary of Opon Realty Development Corporation, Opon-KE Properties, Inc. and Servier International Philippines, Inc.

The members of the Board of Directors of the Company are elected at the Annual Stockholders' Meeting to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified.

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

As stated in this report, the business experience of the Company's directors and officers covers the past five years.

Significant Employees

No other employees other than the officers mentioned above, are expected to make significant contributions to the business.

Directorships in Other Reporting Companies

The following are directorships held by Directors in other reporting companies:

Celso P. Vivas

Name of Corporation	Position
Keppel Philippines Holdings, Inc.	Independent Director
Keppel Philippines Marine, Inc.....	Independent Director

Stefan Tong Wai Mun

Name of Corporation	Position
Keppel Philippines Holdings, Inc.	Director and President
Keppel Philippines Marine, Inc.....	Director and Executive Vice President

Family Relationship

There are no family relationship among the directors and officers listed above.

Legal Proceedings

The Company is not aware of any of the following events having occurred during the past five years up to the date of this report that are material to an evaluation of the ability or integrity of any director, nominee for election as Director, executive officer, underwriter or control person of the Company:

- (a) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- (b) any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- (c) being subject to 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 his involvement in any type of business, securities, commodities or banking activities; and

- (d) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

12. EXECUTIVE COMPENSATION

The Company has three (3) executive officers as of December 31, 2012.

Name	Principal Position
Lee Foo Tuck	President
Almira A. Anofuevo	Manager – Finance & Administration
Elizabeth M. Perez	Asst. Manager-Finance & Administration

The aggregate annual compensation (including salary and benefits) paid to the executive officers is summarized in the table below:

A	Top three executive officers as a group unnamed	Salary	Bonus	Others	Total
		In Php Millions			
	2013 (Estimate)	3.24	0.01	0.20	3.45
	2012	3.24	0.01	0.20	3.45
	2011	3.14	0.01	0.35	3.50

B	Other officers and directors as a group unnamed	Salary	Bonus	Others	Total
		In Php Millions			
	2013 (Estimate)	2.20	0.20	0.60	3.00
	2012	2.20	0.20	0.60	3.00
	2011	1.90	0.42	0.74	3.06

Executive Officers do not receive any other form of remuneration aside from the above compensation. There are no arrangements and/or employment contracts between the Company and executive officers providing for any compensatory plan or arrangement for payment upon resignation, retirement, termination or cessation of employment.

With respect to directors' remuneration, the directors are being paid directors' fees amounting to ₱60,000 each per annum. Each director also receives an amount of ₱7,000 per diem for attendance at every Board Meeting.

There are no other arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, during the last completed fiscal year and the ensuing year.

13. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Security Ownership of certain Record and Beneficial Owners:

As of December 31, 2012, the Company has no knowledge of any individual or any party who beneficially owns Keppel Philippines Properties, Inc. stock in excess of 5% of the Company's common stock except as set forth in the table below:

Title of Class	Name and Address of Record Owner and relationship with The Company	Name of Beneficial Owner and relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common Shares of Stock	Keppel Land Limited ¹ 230 Victoria Street, #15-05 Bugis Junction Towers, Singapore 188024 (Stockholder)	Same as Record Owner	Singaporean	148,365,050	50.49%
Common Shares of Stock	Kepwealth, Inc. ² Unit 3-B Country Space I Bldg, Sen. Gil Puyat Avenue, Makati City (Stockholder)	Same as Record Owner	Filipino	51,033,178	17.37%
Common Shares of Stock	Keppel Corporation Limited ³ 1 HarbourFront Avenue #18-01 Keppel Bay Tower, Singapore 098632 (Stockholder)	Same as Record Owner	Singaporean	35,783,741	12.18%
Common Shares of Stock	PCD Nominee Corp. – Filipino ⁴ G/F Makati Stock Exchange Building 6767 Ayala Avenue Makati City	Various ⁵	Filipino	28,470,098	9.69%

1 Mr. Linson Lim Soon Kooi; is authorized as proxy to vote for the shareholdings of Keppel Land Limited.

2 Mr. Stefan Tong Wai Mun, or in his absence, the Chairman of the meeting is duly authorized as proxy to vote in the shares of Kepwealth in the Company.

3 Mr. Stefan Tong Wai Mun, or in his absence, the Chairman of the meeting is duly authorized as proxy to vote for the shareholdings of KCL in the Company.

4 PCD Nominee Corporation (PCNC) is a wholly owned subsidiary of the Philippine Central Depository, a corporation established to improve operations in securities transactions and to provide a fast, safe and highly efficient system for securities settlement in the Philippines. PCNC acts as trustee-nominee for all shares lodged in the PCD system, where trades effected on the Philippine Stock Exchange are finally settled with the PCD.

However, while PCNC is the actual shareholder in the said company, shares held by PCNC do not grant voting powers to it as beneficial ownership of the shares still remain with the lodging stockholder. By policy, PCNC does not vote the shares it was entrusted with in its name.

5 The Insular Life Assurance Company, Ltd. is the beneficial owner of the following shares of the Company as of December 31, 2012:

	<u>No. of shares held</u>	<u>% of class</u>
The Insular Life Assurance Company, Ltd.	18,496,016	6.29%

(b) Security Ownership of Management:

As of December 31, 2012, the shareholdings of all Directors of Keppel Philippines Properties, Inc. are set forth in the table below:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common Shares of Stock	Lim Kei Hin	1 Director's Qualifying Share	Singaporean	0.00%
Common Shares of Stock	Choo Chin Teck	1 Director's Qualifying Share	Singaporean	0.00%
Common Shares of Stock	Ramon J. Abejuela	1 Director's Qualifying Share	Filipino	0.00%
Common Shares of Stock	Celso P. Vivas	1 Director's Qualifying Share	Filipino	0.00%
Common Shares of Stock	Linson Lim Soon Kooi	1 Director's Qualifying Share	Malaysian	0.00%
Common Shares of Stock	Stefan Tong Wai Mun	10,000	Malaysian	0.00%
Common Shares of Stock	Lee Foo Tuck	1,455,708	Singaporean	0.50%

None of the compensated executive officers have Security Ownership in the Company as shown in the list of shareholders purchases provided by the Company's transfer agent.

The total security ownership of all directors and officers as a group unnamed is 1,465,713 shares or 0.50% of total shares outstanding.

(c) Voting Trust Holders of 5% or more

As of December 31, 2012, there are no individuals or parties who hold 5% or more of the Company's common stock under a voting trust or similar agreement.

(d) Changes in control

There were no events or arrangements which may result in a change in control of the Company.

14. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During the fiscal year, no director of the Company has received or become entitled to receive any benefit by reason of any contract with the company, a related corporation, a firm of which the director is a member or a company of which a director has a substantial financial interest.

No executive officer or stockholder holding at least 5% interest in the Company received any benefit by reason of the Company's contracts/dealings with any subsidiary, related corporation, or firm of which such persons have a direct or material interest.

PART IV – CORPORATE GOVERNANCE

1. CORPORATE GOVERNANCE

The company complies with the principles and practices of good corporate governance by adherence to its Amended Manual on Corporate Governance (“the Amended Manual”).

The Corporation has a Compliance Officer who diligently performs the duties and responsibilities under the Amended Manual, by reporting to Directors and Officers the pertinent requirements on corporate governance from time to time, and monitoring the compliance of such requirements. The Amended Manual is updated by incorporating new and improved governance and management practices, obtained through attendance at corporate governance seminars conducted by institutions accredited by SEC. The appointment/designation of the Compliance Officer has been immediately disclosed to the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE).

The Board of Directors (“The Board”) has continued to observe the Corporation’s corporate missions and visions to ensure the long-term success of the Corporation and its continued competitiveness in the industry.

The Compliance Officer ensures that the Board of Directors, its officers and employees comply with all the leading practices and principles on good corporate governance as embodied in the Company’s Amended Manual. The Company also complies with the appropriate self-rating assessment and performance evaluation system to determine and measure compliance with the Amended Manual.

The Company has created committees required under the Amended Manual, namely, Audit Committee, Nominations/Screening Committee, and Compensation/Remuneration Committee. The creation of said committees and the corresponding members thereof have been immediately disclosed to the SEC and the PSE. Each committee aforementioned performed their functions and responsibilities set forth in the Amended Manual.

The Audit Committee meets regularly to review all financial reports to comply with relevant accounting and regulatory standards, and performs oversight of financial management functions. As required by the Rules, two (2) independent directors are members of the Audit Committee, with one (1) independent director serving as head of said Committee.

The Nomination/Screening Committee complied with the provisions of the Corporation’s Amended Manual of Corporate Governance on the pre-screening of all candidates nominated to become a member of the Board of Directors. The qualifications of director mentioned in the Amended Manual have also been strictly followed.

All of the directors of the Corporation have attended and actively participated in Corporate Governance Seminars.

The Corporate Secretary of the Corporation has submitted to the SEC and PSE a Certification on Extent of Compliance with the Manual of Corporate Governance 2012 on 28 December 2012, and a Certification on the Attendance of Directors in Board Meetings of the Corporation for the year 2012 on 28 December 2012.

Pursuant to PSE Memorandum CN No. 2011-0024 dated 16 December 2011, the Company participated in the PSE Corporate Governance Survey for Listed Companies and submitted the same on 27 March 2012.

PART V- EXHIBITS AND SCHEDULES

16. EXHIBITS AND REPORTS ON SEC FORM 17-C

(a) Exhibits- See accompanying Index to Exhibits (page 83)

The following exhibit is filed as a separate section of this report:
No. (18) on Index to Exhibits - Subsidiaries of the Registrant (page 84)

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

(b) Reports on SEC Form 17-C

Reports on SEC Form 17-C filed during the last six (6) month period covered by this report are as follow:

<u>Date</u>	<u>Events Reported</u>
20 April 2012	Schedule, Venue, Agenda and Record Date of the Y2012 Annual Stockholders' Meeting
15 June 2012	Approval of Director's Remuneration for Y2011
15 June 2012	Approval of the following during the Annual Stockholder's Meeting: Appointment of External Auditor Election of Directors Presentation and Approval of Y2011 Annual Report and Audited Financial Statements Approval of Director's Remuneration for Y2011
15 June 2012	Approval of the following during the Organizational Meeting of the Board of Directors: Election of Officers Appointment of Members of Various Committees
04 October 2012	Adoption of Audit Committee Charter in Compliance with SEC Memorandum Circular No 4, Series of 2012
11 December 2012	Reply to SEC with regard to Self- Assessment based on SEC Memorandum Circular No 4, Series of 2012

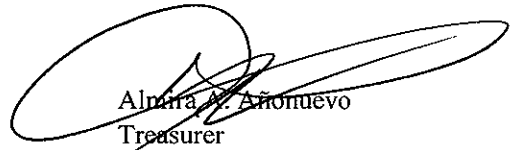
SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig on 2 April 2013.

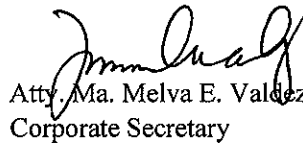
By:



Lee Foo Tuck
President



Almira A. Añonuevo
Treasurer

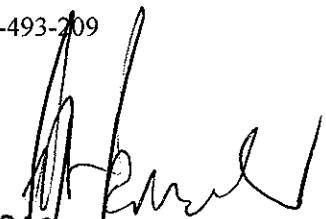


Atty. Ma. Melva E. Valdez
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 12th day April of 2013 affiant (s) exhibiting to me his/their Community Tax Certificates, as follows:

<u>Names</u>	<u>TIN No.</u>
Lee Foo Tuck	235-817-895
Almira A. Añonuevo	187-488-070
Ma. Melva E. Valdez	123-493-209

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Book No. 111
Series of 2013.



TEODORO LORENZO A. FERNANDEZ
Appointment No. M-420 / Notary Public / Makati
Valid Until 31 December 2013
JGLaw 6/F SOL Bldg. 112 Amorsolo St., Legaspi Vll., Makati
PTR No. 3678731 / 01 09 13 / Makati
IBP No. 906380 / 01 07 2013 / Pangasinan
Roll No. 55778

KEPPEL PHILIPPINES PROPERTIES, INC.
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
SEC FORM 17-A

Financial Statements

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* These schedules, which are required by Part IV (e) of RSA Rule 48, have been omitted because they are either not applicable, or the information required to be presented is included in the Company's Consolidated Financial Statements or the Notes to Consolidated Financial Statements.

CONSULATE GENERAL OF THE PHILIPPINES
HO CHI MINH CITY, SOCIALIST REPUBLIC OF VIETNAM

AUTHENTICATION

I, Atty. LE THI PHUNG, Honorary Consul General of the Consulate General of the Philippines in Ho Chi Minh City, Socialist Republic of Vietnam, do hereby certify that LINSON LIM SOON KOOL, at the time he signed the attached document, signed the above the attached document before me and believe that his signature affixed thereto are genuine.

For the contents of the attached document, the Consulate General of the Philippines assumes no responsibility.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Consulate General of the Philippines in Ho Chi Minh City, Socialist Republic of Vietnam, this 08th day of April 2013.



Le Thi Phung
Atty. LE THI PHUNG *ven*
Consul General a. h.

No. : 0602

No. : 17

e No. : 0602

id : USD 25.00

o. : 5920742

Se of 2013

Keppel Philippines Properties

Keppel Philippines Properties, Inc.
Units 2203-2204 Raffles Corporate Center
F. Ortigas Jr. Road, Ortigas Center
Pasig City 1605, Philippines

Tel : (632) 5846170
(632) 5846171
(632) 5843913
Fax: (632) 5843915

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

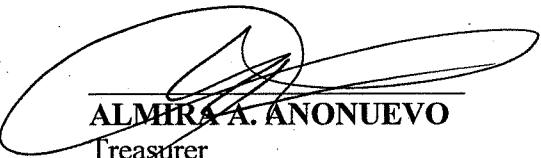
SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon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



LINSON LIM SOON KOOI
Chairman



LEE FOO TUCK
President



ALMIRA A. ANONUEVO
Treasurer

Signed this 2nd day of April 2013

SUBSCRIBED AND SWORN to before me this 13 APR 2013 day of 2013, at
QUEZON CITY affiant exhibiting to me the following:

Name	Passport/TIN	Date/Place Issued
Linson Lim Soon Kooi	Passport No. A24816442	21 July 2011/Malaysia
Lee Foo Tuck	TIN 235-817-895	
Almira A. Anonuevo	TIN 188-488-070	

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Series of 2013

Tomas F. Dulay, Jr.
ATTY. TOMAS F. DULAY, JR.
NOTARY PUBLIC
Until Dec. 31, 2013
ADM. MATTER# MP-061 2013-2014
PTR# 7612451 - 01/07/13 Q.C.
IBP# 842680-01/02/13 Q.C.
Roll # 16583 - 03/13/1961
TIN# 410-225-916
MCLE# 000838
#92 Legaspi St., Proj. 4, Q.C.

**Keppel Philippines Properties, Inc.
and Subsidiaries**

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

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.



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

Keppel Philippines Properties, Inc.
Units 2203 and 2204, Raffles Corporate Center
F. Ortigas Jr. Road (formerly Emerald Avenue)
Ortigas Center, Pasig City

We have audited the accompanying consolidated financial statements of Keppel Philippines Properties, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years 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.

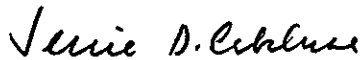
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

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

SYCIP GORRES VELAYO & CO.



Jessie D. Cabaluna

Jessie D. Cabaluna

Partner

CPA Certificate No. 36317

SEC Accreditation No. 0069-AR-3 (Group A),

February 14, 2013, valid until February 13, 2016

Tax Identification No. 102-082-365

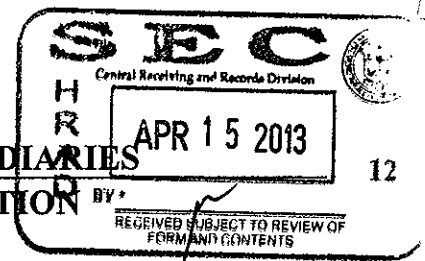
BIR Accreditation No. 08-001998-10-2012,

April 11, 2012, valid until April 10, 2015

PTR No. 3669666, January 2, 2013, Makati City

April 2, 2013





KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31

2012

2011

ASSETS

Current Assets

Cash and cash equivalents (Notes 6 and 22)	P164,575,329	P307,418,255
Receivables (Notes 7 and 22)	226,470	1,034,637
Due from related parties (Notes 15 and 22)	184,367,232	224,382,613
Other current assets (Notes 8 and 21)	16,560,993	15,833,539
Total Current Assets	365,730,024	548,669,044

Non-current Assets

Available-for-sale financial assets (Notes 9 and 22)	79,512,230	225,000
Investments in associates and a joint venture (Note 10)	1,290,790,295	1,344,998,187
Investment properties - net (Note 11)	-	1
Property and equipment - net (Note 12)	981,819	1,857,519
Refundable deposits (Note 22)	56,108	56,108
Deferred tax assets - net (Note 18)	-	166,509
Total Non-current Assets	1,371,340,452	1,347,303,324
	P1,737,070,476	P1,895,972,368

LIABILITIES AND EQUITY

Current Liabilities

Accounts payable and other current liabilities (Notes 13, 15 and 22)	P3,377,156	P3,014,631
Due to related parties (Notes 15 and 22)	100,288,500	279,078,006
Income tax payable (Note 18)	149,742	143,971
Provisions (Note 19)	2,095,267	2,562,364
Total Current Liabilities	105,910,665	284,798,972

Non-current Liability

Deferred tax liability (Note 18)	355,897	-
Total Liabilities	106,266,562	284,798,972

Equity (Note 14)

Capital stock	356,104,000	356,104,000
Additional paid-in capital	602,885,517	602,885,517
Retained earnings	674,482,042	654,851,524
	1,633,471,559	1,613,841,041
Less treasury stock	2,667,645	2,667,645
Total Equity	1,630,803,914	1,611,173,396
	P1,737,070,476	P1,895,972,368

See accompanying Notes to Consolidated Financial Statements.



KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2012	2011	2010
REVENUE			
Equity in net earnings of associates and a joint venture (Note 10)	₱25,079,338	₱207,223,718	₱11,669,845
Interest income (Notes 6 and 15)	11,836,292	12,869,219	13,942,720
Management consultancy and franchise fees (Note 15)	8,907,185	7,019,136	6,994,920
	45,822,815	227,112,073	32,607,485
GENERAL AND ADMINISTRATIVE EXPENSES			
(Note 16)	(23,319,332)	(20,969,859)	(19,958,659)
OTHER INCOME (CHARGES)			
Commission income (Note 15)	712,553	-	-
Rental income (Note 11)	51,711	-	-
Dividend income	-	-	1,400
Gain on sale of available-for-sale financial assets (Note 9)	-	-	461,320
Reversal of accrued expenses and accounts payable	-	-	7,266
Gain on sale of property and equipment (Note 12)	-	195,000	-
Foreign exchange gain (loss) - net	(430,465)	76,913	(262,486)
Others	1,000	9,744	-
	334,799	281,657	207,500
INCOME BEFORE TAX	22,838,282	206,423,871	12,856,326
PROVISION FOR INCOME TAX (Note 18)			
Current	2,685,358	2,734,867	2,785,887
Deferred	522,406	245,522	(94,881)
	3,207,764	2,980,389	2,691,006
NET INCOME	19,630,518	203,443,482	10,165,320
OTHER COMPREHENSIVE LOSS			
Net fair value loss on available-for-sale financial assets (Note 9)	-	-	(236,413)
TOTAL COMPREHENSIVE INCOME	₱19,630,518	₱203,443,482	₱9,928,907
Earnings Per Share (Note 20)	₱0.07	₱0.69	₱0.03

See accompanying Notes to Consolidated Financial Statements.



KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock		Additional Paid-in Capital (Note 14)	Unrealized Gain on Available-for-Sale Financial Assets	Retained Earnings (Note 14)	Treasury Stock (Note 14)	Total Equity
	Common (Note 14)	Preferred (Note 14)					
At January 1, 2012	₱296,629,900	₱59,474,100	₱602,885,517	₱-	₱654,851,524	(₱2,667,645)	₱1,611,173,396
Net income	-	-	-	-	19,630,518	-	19,630,518
At December 31, 2012	₱296,629,900	₱59,474,100	₱602,885,517	₱-	₱674,482,042	(₱2,667,645)	₱1,630,803,914
At January 1, 2011	₱296,629,900	₱59,474,100	₱602,885,517	₱-	₱451,408,042	(₱2,667,645)	₱1,407,729,914
Net income	-	-	-	-	203,443,482	-	203,443,482
At December 31, 2011	₱296,629,900	₱59,474,100	₱602,885,517	₱-	₱654,851,524	(₱2,667,645)	₱1,611,173,396
At January 1, 2010	₱296,629,900	₱73,074,100	₱725,285,517	₱236,413	₱584,042,722	(₱2,667,645)	₱1,676,601,007
Other comprehensive loss	-	-	-	(236,413)	-	-	(236,413)
Net income	-	-	-	-	10,165,320	-	10,165,320
Total comprehensive income	-	-	-	(236,413)	10,165,320	-	9,928,907
Redemption of preferred shares (Note 14)	-	(13,600,000)	(122,400,000)	-	(142,800,000)	-	(278,800,000)
At December 31, 2010	₱296,629,900	₱59,474,100	₱602,885,517	₱-	₱451,408,042	(₱2,667,645)	₱1,407,729,914

See accompanying Notes to Consolidated Financial Statements.



KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱22,838,282	₱206,423,871	₱12,856,326
Adjustments for:			
Depreciation (Note 16)	990,136	1,033,576	490,100
Bad debts (Notes 7 and 16)	625,542	-	-
Unrealized foreign exchange losses	62,816	17,813	247,318
Gain on sale of property and equipment (Note 12)	-	(195,000)	-
Gain on sale of available-for-sale financial assets	-	-	(461,320)
Dividend income	-	-	(1,400)
Interest income (Notes 6 and 15)	(11,836,292)	(12,869,219)	(13,942,720)
Equity in net earnings of associates and joint ventures (Note 10)	(25,079,338)	(207,223,718)	(11,669,845)
Loss before changes in working capital	(12,398,854)	(12,812,677)	(12,481,541)
Decrease (increase) in:			
Receivables	(100,341)	(39,634)	104,509
Amounts due from related parties	(2,601,603)	(637,899)	(619,972)
Other current assets	(727,454)	(921,502)	(2,415,480)
Increase (decrease) in:			
Accounts payable and other current liabilities	362,525	(1,542,191)	(17,226)
Amounts due to related parties	288,500	278,006	321,665
Provisions	(467,097)	(378,451)	378,451
Net cash used in operations	(15,644,324)	(16,054,348)	(14,729,594)
Interest received	12,119,258	12,973,836	13,962,713
Income tax paid	(2,679,587)	(2,590,896)	(2,785,887)
Net cash provided by (used in) operating activities	(6,204,653)	(5,671,408)	(3,552,768)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in refundable deposits	-	304,280	(81,732)
Proceeds from sale of:			
Property and equipment (Note 12)	-	195,000	-
Available-for-sale financial assets	-	-	570,171
Acquisition of property and equipment (Note 12)	(114,435)	(339,339)	(2,216,315)
Dividends received	-	-	8,694
Net cash provided by (used in) investing activities	(114,435)	159,941	(1,719,182)
CASH FLOWS FROM FINANCING ACTIVITY			
Increase (decrease) in amounts due from related parties	42,616,984	(1,911,091)	5,242,998
Decrease in amounts due to related parties	(179,078,006)	(10,878,861)	(59,872,461)
Net cash used in financing activities	(136,461,022)	(12,789,952)	(54,629,463)
EFFECT OF EXCHANGE RATE CHANGES			
ON CASH AND CASH EQUIVALENTS	(62,816)	(17,813)	(247,318)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(142,842,926)	(18,319,232)	(60,148,731)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	307,418,255	325,737,487	385,886,218
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	₱164,575,329	₱307,418,255	₱325,737,487

See accompanying Notes to Consolidated Financial Statements.



KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Keppel Philippines Properties, Inc. ("Parent Company") and the following subsidiaries (collectively referred to as "the Group") were incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on February 7, 1918. The Parent's corporate life was extended for another fifty (50) years starting February 7, 1968.

<u>Subsidiaries</u>	<u>Percentage of Ownership</u>	<u>Nature of Business</u>
Buena Homes, Inc. (BHI)	100%	Investment holding
CSRI Investment Corporation (CSRJ)	100%	Investment holding

The Parent Company is listed in the Philippine Stock Exchange (PSE). Its parent company is Keppel Land Limited (KLL) and the ultimate parent company is Keppel Corporation Limited (KCL), both incorporated in Singapore.

The Group holds investments in associates involved in property holding and development and renders management consultancy services to associates. Incidental to its investment holding activity, the Parent Company charges interest on certain advances to SM Keppel Land, Inc. (SMKL), a jointly controlled entity (see Note 15).

On December 6, 2010, the Group submitted its application to SEC to temporarily change its business address to Units 2203 and 2204, Raffles Corporate Center, F. Ortigas Jr. Road (formerly Emerald Avenue), Ortigas Center, Pasig City due to the ongoing reconstruction of the Group's principal office. The Group's principal office address is Penthouse, Benguet Centre Building, 12 ADB Avenue, Ortigas Center, Mandaluyong City.

The consolidated financial statements of the Group have been authorized for issue by the Board of Directors (BOD) on April 2, 2013.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The consolidated financial statements of the Group have been prepared under the historical cost basis. The consolidated financial statements are presented in Philippine Peso (₱), which is the Group's functional currency. Amounts are rounded off to the nearest Philippine Peso unit, except when otherwise indicated.

Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The accompanying consolidated financial statements comprise the financial statements of the Parent and its subsidiaries as of December 31, 2012 and 2011 and for each of the three years ended December 31, 2012. The financial statements of the subsidiaries are prepared for the same reporting year as the parent, using consistent accounting policies.



A subsidiary is an entity in which the parent company, directly or indirectly, holds more than half of the issued share capital or controls more than half of the voting power or exercises control over the operations and management of the entity.

All intra-group balances and transactions, including income, expenses and dividends are eliminated in full during consolidation in accordance with the accounting policy on consolidation.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain the benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date of the acquisition or up to the date of the disposal, as appropriate.

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following amended Philippine Accounting Standard (PAS) and PFRSs, which were adopted as of January 1, 2012.

- Amendments to PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets*
The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendments have no impact on the Group's consolidated financial position or performance since the Group does not engage in these types of transfers of financial assets.
- Amendment to 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. The amendment did not have an impact on the Group's financial position or performance since the Group does not have investment properties measured at fair value.



Future Changes in Accounting Policies

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

Effective 2013

- *Amendments to PFRS 7, Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*

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

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

The amendments are to be retrospectively applied.

- *PFRS 10, Consolidated Financial Statements*

PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The Group does not anticipate that the adoption of this standard will have a significant impact on the accounting treatment of its associates, Buena Homes (Sandoval), Inc. (BHSI), Opon-KE Properties, Inc. (OKEP), Opon Ventures, Inc. (OVI) and Opon Realty and Development Corporation (ORDC) in the consolidated financial statements. Based on management assessment, the Parent Company has no control over BHSI, OKEP, OVI and ORDC. As such, BHSI, OKEP, OVI and ORDC will continue to be accounted for as associates once PFRS 10 becomes effective.



- **PFRS 11, *Joint Arrangements***
PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The adoption of this standard will have no impact on the Group's consolidated financial position and performance since the Group already accounts for its investment in SMK L using the equity method.
- **PFRS 12, *Disclosure of Interest in Other Entities***
PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. Additional disclosures required by this standard aside from the disclosures currently reflected in Note 15 include the following:
 - a) Nature of the Group's interest in BH SI, OKEP, ORDC, SMK L and OVI; and,
 - b) Nature and extent of financial effects arising from the Group's interest in BH SI, OKEP, ORDC, SMK L and OVI.
- **PFRS 13, *Fair Value Measurement***
PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13.

The Group does not anticipate that the adoption of this standard to have a significant impact on its consolidated financial position and performance since the Group has no assets or liabilities carried at fair value.
- **Amendments to PAS 1, *Financial Statement Presentation, Presentation of Items of Other Comprehensive Income (OCI)***
The amendments to PAS 1 change the grouping of items presented in OCI. Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendment will not have an impact on the Group's consolidated financial position or performance since the Group holds only AFS financial asset at cost.
- **Amendment to PAS 19, *Employee Benefits* (Revised)**
The revised amendments to PAS 19 range from fundamental changes such as removal of 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. Once effective, the Group has to apply the amendments retrospectively to the earliest period presented.



The Group reviewed its existing employee benefits and determined that the revised standard will not have significant impact on its accounting for retirement benefits. The Group obtained the services of an external actuary to compute the impact to the consolidated financial statements upon adoption of the standard. The effects are detailed below:

Consolidated Statement of Financial Position

	As at December 31, 2012	As at January 1, 2012
Increase (decrease) in:		
Net defined benefit asset	₱522,743	₱607,861
Deferred tax liability	156,823	182,358
Other comprehensive income	(76,702)	(63,005)
Retained earnings	111,189	1,662

Consolidated Statement of Comprehensive Income

	2012
Pension expense	₱150,607
Income tax expense	45,182

- Revised PAS 27, *Separate Financial Statements* (as revised in 2011)
As a consequence of the issuance 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 the separate financial statements. The adoption of the amended PAS 27 will not have a significant impact on the separate financial statements of the entities in the Group since the Group's accounting policy is already consistent with the revised PAS 27.
- Revised PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
As a consequence of the issuance of the new PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, and describes the application of the equity method to investments in joint ventures in addition to associates. The adoption of the amended PAS 28 will not have an impact on the Group's financial statements since the Group is already accounting for its investments in a joint venture and associates using the equity method.
- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
This interpretation applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation did not have an impact on the Group's financial position or performance since the Group is not involved in mining activities.



Annual Improvements to PFRSs (2009-2011 cycle)

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

- **PFRS 1, *First-time Adoption of PFRS - Borrowing Costs***
The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.
- **PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information***
The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on the Group's financial position or performance.
- **PAS 16, *Property, Plant and Equipment - Classification of servicing equipment***
The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory, if otherwise. The amendment will not have any significant impact on the Group's financial position or performance since the Group does not have this type of equipment.
- **PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments***
The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The Group will assess the impact of this amendment when they enter into specific transactions involving distributions to equity holders.
- **PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities***
The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment will not have significant impact on the Group's consolidated financial statements since disclosures on interim reports and segment information are consistent with the improvements.



Effective in 2014

- Amendments to PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*

The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

Effective in 2015

- PFRS 9, *Financial Instruments*

PFRS 9 is effective for annual periods beginning on or after January 1, 2015. PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39. 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 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 Group’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 SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Group.



4. Summary of Significant Accounting Policies

Cash and Cash Equivalents

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

Financial Instruments

Date of recognition. The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting.

Initial recognition. Financial instruments are recognized initially at fair value. Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets and loans and receivables. The Group also classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to total liabilities and equity, net of any related income tax benefits.

The Group has no financial assets and liabilities at FVPL and HTM investments as of December 31, 2012 and 2011.

Determination of fair value. The fair value for financial instruments traded in active markets at the 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 ask 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 all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which observable current market prices exist, option pricing models, and other relevant valuation models.

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly



Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group has no financial assets carried at fair value as of December 31, 2012 and 2011. There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurement. The Group's AFS financial assets pertain to unquoted club shares and carried at cost.

Day 1 profit. Where the transaction price in a non-active 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 Group recognizes the difference between the transaction price and fair value (a "Day 1" profit) in profit or loss. In cases where no observable data is used, the difference between the transaction price and model values is recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" profit amount.

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

Loans and receivables are carried at cost or amortized cost in the consolidated statement of financial position. Amortization is determined using the effective interest rate method. Loans and receivables are included in current assets if maturity is within twelve months from the reporting date. Otherwise, these are classified as non-current assets.

This accounting policy relates to the consolidated statement of financial position captions "Cash and cash equivalents", "Receivables", "Due from related parties" and "Refundable deposits" (see Notes 6, 7 and 15).

AFS financial assets. AFS financial assets are non-derivatives that are either designated in this category or not classified in any other categories. Subsequent to initial recognition, AFS financial assets are carried at fair value in the consolidated statement of financial position. Changes in the fair value of such assets are reported as unrealized gain or loss on AFS financial assets as other comprehensive income until the investment is derecognized or the investment is determined to be impaired. Assets under this category are classified as current assets if maturity is within twelve months from the end of the reporting date and as non-current assets if maturity date is more than a year from the end of the reporting date.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any allowance for impairment loss.

Classified under this category are the Group's unquoted club shares carried at cost (see Note 9).

Other financial liabilities. This category pertains to financial liabilities that are not held-for-trading or not designated at FVPL upon the inception of the liability. These include liabilities arising from operations or loans and borrowings.



The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

This accounting policy applies to the Group's "Accounts payable and other current liabilities", "Due to related party" and other obligations that meet the above definition (other than liabilities covered by other accounting standards) (see Notes 13 and 15).

Impairment of Financial Assets

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

Loans and receivables. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in 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.

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, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of impairment loss is recognized in profit or loss.

AFS financial assets. If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from other comprehensive income to profit or loss. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss if the increase in the fair value of the investment can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

AFS financial assets 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, 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 Liabilities

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

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

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

Offsetting of Financial Instruments

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

Investments in Associates and a Joint Venture

Associates are entities in which the Group has significant influence and which are neither subsidiaries nor joint ventures of the Group. A joint venture is an entity, not being a subsidiary nor an associate, in which the Group exercises joint control together with one or more venturers. Investments in associates and joint venture are accounted for under the equity method of accounting.

Under the equity method, the investments in associates and joint venture are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group’s share of net assets of the associate, less dividends declared and impairment in value. If the Group’s share of losses of an associate and joint venture equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses. The interest in an associate and joint venture is the carrying amount of the investment in the associate and joint venture under the equity method together with any long-term interests that, in substance, form part of the investor’s net investment in the associate and joint venture. After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss with respect to the Group’s net investments in the associates and joint venture. The consolidated statement of income reflects the Group’s share in the results of operations of the associates. After the Group’s interest is reduced to zero, additional losses are provided to the extent that the Group



has incurred legal or constructive obligations or made payments on behalf of the associate. When there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any change and discloses this, when applicable, in the consolidated statement of changes in equity.

The reporting dates of the associates, joint venture and the Group are identical and the accounting policies of the associates and joint venture conform to those used by the Group for like transactions and events in similar circumstances. Unrealized gains arising from intercompany transactions with its associates and joint venture are eliminated to the extent of the Group's interest in the associate and joint venture. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

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

Investment Properties

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

Depreciation of investment properties is computed using the straight-line method over the estimated useful life of the assets of 10 years.

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

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

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment when such cost is incurred if the recognition criteria are met.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	Years
Transportation equipment	2-5
Office equipment	1-4
Furniture and fixtures	4

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



The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Impairment of Non-financial Assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell 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 assessing value in use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss.

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 recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase in the consolidated statement of other comprehensive income. 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.

Investments in associates and joint venture. After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the investee companies. The Group determines at each reporting date whether there is any objective evidence that the investments in associates or jointly controlled entities are impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value and the carrying value of the investee company and recognizes the difference in profit or loss.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax 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 interest expense.



Treasury Shares

Treasury shares are recorded at cost and presented as a deduction from equity. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is deducted from additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and from retained earnings for the remaining balance.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Interest income. Interest income is recognized as interest accrues, taking into account the effective yield on the asset.

Management consultancy and franchise fees. Management consultancy and franchise fees are recognized on an accrual basis in accordance with the terms and conditions of the agreement.

Dividend income. Dividend income is recognized when the shareholders' right to receive the payment is established.

Commission income. Commission income is recognized when earned.

Rental income. Rental income is recognized in profit or loss when earned.

General and Administrative Expenses

General and administrative 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. General and administrative expenses are recognized in profit or loss in the period these are incurred.

Equity

Capital stock is measured at par value for all shares issued.

Additional paid-in capital

Additional paid-in capital represents capital contribution in excess of par value of the capital stock.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss of the Group, net of any dividend distribution.

Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date 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 restatement is made after the inception of the lease only if one of the following applies:

- (a) there is a change in the 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 and extension was initially included in the lease term;



- (c) there is a change in the determination of whether the fulfillment is dependent on a specified asset; or
- (d) there is a substantial change to the asset.

Group as a lessee. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term.

Foreign Currency Transaction

The consolidated financial statements are presented in Philippine Peso, which is the Group's functional currency. The Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at reporting date. All differences are taken to the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expense in the period they are realized.

Retirement Cost

The Group has a funded, non-contributory retirement plan, administered by a trustee, covering its regular employees. Retirement cost is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Retirement cost includes current service cost, interest cost, expected return on any plan assets, recognized actuarial gains or losses, the effect of any past service cost and curtailment or settlement.

Past service cost is recognized as expense on a straight-line basis over the average period until the benefits become vested. If the benefits have already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately.

The net pension liability recognized by the Group in respect of the defined benefit pension plan is the present value of the defined benefit obligation less fair value of the plan assets at the reporting date, together with the adjustments for unrecognized actuarial gains or losses that shall be recognized in later periods. The present value of the defined benefit obligation is calculated by an independent actuary using the projected unit credit method and is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating to the terms of the related pension liability or applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments. A portion of the actuarial gains and losses is recognized when it exceeds the corridor (10% of the greater of the present value of obligation or fair value of the plan assets) at the previous reporting date, divided by the expected average remaining working lives of active plan members.

Income Tax

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

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

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

Deferred tax assets and liabilities are measured at the tax rate that is 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 as of reporting date.

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

Movements in the deferred income tax assets and liabilities arising from changes in the tax rates are charged against or credited to income for the period.

Value-Added Tax (VAT)

Revenue, expenses and assets are recognized net of the amount of sales tax except:

- where the tax incurred on a purchase of assets or services is not recoverable from the tax 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 tax authority is included as part of other current assets or payables in the consolidated statement of financial position.

Basic/Diluted Earnings Per Share (EPS)

EPS is computed by dividing net income for the year attributable to common shareholders by the weighted average number of common shares issued and outstanding during the year, with retroactive adjustments for any stock dividends declared.

Contingencies

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



Events after the Reporting Date

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

Judgments

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

Provisions and contingencies. The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. Provisions for estimated losses on claims by a third party amounted to ₱2.1 million and ₱2.6 million as of December 31, 2012 and 2011, respectively (see Note 19).

Functional currency. The Group determined its functional currency to be the Philippine Peso. The determination of functional currency was based on the primary economic environment in which the Group generates and expends cash.

Operating leases - Group as lessee. The Group has entered into commercial property leases related to its office spaces. Substantially, all the risks and benefits incidental to ownership of the leased items are not transferred to the Group. Total rent expense charged to operations amounted to ₱1.3 million, ₱1.2 million and ₱0.8 million in 2012, 2011 and 2010, respectively (see Notes 16 and 21).

Financial assets not quoted in an active market. The Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis. The carrying values of AFS financial assets not quoted in an active market amounted to ₱0.2 million as of December 31, 2012 and 2011. No allowance for impairment was provided for AFS equity investments in 2012 and 2011 (see Note 9).



Estimates and Assumptions

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

Fair value of financial instruments. Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position or disclosed in the notes to the consolidated financial statements cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation. Please refer to Note 22 for the related balances.

Allowance for doubtful accounts. The Group maintains allowance for doubtful accounts on its receivables at a level adequate to provide for any potential uncollectible receivables. The level of this allowance is regularly evaluated by the Group. The Group assesses whether objective impairment exists for the receivable by considering the financial condition and credit history of the counterparty. Moreover, the Group also considers its historical loss experience in assessing collective impairment of receivables. The Group reviews the status of the receivables and identifies amounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in the Group's allowance for doubtful accounts on receivables would increase the Group's recorded expenses and decrease current assets.

Receivables and amounts due from related parties amounted to ₱184.6 million and ₱225.4 million as of December 31, 2012 and 2011, respectively. No allowance was provided for these receivables as of December 31, 2012 and 2011 (see Notes 7, 15 and 22).

Estimated useful lives of property and equipment and investment properties. The useful life of each of the Group's items of property and equipment and investment properties 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 item of property and equipment and investment properties 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 results of operations 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 and investment properties would increase the recorded general and administrative expenses and decrease non-current assets.

The total carrying value of the Group's property and equipment and investment properties as of December 31, 2012 and 2011 amounted to ₱1.0 million and ₱1.9 million, respectively (see Notes 11 and 12).

Impairment of non-financial assets. The Group assesses impairment on non-financial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount.



This requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Group to conclude that these assets are impaired. Any resulting additional impairment loss could have a material adverse impact on the Group's financial condition and results of operations.

As of December 31, 2012 and 2011, the Group did not recognize any impairment loss on its non-financial assets. The total carrying value of investments in associates and joint venture, investment properties and property and equipment as of December 31, 2012 and 2011 amounted to a total of ₱1,391.6 million and ₱1,346.9 million, respectively (see Notes 10, 11 and 12).

Retirement benefits. The cost of the defined benefit pension plan is determined using the projected unit credit method. The actuarial valuation involves making assumptions about discount rates, expected rates of return on plan assets and estimated future salary increase rates. Due to the long-term nature of this plan, such estimates are subject to significant uncertainty.

The assumptions used in the actuarial valuation are disclosed in Note 17 to the consolidated financial statements. As of December 31, 2012 and 2011, there is no net pension liability.

Recognition of deferred tax assets. The Group's assessment on the recognition of deferred tax assets on non-deductible temporary differences and carryforward benefit of NOLCO is based on the forecasted taxable income of the following reporting periods. This forecast is based on the Group's past results and future expectations on revenues and expenses.

As of December 31, 2012 and 2011, net deferred tax liability amounted to ₱0.4 million and net deferred tax asset amounted to ₱0.2 million. The amount of unrecognized deferred tax assets amounted to ₱12.6 million and ₱11.2 million as of December 31, 2012 and 2011, respectively (see Note 18).

6. Cash and Cash Equivalents

This account consists of:

	2012	2011
Cash on hand	₱35,000	₱15,000
Cash in banks	6,571,322	16,309,883
Cash equivalents	157,969,007	12,293,372
Restricted cash	-	278,800,000
	₱164,575,329	₱307,418,255

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are short-term deposits made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates that range from 3.25% to 4% and 3.5% to 4% in 2012 and 2011, respectively.

Interest income from cash and cash equivalents amounted ₱10.7 million, ₱11.0 million and ₱11.8 million in 2012, 2011 and 2010, respectively.



In 2011, the Parent Company restricted cash and cash equivalents amounting to ₱1.4 million and ₱277.4 million, respectively to be used in the settlement of preferred shares redeemed. During the year, the preferred shares redeemed were settled by the Parent Company in the amount of ₱257.4 million, net of applicable withholding taxes of ₱ 21.4 million (see Note 15).

7. Receivables

This account consists of:

	2012	2011
Receivable from employees	₱112,649	₱129,139
Interest	97,152	380,119
Trade	16,669	525,379
	₱226,470	₱1,034,637

Interest pertains to accrued interest on cash and cash equivalents. Receivables generally have 30 to 60-day terms. During the year, the Parent Company write-off its long outstanding trade receivable from Residencia Grande, Inc. (RGI), a related party, amounting to ₱0.63 million. As of December 31, 2012, there are no receivables that are past due.

8. Other Current Assets

This account consists of:

	2012	2011
Creditable withholding taxes	₱14,601,319	₱13,963,426
Prepayments	1,664,102	1,641,895
Others	295,572	228,218
	₱16,560,993	₱15,833,539

Creditable withholding taxes pertains to the amounts withheld by the Group's counterparty in relation to the management consultancy and franchise fees. Management determines that these creditable withholding taxes will still be utilized in the future.

Prepayments are advance rental deposits for one year which arose from the transfer of the Group's office to a temporary address due to the ongoing reconstruction of its principal office (see Note 21).

9. Available-for-Sale Financial Assets

This account consists of unquoted investments as follows:

	2012	2011
Equity securities:		
Preferred	₱79,287,230	₱-
Club shares	225,000	225,000
	₱79,512,230	₱225,000



As of December 31, 2012 and 2011, unquoted AFS financial assets amounting to ₱79.5 million and ₱0.2 million are carried at cost.

The advances converted to redeemable preferred shares following SEC approval of increase in authorized capital of OVI and OKEP are classified as AFS financial assets since the characteristics of the investment will not affect the significant influence of the Parent Company over OKEP and OVI (see Note 10).

The features and conditions of the redeemable preferred shares are as follows:

- The redeemable preferred shares shall have no voting rights, except for the cases provided for under Section 6, Paragraph 6 of the Corporation Code of the Philippines as follows:
 - i. Amendment of the articles of incorporation;
 - ii. Adoption and amendment of by-laws;
 - iii. Sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the corporate property;
 - iv. Incurring, creating or increasing bonded indebtedness;
 - v. Increase or decrease of capital stock;
 - vi. Merger or consolidation of the corporation with another corporation or other corporations;
 - vii. Investment of corporate funds in another corporation or business in accordance with this Code; and
 - viii. Dissolution of the corporation.
- The redeemable preferred shares shall be entitled to preference in the distribution of dividends at a fixed yield of (3%) per annum. After payment of such preferred dividends, the holders of such preferred shares shall be entitled to participate pro rata with holders of common shares in the remaining profits.
- The redeemable preferred shares may be redeemed at the option of the issuer, in full or in part, within a period of (10) years from date issuance, at a price to be determined by the BOD.
- If the preferred shares are not redeemed within the period of ten (10) years, the holder shall have the option to:
 - i. Convert the preferred shares to participating preferred shares;
 - ii. Remain as redeemable preferred shares for another five (5) years, after which the holder can choose to convert to either Common Shares or Participating Preferred shares.

The preferred shares were issued at ten pesos (₱10) per share.

The rollforward of revaluation reserve for available-for-sale financial assets follow:

	2010
At January 1, 2010	₱236,413
Other comprehensive loss:	
Change in fair value of AFS financial assets	-
Transferred to income and expense for the year	(236,413)
At December 31, 2010	₱-



10. Investments in Associates and a Joint Venture

The details and movements of this account are as follows:

	2012	2011
Cost	₱806,321,443	₱806,321,443
Advances for conversion to preferred shares of associates	79,287,230	79,287,230
Advances converted to preferred shares (Note 9)	(79,287,230)	-
Accumulated equity in net earnings (Notes 14 and 18):		
At January 1	459,389,514	252,165,796
Equity in net earnings of associates and a joint venture	25,079,338	207,223,718
At December 31	484,468,852	459,389,514
	₱1,290,790,295	₱1,344,998,187

The carrying values of the Group's investments in associates and a joint venture and the related percentages of ownership are shown below:

	Percentage of Ownership		Carrying Amount	
	2012	2011	2012	2011
SMKL*	40%	40%	₱1,013,438,983	₱965,470,319
BHSI	40	40	155,037,374	175,105,292
OKEP	40	40	84,303,221	116,202,754
OVI	40	40	19,178,257	67,629,416
ORDC	40	40	18,832,460	20,590,406
			₱1,290,790,295	₱1,344,998,187

*Investment in a joint venture

In 2006, the stockholders approved the conversion of the advances to associates into investments in preferred shares of OVI and OKEP amounting to ₱48.0 million and ₱31.3 million, respectively. The SEC approved the conversion of the advances to associates into investment in preferred shares in OVI and OKEP on February 29, 2012 and March 2, 2012, respectively. The investments in preferred shares of OVI and OKEP are classified as AFS financial assets (see Note 9).

Significant financial information of the associates and joint venture are as follows:

	2012				
	BHSI	SMKL	OKEP	OVI	ORDC
	<i>(In Millions)</i>				
Current assets	₱384.6	₱1,418.7	₱43.8	₱0.3	₱21.2
Non-current assets	190.5	1,000.9	330.4	119.8	81.9
Total assets	575.1	2,419.6	374.2	120.1	103.1
Current liabilities	181.9	136.0	113.4	1.8	74.8
Non-current liabilities	5.6	118.7	-	-	-
Total liabilities	187.5	254.7	113.4	1.8	74.8
Gross revenues (losses)	(5.8)	348.4	7.8	-	0.4
Cost and expenses – net	53.4	183.0	0.3	0.2	4.1
Income (loss) before income tax	(50.1)	165.4	7.5	(0.2)	(3.7)
Net income (loss)	(50.2)	117.8	7.5	(0.2)	(3.7)



	2011				
	BHSI	SMKL	OKEP	OVI	ORDC
	<i>(In Millions)</i>				
Current assets	₱304.9	₱1,578.3	₱9.5	₱0.3	₱27.5
Non-current assets	318.5	1,012.0	322.9	119.8	81.9
Total assets	623.4	2,590.3	332.4	120.1	109.4
Current liabilities	180.0	454.9	79.1	1.5	77.3
Non-current liabilities	5.6	86.2	-	-	-
Total liabilities	185.6	541.1	79.1	1.5	77.3
Gross revenues (losses)	(3.9)	849.2	42.7	-	16.2
Cost and expenses - net	(2.3)	218.1	0.6	0.8	1.9
Income (loss) before income tax	(1.4)	631.1	42.1	(0.8)	14.3
Net income (loss)	(2.7)	429.5	42.0	(0.8)	10.3

On November 28, 2011, SMKL assigned its development rights and sold its basement car park to BDO at a gain of ₱585.8 million and ₱37.1 million, respectively.

On December 28, 2012, the BHSI and Phinma Property Holdings Corporation (PPHC) entered into a Contract to Sell (CTS) agreement wherein BSHI sold a parcel of land with a total area of 20,009 square meters for a total consideration of ₱100.0 million. The disposal resulted to a loss amounting to ₱32.2 million which includes the reversal of the related capitalized management fees and construction cost amounting to ₱13.6 million and ₱7.9 million, respectively.

11. Investment Properties

This account consists of condominium units as follows:

	2012	2011
Cost :		
At January 1 and December 31	₱4,000,000	₱4,000,000
Accumulated depreciation:		
At January 1	3,999,999	3,999,999
Depreciation	1	-
Disposal	(4,000,000)	-
At December 31	-	3,999,999
Net book value at December 31	₱-	₱1

In 2012 the Group recognized rental income on these investment properties amounting to ₱0.05 million. No rental was recognized in 2011. As of December 31, 2012, the investment properties were fully depreciated.

The fair value of the investment properties determined in reference to the fair value of similar properties within the same local market approximates ₱2.0 million as of December 31, 2012 and 2011.



12. Property and Equipment

The movement of this account is as follows:

	Transportation Equipment	Office Equipment	Furniture and Fixtures	Total
Cost				
At January 1, 2011	₱2,068,142	₱3,004,616	₱2,534,464	₱7,607,222
Additions	—	213,938	125,401	339,339
Disposals	(663,636)	—	—	(663,636)
Retirement	—	—	(241,564)	(241,564)
At December 31, 2011	1,404,506	3,218,554	2,418,301	7,041,361
Additions	—	114,435	—	114,435
At December 31, 2012	1,404,506	3,332,989	2,418,301	7,155,796
Accumulated Depreciation				
At January 1, 2011	1,832,216	2,743,744	479,506	5,055,466
Depreciation (Note 16)	85,792	201,981	745,803	1,033,576
Disposals	(663,636)	—	—	(663,636)
Retirement	—	—	(241,564)	(241,564)
At December 31, 2011	1,254,372	2,945,725	983,745	5,183,842
Depreciation (Note 16)	85,790	160,062	744,283	990,135
At December 31, 2012	1,340,162	3,105,787	1,728,028	6,173,977
Net Book Value				
At December 31, 2012	₱64,344	₱227,202	₱690,273	₱981,819
At December 31, 2011	₱150,134	₱272,829	₱1,434,556	₱1,857,519

Depreciation expense charged against operations amounted to ₱0.9 million in 2012, ₱1.0 million in 2011 and ₱0.5 million in 2010 (see Note 16).

The gain on sale of property and equipment amounting to ₱0.2 million in 2011 resulted from the disposal of certain transportation equipment.

13. Accounts Payable and Other Current Liabilities

This account consists of:

	2012	2011
Accrued expenses (Note 15)	₱1,863,361	₱1,526,928
Dividends payable	553,981	553,981
Taxes payable	537,494	458,868
Trade	219,234	271,768
Non-trade	203,086	203,086
	₱3,377,156	₱3,014,631

Accrued expenses pertain to accruals on consultancy fees, salaries and other employee benefits and professional fees. Accrued expenses and other payables are payable within 30 to 60 days.

Dividends payable pertain to amounts declared when the Parent Company's name was still Cebu Shipyard and Engineering Works, Inc. but which have not been claimed by the respective shareholders to date.



Taxes payable pertain to taxes withheld for transactions subject to withholding tax.

Trade accounts payable represent payables to suppliers and are normally settled within one year.

14. Equity

a. Capital Stock

The authorized capital stock of the Parent Company as of December 31, 2012, 2011 and 2010 is as follows:

	2012	2011	2010
Common stock - ₱1 par value	375,000,000	375,000,000	375,000,000
Preferred stock - ₱1 par value	135,700,000	135,700,000	135,700,000

Issued and outstanding shares of the Parent as of December 31, 2012, 2011 and 2010 are as follows:

	2012	2011	2010
Common stock (net of treasury shares of 2,801,000)	293,828,900	293,828,900	293,828,900
Preferred stock	59,474,100	59,474,100	59,474,100

Preferred shares, which were issued on November 11, 2003, are redeemable in full or in part at the option of the Parent Company, not later than November 11, 2010, and provided that the Parent Company has sufficient unrestricted retained earnings. The redemption price will be ₱10 per share and calculated to give the holders an estimated return of fifteen percent (15%) per annum.

In 2010, the Parent Company exercised its option to redeem 13,600,000 or approximately 19% of its outstanding redeemable preferred shares at a redemption price of ₱20.50 per share or a total consideration of ₱278.8 million. The preferred shares redeemed by the Group were settled in 2012 (see Notes 6 and 15). Total reduction in preferred stock, additional paid-in capital and retained earnings amounted to ₱13.6 million, ₱122.4 million and ₱142.8 million, respectively. After this redemption, the Parent Company has 59,474,100 of its redeemable preferred shares outstanding. No additional preferred shares have been redeemed as of December 31, 2012.

Preferred stockholders have preference over common stockholders with respect to the distribution of assets upon dissolution but not with respect to the payment of dividends.

Preferred stockholders are not entitled to dividends. Moreover, no voting right is vested on the preferred stockholders, except for the cases provided for under Section 6, Paragraph 6 of the Corporation Code (Code) of the Philippines as follows:

- i. Amendment of the articles of incorporation;
- ii. Adoption and amendment of by-laws;
- iii. Sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the corporate property;
- iv. Incurring, creating or increasing bonded indebtedness;
- v. Increase or decrease of capital stock;



- vi. Merger or consolidation of the corporation with another corporation or other corporations;
- vii. Investment of corporate funds in another corporation or business in accordance with this Code; and
- viii. Dissolution of the corporation.

On October 6, 2010, the BOD authorized the amendment of its articles of incorporation, particularly article 7 to read as follows:

Preferred shares may be redeemed in full or in part, at the option of the issuer, within a call period of seven (7) years from the date of approval of the amended articles. The redemption price will be equivalent to the issue price with an annual premium to be approved by the BOD. Likewise, the fairness of the annual premium rate must be confirmed by an independent financial advisor. The issue price will be ₱10 per share.

The above amendments were approved by the stockholders on November 26, 2010.

b. Additional paid-in capital

The details of "Additional paid-in capital" presented in the consolidated statements of financial position and consolidated statements of changes in equity as of December 31, 2012, 2011 and 2010 are as follows:

	2012	2011	2010
Common stock	₱67,618,617	₱67,618,617	₱67,618,617
Preferred stock	535,266,900	535,266,900	535,266,900
	<u>₱602,885,517</u>	<u>₱602,885,517</u>	<u>₱602,885,517</u>

c. Retained earnings

The portion of retained earnings corresponding to the Parent's undistributed equity in net earnings of the associates and joint venture amounted to ₱484.5 million, ₱459.4 million and ₱252.2 million as of December 31, 2012, 2011 and 2010, respectively. These amounts are not available for distribution as dividends until declared by associates. Retained earnings are further restricted to the extent of ₱2.7 million representing the cost of shares held in treasury as of December 31, 2012, 2011 and 2010.

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Group's retained earnings available for dividend declaration as of December 31, 2012, 2011 and 2010 amounted to ₱187.9 million, ₱192.6 million and ₱196.2 million, respectively.

15. Related Party Transactions

Parties are considered to be related to the Group if it has the ability, directly or indirectly, to control the Group or exercise significant influence over the Group in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.



Outstanding balances of transactions with related parties are as follows:

2012

Category	Amount	Outstanding Balance	Terms	Conditions
Due from				
Associates				
BHSI	₱ 107,200,000	₱ 107,200,000	Non-interest-bearing, due and demandable	Unsecured, no impairment
OKEP	–	72,803,000	Non-interest-bearing, due and demandable	Unsecured, no impairment
ORDC (a)	1,912,553	1,912,553	Non-interest-bearing, 30-to-60 days	Unsecured, no impairment
OVI	432,595	1,333,237	Non-interest-bearing, 30-to-60 days	Unsecured, no impairment
Joint venture				
SMKL (b)	7,707,185	1,118,442	Non-interest-bearing 30-to-60 days	Unsecured, no impairment
Due to				
Associates				
BHSI (c)	59,701,493	59,701,493	Non-interest-bearing, due and demandable	Unsecured, no impairment
OKEP (c)	40,298,507	40,298,507	Non-interest-bearing, due and demandable	Unsecured, no impairment
Other related party				
Keppel Land International Limited (KLIL)	6,663,212	288,500	Non-interest-bearing, due and demandable	Unsecured, no impairment

2011

Category	Amount	Outstanding Balance	Terms	Conditions
Due from				
Associates				
BHSI	₱ 107,200,000	₱ 107,200,000	Non-interest-bearing, 30-to-60 days	Unsecured, no impairment
OKEP	–	78,642,052	Non-interest-bearing, 30-to-60 days	Unsecured, no impairment
OVI	189,863	900,642	Non-interest-bearing, 30-to-60 days	Unsecured, no impairment
Joint venture				
SMKL (d)	11,637,447	37,639,919	Interest-bearing 6.56% to 7.52%, 30-to-60 days	Unsecured, no impairment
Due to				
Other related party				
KLIL	6,340,725	278,006	Non-interest-bearing, due and demandable	Unsecured, no impairment
Stockholder				
KLL (e)	–	278,800,000	Non-interest-bearing, due and demandable	Unsecured, no impairment



The Group entered into various management and franchise agreements with related parties as follows:

2012

Category	Basis	Amount	Outstanding	Terms and Conditions
Other related party				
KLIL				
Management fee (f)	Time spent by KLIL personnel	₹6,663,212	₹456,075	payable within 30 to 60 days
Joint venture				
SMKL				
Management fee (b)	2.5% of annual net revenues	5,505,132	499,535	payable within 30 to 60 days
Franchise fee (b)	1.0% of net revenues	2,202,053	189,515	payable within 30 to 60 days
Associate				
ORDC				
Management fee (a)	₹100,000 per month	1,200,000	1,200,000	payable within 30 to 60 days
Commission fee (a)	3% of amount billed by ORDC	712,553	712,553	payable within 30 to 60 days

2011

Category	Basis	Amount	Outstanding	Terms and Conditions
Other related party				
KLIL				
Management fee (f)	Time spent by KLIL personnel	₹6,340,725	₹278,006	payable within 30 to 60 days
Joint venture				
SMKL				
Management fee (b)	2.5% of annual net revenues	5,013,669	462,453	payable within 30 to 60 days
Franchise fee (b)	1.0% of net revenues	2,005,468	175,446	payable within 30 to 60 days

2010

Category	Basis	Amount	Outstanding	Terms and Conditions
Other related party				
KLIL				
Management fee	Time spent by KLIL personnel	₹6,061,297	₹321,666	payable within 30 to 60 days
Joint venture				
SMKL				
Management fee	2.5% of annual net revenues	4,996,371	442,766	payable within 30 to 60 days
Franchise fee	1.0% of net revenues	1,998,549	177,206	payable within 30 to 60 days

Significant transactions with related parties follow:

- (a) The Group provides management, advisory and consultancy services to ORDC. The Group bills ORDC management fee for accounting and tax management of ₹1.2 million during the year which is included in "Due from related parties".



- (b) The Group provides management, advisory and consultancy services to SMKL. As of December 31, 2012 and 2011, outstanding receivable from SMKL for management and franchise fees included in “Due from related parties” amounted to ₱0.7 million and ₱0.6 million, respectively.
- (c) On December 22, 2011, the BOD approved BHSI’s plan to decrease its authorized capital stock. In January 2012, the Parent Company received from BHSI an amount of ₱100 million, thereby decreasing BHI and OKEP’s advances from KPPI by ₱59.7 million and ₱40.3 million, respectively. These amounts are recorded as intercompany advances in the consolidated statement of financial position. The Company has filed with SEC the amendments to its article of incorporation and by-laws to include the above decrease in authorized capital. As of March 19, 2013, the application is pending approval
- (d) The Group’s advances to SMKL aggregating to ₱37.6 million as of December 31, 2011 are interest-bearing. Interest income charged to SMKL amounted to ₱1.1 million, ₱1.9 million and ₱2.2 million in 2012, 2011 and 2010, respectively. Interest rates are based on Bangko Sentral ng Pilipinas (BSP) lending rates that ranged from 6.25% to 5.2%, 6.56% to 7.52% and 7.65% to 8.25% in 2012, 2011 and 2010, respectively.
- (e) On November 10, 2010, the Parent Company partially redeemed 13,600,000 preferred shares of KLL amounting to ₱278.8 million. In 2011, cash and cash equivalents amounting to ₱278.8 million has been restricted for the settlement of the redemption (see Note 6). During the year, the Parent Company paid KLL the amount of ₱257.4 million, net of applicable withholding taxes of ₱21.4 million, for the redemption of preferred shares.
- (f) KLIL provides consultancy, advisory and support services to the Parent Company. As of December 31, 2012 and 2011, outstanding payable to KLIL for consultancy fees included in “Accrued expenses” amounted to ₱0.2 million and ₱0.3 million, respectively (see Note 13).

Compensation of Key Management Personnel of the Group

Details of the compensation of key management personnel of the Group are as follows:

	2012	2011	2010
Salaries and other short-term employee benefits	₱3,881,883	₱3,496,444	₱3,019,406
Bonuses and allowances	232,651	124,584	197,857
	₱4,114,534	₱3,621,028	₱3,217,263

16. General and Administrative Expenses

This account consists of:

	2012	2011	2010
Salaries, wages and employee benefits (Note 15)	₱7,054,275	₱6,839,030	₱5,976,731
Management consultancy fee (Note 15)	6,663,212	6,340,725	6,061,297
Professional fees	2,596,475	2,148,548	2,653,050
Rental (Note 21)	1,286,144	1,184,675	752,885

(Forward)



	2012	2011	2010
Depreciation (Notes 11 and 12)	₱990,136	₱1,033,576	₱490,100
Transportation and travel	603,694	626,209	386,557
Bad debts	625,542	—	—
Membership and dues	547,580	535,460	407,530
Taxes and licenses	535,100	252,931	333,046
Utilities	497,381	498,823	655,548
Postage, printing and advertising	487,148	337,085	491,110
Repairs and maintenance	241,992	199,211	159,947
Insurance	238,748	244,497	213,787
Staff recreation and others	143,727	85,852	76,394
Supplies	108,319	169,450	144,394
Retirement benefits (Note 17)	102,773	31,944	198,247
Bank and other charges	84,268	34,674	35,849
Security and other services	15,099	13,471	100,625
Others	497,719	393,698	821,562
	₱23,319,332	₱20,969,859	₱19,958,659

Other expenses pertain to storage costs, retainers' fee and out-of-pocket expenses for professional services. Bad debts expense pertains to accounts receivable from RGI amounting to ₱0.63 million that was written off in 2012 (see Note 7).

17. Retirement Benefits

The Group has a funded, non-contributory defined benefit retirement plan, administered by a trustee, covering its regular employees.

The latest actuarial valuation date of the Group's retirement plan is December 31, 2012.

The following tables summarize the components of net benefit expense recognized in profit or loss under "General and administrative expenses" and the funded status and amounts recognized in the consolidated statements of financial position for the plan:

The amounts recognized in profit or loss are as follows:

	2012	2011	2010
Current service cost	₱149,180	₱63,863	₱175,833
Interest cost	40,499	47,518	68,248
Expected return on plan assets	(62,792)	(56,498)	(39,772)
Actuarial gain recognized	(24,114)	(22,939)	(6,062)
Net benefit expense (Note 16)	₱102,773	₱31,944	₱198,247

The amounts recognized in the consolidated statements of financial position are as follows:

	2012	2011
Present value of obligation	₱860,830	₱647,982
Fair value of plan assets	1,383,573	1,255,843
	(522,743)	(607,861)
Unrecognized actuarial gain	522,743	607,861
Net pension liability	₱—	₱—



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

	2012	2011
At January 1	P647,982	P489,372
Current service cost	149,180	63,863
Interest cost	40,499	47,518
Benefits paid	(112,882)	(26,431)
Actuarial loss	136,051	73,660
At December 31	P860,830	P647,982

Changes in the fair value of retirement plan assets are as follows:

	2012	2011
At January 1	P1,255,843	P1,129,956
Expected return on plan assets	62,792	56,498
Contributions	102,773	31,944
Benefits paid	(112,882)	(26,431)
Actuarial gain	75,047	63,876
At December 31	P1,383,573	P1,255,843
Actual return on plan assets	P137,839	P120,374

Changes in unrecognized net actuarial gain are as follows:

	2012	2011
At January 1	P607,861	P640,584
From plan assets	(136,051)	63,876
From defined benefit obligation	75,047	(73,660)
Amortization of actuarial gain	(24,114)	(22,939)
At December 31	P522,743	P607,861

Movements in the net pension liability are as follows:

	2012	2011
At January 1	P-	P-
Net benefit expense	102,773	31,944
Contributions	(102,773)	(31,944)
At December 31	P-	P-

The Group expects to contribute P0.1 million to the plan in 2013.

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

	2012	2011
Short-term deposits	91.20%	99.27%
Cash in bank and interest receivables	8.80%	0.73%
	100.00%	100.00%



The principal actuarial assumptions used in determining retirement benefit obligations are as follows:

	2012	2011
Discount rate	5.35%	6.25%
Expected rate of return on plan assets	5.00%	5.00%
Salary increase rate	5.00%	5.00%
Average remaining working lives of employees	19 years	20 years

The expected rate of return on plan assets is determined based on market expectations at the beginning of the period for returns over the entire life of the related obligation.

Experience adjustment on benefit obligation amounted to ₱0.03 million and ₱0.1 million in 2012 and 2011, respectively.

Amounts for current and previous periods are as follows:

	2012	2011	2010	2009	2008
Plan assets	₱1,383,573	₱1,255,843	₱1,129,956	₱859,016	₱812,433
Defined benefit obligation	(860,830)	(647,982)	(489,372)	(633,689)	(320,368)
Surplus	₱522,743	₱607,861	₱640,584	₱225,327	₱492,065

18. Income Tax

Current Tax

The current provision for income tax represents final tax paid on interest income and MCIT. Details are as follows:

	2012	2011	2010
Final tax	₱2,534,583	₱2,590,896	₱2,779,954
MCIT	150,775	143,971	5,933
	₱2,685,358	₱2,734,867	₱2,785,887

Deferred Tax

The components of net deferred tax as of December 31, 2012 and 2011, computed at 30%, are as follows:

	2012	2011
Deferred tax assets:		
Accrued expenses	₱199,024	₱180,199
Unrealized foreign exchange loss	18,844	-
Deferred tax liability:		
Accrued income (Note 15)	(573,765)	-
Unrealized foreign exchange gain	-	(13,690)
Net deferred tax asset (liability)	(₱355,897)	₱166,509



As of December 31, 2012, details of NOLCO and MCIT which can be claimed as deduction from future taxable income are as follows:

Year incurred	Year of Expiry	NOLCO	MCIT
2010	2013	₱11,343,910	₱5,933
2011	2014	13,222,670	143,971
2012	2015	41,044,433	151,810
		₱41,139,195	₱301,714

Deferred tax assets on NOLCO and MCIT as of December 31, 2012 and 2011, respectively, have not been recognized since management believes that the benefits will not be realized prior to their expiry dates. Details of unrecognized deferred tax assets are as follows:

	2012	2011
NOLCO	₱41,044,443	₱36,783,326
Tax rate	30%	30%
	12,313,330	11,034,998
MCIT	301,714	149,904
	₱12,615,044	₱11,184,902

The movements in NOLCO are as follows:

	2012	2011
At January 1	₱36,783,326	₱56,036,640
Additions	16,477,853	13,222,670
Expirations	(12,216,746)	(32,475,984)
At December 31	₱41,044,433	₱36,783,326

The movements in MCIT are as follows:

	2012	2011
At January 1	₱149,904	₱5,933
Additions	150,810	143,971
At December 31	₱300,714	₱149,904

The reconciliation between the statutory income tax rate and the effective income tax rate is as follows

	2012	2011	2010
Statutory income tax rate	30.0%	30.0%	30.0%
Add (deduct) tax effects of:			
Change in unrecognized deferred tax assets	10.9	1.8	27.1
Non-deductible expenses	(0.2)	0.2	1.5
Interest income subjected to final tax	(3.1)	(0.6)	(10.5)
Equity in net earnings of associates and a joint venture	(30.9)	(30.1)	(27.2)
Effective income tax rate	6.7%	1.3%	20.9%



19. Provisions and Contingencies

- The Parent Company is a party to a lawsuit involving a claim for commission by an agent amounting to ₱1.8 million plus damages. The case is now pending with the Regional Trial Court of Cebu City, Philippines. The Parent Company's management and legal counsel believe that the said agent has no valid claim from the Parent. No provision for commission has been made for the years ended December 31, 2012, 2011 and 2010.
- In 2006, provisions of ₱2.6 million were recognized for estimated losses on claims by third party. As of December 31, 2012 and 2011, the outstanding balance of the provision amounted to ₱2.1 million and ₱2.6 million, respectively. The information usually required by PAS 37 is not disclosed because of the sensitivity of the information.

20. Earnings Per Share

	2012	2011	2010
Net income (a)	₱19,630,518	₱203,443,482	₱10,165,320
Number of common shares issued and outstanding (b) (Note 14)	293,828,900	293,828,900	293,828,900
Earnings per share (a/b)	₱0.07	₱0.69	₱0.03

The Group has no potential shares that will have a dilutive effect on Earnings Per Share.

21. Commitments

The Parent Company has an operating lease contract that expired on August 30, 2012. This agreement has been renewed for one year until August 2013. Total rent expense charged to operations amounted to ₱1.3 million, ₱1.2 million and ₱0.8 million in 2012, 2011 and 2010, respectively (see Note 16).

As of December 31, 2012 and 2011, the required advance rentals and deposit amounted to ₱0.8 million and ₱0.6 million, respectively. These are included under "Other current assets" in the consolidated statements of financial position.

There are no assets of the Group pledged as collaterals to any loans of its stockholders and associates nor are there any restrictions on revenue.

22. Financial Risk Management Objectives and Policies

The Group's principal financial assets and liabilities comprise cash and cash equivalents, AFS financial assets and amounts due to and from related parties. The Group has various other financial assets and liabilities such as trade receivables and payables, which arise from its operations.



The main risks arising from the Group's financial instruments are credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group's BOD and management review and agree on the policies for managing each of these risks as summarized below.

Credit Risk

Credit risk arises when the counterparty to a financial asset of the Group is unable to fulfill its obligation at the time the obligation becomes due. Credit risk arises from the Group's financial assets, which comprise cash and cash equivalents, receivables, amounts due from related parties, refundable deposits and AFS financial assets. As of December 31, 2012 and 2011, the carrying values of the Group's financial instruments represent maximum exposure to credit risk at reporting date.

The Group's due from related parties are approximately ninety-nine percent (99%) of total receivables.

Credit quality

As of December 31, 2012 and 2011, the Group determined that the financial assets are rated high grade as the counterparties possess strong to very strong capacity to meet their obligations. Since the Group trades only with related parties, there is no requirement for collateral. Due from related parties aggregating ₱184.4 million and ₱224.4 million as of December 31, 2012 and 2011, respectively, are collectible. Cash and cash equivalents are placed with reputable financial institutions with strong financial capacity.

As of December 31, 2012 and 2011, the Group has no past due and impaired financial assets.

Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and short-term deposits. The Group also monitors its risk to shortage of funds through monthly evaluation of the projected and actual cash flow information.

The table below summarizes the maturity profile of the Group's non-derivative financial assets and liabilities based on contractual undiscounted payments:

December 31, 2012

	On Demand	Less than 3 months	More than 3 months to 1 year	More than one year	Total
Financial assets:					
Cash and cash equivalents	₱164,575,329	₱-	₱-	₱-	₱164,575,329
Receivables	226,470	-	-	-	226,470
Due from related parties	184,367,232	-	-	-	184,367,232
Refundable deposits	-	-	-	56,108	56,108
	₱349,169,031	₱-	₱-	₱56,108	₱349,225,139
Financial liabilities:					
Accounts payable and other current liabilities*	₱-	₱2,118,106	₱-	₱-	₱2,118,106
Due to related parties	100,288,500	-	-	-	100,288,500
	₱100,288,500	₱2,118,106	₱-	₱-	₱102,406,606

* Accounts payable and other current liabilities exclude taxes payable.



December 31, 2011

	On Demand	Less than 3 months	More than 3 months to 1 year	More than one year	Total
Financial assets:					
Cash and cash equivalents	₱307,418,255	₱-	₱-	₱-	₱307,418,255
Receivables	1,034,637	-	-	-	1,034,637
Due from related parties	224,382,613	-	-	-	224,382,613
Refundable deposits	-	-	-	56,108	56,108
	₱532,835,505	₱-	₱-	₱56,108	₱532,891,613
Financial liabilities:					
Accounts payable and other current liabilities*	₱-	₱2,555,763	₱-	₱-	₱2,555,763
Due to related parties	279,078,006	-	-	-	279,078,006
	₱279,078,006	₱2,555,763	₱-	₱-	₱281,633,769

* Accounts payable and other current liabilities exclude taxes payable.

Foreign Currency Risk

The Group's exposure to foreign currency arises from US-dollar denominated bank accounts and SG-dollar denominated consultancy fees due to the Parent Company.

The Group's foreign currency denominated financial asset pertains to cash in bank account amounting to ₱3.2million (US\$.07 million) and ₱8.0 million (US\$0.2 million) as of December 31, 2012 and 2011, respectively. In translating the foreign currency denominated cash in bank account into Philippine Peso amounts, the exchange rates used was ₱41.19 and ₱43.64 to US\$1.0 as of December 31, 2012 and 2011, respectively.

The foreign currency denominated financial liabilities of the Parent pertain to advances from related parties amounting to ₱0.3 million (SG\$8,611) in 2012 and ₱0.3 million (SG\$8,313) in 2011. In translating the foreign currency denominated advances from the related parties into Philippine Peso amounts, the exchange rate used was ₱33.5 in 2012 and ₱33.85 in 2011.

The Group manages its foreign currency exposure risk by matching, as far as possible, receipts and payments in each individual currency. Foreign currency is converted into relevant domestic currency as and when the management deems necessary.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine Peso exchange rate, with all other variables held constant, of the Group's income before tax. There is no impact on the Group's other comprehensive income other than those already affecting the net income.

December 31, 2012

Currency	Change in Philippine Peso	Effect on Other Comprehensive Income
USD	+0.3	₱21,344
	-0.3	(21,344)
SGD	+0.02	(173)
	-0.02	173



December 31, 2011

Currency	Change in Philippine Peso	Effect on Other Comprehensive Income
USD	+1	₱182,550
	-1	(182,550)
SGD	+1	(8,313)
	-1	8,313

In 2012 and 2011, the Group used the average change in the quarterly closing rates for the year in determining the reasonable possible change in foreign exchange rates.

Interest Rate Risk

The Group's exposure to the risk for changes in market interest rates relates primarily to placements in short-term deposits with floating interest rates. The Group earned interest ranging from 3.25% to 4% in 2012 and 2.25% to 4.00% in 2011. The Group manages its exposure to interest rate risk by actively monitoring various short-term placements and related coupon rates. Furthermore, the Group has no significant concentration of interest rate risk.

The following table demonstrates the sensitivity to reasonably possible changes in interest rates, with all other variables held constant, of the Group's income before tax (through the impact on floating rates). There is no impact on the Group's other comprehensive income other than those already affecting the net income.

December 31, 2012

Currency	Change in variable	Effect on Other Comprehensive Income
PHP	+1.0%	₱1,579,690
	-1.0	(1,579,690)
	+0.5	789,845
	-0.5	(789,845)

December 31, 2011

Currency	Change in variable	Effect on Other Comprehensive Income
PHP	+1.0%	₱2,896,992
	-1.0	(2,896,992)
	+0.5	1,448,496
	-0.5	(1,448,496)



In 2012 and 2011, the Group determined the reasonably possible change in interest rates using the percentage changes in coupon rates of outstanding placements in short-term deposits on a quarterly basis.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Group monitors capital using percentage of debt to equity, which is total debt divided by total equity net of treasury stock. The Group's policy is to maintain the percentage of debt to equity ratio below 100%. The Group includes, within total debt, accounts payable and other current liabilities and amounts due to related parties.

The Group's objective is to ensure that there are no known events that may trigger direct or contingent financial obligation that is material to the Group, including default or acceleration of an obligation, which was not disclosed. The percentages of debt to equity as of December 31, 2012 and 2011 are as follows:

	2012	2011
Liabilities	₱102,762,875	₱281,633,769
Equity	1,652,088,947	1,611,173,396
Percentage of debt to equity	6.2%	17.48%

The Group is not subject to any externally imposed capital requirement.

Fair Values

Due to the short-term nature of cash and cash equivalents, receivables, amounts due to and from related parties, other current assets, refundable deposits and accounts payable and other current liabilities, their carrying values reported in the consolidated statements of financial position approximate their fair values at reporting date.

The unquoted club shares are valued at cost less any impairment in value because these club shares do not have a quoted market price in an active market and whose fair value cannot be measured reliably.

23. Segment Information

The Group has only one segment as it derives its revenues primarily from investments and management consultancy services rendered to its associates.

Significant information on the reportable segment is as follows:

	2012	2011	2010
Operating assets	₱1,737,070,476	₱1,895,972,368	₱1,704,906,412
Operating liabilities	105,189,109	284,798,972	297,176,498
Revenue	45,822,815	227,112,073	32,607,485
Other income (charges)	888,780	281,657	207,500
General and administrative expenses	23,151,757	20,969,859	19,958,659
Segment income	20,352,074	203,443,482	10,165,320



All revenues are from domestic entities incorporated in the Philippines.

There are no revenues derived from a single external customer above 10% of total revenue.

There is no need to present reconciliation since the Group's operating assets, operating liabilities, revenue, cost and expenses and segment profit pertains to a single operating segment.





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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
Keppel Philippines Properties, Inc.
Units 2203 and 2204, Raffles Corporate Center
F. Ortigas Jr. Road (formerly Emerald Avenue)
Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Keppel Philippines Properties, Inc. and Subsidiaries (the Group) 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 April 2, 2013. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code 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 consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-AR-3 (Group A),
February 14, 2013, valid until February 13, 2016
Tax Identification No. 102-082-365
BIR Accreditation No. 08-001998-10-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3669666, January 2, 2013, Makati City

April 2, 2013



KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES
(Amounts in Philippine Peso)

**SCHEDULE B. AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES
RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES)
DECEMBER 31, 2012**

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Non-Current	Balance at end of year
Related Parties							
Residencia Grande, Inc.	16,669	-	-	-	-	-	16,669
Interest on placements	97,152	-	-	-	-	-	97,152
Officers and Employees	112,649	-	-	-	-	-	112,649
	<u>226,470</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>226,470</u>

KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES
 (Amounts in Philippine Peso)

**SCHEDULE C. AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE
 ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
 DECEMBER 31, 2012**

Name and Designation of Debtor	Beginning Balance	Additions	Amounts Collected	Amounts Written Off	Current	Non-Current	Balance at end of period
Buena Homes, Inc.	208,008,066	143,373	-	-	2,123,479	206,027,959	208,151,438
	<u>208,008,066</u>	<u>143,373</u>	<u>-</u>	<u>-</u>	<u>2,123,479</u>	<u>206,027,959</u>	<u>208,151,438</u>

KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES
 (Amounts in Philippine Peso)

**SCHEDULE F. INDEBTEDNESS TO RELATED PARTIES (Long-term Loans from
 Related Companies)
 DECEMBER 31, 2012**

Name of Affiliates	Balance at Beginning of period	Balance at End of period
Keppel Land Limited	-	-
Keppel Land International Limited	288,500	288,500
	<u>288,500</u>	<u>288,500</u>

KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES

**SCHEDULE H. CAPITAL STOCK
DECEMBER 31, 2012**

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates	Directors, officers and employees	Others
Common Shares of Stock	375,000,000	296,629,900				
Treasury Stock		(2,801,000)				
Outstanding Common Stock	135,700,000	293,828,900	-	235,181,969	7	58,646,924
Preferred Stock		59,474,100		59,474,100	-	-
Total		353,303,000	-	294,656,069	7	58,646,924

KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2012

Consolidated retained earnings, beginning	P654,851,524
Adjustments:	
Accumulated share in net earnings of subsidiary and associate	(459,389,514)
Deferred tax asset - net, beginning	(166,509)
Unappropriated retained earnings, as adjusted, beginning	195,295,501
Net income during the period closed to retained earnings	19,630,518
Non-actual losses (Unrealized income):	
Equity in net income of associate/joint venture	(25,079,338)
Provision for deferred tax	522,406
Net income realized	190,369,087
Treasury shares	(2,667,645)
Unappropriated retained earnings, as adjusted, ending	P187,701,442



KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES

**FINANCIAL SOUNDNESS INDICATORS
FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010**

		2012	2011	2010
Liquidity Ratio	Current assets over current liabilities	3:1	2:1	2:1
Asset to equity ratio	Total asset over total equity	1.07:1	1.18:1	1.21:1
Debt to equity ratio	Total liabilities over total equity	0.07:1	0.18:1	0.21:1
Return on Assets	Net income after tax over total assets at beginning	1.03%	11.93%	0.58%
Return on Equity	Net income after tax over total equity	1.2%	12.63%	0.72%
Earnings per share	Net income over number of common stock outstanding	₱0.07	₱0.69	₱0.03

KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES

**SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS
UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS**

December 31, 2012

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	No Adopted	No Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	Not Early Adopted		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not Early Adopted		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
PFRS 8	Operating Segments			✓
PFRS 9	Financial Instruments	Not Early Adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not Early Adopted		
PFRS 10	Consolidated Financial Statements	Not Early Adopted		
PFRS 11	Joint Arrangements	Not Early Adopted		
PFRS 12	Disclosure of Interests in Other Entities	Not Early Adopted		
PFRS 13	Fair Value Measurement	Not Early Adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	Not Early Adopted		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases			✓
PAS 18	Revenue	✓		
PAS 19	Employee Benefits			✓
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
PAS 19 (Amended)	Employee Benefits			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	No Adopted	No Applicable
PAS 27 (Amended)	Separate Financial Statements	Not Early Adopted		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	Not Early Adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	Not Early Adopted		
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓



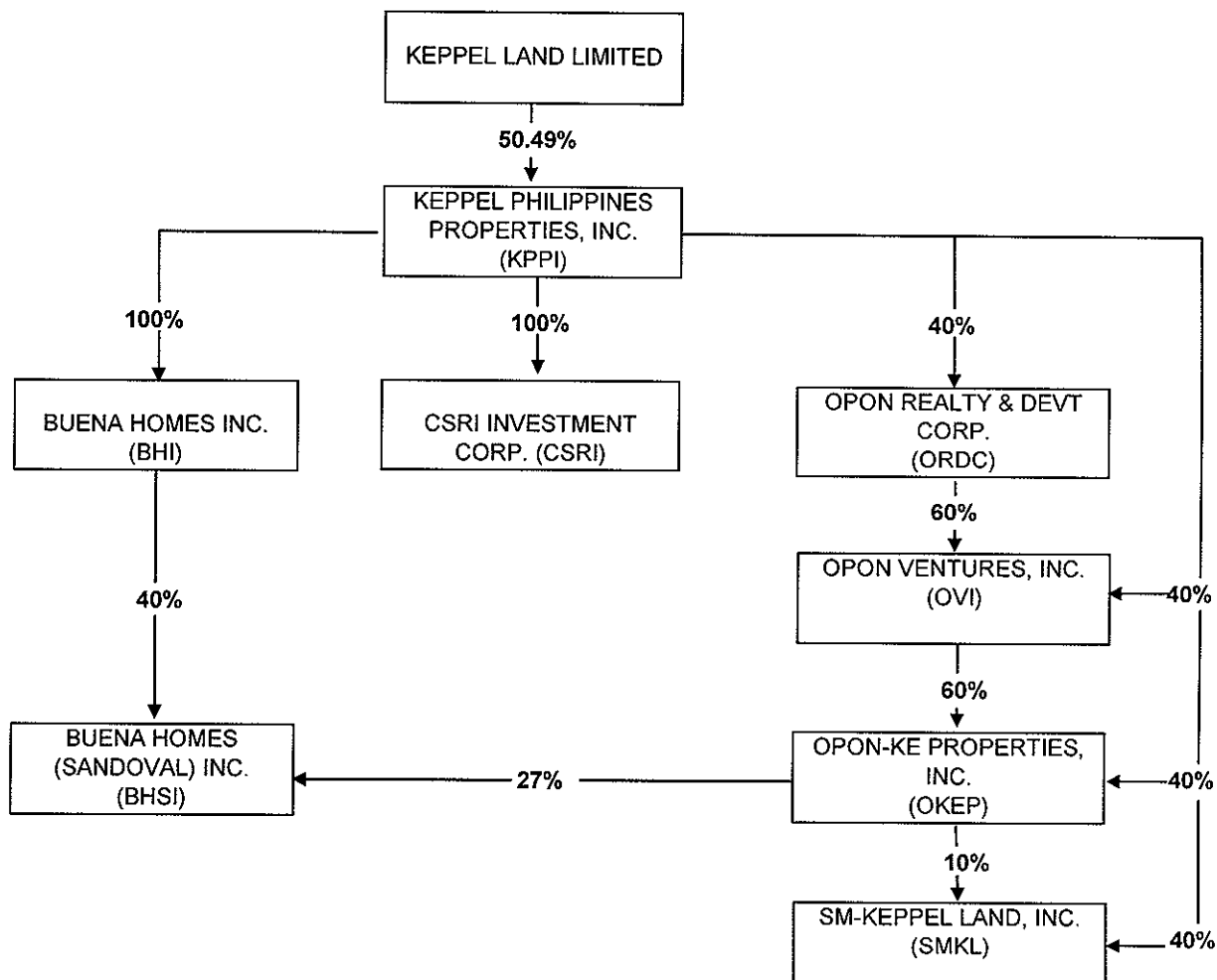
KEPPEL PHILIPPINES PROPERTIES, INC.
INDEX TO EXHIBITS
SEC FORM 17-A

No.		<u>Page No.</u>
(1)	Publication of Notice re: Filing	NA
(2)	Underwriting Agreement	NA
(3)	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession	NA
(4)	Articles of Incorporation and By-Laws	NA
(5)	Instruments Defining the Rights of Security Holders, Including Indentures	NA
(6)	Opinion Re: Legality	NA
(7)	Opinion Re: Agreement	NA
(8)	Voting Trust Agreement	NA
(9)	Material Contracts	NA
(10)	Annual Report to Security Holders, Form 11- Q or Quarterly Report to Security Holders	NA
(11)	Material Foreign Patents	NA
(12)	Letter Re: Unaudited Interim Financial Information	NA
(13)	Letter Re: Change in Certifying Accountant	NA
(14)	Letter Re: Director Resignation	NA
(15)	Letter Re: Change in Accounting Principles	NA
(16)	Report Furnished to Security Holders	NA
(17)	Other Documents Or Statements to Security Holders	NA
(18)	Subsidiaries of the Registrant	47
(19)	Published Report Regarding Matters Submitted to Vote of Security Holders	NA
(20)	Consents of Experts and Independent Counsel	NA
(21)	Power of Attorney	NA
(22)	Statements of Eligibility of Trustee	NA
(23)	Exhibits to be Filed with Bonds Issues	NA
(24)	Exhibits to be Filed with Stocks Options Issues	NA
(25)	Exhibits to be Filed by Investment Companies	NA
(26)	Curriculum Vitae and Photographs of Officers and Members of the Board of Directors	NA
(27)	Copy of Board of Investment Certificate in the case of Board of Investment Registered Companies	NA
(28)	Authorization to Commission to Access Registrant's Bank Accounts	NA
(29)	Additional Exhibits	NA

EXHIBIT 18 SUBSIDIARIES OF THE REGISTRANT

Name	Country of Incorporation	Business	Percentage of Ownership
CSRI Investment Corporation	Philippines	Investment in securities and condominium units	100%
Buena Homes Inc.	Philippines	Property holding and development	100%

KEPPEL PHILIPPINES PROPERTIES, INC.
SUBSIDIARIES AND ASSOCIATES
AS AT 31 DECEMBER 2012



<u>Subsidiaries</u>
Buena Homes, Inc. (BHI)
CSRI Investment Corporation (CSRI)

<u>Percentage of Ownership</u>
100%
100%

<u>Nature of Business</u>
Investment holding
Investment holding

<u>Associates</u>
Buena Homes (Sandoval), Inc. (BHSi)
Opon Realty and Development Corp. (ORDC)
Opon-KE Properties, Inc. (OKEP)
SM-Keppel Land, Inc. (SMKL)
Opon Ventures, Inc.(OVI)

<u>Percentage of Ownership</u>
40%
40%
40%
40%
40%

<u>Nature of Business</u>
Property holding and development
Property holding and development
Property holding and development
Property holding and development
Property holding and development