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S.E.C. Registration Number

**A L L I A N C E G L O B A L
G R O U P I N C .**

(Company's Full Name)

7 / F 1 8 8 0 E A S T W O O D A V E N U E
E A S T W O O D C I T Y C Y B E R P A R K
B A G U M B A Y A N Q U E Z O N C I T Y

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

DINA D.R. INTING

Contact Person

709-2038 to 41

Company Telephone Number

1 2 3 1

Month Day
Fiscal Year

1 7 - Q

FORM TYPE

(QUARTERLY REPORT FOR MARCH 31, 2013)

0 9

Month

3rd Tues.

Day

N.A.

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. *For the quarterly period ended* **March 31, 2013**
2. *SEC Identification Number* **AS093-7946**
3. *BIR Tax Identification No.* **003-831-302-000**
4. *Exact name of issuer as specified in its charter* **ALLIANCE GLOBAL GROUP, INC.**
5. **METRO MANILA, PHILIPPINES**
Province, country or other jurisdiction of incorporation or organization
6. *(SEC Use Only)*
Industry classification code
7. **7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark
188 E. Rodriguez Jr. Ave., Bagumbayan, 1110 Quezon City**
Address of principal office
8. **(632) 70920-38 to -41**
Registrant's telephone number, including area code
9. *Securities registered pursuant to Sections 8 and 12 of the SRC, or secs. 4 and 8 of the RSA*

<i>Title of Each Class</i>	<i>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</i>
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Common	10,269,827,979
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10. *Are any or all of these securities listed on a Stock Exchange?* **Yes, on the Philippine Stock Exchange.**
11. (a) *AGI has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months.*

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

PART I – FINANCIAL INFORMATION

1. FINANCIAL STATEMENTS

Consolidated Statements of Financial Position
Consolidated Statements of Comprehensive Income
Consolidated Statements of Changes in Equity
Consolidated Statements of Cash Flows
Notes to Interim Consolidated Financial Statements
Schedule of Financial Soundness Indicators
Aging Schedule of Trade and Other Receivables Under Current Assets

The interim consolidated financial statements (ICFS) have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standard 34, *Interim Financial Reporting*. As such, they do not include all of the information and disclosures required for full annual consolidated financial statements, and thus should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended December 31, 2012 (ACFS). The accounting policies and methods used in the ICFS are consistent with those applied in ACFS, except for changes brought about by the adoption of new standards that become effective on January 1, 2013.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. These consolidated financial statements have been prepared on the historical cost basis, except for the measurement of certain financial assets and liabilities. Accounting estimates, assumptions and judgments are used in preparing these statements. Although these estimates and assumptions are based on management's best knowledge of current events and actions, historical experience, and evaluation of relevant facts and circumstances, including expectations of future events that are believed to be reasonable under the circumstances, actual results may ultimately differ from such estimates.

For a more thorough understanding of the accounting policies used in the preparation of the financial statements, reference should be made to the notes to the latest ACFS filed under SEC 17-A, a copy of which may be found in the Company's website [allianceglobalinc.com] and PSE website [pse.com.ph].

The interim consolidated financial statements comprise the financial statements of the Company and its subsidiaries, after elimination of material intercompany transactions.

In the normal course of business, there were intercompany transactions among the Company and its subsidiaries and these intercompany balances and transactions, including income, expenses, dividends and unrealized profits from material intercompany transactions that are recognized in assets are eliminated. In addition, shares of stock of the Company acquired by any of these subsidiaries are recognized as treasury shares and these are presented at cost as a deduction in the consolidated statements of changes in equity. Any changes in their market values as recognized separately by the subsidiaries are likewise eliminated in full. Gain or loss on the sale of these treasury shares is presented as addition to or deduction from additional paid-in capital (APIC).

The financial statements of subsidiaries are prepared for the same accounting period as the Company's, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The interim consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

During the interim period, there were no other known items –such as trends, demands, commitments, events or uncertainties- affecting assets, liabilities, equity, sales, revenues, net income or cash flows that were unusual because of their nature, size, or incidents, and that will result in or that are reasonably likely to result in the liquidity increasing or decreasing in any material way, or that would have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

Business Segments

The Group classifies its businesses into the following segments, each managed separately and each representing a strategic business unit that offers different products and serves different markets. Entities not classifiable under these main business segments are presented as part of corporate and investments.

- Food and beverage segment (F&B) includes the manufacture and distribution of distilled spirits (under the labels of Emperor Brandy, Generoso Brandy and The Bar flavored alcoholic beverage), glass containers and potato snack products (under Pik-Nik label). It also includes the distribution of consumer products under international labels. Emperor Distillers Inc. (EDI) front runs this segment.
- Real estate segment (RE) involves the investment in and development of real estate, lease of properties, hotel development and operations, and integrated tourism resorts development. The real estate portfolio encompasses a wide array of products that cater to niche markets ranging from luxury, middle-income and affordable home sectors to vacation homes. RE segment is led by publicly-listed Megaworld Corporation (Megaworld or MEG) with its live-work-play-learn-shop community townships and high-end condominiums and commercial properties. Empire East and Suntrust are the middle-income and affordable housing brands. More recently, Empire East Elite brand of luxurious resort development is added. MEG operates two Richmonde hotels, one in Ortigas Center and the other in Eastwood City.

RE segment also includes integrated tourism business under Global-Estate Resorts, Inc. (GERI), AGI's integrated tourism vehicle outside Metro Manila. GERI has rolled out the first and only tourism estate in Boracay Island in 2011 and has recently started on its vineyard resort project in Laurel, Batangas near Metro Tagaytay. It also launched Savoy Hotel in Boracay in April last year.

- Tourism – Entertainment and Gaming segment (TEG) is represented by Travellers International Hotel Group, Inc. (Travellers). Travellers operates Resorts World Manila (RWM) which currently houses Maxims Hotel (the Philippines' first luxury all-suite hotel), Marriott Hotel Manila, Remington Hotel and the Newport Performing Arts Theater. RWM combines hospitality, entertainment, leisure, shopping and gaming in a one-stop non-stop destination.
- Quick service restaurant business (QSR) operates under the McDonald's brand, in accordance with a master franchise agreement with McDonald's USA. Golden Arches Development Corporation represents this segment.

Please refer to Note 1 to the Interim Consolidated Financial Statements and ACFS for a comprehensive list of subsidiaries, associates and joint venture.

2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Key Performance Indicators

Presented below are the top five (5) key performance indicators of the Company and subsidiaries as of and for the three months ended March 31, with full year 2012 comparison:

<i>In Million Pesos</i>	Q1-2013	Q1-2012	FY2012
REVENUES	30,392	24,381	102,718
NET PROFIT	4,914	4,151	*20,508
NET PROFIT TO OWNERS OF AGI	3,575	2,961	13,904
TOTAL ASSETS	281,138	*258,172	*272,645
CURRENT ASSETS	157,835	145,142	152,670
CURRENT LIABILITIES	47,427	42,287	45,551
Revenue growth	24.6%	43.26%	63.1%
Net profit growth	18.4%	-32.96%	76.2%
Attributable to equity holders of parent	20.8%	-46.73%	64.0%
Net profit rate	16.2%	17.0%	19.9%
Attributable to equity holders of parent	11.8%	12.1%	13.54%
Return on investment/assets	1.7%	1.6%	7.5%
Current ratio	3.33x	3.01x	3.35x
Quick ratio	2.10x	2.13x	2.14x

*As restated for effect of retroactive application of PAS 19R.

- Revenue growth – measures the percentage change in sales/revenues over a designated period of time. Performance is measured both in terms of amount and volume, where applicable.
- Net profit growth – measures the percentage change in net profit over a designated period of time
- Net profit rate– computed as percentage of net profit to revenues - measures the operating efficiency and success of maintaining satisfactory control of costs
- Return on investment [or capital employed] – the ratio of net profit to total assets - measures the degree of efficiency in the use of resources to generate net income
- Current ratio – computed as current assets divided by current liabilities – measures the ability of the business to meet its current obligations. To measure immediate liquidity, quick assets [cash, marketable securities, accounts receivables] is divided by current liabilities.

Results of Operations – First Three Months

	TEG	RE	F&B	QSR	Corporate &Others	TOTAL
2013						
Revenues	10,512	8,437	6,708	3,845	890	30,392
EBIT	1,383	2,576	1,912	365	783	7,019
Interest expense ¹	363	224	0	35	337	958
Tax	25	607	412	96	6	1,146
Net profit	995	1,745	1,500	234	440	4,914
Net profit to owners	461	1,061	1,500	113	440	3,575
2012						
Revenues	7,143	7,248	5,754	3,299	937	24,381
EBIT	1,054	2,243	1,398	260	931	5,886
Interest expense ¹	183	252	0	30	368	833
Tax	17	466	328	78	13	902
Net profit	854	1,525	1,070	152	550	4,151
Net profit to owners	391	877	1,070	73	550	2,961
Year-on-year Change						
Revenues	47.16%	16.41%	16.59%	16.55%	-5.07%	24.65%
EBIT	31.21%	14.86%	36.72%	40.07%	-15.88%	19.25%
Interest expense	98.36%	-11.22%	-	16.41%	-8.55%	15.01%
Net profit	16.52%	14.45%	40.12%	53.67%	-19.97%	18.37%
Net profit to owners	17.90%	20.98%	40.12%	54.79%	-19.97%	20.76%

Amounts are in million pesos; Numbers may not add up due to rounding. ¹TEG's interest includes unrealized loss on rate swap. Revenues exclude intersegment sales and include share in net profits of associates and joint ventures.

AGI carried on its upward growth trajectory with net profit rising 18% to P4.9 billion from P4.1 billion a year ago. The portion attributable to owners of the parent company grew by 21% to P3.6 billion from P3.0 billion a year ago, as propelled by the strong results from the RE and F&B segments. This quarter's results topped the already strong performance a year ago as all business segments posted double-digit growth in revenues and net profit.

The main drivers of profit growth for the first quarter are EDI, with its net profit soaring 40% year-on-year on the back of its sustained sales and improved gross margin, and MEG, with its net profit growing 13% due to higher sales and rental income. Travellers' net profit went up by 17% due to a big leap in its hotel and gaming revenues. GADC's net profit got a 54% boost from new restaurants' sales.

The revenues and net profit of the selected subsidiaries were as follows:

<i>Amounts in Million Pesos</i>			Contribution		
	<u>2013</u>	<u>2012</u>	<u>Growth</u>	<u>2013</u>	<u>2012</u>
REVENUES					
Travellers	10,512	7,143	47.2%	34.59%	29.30%
MEG ¹	7,998	6,868	16.4%	26.32%	28.17%
EDI	6,456	5,497	17.4%	21.24%	22.55%
GADC	3,845	3,299	16.5%	12.65%	13.53%
GERI	436	379	15.0%	1.44%	1.55%
Others	1,145	1,195	-4.2%	3.76%	4.90%
Consolidated total	30,392	24,381	24.6%	100.00%	100.00%
NET PROFIT					
MEG ¹	1,669	1,476	13.1%	33.96%	35.56%
EDI	1,442	1,027	40.4%	29.40%	24.74%
Travellers ²	995	854	16.5%	20.26%	20.58%
GADC	234	152	53.9%	4.75%	3.66%
GERI	81	51	58.8%	1.65%	1.22%
Others	493	591	-16.6%	9.98%	14.24%
Consolidated total	4,914	4,151	18.4%	100.00%	100.00%
NET PROFIT TO OWNERS					
EDI	1,442	1,027	40.4%	40.32%	34.69%
MEG	1,013	844	20%	28.33%	28.53%
Travellers ²	461	391	17.9%	12.89%	13.20%
GERI	53	35	51.4%	1.48%	1.19%
GADC	113	73	54.8%	3.17%	2.45%
Others	493	591	-16.6%	13.81%	19.94%
Consolidated total	3,575	2,961	20.7%	100.0%	100.00%

¹ Adjusted to take out its 10% share in net profit of Travellers and intersegment sales in both years.

² Its unaudited results. Travellers' audited interim results are not used to preserve comparability.

	<u>2013</u>	<u>2012</u>	<u>Change</u>
REVENUES			
Sale of goods	12,419	10,954	13.4%
Consumer goods	6,182	5,468	13.1%
Real estate	5,023	4,364	15.1%
Realized gross profit on prior year's real estate sales	859	800	7.3%
Interest income on real estate sales	355	322	10.2%
Services	16,083	11,384	41.3%
Gaming	9,409	6,126	53.6%
Company-operated quick-service restaurant sales	3,527	3,025	16.6%
Franchised revenues	285	243	17.3%
Rental income	1,509	1,012	49.1%
Hotel operations	988	783	26.2%
Other services	364	195	86.7%
Share in net profits of associates and joint ventures	0.5	21.7	-97.7%
Finance and other income	1,889	2,021	-6.5%
TOTAL	30,392	24,381	24.6%

Amounts in Million pesos; numbers may not add up due to rounding off.

	<u>2013</u>	<u>2012</u>	<u>Change</u>
TEG	10,512	7,143	47.2%
RE	8,437	7,248	16.4%
F&B	6,708	5,754	16.6%
QSR	3,845	3,299	16.6%
Others	890	937	-5.1%
TOTAL	30,392	24,381	24.6%

Revenues expanded by 25% to P30.4 billion from P24.4 billion a year ago, primarily due to better performance across all segments, particularly in gaming revenues, sale of goods, real estate sales and sales from company-operated quick-service restaurants.

RE revenues, which increased by 16%, come from sales of lots, condominium and office units; rentals and golf course maintenance contracts; rental/lease of office and commercial spaces; hotel operations; and finance and other income. RE portfolio targets a wide spectrum through projects of Megaworld, Empire East, Suntrust and GERI. The Group's registered sales mostly came from (MEG) Eastwood Le Grand, 8 Forbestown Road, The Venice Luxury Residences, Viceroy Tower 1, Belmont Hotel, 101 Newport Boulevard, One Uptown Residences, 8 Newtown Residences (Cebu), and Greenbelt Hamilton; (GERI) lots in Newcoast Shophouse District and Newcoast Village (Aklan), Sta. Barbara Heights (Ilo-Ilo City), and Twin Lakes Domaine Le Jardine (Batangas); (ELI) California Gardens Square, Pioneer Woodlands, The Cambridge Village, San Lorenzo Place, Little Baguio Terraces, The Sonoma, and Laguna Bel-Air projects plus other projects in Metro Manila. These raised real estate sales by 15%. Rental income grew by 41% from the completion of additional property for its BPO and retail portfolio.

TEG revenues, which escalated by 47%, come from tourism integrated business in RWM and include gaming, hotel, food and beverage, theater, cinema and retail shopping mall operations and commercial office space rentals. Its gaming and hotel revenues surged 54% and 25%, respectively, primarily due to the increased gaming capacity and continued increase in property visitation. The successful series of events coinciding with Chinese New Year and Valentine's Day, including shows, concerts and other activities such as Mass raffle draws and VIP tournaments staged this year were all well attended. There is an increased occupancy rate and average daily room rate for the hotels. Remington Hotel becomes fully operational, with room count of 712 rooms as of end-March as compared to daily room count of 247 a year ago.

F&B revenues, which rose by 17%, come mainly from sale of consumer goods (brandy and potato snacks). Emperador Brandy maintained its already very strong position from a year ago. There is also a sales price increase at the start of the year to cut the impact of the revised excise law, which took effect on January 1, 2013 and put a higher tax on alcohol products.

Pik-Nik sales, on the other hand, experienced a 3% decline in volume from a year ago. Its USA sales was affected by the US economy as it slid by 7% while international sales remained flat.

QSR revenues, which grew by 17%, come from sales from company-operated restaurants and revenues collected from franchisees (rental and management fees). Both sources grew by about 17% year-on-year. The growth is attributed to the 46 new restaurants opened from a year ago, more restaurants offering business extensions (39 for 24-hour delivery service, 64 dessert centers, 34 8McDo), the re-imaging of 32 existing restaurants, the introduction of new products (flavored floats) and the aggressive advertising/promotional campaigns to support Breakfast, Premium Desserts, McDelivery, Iced Coffee, McSaver Meals and McSavers (sundae, floats, fries and Burger McDo). "Ang Pao" couponing continued until March 15 and "Eyes on your Fries" is continuing from February 14. There are 375 restaurants nationwide as of end-March. Three restaurants were franchised in March while three company-owned restaurants plus one franchise were closed in January. The 46 newly-opened restaurants contributed 11% to total system sales.

Finance and other income come from interest income on cash and securities, dividends, foreign exchange and fair value gains on mark-to-market investments. It went down by about 6% due to reduced interest earned on cash investments during the period.

Share in net profits of associates and joint venture decreased slightly due to renovation works at existing quick-service restaurants during the period.

	2013	2012	Change
COSTS AND EXPENSES			
Cost of Goods Sold	8,560	7,440	15.1%
Consumer goods sold	4,153	3,718	11.7%
Real estate sales	3,039	2,717	11.8%
Deferred gross profit on real estate sales	1,369	1,004	36.3%
Cost of Rendering Services	7,151	6,076	17.7%
Gaming	3,609	3,288	9.8%
Services	3,542	2,788	27.0%
Operating Expenses	7,490	4,770	57.0%
Selling expenses	4,097	2,270	80.5%
General and administrative	3,393	2,500	35.7%
Finance costs and other charges	1,131	1,042	8.5%
TOTAL	24,332	19,328	25.9%

Amounts in billion pesos; numbers may not add up due to rounding off.

	<u>2013</u>	<u>2012</u>	<u>Change</u>
TEG	9,492	6,272	51.3%
RE	6,085	5,257	15.7%
F&B	4,796	4,355	10.1%
QSR	3,515	3,069	14.5%
Others	444	375	18.3%
TOTAL	24,332	19,328	25.9%

Costs and expenses went up by 26% to P24.3 billion from P19.3 billion as a result of robust sales and service rendition performance, costs of which rose by 15% and 18%, respectively. The higher sales also translated into higher commissions, advertising and promotions, and royalty, salaries and depreciation.

The top three cost components in the manufacture of alcoholic drinks were raw materials, depreciation and amortization, and factory supplies representing about 90% of cost. In the QSR, these were food and paper, rental and utilities and personnel costs, representing about 85% of cost. Cost of gaming includes promotional allowances, license fees and other casino-related expenses and depreciation.

RWM, GADC and MEG increased expenditures on advertisements and promotions to drumbeat particular products and offerings while EDI downplayed its advertisements and promotions during the current period. RWM paid commissions and rebates to gaming promoters and VIP patrons.

The rise in general and administrative expenses is attributed mainly to increases in RWM's salaries and employee benefits and utilities due expansion in its operations.

Finance cost and other charges, which represented 4% of total costs and expenses, went up by 8% due to rise in interest cost of Travellers.

Tax expense totaled P1.1 billion from P902 million a year ago as a result of increased sales and profits. The bulk came from the F&B and RE segments.

Earnings before interest, taxes, depreciation and amortizations (EBITDA), computed as net profit before share in net profits of associates and joint ventures, income taxes, interest expense, unrealized loss on interest rate swap, depreciation, amortizations and impairment provisions, amounted to P8.2 billion as compared to P6.6 billion a year ago, for 23% improvement year-on-year.

Financial Condition

Consolidated total assets amounted to P281 billion at end of the interim period from P273 billion at beginning of year (as restated).

Cash and cash equivalents were depleted by P409 billion or 0.6% to P67.9 billion at end of the interim period from P68.3 billion at the beginning primarily due to investing activities of the Group. Cash flows from operating, financing and investing activities during the period were presented in the interim consolidated statements of cash flows.

Current trade and other receivables went up by P2.7 billion or 12% primarily due to additional advances paid by Travellers to its suppliers to serve as mobilization fund in the ongoing expansion/construction works at RWM. Noncurrent trade and other receivables expanded by P1.9 billion or 8% due to higher real estate reservations/sales booked during the period.

Inventories built up by P2.4 billion or 6% due to additional real estate lots, condominium units and resort shares completed and put up for sale. Additional inventories were also stored at the alcohol distillery plant.

Available-for-sale financial assets decreased by P0.5 billion or about 10% due mainly to disposal of financial assets by Meg. Likewise, mark-to-market values shranked slightly and such were reported under Finance cost and other charges.

Property, plant and equipment increased by P1.5 billion or 4% primarily due to acquisitions/construction at EDI and Travellers. Emperador acquired a distillery plant for its alcohol requirements. Construction is in progress on Travellers' casino and hotel sites and entertainment and commercial center as part of its investment commitment with PAGCOR. Gaming machines and equipment, furniture and fixtures and building improvements had been added also during the period.

Deferred tax assets and deferred tax liabilities decreased by P319 million or 36% and P138 million or 2%, respectively, as a result of changes in taxable temporary differences at GERI.

Current interest-bearing loans went down by P468 million or 10% due to settlement of short-term margin loans and principal amortizations.

Trade and other payables increased by P1.6 billion or 7% due to substantial increase in Travellers payables which include unredeemed gaming chips, unredeemed gaming points and license fees which are indicative of strong gaming performance.

Income tax payable went up by P447 million or 78% due to higher taxes payable by EDI and GADC as a result of their flourishing performance.

Advances from related parties dropped by P169 million or about 20% due to reduction at MEG level.

Retirement benefit obligations increased by P58 million or almost 5% from additional liabilities recorded by MEG and GADC to their plans.

Other non-current liabilities accelerated by P1.7 billion or 12% from reserve for property development and deferred income on real estate sales. The reserve pertains to cost to complete the development of various projects while the deferred income represents unearned revenue.

The changes in equity components are presented in detail in the consolidated statements of changes in equity.

Treasury shares are AGI shares held by subsidiaries but not cancelled and are carried at cost in the consolidated statements of changes in equity. The fair value gains (losses) on the shares held by subsidiaries were eliminated in full and were not recognized in the consolidated financial statements. Any gain on subsequent reissuance/sale of these shares is considered as additional paid-in capital (APIC) and there is P1.96 billion of this type of gain as of end of the interim period. AGI, the parent company, does not hold any of its own shares as of end of the interim period.

Accumulated translation adjustments represent the translation adjustments resulting from the conversion of foreign currency denominated financial statements of certain subsidiaries into the Philippine pesos, the Group's presentation currency.

Revaluation reserves represent cumulative changes in unrealized gain or loss in fair value of available-for-sale financial assets and the actuarial loss on retirement plans (as restated opening balance).

Share options represent the benefits expense on options granted to qualified employees under the plans of AGI, GERI and MEG that have not yet been exercised. The expense during the period represent that of MEG and GERI.

The consolidated balance sheets showed strong liquidity. Current assets as of end and beginning period totaled P157.8 billion and P152.7 billion, respectively, while current liabilities for the same periods remained low at P47.4 billion and P45.5 billion, respectively. Current ratios were at 3.33:1 at the end and 3.35:1 at the start of the current period. Liabilities-to-equity ratios remained low at 0.88:1 and 0.90:1 at end and beginning of the period, respectively, while interest-bearing-debt-to-equity ratios were 0.42:1 and 0.45:1 at the end and beginning of the period.

The Group has a buoyant net cash position.

<i>Amounts in Billion Pesos</i>	<u>March 31,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
Cash and equivalents	67.89	68.30
Interest-bearing debt [bonds included]	63.11	64.08
Net cash	4.78	4.22
Cash and cash equivalents to interest-bearing debt	108%	107%
Interest-bearing debt to controlling equity	72%	76%

Prospects for the future

AGI remains concentrated on its business programs. Management will continue to adopt prudent measures to ensure financial sustainability and look for new opportunities that will enhance the overall profitability of the group while maintaining the established markets.

In 2013, all the business segments are expected to grow revenues and profits in line with targets.

Others

In April 2013, the Bureau of Internal Revenue (BIR) issued Memorandum Circular No. 33-013 which clarified that PAGCOR contractees and licensees (such as Travellers) are not exempt from corporate income tax. This new BIR issuance is being studied, in consultation with PAGCOR. The Group is optimistic that the government and the industry will come out with a

common understanding supportive of the growth and success of the business, confident that fair and equitable resolution will be in keeping with the true spirit and intent of the provisional licence, and trust that PAGCOR will safeguard the economic terms of agreement and the best interest of the industry.

Also in April 2013, Megaworld issued a US\$250 million, 10-year international bond which carries a coupon of 4.25%.

On May 9 and 10, 2013, Travellers filed a registration statement with PSE and SEC, respectively, for a potential initial public offering. Principal terms of the offering and any pre-transaction reorganization are yet to be finalized.

There were no other known material events subsequent to the end of the interim period that would have a material impact in the interim period.

There are no other known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way. The Company does not have nor anticipate having any cash flow or liquidity problems within the year. AGI and its subsidiaries are not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

There are no other known events that will trigger direct or contingent financial obligation that is currently considered material to the Company, including any default or acceleration of an obligation. There are no other material off-balance sheet transactions, arrangements, obligations, and other relationships with unconsolidated entities or other persons created during the reporting period.

There are no other known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. There are also no known events that will cause material change in the relationship between costs and revenues.

There are no other significant elements of income or loss that did not arise from continuing operations.

There were no other material issuances, repurchases or repayments of debt and equity securities.

The business has no seasonal aspects that had a material effect on the financial condition and results of operations of the Group.

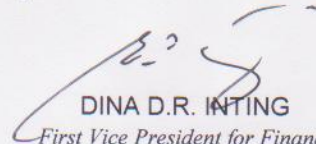
SIGNATURE

Pursuant to the requirements of Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Alliance Global Group, Inc.

Issuer

By:



DINA D.R. INTING

*First Vice President for Finance
& Corporate Information Officer
& Duly Authorized Officer*

May 11, 2013

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2013, DECEMBER 31, 2012 AND 2011
(Amounts in Thousand Philippine Pesos)

	<u>Unaudited</u> <u>March 31, 2013</u>	As Restated <u>December 31, 2012</u> [See Note 2.3(b)]	As Restated <u>December 31, 2011</u> [See Note 2.3(b)]
<u>A S S E T S</u>			
CURRENT ASSETS			
Cash and cash equivalents	P 67,892,616	P 68,301,336	P 49,147,858
Trade and other receivables - net	25,368,632	22,640,055	25,492,120
Financial assets at fair value through profit or loss	6,448,830	6,561,953	11,313,947
Inventories - net	43,307,132	40,906,578	28,952,674
Property development costs	11,027,686	10,561,983	10,696,529
Other current assets	3,790,389	3,697,787	3,025,159
	<u>157,835,285</u>	<u>152,669,692</u>	<u>128,628,287</u>
TOTAL Current Assets			
NON-CURRENT ASSETS			
Trade and other receivables - net	26,156,074	24,245,682	20,576,511
Advances to landowners and joint ventures	4,803,729	4,849,194	4,876,468
Available-for-sale financial assets	4,770,056	5,281,446	5,444,324
Land for future development	11,807,295	11,969,290	9,419,790
Investments in and advances to associates and other related parties	6,407,795	6,028,761	18,994,275
Property, plant and equipment - net	36,426,298	34,888,271	6,560,730
Investment property - net	19,037,179	18,751,336	13,033,771
Intangible assets - net	11,116,705	11,141,696	11,257,149
Deferred tax assets	569,255	888,761	761,665
Other non-current assets - net	2,208,098	1,930,765	1,070,573
	<u>123,302,484</u>	<u>119,975,202</u>	<u>91,995,256</u>
TOTAL Non-current Assets			
TOTAL ASSETS	<u>P 281,137,769</u>	<u>P 272,644,894</u>	<u>P 220,623,543</u>
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Trade and other payables	24,776,333	23,139,795	17,093,308
Interest-bearing loans	4,172,812	4,640,956	2,906,873
Income Tax Payable	1,021,374	574,452	520,772
Other current liabilities	17,456,083	17,196,099	15,733,591
	<u>47,426,602</u>	<u>45,551,302</u>	<u>36,254,544</u>
TOTAL Current Liabilities			
NON-CURRENT LIABILITIES			
Interest-bearing loans	13,093,373	13,449,793	5,960,520
Bonds payable	45,848,725	45,990,629	35,156,343
Advances from related parties	687,743	856,403	224,178
Retirement benefit obligation	1,271,915	1,214,100	895,532
Redeemable preferred shares	1,741,095	1,728,086	417,657
Deferred tax liabilities	6,267,725	6,405,540	5,590,008
Other non-current liabilities	15,366,030	13,691,960	10,332,589
	<u>84,276,606</u>	<u>83,336,511</u>	<u>58,576,827</u>
TOTAL Non-current Liabilities			
Total Liabilities	<u>131,703,208</u>	<u>128,887,813</u>	<u>94,831,371</u>
EQUITY			
Equity attributable to owners of the parent company	87,453,886	83,886,545	73,269,896
Non-controlling interest	61,980,675	59,870,536	52,522,276
	<u>149,434,561</u>	<u>143,757,081</u>	<u>125,792,172</u>
TOTAL Equity			
TOTAL LIABILITIES AND EQUITY	<u>P 281,137,769</u>	<u>P 272,644,894</u>	<u>P 220,623,543</u>

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012
(Amounts in Thousand Philippine Pesos)
UNAUDITED

	2013	2012
REVENUES		
Sale of goods	P 12,419,321	P 10,954,344
Rendering of services	16,083,273	11,384,369
Finance and other income	1,889,237	2,020,899
Share in net profits of associates and joint ventures	508	21,704
	30,392,339	24,381,316
COSTS AND EXPENSES		
Cost of goods sold	8,560,442	7,439,959
Cost of services	7,150,605	6,076,023
Other operating expenses	7,490,045	4,770,155
Finance cost and other charges	1,131,008	1,042,197
	24,332,100	19,328,334
PROFIT BEFORE TAX	6,060,239	5,052,982
TAX EXPENSE	1,146,377	901,760
NET PROFIT	4,913,862	4,151,222
OTHER COMPREHENSIVE INCOME		
Reclassifiable to profit or loss in subsequent periods -		
Net unrealized fair value gains (losses) on		
available-for-sale financial assets	(2,506)	588,292
Translation adjustments	(38,104)	(151,653)
	(40,610)	436,639
TOTAL COMPREHENSIVE INCOME	P 4,873,252	P 4,587,861
Net profit attributable to:		
Owners of the parent company	P 3,575,483	P 2,960,880
Non-controlling interest	1,338,379	1,190,342
	P 4,913,862	P 4,151,222
Total comprehensive income attributable to:		
Owners of the parent company	P 3,534,873	P 3,397,520
Non-controlling interest	1,338,379	1,190,341
	P 4,873,252	P 4,587,861
Earnings Per Share for the Net Profit Attributable		
to Owners of the Parent Company -		
Basic and Diluted	P 0.35	P 0.29

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012
(Amounts in Thousand Philippine Pesos)

	Notes	Unaudited 2013	As Restated 2012
			[See Note 2.3(b)]
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY			
Capital Stock		<u>P 10,269,828</u>	<u>P 10,269,828</u>
Additional Paid-in Capital		<u>33,501,909</u>	<u>33,501,909</u>
Treasury Shares - at cost		<u>(984,512)</u>	<u>(1,018,752)</u>
Revaluation Reserves			
Fair value gain (loss) on AFS:			
Balance at beginning of year		(764,407)	(1,542,070)
Net unrealized fair value gains (losses) during the period		(2,506)	586,529
Reduction representing the shares held by a consolidated subsidiary		<u>-</u>	<u>1,763</u>
Balance at end of period		<u>(766,913)</u>	<u>(953,778)</u>
Actuarial gain (loss) on retirement plan			
Balance at beginning of year		-	-
Prior period adjustment -Effect of PAS 19 [see Note 2.3(b)]		<u>(515,637)</u>	<u>(452,566)</u>
As restated		<u>(515,637)</u>	<u>(452,566)</u>
Balance at end of period		<u>(1,282,550)</u>	<u>(1,406,344)</u>
Accumulated Translation Adjustments			
Balance at beginning of year		(903,342)	(392,144)
Currency translation adjustments during the period		<u>38,104</u>	<u>151,653</u>
Balance at end of period		<u>(941,446)</u>	<u>(543,797)</u>
<i>Balance carried forward</i>		<u>P 40,563,229</u>	<u>P 40,802,844</u>

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	<u>March 31, 2013</u>	<u>March 31, 2012</u>
<i>Balance brought forward</i>	P 40,563,229	P 40,802,844
Dilution Gain		
Balance at beginning of year	1,277,847	1,289,848
Gain (loss) during the year	<u>-</u>	<u>(12,001)</u>
Balance at end of period	<u>1,277,847</u>	<u>1,277,847</u>
Share Options		
Balance at beginning of year	107,653	1,890
Benefit cost	<u>32,467</u>	<u>-</u>
Balance at end of period	<u>140,120</u>	<u>1,890</u>
Retained Earnings		
Appropriated	<u>1,400,000</u>	<u>300,000</u>
Unappropriated		
Balance at beginning of year	40,237,044	31,072,319
Prior period adjustment [see Note 2.3(b)]	<u>260,163</u>	<u>239,634</u>
As restated	40,497,207	31,311,953
Net profit for the period	<u>3,575,483</u>	<u>2,960,880</u>
Balance at end of period	<u>44,072,690</u>	<u>34,272,833</u>
Total Retained Earnings	<u>45,472,690</u>	<u>34,572,833</u>
Total	<u>87,453,886</u>	<u>76,655,414</u>
NON-CONTROLLING INTEREST		
Balance at beginning of year	59,870,536	52,522,276
Share in consolidated net profits	1,338,379	1,190,342
Additional investments	777,010	33,276,523
Dividends	<u>(5,250)</u>	<u>(7,557)</u>
Balance at end of period	<u>61,980,675</u>	<u>86,981,584</u>
TOTAL EQUITY	<u>P 149,434,561</u>	<u>P 163,636,998</u>

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012
(Amounts in Thousand Philippine Pesos)
UNAUDITED

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	P 6,060,239	P 5,052,982
Adjustments for:		
Depreciation and amortization	1,180,389	780,468
Interest expense	922,345	650,309
Interest income	(675,775)	(1,038,100)
Unrealized foreign currency losses (gains)	620,873	(132,120)
Fair value losses (gains)	168,047	(412,954)
Gain on sale of available-for-sale financial assets	(36,745)	
Unrealized loss on interest rate swap	35,652	182,636
Stock option benefit expense	32,467	-
Impairment losses	3,341	4,811
Share in net profits of associates and joint venture	(508)	(21,704)
Dividend income	(60)	(402)
Operating income before working capital changes	<u>8,310,265</u>	5,065,926
Increase in trade and other receivables	(4,655,883)	(2,506,313)
Decrease (increase) in financial assets at fair value through profit or loss	219,342	(914,144)
Increase in inventories	(2,111,404)	(722,891)
Decrease (increase) in property development costs	(465,703)	1,109,571
Decrease (increase) in other current assets	(92,602)	182,532
Increase in trade and other payables	1,551,483	3,537,816
Increase in retirement benefit obligations	57,816	18,709
Increase (decrease) in other current liabilities	(786)	1,128,175
Increase (decrease) in other non-current liabilities	<u>1,602,499</u>	<u>(184,616)</u>
Cash generated from operations	4,415,027	6,714,765
Cash paid for taxes	(517,766)	(413,078)
Net Cash From Operating Activities	<u>3,897,261</u>	<u>6,301,687</u>
 <i>Balance carried forward</i>	 <u>P 3,897,261</u>	 <u>P 6,301,687</u>

	<u>2013</u>	<u>2012</u>
<i>Balance brought forward</i>	P 3,897,261	P 6,301,687
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment	(2,457,219)	(3,073,837)
Investment property	(519,050)	(1,497,051)
Other non-current assets	(277,334)	(811,187)
Land for future development	(129,689)	(384,148)
Intangible assets	(3,000)	
Proceeds from:		
Sale of AFS financial assets	532,137	145,656
Advances from landowners and joint ventures	45,465	37,108
Additional investments in and advances to associates	(191,719)	(2,350,339)
Interest received	653,778	1,064,113
Cash dividends received	60	402
	<u>(2,346,571)</u>	<u>(6,869,283)</u>
Net Cash Used In Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of interest-bearing loans	(824,564)	(1,705,445)
Payment of advances from related parties	(376,782)	(17,294)
Advances received from related parties	220,172	
Interest paid	(978,236)	(1,395,929)
	<u>(1,959,410)</u>	<u>(3,118,668)</u>
Net Cash Used In Financing Activities		
NET INCREASE IN CASH AND CASH EQUIVALENTS	(408,720)	(3,686,264)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	68,301,336	49,147,858
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS OF ACQUIRED SUBSIDIARIES	<u>-</u>	<u>18,307,687</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>P 67,892,616</u>	<u>P 63,769,281</u>

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2013
*(Amounts in Thousand Philippine Pesos, Unless Otherwise Indicated,
Except Per Share Amounts)*

1. CORPORATE INFORMATION

Alliance Global Group, Inc. (the Company, Parent Company, or AGI) was registered with the Philippine Securities and Exchange Commission (SEC) on October 12, 1993 and began operations in 1994 as a glass-container manufacturer. On March 12, 1999, it obtained approval from the SEC to broaden its primary business into that of a holding company. Given a wider scope of business, AGI immediately diversified its investment holdings and on April 19, 1999, AGI listed its shares in the Philippine Stock Exchange (PSE). As of March 31, 2013, December 31, 2012 and 2011, the Company and its subsidiaries and associates (collectively referred to as “the Group”) operate businesses in real estate development, tourism-entertainment and gaming, food and beverage, and quick service restaurant segments under the following entities (see Note 4):

<u>Subsidiaries/Associates/Jointly Controlled Entities</u>	<u>Explanatory Notes</u>	<u>Percentage of Effective Ownership of AGI</u>		
		<u>2013</u>	<u>2012</u>	<u>2011</u>
<i>Subsidiaries</i>				
Real Estate				
Megaworld Corporation (Megaworld)	(a)	63%	63%	58%
Megaworld Land, Inc.	(a)	63%	63%	58%
Prestige Hotels and Resorts, Inc.	(a)	63%	63%	58%
Mactan Oceanview Properties and Holdings, Inc.	(a)	63%	63%	58%
Megaworld Cayman Islands, Inc.	(a, o)	63%	63%	58%
Richmonde Hotel Group International (RHGI)	(a, n)	63%	63%	58%
Eastwood Cyber One Corporation (ECOC)	(a)	63%	63%	58%
Megaworld Cebu Properties Inc. (MCPI)	(a,u)	63%	63%	58%
Megaworld Newport Property Holdings, Inc.	(a)	63%	63%	58%
Oceantown Properties, Inc.	(a)	63%	63%	58%
Piedmont Property Ventures, Inc.	(a)	63%	63%	58%
Stonehaven Land, Inc.	(a)	63%	63%	58%
Streamwood Property, Inc.	(a)	63%	63%	58%
Suntrust Properties, Inc. (SPI)	(a)	56%	56%	48%
Townsquare Development, Inc. (TDI)	(a)	49%	49%	47%
Megaworld-Daewoo Corporation	(a)	38%	38%	35%
Megaworld Central Properties, Inc.	(a)	48%	48%	30%
Megaworld Globus Asia, Inc.	(a)	32%	32%	29%
Philippine International Properties, Inc.	(a)	32%	32%	28%
Empire East Land Holdings, Inc. (EELHI)	(a)	50%	50%	35%
Laguna Bel-Air School, Inc.	(b)	36%	36%	25%
Valle Verde Properties, Inc.	(b)	50%	50%	35%
Empire East Communities, Inc.	(b)	50%	50%	35%
Sherman Oak Holdings, Inc.	(b)	50%	50%	35%
Eastwood Property Holdings, Inc.	(b)	50%	50%	35%
Gilmore Property Marketing Associates Inc. (GPMAI)	(c)	-	-	67%
New Town Land Partners, Inc. (N'TLPI)		100%	100%	100%
First Centro, Inc. (FCI)		100%	100%	100%

Subsidiaries/Associates/Jointly Controlled Entities	Explanatory Notes	Percentage of Effective Ownership of AGI		
		2013	2012	2011
Subsidiaries				
Real Estate (continued)				
Oceanic Realty Group International, Inc.		100%	100%	100%
ERA Real Estate Exchange, Inc.		100%	100%	100%
Megaworld Resort Estates, Inc. (MREI)	(e)	81%	81%	79%
Adams Properties, Inc. (Adams)		60%	60%	60%
Global Estate Resorts, Inc. (GERI)		64%	64%	62%
Fil-Estate Properties, Inc.	(f)	64%	64%	62%
Aklan Holdings Inc.	(f)	64%	64%	62%
Blu Sky Airways, Inc.	(f)	64%	64%	62%
Fil-Estate Subic Development Corp.	(f)	64%	64%	62%
Fil-Power Construction Equipment Leasing Corp.	(f)	64%	64%	62%
Golden Sun Airways, Inc.	(f)	64%	64%	62%
La Compañía De Sta. Barbara, Inc.	(f)	64%	64%	62%
MCX Corporation	(f)	64%	64%	62%
Pioneer L-5 Realty Corp.	(f)	64%	64%	62%
Prime Airways, Inc.	(f)	64%	64%	62%
Sto. Domingo Place Development Corp.	(f)	64%	64%	62%
Fil-Power Concrete Blocks Corp.	(f)	64%	64%	62%
Fil-Estate Golf and Development, Inc	(f)	64%	64%	62%
Golforce, Inc.	(f)	64%	64%	62%
Fil-Estate Urban Development Corp.	(f)	64%	64%	62%
Boracay Newcoast Hotel Group, Inc.	(f)	54%	64%	-
Fil-Estate Industrial Park, Inc.	(f)	51%	51%	49%
Sherwood Hills Development Inc. (SHDI)	(f)	35%	35%	34%
Fil-Estate Ecocentrum Corp.	(f)	36%	36%	34%
Philippine Aquatic Leisure Corp.	(f)	36%	36%	34%
Oceanfront Properties, Inc. (OPI)	(f)	32%	32%	-
Novo Sierra Holdings Corp.	(f)	64%	64%	62%
Twin Lakes Corp. (TLC)	(f)	44%	44%	33%
Megaworld Global-Estate, Inc.	(g)	63%	63%	60%
Sonoma Premiere Land, Inc.	(h)	70%	70%	61%
Manila Bayshore Property Holdings, Inc.	(i)	55%	55%	55%
Tourism – Entertainment and Gaming				
Travellers International Hotel Group, Inc. (Travellers)	(j)	46%	46%	-
APEC Assets Limited (APEC)	(k)	46%	46%	-
Bright Leisure Management, Inc.	(k)	46%	46%	-
Deluxe Hotels and Recreation, Inc.	(k)	46%	46%	-
Entertainment City Integrated Resorts & Leisure, Inc.	(k)	46%	46%	-
FHTC Entertainment & Productions Inc.	(k)	46%	46%	-
Grand Integrated Hotels and Recreation, Inc.	(k)	46%	46%	-
GrandServices, Inc.	(k)	46%	46%	-
GrandVenture Management Services, Inc.	(k)	46%	46%	-
Lucky Star Hotels and Recreation, Inc.	(k)	46%	46%	-
Majestic Sunrise Leisure & Recreation, Inc.	(k)	46%	46%	-
Net Deals, Inc.	(k)	46%	46%	-
Newport Star Lifestyle, Inc.	(k)	46%	46%	-
Royal Bayshore Hotels & Amusement, Inc.	(k)	46%	46%	-
Food and Beverage				
Emperador Distillers, Inc.		100%	100%	100%
Anglo Watsons Glass, Inc.		100%	100%	100%
The Bar Beverage, Inc.		100%	100%	100%
Tradewind Estates, Inc.		100%	100%	100%
Great American Foods, Inc.	(l)	100%	100%	100%
McKester America, Inc.	(l)	100%	100%	100%

Subsidiaries/Associates/Jointly Controlled Entities	Explanatory Notes	Percentage of Effective Ownership of AGI		
		2013	2012	2011
Subsidiaries				
Quick Service Restaurant				
Golden Arches Development Corporation (GADC)		49%	49%	49%
Golden Arches Realty Corporation	(m)	49%	49%	49%
Clark Mac Enterprises, Inc.	(m)	49%	49%	49%
Golden Laoag Foods Corporation	(m)	38%	38%	38%
Advance Food Concepts Manufacturing, Inc. (AFCMI)	(m)	37%	37%	37%
Davao City Food Industries, Inc.	(m)	37%	37%	37%
First Golden Laoag Ventures	(m)	34%	34%	34%
Retiro Golden Foods, Inc.	(m)	34%	34%	34%
McDonald's Puregold Taguig	(s)	29%	29%	-
McDonald's Bench Building	(s)	27%	27%	-
Corporate and Others				
Alliance Global Brands, Inc.		100%	100%	100%
McKester Pik-nik International Limited	(n)	100%	100%	100%
Emperador International Ltd. (EIL)	(n)	100%	100%	100%
Venezia Universal Ltd.	(n)	100%	100%	100%
Travellers Group Ltd.	(n)	100%	100%	100%
Alliance Global Group Cayman Islands, Inc. (AG Cayman)	(o)	100%	100%	100%
Greenspring Investment Holdings Properties Ltd.	(n)	100%	100%	100%
Associates				
GPMAI	(c)	45%	45%	-
Alliance Global Properties, Inc. (AGPL)	(p)	30%	30%	30%
Suntrust Home Developers, Inc. (SHDI)	(q)	27%	27%	25%
FOPMI	(d)	27%	27%	25%
CCSI	(d)	27%	27%	25%
Palm Tree Holdings and Development Corporation (PTHDC)	(q)	25%	25%	23%
Genting Star Tourism Academy, Inc.	(t)	23%	23%	23%
OPI	(r)	-	-	31%
Fil-Estate Network, Inc. (FENI)	(r)	13%	13%	12%
Fil-Estate Sales, Inc. (FESI)	(r)	13%	13%	12%
Fil-Estate Realty and Sales Associates, Inc. (FERSAI)	(r)	13%	13%	12%
Fil-Estate Realty Corp. (FERC)	(r)	13%	13%	12%
Nasugbu Properties, Inc. (NPI)	(r)	9%	9%	9%
Jointly Controlled Entities				
Golden City Food Industries, Inc. (GCFII)	(s)	24%	24%	24%
Travellers	(j)	-	-	46%

Explanatory notes:

- (a) Subsidiaries of Megaworld; Megaworld is 40% directly owned by AGI and 23% owned through other subsidiaries (NTLPI and FCI). Effective ownership over Megaworld increased due to additional acquisition of shares by AGI and NTLPI in 2012.
- (b) Subsidiaries of EELHI
- (c) Became an associate in 2012; Ownership interest derived from TDI, MREI and Megaworld
- (d) Subsidiaries of FCI in 2010; In 2011, became subsidiaries of SHDI, an associate of Megaworld
- (e) AGI and Megaworld directly owns 49% and 51%, respectively.
- (f) Subsidiaries of GERI; Effective ownership over GERI increased due to additional acquisition of shares by AGI.
- (g) A subsidiary of AGI through 60% and 40% direct ownership of GERI and Megaworld, respectively
- (h) A subsidiary of AGI through 60% and 40%, direct ownership of EELHI and FCI, respectively
- (i) A subsidiary of AGI through 50/50 ownership of Travellers and Megaworld.
- (j) Formerly a jointly-controlled entity. As of the beginning of 2012, AGI has the power to govern the

financial and operating policies of Travellers. As such, after considering the provisions of applicable accounting standards, Travellers qualified as a subsidiary in 2012 and, accordingly, the accounts of Travellers have been consolidated into the Group's financial statements beginning 2012. Travellers is 20% directly owned by AGI and 25%, 10%, and 5% through Adams, Megaworld and FCI, respectively.

- (k) Subsidiaries of Travellers.
- (l) Foreign subsidiaries operating under the laws of United States of America
- (m) Subsidiaries of GADC
- (n) Foreign subsidiaries operating under the Business Companies Act of the British Virgin Islands (BVI)
- (o) Foreign subsidiaries operating under the laws of the Cayman Islands
- (p) A foreign associate operating in the BVI; AGI's ownership interest is through the 39% and 5% direct interest of RHGI and AG Cayman, respectively. AG Cayman only acquired interest starting 2011.
- (q) Associates of Megaworld
- (r) Associates of GERI; OPI was consolidated in 2012.
- (s) Joint ventures of GADC
- (t) Associate of Travellers.
- (u) Former corporate name, Forbes Town Properties and Holdings, Inc.

AGI's shares of stock and those of Megaworld, GERI, EELHI and SHDI are listed in and traded through the PSE.

The principal activities of the Group are further described in Note 4.

The Company's registered office and primary place of business is located at the 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 *Basis of Preparation of Consolidated Financial Statements*

(a) *Compliance with Interim Financial Reporting Standard*

These interim consolidated financial statements (ICFS) have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Philippine Financial Reporting Standards (PFRSs), and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended December 31, 2012.

(b) *Application of PFRS*

The significant accounting policies and methods of computations used in the preparation of these interim consolidated financial statements are consistent with those applied in the most recent annual consolidated financial statements (ACFS) as of and for the year ended December 31, 2012, except for the application of adopted standards that became effective on January 1, 2013, as discussed in Note 2.3.

There are new PRFS, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2013. The Group has decided not to early adopt any PFRS for its 2012 annual consolidated financial reporting and therefore, the interim consolidated financial statements do not reflect the impact of any early adoption of PFRSs, including PFRS 9, *Financial Instruments: Classification and Measurement* (effective from January 1, 2015). To date, other chapters of PFRS 9 are still being completed. The Group

does not expect to implement and adopt PFRS 9 until its effective date or until all chapters of this new standard have been published. In addition, management is currently assessing the impact of PFRS 9 on the consolidated financial statements and it plans to conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(c) *Functional and Presentation Currency*

The consolidated financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values are presented in thousands except when otherwise indicated.

Items included in the consolidated financial statements are measured using the Company's functional currency.

(d) *Presentation of Consolidated Financial Statements*

The presentation of the ICFS is consistent with the most recent ACFS presentation, except for the amendments introduced by new accounting standards mentioned in Note 2.3. Regrouping of certain accounts in the comparative prior period presented was made to conform to the current period's presentation so that comparability is not impaired.

The Group presents all items of income and expense in a single consolidated statement of comprehensive income.

Two comparative periods are presented for the consolidated statement of financial position because of the retrospective application of the new accounting policy on retirement benefits as discussed in Note 2.3.

2.2 Basis of Consolidation

The consolidated financial statements presented comprise the financial statements of the Company and its subsidiaries, as enumerated in Note 1, after the elimination of material intercompany transactions. All intercompany balances and transactions with subsidiaries, including income, expenses, dividends and unrealized profits and losses from intercompany transactions that are recognized in assets are eliminated. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

In addition, shares of stock of the Company acquired by any of these subsidiaries are recognized as treasury shares and these are presented as deduction in the consolidated statement of changes in equity at cost. Any changes in their market values as recognized separately by the subsidiaries are likewise eliminated in full. Gain or loss on the sale of these treasury shares is presented as addition to or deduction from additional paid-in capital (APIC).

The Group accounts for its investments in subsidiaries and associates, interests in joint ventures, and transactions with non-controlling interest as follows:

(a) *Investments in Subsidiaries*

Subsidiaries are all entities over which the Company has the power to control the financial and operating policies, generally accompanying a shareholding of

more than one half of the voting rights. Control also exists in exceptional cases when the Company owns half or less than half the voting power of an entity when there is: (a) power over more than half of the voting rights by virtue of an agreement with other investors; (b) power to govern the financial and operating policies of the entity under a statute or an agreement; (c) power to appoint or remove the majority of the members of the BOD or equivalent governing body and control of the entity is by that board or body; or (d) power to cast the majority votes at meetings of the BOD or equivalent governing body and control of the entity is by that board or body.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are consolidated from the date the Company obtains control until such time that such control ceases. The acquisition method is applied to account for acquired subsidiaries (see Note 2.11).

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Company's share of the identifiable net assets acquired is recognized as goodwill (see Note 2.12). If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in consolidated profit or loss.

(b) *Investments in Associates*

Associates are those entities over which the Company is able to exert significant influence but not control and which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

All subsequent changes to the share of interest in the equity of the associate are recognized in the carrying amount of the Company's investment. Changes resulting from the profit or loss generated by the associate are shown as Share in Net Profits (Losses) of Associates and Joint Ventures in the Group's consolidated statement of comprehensive income and, therefore, affect the net results of operations of the Group.

Changes resulting from other comprehensive income of the associates or items that have been directly recognized in the associate's equity, for example, resulting from the associate's accounting for available-for-sale (AFS) financial assets, are recognized in the consolidated other comprehensive income or equity of the Group, as applicable. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) *Interests in Joint Ventures*

Interest in a joint venture is accounted using the equity method. Under the equity method, the interest is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share in the profit or loss of the joint venture after the date of acquisition. Unrealized gains arising from transactions with jointly controlled entity are eliminated to the extent of the Company's interest in joint venture against the related investment.

Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

(d) *Transactions with Non-controlling Interest*

The Group's transactions with non-controlling interest that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interest result in gains and losses for the Group that are also recognized in consolidated equity.

2.3 Adoption of New and Amended Accounting Policies

The following standards, amendments and annual improvements to existing standards become effective from January 1, 2013 are relevant to and adopted by the Group:

- (a) PAS 1 (Amendment), *Financial Statements Presentation – Presentation of Items of Other Comprehensive Income* (effective from July 1, 2012). The amendment requires an entity to group items presented in other comprehensive income into those that, in accordance with other PFRSs: (a) will not be reclassified subsequently to profit or loss; and, (b) will be reclassified subsequently to profit or loss when specific conditions are met. The amendment affected presentation of other comprehensive income items only and had no impact on the Group's financial position or performance.
- (b) PAS 19 (Revised), *Employee Benefits* (effective from January 1, 2013). The revision made a number of changes as part of the improvements throughout the standard. The main changes relate to defined benefit plans as follows:
- eliminates the corridor approach under the existing guidance of PAS 19 and requires an entity to recognize all actuarial gains and losses arising in the reporting period;
 - streamlines the presentation of changes in plan assets and liabilities resulting in the disaggregation of changes into three main components of service costs, net interest on net defined benefit obligation or asset, and remeasurement; and,
 - enhances disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

PAS 19 has been applied retrospectively based on available information in the audited ACFS which have been restated accordingly. (As of December 31, 2012, the Group was using the corridor approach.) The cumulative effect as at January 1, 2012 is reported as an adjustment to opening equity.

The effects of the application on the statement of financial position at January 1, 2012 and December 31, 2012 and on the statement of comprehensive income for the years ended December 31, 2012 and 2011 are as follows:

Statement of Financial Position:

	<u>Retirement Benefit Obligation</u>	<u>Deferred Tax Assets</u>	<u>Equity- Reserve Actuarial</u>	<u>Equity- Retained Earnings</u>
Balance as reported, Jan 1, 2012	591,343	670,408	0	73,482,828
Effect of PAS 19	<u>304,189</u>	<u>91,257</u>	<u>(452,566)</u>	<u>239,634</u>
Balance as restated, Jan 1, 2012	<u>895,532</u>	<u>761,665</u>	<u>(452,566)</u>	<u>73,722,462</u>
Balance as reported, Dec31,2012	<u>849,137</u>	<u>779,272</u>	<u>0</u>	<u>84,142,019</u>
Effect of PAS 19				
Brought forward	304,189	91,257	(452,566)	239,634
Additions for the year	<u>60,774</u>	<u>18,232</u>	<u>(63,071)</u>	<u>20,529</u>
Effect	<u>364,963</u>	<u>109,489</u>	<u>(515,637)</u>	<u>260,163</u>
Balance as restated, Dec31,2012	<u>1,214,100</u>	<u>888,761</u>	<u>(515,637)</u>	<u>84,402,182</u>

Statement of Comprehensive Income:

	<u>Prior Period Adjustment Jan 1, 2013</u>	<u>Year 2012</u>	<u>Year 2011</u>
Increase in finance cost	(134,496)	(80,024)	(54,472)
Decrease in retirement benefit	506,158	109,352	396,806
Decrease in tax expense	<u>(111,499)</u>	<u>(8,799)</u>	<u>(102,700)</u>
Decrease in profit	<u>260,163</u>	<u>20,529</u>	<u>239,634</u>
Other comprehensive income			
Revaluat'n reserve – actuarial	(736,624)	(90,101)	(646,523)
Increase in tax re. reserve	<u>220,987</u>	<u>27,030</u>	<u>193,957</u>
Decrease in other comprehensive	<u>(515,637)</u>	<u>(63,071)</u>	<u>(452,566)</u>
Decrease in other comprehensive income	<u>(255,474)</u>	<u>(42,542)</u>	<u>(212,932)</u>

(c) PAS 34 (Amendment), *Interim Financial Reporting and Segment Information for Total Assets and Liabilities* (effective from January 1, 2013). This standard clarifies the requirements on segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in paragraph 23 of PFRS 8, *Operating Segments*. It also clarifies that the total assets and liabilities for a particular reportable segment are required to be disclosed if, and only if: (a) a measure of total assets or of total liabilities (or both) is regularly provided to the chief operating decision maker; and, (b) there has been a material change from those measures disclosed in the last annual financial statements for that reportable segment. This amendment did not affect the current interim disclosures and had no impact on the Group's financial position or performance.

(d) Consolidation Standards effective January 1, 2013

- PFRS 10, *Consolidated Financial Statements*. This standard builds on existing principles of consolidation by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard also provides additional guidance to assist in determining control where this is difficult to assess. The adoption of this standard did not affect the present classification of investees.

- PFRS 11, *Joint Arrangements*. This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. The Group is currently evaluating the impact based on audited financial statements as of December 31, 2012.
- PFRS 12, *Disclosure of Interest in Other Entities*. This standard integrates and makes consistent the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and unconsolidated structured entities. This also introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities. The Group is currently evaluating the impact based on audited financial statements as of December 31, 2012.
- PAS 27 (Amendment), *Separate Financial Statements*. This revised standard now covers the requirements pertaining solely to separate financial statements after the relevant discussions on control and consolidated financial statements have been transferred and included in PFRS 10. No new major changes relating to separate financial statements have been introduced as a result of the revision and this amendment does not affect the ICFS.
- PAS 28 (Amendment), *Investments in Associate and Joint Venture*. This revised standard includes the requirements for joint ventures, as well as associates, to be accounted for using equity method following the issuance of PFRS 11, *Joint Arrangement*. This amendment did not have a material impact on the Group's financial condition and performance since the Group already uses the equity method in accounting for associates.

Subsequent to the issuance of the foregoing consolidation standards, the IASB made some changes to the transitional provisions in International Financial Reporting Standard (IFRS) 10, IFRS 11 and IFRS 12, which were also adopted by the FRSC. The guidance confirms that an entity is not required to apply PFRS 10 retrospectively in certain circumstances and clarifies the requirements to present adjusted comparatives. The guidance also made changes to PFRS 10 and PFRS 12 which provide similar relief from the presentation or adjustment of comparative information for periods prior to the immediately preceding period. Further, it provides relief by removing the requirement to present comparatives for disclosures relating to unconsolidated structured entities for any period before the first annual period for which PFRS 12 is applied.

- (e) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2013). The amendment requires qualitative and quantitative disclosures relating to gross and net amounts of recognized financial instruments that are set off in accordance with PAS 32, *Financial Instruments: Presentation*. The amendment also requires disclosure of information about recognized financial instruments which are subject to enforceable master netting arrangements or similar agreements, even if they are not set off in the statement of financial position, including those which do not meet some or all of the offsetting criteria under PAS 32 and amounts related to a

financial collateral. These disclosures will allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with recognized financial assets and financial liabilities on the entity's financial position. The amendment did have a significant impact on the Group's financial position or performance.

- (f) PFRS 13, *Fair Value Measurement* (effective from January 1, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across PFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. This new standard has no significant effects on the consolidated financial statements since the Group's current fair value measurement methods are already in accordance with the requirements of other relevant accounting standards.
- (g) 2009-2011 Annual Improvements to PFRS (effective from January 1, 2013). Annual improvements to PFRS (2009-2011 Cycle) made minor amendments to a number of PFRS, which are effective for annual period beginning on or after January 1, 2013. Among those improvements, the following amendments are relevant to the Group but management does not expect a material impact on the Group's consolidated financial statements:
- PAS 1 (Amendment), *Presentation of Financial Statements – Clarification of the Requirements for Comparative Information*. The amendment clarifies that when an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period (i.e., opening statement of financial position), it shall present such third statement of financial position. Other than disclosure of certain specified information in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.
 - PAS 16 (Amendment), *Property, Plant and Equipment – Classification of Servicing Equipment*. The amendment addresses a perceived inconsistency in the classification requirements for servicing equipment which resulted in classifying servicing equipment as part of inventory when it is used for more than one period. It clarifies that items such as spare parts, stand-by equipment and servicing equipment shall be recognized as property, plant and equipment when they meet the definition of property, plant and equipment, otherwise, these are classified as inventory. The amendment has no material impact on the Group's consolidated financial statements.
 - PAS 32 (Amendment), *Financial Instruments – Presentation – Tax Effect of Distributions to Holders of Equity Instruments*. The amendment clarifies that the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with PAS 12. Accordingly, income tax relating to distributions to holders of an equity instrument is recognized in profit or loss while income tax related to the transaction costs of an equity

transaction is recognized in equity. The amendment did not affect the Group's financial position or performance as the Company did not distribute any equity instrument to its stockholders during the period.

2.4 PFRS Effective in 2013 that are Not Relevant to the Group

The following are mandatory for accounting periods beginning on or after January 1, 2013 but are not relevant to and not adopted by the Group:

- PFRS 1 (Amendment), *First-time Adoption of PFRS – Government Loans*
- Philippine Interpretation International Financial Reporting Interpretations Committee 20, *Stripping Costs in Production Phase of a Surface Mine*

See Note 2.1(b)

2.5 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), loans and receivables, held-to-maturity investments and available-for-sale (AFS) financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

The financial asset categories currently relevant to the Group are financial assets at FVTPL, loans and receivables and AFS financial assets. A more detailed description of these financial assets is as follows:

(a) *Financial Assets at FVTPL*

This category includes financial assets that are either classified as held-for-trading or that meets certain conditions and are designated by the entity to be carried at FVTPL upon initial recognition. Changes in fair values are recognized in consolidated profit or loss and included under Finance and Other Income for gains or Finance Costs and Other Charges for losses. The Group's financial assets included in this category consist mainly of investments in marketable debt and equity securities, and derivative assets.

(b) *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 arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The financial assets are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Trade and Other Receivables (except Advances

to Contractors and Suppliers), Advances to Associates and Other Related Parties (included under Investments in and Advances to Associates and Other Related Parties account), Short-term Placements (included under Other Current Assets account) and Refundable Security Deposits (included under Other Non-current Assets account). Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(c) *AFS Financial Assets*

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in consolidated equity. They are included in non-current assets classification in the consolidated statement of financial position unless management intends to dispose of the investment within 12 months after the end of the reporting period.

The Group's AFS financial assets include investments in marketable equity securities where the Group held no significant influence and shares that are not listed in the stock exchange and investments in marketable debt securities designated as AFS by management at initial recognition.

For investments that are actively traded in organized financial markets, fair value is determined by reference to exchange-quoted market bid prices at the close of business on the reporting period. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in consolidated profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

A financial asset is reported net of financial liability in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred.

2.6 Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined using weighted average method, except for food, paper, and promotional items which use the first-in, first-out method. NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the

estimated costs necessary to make the sale. NRV of raw materials, spare parts and other operating supplies is the current replacement cost.

Cost of Real estate for sale includes costs incurred for development and improvement of the properties and borrowing costs on loans directly attributable to the projects which were capitalized during construction. Accounting policies for real estate development transactions are discussed in more detail in Note 2.7.

2.7 Real Estate Transactions

Acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of title of the property to the Group, are charged to the Land for Future Development account. These costs are reclassified to Property Development Costs account when the development of the property starts. Related property development costs are then accumulated in this account. Borrowing costs on certain loans, if any, incurred during the development of the real estate properties are also capitalized by the Group as part of Property Development Costs. Once a revenue transaction occurs on a per project basis, up to the stage the unit is sold, the related property development costs are reclassified to Real Estate for Sale classified under Inventories account (see Note 2.6) in the consolidated statement of financial position.

The cost of real estate property sold before completion of the development, if any, is determined based on the actual costs incurred to date plus estimated costs to complete the development of the property. The estimated expenditures for the development of sold real estate property, as determined by the project engineers, are presented as part of Cost of Goods Sold in the consolidated statement of comprehensive income with a corresponding credit to the liability account, Reserve for Property Development account.

Costs of properties and projects accounted for as Land for Future Development Costs, Property Development Costs and Real Estate for Sale are assigned using specific identification of their individual costs. These properties and projects are valued at the lower of cost and NRV. NRV is the estimated selling price in the ordinary course of business, less estimated costs to complete and the estimated costs necessary to make the sale.

The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known. Any impairment loss from a real estate project is charged to operations during the period in which the loss is determined.

2.8 Other Assets

Other assets presented either under current or non-current assets classification in the consolidated statement of financial position pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

2.9 Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation, amortization and any impairment in value. As no finite useful life for

land can be determined, the related carrying amount is not depreciated. Land held for use in production or administration is stated at cost less any impairment in value.

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

Buildings and land improvements	5 to 40 years
Condominium units	10 to 25 years
Machinery and equipment	2 to 12 years
Fixtures and other equipment	3 to 10 years
Transportation equipment	3 to 10 years

Leasehold improvements are amortized over the life of the assets of 5 to 40 years or the term of the lease, whichever is shorter.

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction, applicable borrowing costs and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

2.10 Investment Property

Properties held for lease under operating lease agreements, which comprise mainly of land, buildings and condominium units, are classified as Investment Property and are carried at cost less accumulated depreciation and any impairment in value.

Depreciation of investment property (excluding land) is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 50 years.

2.11 Business Combinations

Business acquisitions are accounted for using the acquisition method of accounting. The cost of an acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss in the consolidated statement of comprehensive income as incurred.

Where appropriate, the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its fair value at the date of acquisition.

Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in consolidated profit or loss or as a change to consolidated other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of the related goodwill (see Note 2.12).

2.12 Intangible Assets

Intangible Assets include goodwill, trademarks, leasehold rights and computer software. Except goodwill, all other intangible assets have finite lives and are carried at cost less accumulated amortization and any impairment in value. Goodwill is not amortized, but is reviewed for impairment at least annually.

Goodwill represents the excess of the cost of investment in shares of stocks over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the consolidated profit or loss on disposal.

The cost of trademarks, leasehold rights and computer software includes the acquisition price and other direct costs. Capitalized costs are amortized on a straight-line basis over the estimated useful life of 10 and 3 years, for trademarks and computer software, respectively, and over the term of the lease for leasehold rights. In addition, these assets are subject to impairment testing.

Costs associated with maintaining computer software and any costs associated with research activities are recognized as expense in consolidated profit or loss as incurred.

2.13 Financial Liabilities

The categories of financial liabilities relevant to the Group are more fully described below.

(a) Financial Liabilities at FVTPL

Financial liabilities are classified in this category if they are held-for-trading or derivative transactions that are not accounted for as accounting hedges, or when the Group elects to designate a financial liability under this category.

The Group occasionally uses derivative financial instruments, such as foreign exchange forward contracts and interest rate swaps. The Group's derivative instruments provide economic hedges under the Group's policies but are not designated as accounting hedges. Consequently, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the period. Derivatives are carried as liabilities when the fair value is negative, which are presented under the Other Liabilities (current and non-current) account in the consolidated statements of financial position.

(b) Financial Liabilities at Amortized Costs

This category pertains to financial liabilities that are not held-for-trading or not designated as FVTPL upon inception of the liability. These include liabilities arising from operations or borrowings.

Financial liabilities, which include Interest-bearing Loans, Bonds Payable, Trade and Other Payables (except tax related payables), Advances from Related Parties, Redeemable Preferred Shares, Security Deposits and Payable to MRO under Stock Option Plan are recognized when the Group becomes a party to the contractual agreements of the instrument.

All interest-related charges incurred on financial liability are recognized as an expense in profit or loss under the caption Finance Costs and Other Charges in the consolidated statement of comprehensive income.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

2.14 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.15 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital (APIC) includes any premiums received on the initial issuance or reissuance of capital stock. Any transaction costs associated with such issuances of shares are deducted from APIC, net of any related income tax benefits. Excess of proceeds over acquisition cost of treasury shares is also added to APIC.

Treasury shares are AGI shares reacquired by the Company but not cancelled or AGI shares held by subsidiaries for investment purposes. These are carried at cost of reacquiring such shares (see also Note 2.2).

Revaluation reserves represent unrealized fair value gains or losses on AFS financial assets (pertaining to cumulative mark-to-market valuation [see Note 2.5(c)] and share

in other comprehensive income of associates and joint ventures attributable to the Group) and actuarial gains or losses on retirement benefits plans [see Note 2.3 (b)].

Accumulated translation adjustments represent the translation adjustments resulting from the conversion of foreign currency denominated financial statements of certain subsidiaries into the Group's presentation currency (see Note 2.17).

Dilution gain or loss arises when an investor exercises its pre-emptive rights to maintain its ownership interest in an investee. This also includes the Company's share in previous period's profit (loss) as a result of the current increase (decrease) in equity ownership over its subsidiaries. Dilution gain or loss is recognized on investments of which the Company continues to exercise control.

Share options represent the value of share options during vesting period upon recognition of share-based remuneration expense in profit or loss.

Retained earnings, the appropriated portion of which is not available for dividend declaration, represent all current and prior period results of operations as reported in the profit and loss section of the consolidated statement of comprehensive income, reduced by the amount of dividends declared.

2.16 Revenue and Expense Recognition

Revenue is recognized to the extent that the revenue can be reliably measured by reference to the fair value of consideration received or receivable by the Group; it is probable that future economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

- (a) *Sale of goods* – Revenue, net of rebates and trade discounts, is recognized when the risks and rewards of ownership of the goods have passed to the buyer. This is generally when the customer acknowledged delivery of goods.
- (b) *Sale of residential and condominium units [included as part of Sale of Goods – Real Estate (RE) Sales]* – For financial reporting purposes, revenues from transactions covering sales of residential and condominium units are recognized under the percentage-of-completion method. Under this method, realization of gross profit is recognized by reference to the stage of development of the properties (i.e., revenue is recognized in the period in which the work is performed). The unrealized gross profit on a year's sales is presented as Deferred Gross Profit on Real Estate Sales (under Cost of Goods Sold) in the consolidated statement of comprehensive income; the cumulative unrealized gross profit as of the end of the year is shown as Deferred Income on Real Estate Sales (under Other Current and Non-current Liabilities) in the consolidated statement of financial position.

The sale is recognized when a certain percentage of the total contract price has already been collected. If the transaction does not yet qualify as sale, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of sale, payments received from buyer are initially recorded Customers' Deposits and presented as part of Other Liabilities (current and non-current) in the consolidated statement of financial position.

Any adjustments relative to previous years' sales are recorded in the current year as they occur.

For tax reporting purposes, a modified basis of computing the taxable income for the year based on collections from real estate sales is used by the Group.

- (c) *Interest income on real estate sales (included as part of Revenue from RE Sales)* - are considered in the determination of total revenue for real estate sales (see Note 23). It is recognized when interest accrues taking into account the underlying sale of real estate under installment method through in-house financing (not through externally financed home loans obtained by customers).
- (d) *Sale of undeveloped land and golf and resort shares (included as part of Sale of goods - RE Sale)* – Revenues on sale of undeveloped land and golf and resort shares for sale are recognized using the full accrual method. Under the full accrual method, revenue is recognized when the risks and rewards of ownership have passed to the buyer and the amount of revenue can be measured reliably.
- (e) *Gaming Revenues* – Revenue is recognized from net wins from gaming activities which represent the difference between coins and currencies deposited into the gaming machines and the payments to customers and, for other games, the difference between gaming wins and losses.
- (f) *Revenue from Hotel Operations* – Revenue from hotel operations is recognized when services are rendered.
- (g) *Sales from Company-operated quick-service restaurants* – Revenue from restaurant sales operations are recognized when the services are rendered, that is, food and beverage products or promotional items purchased by customers have been delivered and accepted by the customers.
- (h) *Franchise revenues* – Revenue from franchised McDonald's restaurants (including the restaurant operated by a joint venture) includes continuing rental, royalty and management fees. These are recognized in the period earned.
- (i) *Rentals* – Rental income is recognized on a straight-line basis over the duration of the lease terms. For tax purposes, rental income is recognized based on the contractual terms of the lease. Advance rentals and refundable rental deposits, if any, are recorded as deferred rental. Deferred rental, specifically the refundable rental deposit, is measured at amortized cost using the effective interest rate method.
- (j) *Interest* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.
- (k) *Dividends* – Revenue is recognized when the right to receive the payment is established.

Revenue and expenses are recognized excluding the amount of value-added tax.

The Group provides a membership card for its gaming patrons (i.e., of Travellers). Members earn points on gaming activity and such points are redeemable for

complimentary goods and services such as rooms, food, beverages and others. Members may also earn special coupons or awards as determined during marketing promotions. The Group records revenue for the original transaction and a provision (and a corresponding recognition of promotional allowances in profit or loss) for the value of the points earned by members by reference to the relative fair values of the complimentary goods or services.

Cost and expenses (other than cost of real estate sales) are recognized in profit or loss upon utilization of the services or receipt of the goods or at the date they are incurred. All finance costs are reported in consolidated profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset.

Costs of residential and condominium units sold before completion of the projects include the acquisition cost of the land, development costs incurred to date, applicable borrowing costs and estimated costs to complete the project, determined based on estimates made by the project engineers (see Note 2.6).

2.17 Foreign Currency Transactions and Translation

(a) Transactions and Balances

Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income.

(b) Translation of Financial Statements of Foreign Subsidiaries

The operating results and financial position of foreign subsidiaries (see Note 1) which are measured using the United States (U.S.) dollars, their functional currency, are translated to Philippine pesos, the Group's functional currency as follows:

- (i) Monetary assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- (ii) Non-monetary assets and liabilities for each statement of financial position presented, which are measured in terms of historical cost, are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities which are measured at fair value are translated using the exchange rates at the date when the fair value was determined;
- (iii) Income and expenses for each profit or loss account are translated at the average exchange rates over the reporting period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,

- (iv) All resulting exchange differences are recognized in consolidated other comprehensive income and in a separate component of consolidated equity under Accumulated Translation Adjustments.

When a foreign operation is partially disposed of or sold, such exchange differences are recognized in the consolidated statement of comprehensive income as part of the gain or loss on sale.

The translation of the financial statements into Philippine peso should not be construed as a representation that the U.S. dollar amounts could be converted into Philippine peso amounts at the translation rates or at any other rates of exchange.

2.18 Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net profit attributable to equity holders of the parent company by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares (e.g. vested share options).

2.19 Segment Reporting

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.20 Related Party Transactions and Relationships

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

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

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

3. USE OF JUDGMENT AND ESTIMATES

The preparation of the ICFS in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current interim period.

4. SEGMENT INFORMATION

4.1 *Business Segments*

The Group is organized into four major business segments, namely real estate, tourism – entertainment and gaming, food and beverage and quick service restaurant. Presented below is the basis of the Group in reporting its primary segment information.

- (a) The *Real Estate* segment is engaged in the development of real estate, integrated resorts, leasing of properties and hotel operations businesses.
- (b) The *Tourism – Entertainment and Gaming* segment relates to tourism-oriented business that integrates entertainment, hospitality and leisure, including gaming, as that of Resorts World Manila.
- (c) The *Food and Beverage* segment refers to the manufacture and distribution of distilled spirits, glass containers and potato snacks products.
- (d) The *Quick Service Restaurant* refers to operations of McDonald's restaurants in the Philippines in accordance with the franchise agreement with McDonald's Corporation, USA.

4.2 *Segment Assets and Liabilities*

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash and cash equivalents, trade and other receivables, inventories, property, plant and equipment, intangible assets and investment property. Segment liabilities include all operating liabilities and consist principally of trade and other payables, interest-bearing loans and bonds payable.

4.3 *Intersegment Transactions*

Segment revenues, expenses and performance include sales and purchases between business segments. Such material sales and purchases are eliminated in consolidation.

4.4 Analysis of Segment Information

Segment information can be analyzed as follows for the periods ended March 31, 2013 and 2012:

	<u>Real Estate</u>		<u>Food and Beverage</u>		<u>Quick-Service Restaurant</u>		<u>Tourism-Entertainment and Gaming</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
REVENUES										
Sales to external customers	P 7,861,995	P 6,639,186	P 6,402,121	P 5,467,729	P 3,812,683	P 3,267,643	P 10,425,795	P 6,964,154	P 28,502,594	P 22,338,712
Finance and other income	<u>574,976</u>	<u>587,608</u>	<u>305,738</u>	<u>285,803</u>	<u>32,140</u>	<u>30,938</u>	<u>86,549</u>	<u>179,215</u>	<u>999,403</u>	<u>1,083,564</u>
Segment Revenues	8,436,971	7,226,794	6,707,859	5,753,532	3,844,823	3,298,581	10,512,344	7,143,369	29,501,997	23,422,276
Cost of sales, services, expenses, excl. amortization, depreciation, finance cost & other charges	<u>(5,632,822)</u>	<u>(4,838,258)</u>	<u>(4,647,022)</u>	<u>(4,302,688)</u>	<u>(3,297,967)</u>	<u>(2,885,961)</u>	<u>(8,439,378)</u>	<u>(5,472,347)</u>	<u>(22,017,189)</u>	<u>(17,499,254)</u>
	2,804,149	2,388,536	2,060,837	1,450,844	546,856	412,620	2,072,966	1,671,022	7,484,808	5,923,022
Depreciation and amortization	(224,261)	(166,674)	(84,298)	(52,628)	(182,754)	(153,029)	(689,077)	(408,137)	(1,180,389)	(780,468)
Finance costs & other charges	<u>(227,423)</u>	<u>(251,886)</u>	<u>(64,855)</u>	<u>-</u>	<u>(34,734)</u>	<u>(29,837)</u>	<u>(363,845)</u>	<u>(392,006)</u>	<u>(690,857)</u>	<u>(673,729)</u>
Profit before tax	2,352,465	1,969,976	1,911,684	1,398,216	329,368	229,754	1,020,044	870,879	5,613,561	4,468,825
Tax expense	(606,997)	(465,805)	(412,088)	(327,976)	(96,273)	(78,443)	(24,650)	(16,649)	(1,140,008)	(888,873)
SEGMENT PROFIT	<u>P 1,745,468</u>	<u>P 1,504,171</u>	<u>P 1,499,596</u>	<u>P 1,070,240</u>	<u>P 233,095</u>	<u>P 151,311</u>	<u>P 995,394</u>	<u>P 854,230</u>	<u>P 4,473,553</u>	<u>P 3,579,952</u>
SEGMENT ASSETS AND LIABILITIES										
Segment assets	<u>P 174,374,959</u>	<u>P 161,372,149</u>	<u>P 13,299,026</u>	<u>P 9,076,139</u>	<u>P 10,830,884</u>	<u>P 50,225,582</u>	<u>P 43,689,669</u>	<u>P 43,689,669</u>	<u>P 248,730,451</u>	<u>P 222,735,610</u>
Segment liabilities	<u>P 70,182,821</u>	<u>P 63,873,749</u>	<u>P 3,893,428</u>	<u>P 4,156,940</u>	<u>P 6,068,811</u>	<u>P 27,400,032</u>	<u>P 28,325,422</u>	<u>P 28,325,422</u>	<u>P 107,545,092</u>	<u>P 100,982,723</u>

4.5 Reconciliations

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements.

	<u>2013</u>	<u>2012</u>
Revenues		
Total segment revenues	P 29,501,997	P 23,422,276
Unallocated corporate revenue	889,834	937,336
Share in the net profits of associates and joint ventures	<u>508</u>	<u>21,704</u>
Revenues as reported in consolidated profit or loss	<u>P 30,392,339</u>	<u>P 24,381,316</u>
Profit or loss		
Segment operating profit	P 4,473,553	P 3,579,952
Unallocated corporate profit	439,801	549,566
Share in the net profits of associates and joint ventures	<u>508</u>	<u>21,704</u>
Profit as reported in consolidated profit or loss	<u>P 4,913,862</u>	<u>P 4,151,222</u>
Assets		
Segment assets	P 248,730,451	P 222,735,610
Unallocated corporate assets	<u>32,407,318</u>	<u>35,436,459</u>
Total assets reported in the consolidated statements of financial position	<u>P 281,137,769</u>	<u>P 258,172,069</u>
Liabilities		
Segment liabilities	P 107,545,092	P 100,982,723
Unallocated corporate liabilities	<u>24,158,116</u>	<u>23,501,217</u>
Total liabilities reported in the consolidated statements of financial position	<u>P 131,703,208</u>	<u>P 124,483,940</u>

Concentration of revenue is considered when at least 10% of total segment revenue is generated from a single customer. There is no concentration of the Group's revenue in a single customer as the 10% threshold has not been met in any of the years presented.

5. EARNINGS PER SHARE

Earnings per share is computed (full amounts are used and not truncated) as follows:

	<u>2013</u>	<u>2012</u>
Basic:		
Net profit attributable to owners of the parent company	P 3,575,482,462	P 2,960,880,420
Divided by the weighted average number of outstanding common shares	<u>10,109,510,579</u>	<u>10,108,319,524</u>
	<u>P 0.3537</u>	<u>P 0.2929</u>
Diluted:		
Net profit attributable to owners of the parent company	P 3,575,482,462	P 2,960,880,420
Divided by the weighted average number of outstanding common shares	<u>10,133,550,063</u>	<u>10,117,526,036</u>
	<u>P 0.3528</u>	<u>P 0.2926</u>

As of March 31, 2013 and 2012, there are 24.0 million and 9.2 million potentially dilutive shares, respectively, from the Company's ESOP. However, such number of dilutive shares has no significant effect on the weighted average number of outstanding common shares and, consequently, has little effect on the 2013 and 2012 diluted EPS.

6. RELATED PARTY TRANSACTIONS

The Group's related parties include its stockholders, associates, jointly controlled entities, the Group's key management personnel and retirement fund, and others as described below.

The summary of the Group's transactions with its related parties as of and for the periods ended March 31, 2013 and December 31, 2012 are as follows:

Related Party Category	Notes	2013		2012	
		Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Stockholders					
Loans payable	6.1	240	492,840	(33,480)	492,600
Interest expense from loans	6.1	(12,227)	7,720	50,600	18,100
Associates:					
Advances granted	6.5	(52,837)	1,816,283	(278,710)	1,869,120
Rental income	6.2	427	-	1,175	800

Related Party Category	Notes	2013		2012	
		Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Related Parties Under Common Ownership:					
Purchase of goods	6.3	439,332	555,377	7,120,605	760,007
Other Related Parties					
Receivable from joint venture	6.4	3,395	19,395	(1,000)	16,000
Advances granted	6.6	24,142	1,219,467	178,057	1,195,325
Advances obtained	6.6	12,051	(899,821)	190,721	(887,770)
Advances from related parties	6.7	(168,661)	(687,742)	(632,225)	(856,403)
Operations and management fees	6.8	160,655	(52,671)	104,202	20,558

6.1 Loan from McDonald's Restaurant Operations, Inc. (MRO)

GADC has a loan agreement with MRO. The principal amount of the loan of U.S.\$12.0 million is payable in full on March 17, 2025. Accrued interest payable as of March 31, 2013 and December 31, 2012 included as part of Accrued Expenses under Trade and Other Payables account in the consolidated statements of financial position amounted to P7.7 million and P18.1 million, respectively.

6.2 Rental Income from Associates

GERI leases its investment property to certain related parties with rental payments mutually agreed before the commencement of the lease. The revenue earned from leases to related parties are included as part of Rental Income under Rendering of Services account in the consolidated statements of comprehensive income. The outstanding receivable is short-term, unsecured, noninterest-bearing, and are generally settled in cash upon demand.

As of March 31, 2013 and December 31, 2012, based on management's assessment, the outstanding balance of rental income receivable from associate is not impaired; hence, no impairment losses were recognized.

6.3 Purchase of Goods

EDI sources its raw materials such as alcohol, molasses, flavorings and other supplies from certain related parties through common ownership. The outstanding liability related to such purchases is presented as part of Trade Payables under current Trade and Other Payables in the consolidated statements of financial position.

6.4 Receivable from a Joint Venture

Receivables from GCFII are unsecured, interest free and normally settled in cash. These are included in Trade Receivables under the Trade and Other Receivables account in the consolidated statements of financial position

As of March 31, 2013 and December 31, 2012, based on management's assessment, the outstanding balance of the receivable from joint venture is not impaired; hence, no impairment losses were recognized.

6.5 Advances to Associates and Other Related Parties

Entities within the Group grant to or obtain advances from associates and other entities for working capital purposes. These advances to and from associates and other related parties are unsecured, noninterest-bearing and repayable upon demand. Settlement is generally made in cash. The outstanding balances of Advances to Associates and Other Related Parties, which are shown as part of Investments in Associates and Other Related Parties account in the consolidated statements of financial position as of March 31, 2013 and December 31, 2012, are presented as follows (these mainly represent advances granted by Megaworld)

	<u>2013</u>	<u>2012</u>
Advances to:		
Associates	P 1,075,513	P 1,063,503
Other related parties	<u>740,770</u>	<u>805,617</u>
	<u>P 1,816,283</u>	<u>P 1,869,120</u>

The movements of the Advances to Associates and Other Related Parties account are as follows:

	<u>2013</u>	<u>2012</u>
Balance at beginning of year	P 1,869,120	P 2,147,830
Collections	(64,847)	(284,442)
Cash advances granted	12,010	5,732
Balance from newly consolidated subsidiaries	<u>-</u>	<u>-</u>
Balance at end of year	<u>P 1,816,283</u>	<u>P 1,869,120</u>

As of March 31, 2013 and December 31, 2012, based on management's assessment, the outstanding balances of advances to associates and other related parties are not impaired, hence, no impairment losses were recognized.

6.6 Due from/to Related Parties

Transactions with related parties include the following: financing of opening of letters of credit and payment of progress billing, royalty fees, rentals, interest and certain expenses in behalf of the entities within Group or other related parties. The amounts due from and to related parties are unsecured, noninterest-bearing and due and demandable any time. Settlement is generally made in cash. As of March 31, 2013 and December 31, 2012, based on management's assessment, the outstanding balances of advances to associates and other related parties are not impaired, hence, no impairment losses were recognized.

The outstanding balances of Due from/to Related Parties are presented under Trade and Other Receivables and Trade and Other Payables accounts, respectively, in the

consolidated statements of financial position as of March 31, 2013 and December 31, 2012, as follows:

	<u>2013</u>	<u>2012</u>
<i>Due from Related Parties</i>		
Associates	P 246,293	P 246,293
Officers and employees	214,689	230,938
Other related parties	<u>758,485</u>	<u>718,094</u>
	<u>P 1,219,467</u>	<u>P 1,195,325</u>
<i>Due to Related Parties</i>		
Stockholder	P 195,470	P 195,470
Other related parties	<u>704,350</u>	<u>692,300</u>
	<u>P 899,821</u>	<u>P 887,770</u>

The details of the due from/to related parties are as follows:

	<u>2013</u>	<u>2012</u>
<i>Due from Related Parties</i>		
Balance at beginning of year	P 1,195,325	P 1,017,268
Balance from newly consolidated subsidiaries	-	-
Additions	43,779	365,112
Collections	<u>(19,637)</u>	<u>(187,055)</u>
Balance at end of year	<u>P 1,219,467</u>	<u>P 1,195,325</u>
<i>Due to Related Parties</i>		
Balance at beginning of year	P 887,770	P 697,049
Balance from newly consolidated subsidiaries	-	-
Net additions	220,172	190,721
Repayments	<u>(208,121)</u>	<u>-</u>
Balance at end of year	<u>P 899,821</u>	<u>P 887,770</u>

McDonald's granted GADC the nonexclusive rights to adopt and use the McDonald's System in its restaurant operations in the Philippines. In March 2005, the license agreement was renewed for another 20 years, and provides for a royalty fee based on certain percentage of net sales from the operations of GADC's restaurants, including those operated by the franchisees.

GADC recognized royalty expenses amounting to P168.2 million and P646.5 million for 2013 and 2012, respectively. The outstanding payable to McDonald's relating to royalty expenses amounted to P98 million and P112.1 million as of March 31, 2013 and December 31, 2012, respectively, and presented as part of Due to Related Parties

under Trade and Other Payables account in the consolidated statements of financial position.

GADC leases a warehouse and nine restaurant premises from MPRC, a company owned by MRO. The lease terms are for periods which are co-terminus with the lease agreements entered into by GADC with the owners of the land where the warehouse and restaurants are located. Except for the warehouse for which a fixed annual rental of P10.0 million is charged, rentals charged by MPRC to GADC are based on agreed percentages of gross sales of each store.

Rental charged to operations amounted to P12.2 million and P42.5 million in 2013 and 2012, respectively. Outstanding balance pertaining to the said transaction amounted to P4.4 million and P3.3 million as of March 31 and December 31, 2012, respectively.

As of March 31 2013 and December 31, 2012, based on management's assessment, the outstanding balances of Due from Related Parties are not impaired, hence, no impairment losses were recognized.

6.7 Non-current Advances from Related Parties

Certain expenses of unconsolidated entities within the Group are paid by other related parties on behalf of the former. The advances are unsecured, non-interest bearing and generally payable on demand. Due to JV partners pertain to the share of JV partners in the proceeds from the sale in accordance with various JV agreements entered into by GERI. Total outstanding balance of the accounts is presented as Advances from Related Parties account in the consolidated statements of financial position.

Details of Advances from Related Parties are presented as follows:

	<u>2013</u>	<u>2012</u>
Due from related parties	P 469,009	P 642,006
Due from joint venture partners	<u>218,733</u>	<u>214,397</u>
Balance at end of year	<u>P 687,742</u>	<u>P 856,403</u>

6.8 Operations and Management Agreement with Genting Hongkong Limited (GHL)

Some of Travellers' administrative functions are being handled by certain key officers and employees under the management of GHL as agreed by both parties under the Operations and Management Agreement. Management fees are presented as part of Management fees under the Other Operating Expenses account in the consolidated statements of comprehensive income. The outstanding liability arising from this transaction is presented as part of Accrued expenses in the Trade and Other Payables account in the consolidated statements of financial position.

7. COMMITMENTS AND CONTINGENCIES

There are other commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying ICFS. The management of the Group is of the opinion that losses, if any, from these items will not have any material effect on ICFSs.

In addition, there are no material off-balance sheet transaction, arrangements, obligations and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

8. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial instruments such as cash and cash equivalents, financial assets at FVTPL, AFS financial assets, interest-bearing loans, bonds payable, trade receivables and payables and derivative asset and liabilities which arise directly from the Group's business operations. The financial debts were issued to raise funds for the Group's capital expenditures.

The Group does not actively engage in the trading of financial assets for speculative purposes.

The Group is exposed to a variety of financial risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

8.1 Market Risk

(a) Foreign Currency Sensitivity

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. The currency exchange risk arises from the U.S. dollar-denominated cash and cash equivalents, FVTPL, loans and bonds which have been used to fund new projects. Foreign currency denominated financial assets and liabilities, translated into Philippine pesos at period-end closing rate are as follows:

	<u>2013</u>		<u>2012</u>	
	<u>U.S. Dollars</u>	<u>HK Dollars</u>	<u>U.S. Dollars</u>	<u>HK Dollars</u>
Financial assets	P 34,837,883	P 3,262,079	P 37,937,643	P 2,461,548
Financial liabilities	(<u>43,739,186</u>)	(<u>1,154,843</u>)	(<u>44,194,216</u>)	(<u>875,795</u>)
	<u>P (8,901,303)</u>	<u>P 2,107,236</u>	<u>(P 6,256,573)</u>	<u>P 1,585,753</u>

The sensitivity of the consolidated income before tax for the period with regard to the Group's financial assets and the US dollar – Philippine peso exchange rate assumes +/-14% and +/- 14% changes of the Philippine peso/U.S. dollar exchange rate for the periods ended March 31, 2013 and December 31, 2012 respectively. The HK dollar – Philippine peso exchange rate assumes +/-3% and +/-2% change for the periods ended March 31, 2013 and December 31, 2012. These percentages have been determined based on the average market volatility in exchange rates in the previous year and 12 months, respectively, estimated at 95%

level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting periods.

If the Philippine peso had strengthened against the U.S. dollar, with all other variables held constant, consolidated income before tax would have increased by P0.8 billion and P0.6 billion for the periods ended March 31, 2013 and December 31, 2012 respectively. If in 2013 the Philippine peso had strengthened against the HK dollar, with all other variables held constant, consolidated income before tax would have decreased by P0.2 billion.

However, if the Philippine peso had weakened against the U.S. dollar and the HK dollar by the same percentages; then consolidated income before tax would have changed at the opposite direction by the same amount.

The Group periodically reviews the trend of the foreign exchange rates and, as a practical move, increases its U.S. dollar-denominated time deposits in times when the Philippine peso is depreciating or decreases its U.S. dollar-denominated placements in times when the Philippine peso is appreciating.

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

(b) Interest Rate Sensitivity

The Group interest risk management policy is to minimize interest rate cash flow risk exposures to changes in interest rates. At present, the Group is exposed to changes in market interest rates through bank borrowings and cash and cash equivalents, which are subject to variable interest rates. The Group maintains a debt portfolio unit of both fixed and variable interest rates. All other financial assets are subject to variable interest rates.

The sensitivity of the consolidated income before tax for the period to a reasonably possible change in interest rates of +/-1.75% for Philippine peso and +/-0.54% and U.S. dollar in 2013 and +/-2.43% for Philippine peso and +/-0.56% for US dollar in 2012 with effect from the beginning of the period. These percentages have been determined based on the average market volatility in interest rates, using standard deviation, in the previous year and 12 months, respectively, estimated at 95% level of confidence.

The sensitivity analysis is based on the Group's financial instruments held at March 31, 2013 and December 31, 2012 with effect estimated from the beginning of the period. All other variables held constant, the consolidated income before tax would have increased by P0.9 billion and P1.2 billion for the periods ended March 31, 2013 and December 31, 2012 respectively. Conversely, if the interest rates decreased by the same percentage, consolidated income before tax would have been lower by the same amount.

8.2 Credit Risk

Generally, the Group's credit risk is attributable to trade and other receivable arising mainly from transactions with approved franchisees, installment receivables, rental receivables and other financial assets.

The Group maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. Franchisees are subject to stringent financial, credit and legal verification process. In addition, accounts receivable are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant portion of sales, advance payments are received to mitigate credit risk.

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

Trade and other receivables that are past due but not impaired are as follows:

	<u>2013</u>	<u>2012</u>
Not more than 30 days	P 1,368,918	P 267,577
31 to 60 days	1,191,904	1,754,101
Over 60 days	<u>1,845,477</u>	<u>1,229,152</u>
	<u>P 4,406,299</u>	<u>P 3,250,830</u>

8.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year period are identified monthly. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans, bonds, and preferred shares.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits, mutual funds or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets. In addition, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fund raising activities may include bank loans and capital market issues.

As at March 31, 2013, the Group's financial liabilities have contractual maturities which are presented below:

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years
Trade and other payables	P 18,396,352	P 4,859,959	P -	P -
Interest-bearing loans	3,580,951	1,211,134	13,038,252	993,899
Bonds payable	1,085,294	1,085,295	45,967,166	8,561,225
Advances from related parties	1,486,051	-	687,743	-
Redeemable preferred shares	-	-	1,257,988	1,574,159
Security deposits	46,516	14,814	22,180	69,823
Payable to MRO stock option	82	-	-	-
Derivative liability	260,771	-	1,281,776	-
Other liabilities	-	-	571,723	-
	<u>P 24,586,017</u>	<u>P 7,171,202</u>	<u>P 62,826,828</u>	<u>P 11,199,106</u>

As at December 31, 2012, the Group's financial liabilities have contractual maturities which are presented below.

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years
Trade and other payables	P 12,529,113	P 9,978,368	P -	P -
Interest-bearing loans	2,849,992	1,390,790	13,584,594	930,621
Bonds payable	1,092,701	1,092,701	46,460,595	8,556,628
Advances from related parties	1,067,406	120,755	856,403	-
Redeemable preferred shares	-	-	1,352,337	1,584,643
Security deposits	-	57,911	26,694	60,577
Payable to MRO stock option	-	82	-	-
Derivative liability	-	-	1,246,124	-
Other liabilities	-	-	665,820	-
	<u>P 17,539,212</u>	<u>P 12,640,607</u>	<u>P 64,192,567</u>	<u>P 11,132,469</u>

The contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting period.

9. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

9.1 Comparison of Carrying Amounts and Fair Values

The carrying amounts and fair values of the categories of assets and liabilities presented in the consolidated statements of financial position are shown below.

	2013		2012	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets				
Loans and receivables:				
Cash and cash equivalents	P 67,892,615	P 67,892,615	P 68,301,336	P 68,301,336
Trade and other receivables	51,524,706	51,524,706	43,869,129	43,869,129
Other financial assets	<u>932,816</u>	<u>932,816</u>	<u>832,314</u>	<u>832,314</u>
	<u>P 120,341,137</u>	<u>P 120,341,137</u>	<u>P 113,002,779</u>	<u>P 113,002,779</u>
Financial assets at FVTPL:				
Marketable debt and equity securities	P 6,448,830	P 6,448,830	P 5,896,822	P 5,896,822
Derivative asset	<u>-</u>	<u>-</u>	<u>665,131</u>	<u>665,131</u>
	<u>P 6,448,830</u>	<u>P 6,448,830</u>	<u>P 6,561,953</u>	<u>P 6,561,953</u>
AFS Financial Assets:				
Debt securities	P 4,396,219	P 4,396,219	P 5,015,804	P 5,015,804
Equity securities	<u>373,837</u>	<u>373,837</u>	<u>265,642</u>	<u>265,642</u>
	<u>P 4,770,056</u>	<u>P 4,770,056</u>	<u>P 5,281,446</u>	<u>P 5,281,446</u>
Financial Liabilities				
Financial liabilities at FVTPL -				
Derivative liabilities	<u>P 1,542,547</u>	<u>P 1,542,547</u>	<u>P 1,246,124</u>	<u>P 1,246,124</u>
Financial liabilities at amortized cost:				
Trade and other payables	P 24,776,333	P 24,776,333	P 22,166,173	P 22,166,173
Interest-bearing loans	17,266,185	17,266,185	18,090,749	18,090,749
Bonds payable	45,848,725	45,848,725	45,990,629	45,990,629
Redeemable preferred shares	1,741,095	1,741,095	1,728,086	1,728,086
Due to related parties	755,009	755,009	856,403	856,403
Security deposits	<u>122,698</u>	<u>122,698</u>	<u>113,395</u>	<u>113,395</u>
	<u>P 90,510,045</u>	<u>P 90,510,045</u>	<u>P 88,945,435</u>	<u>P 88,945,435</u>

See Notes 2.5 and 2.13 for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 8.

9.2 Fair Value Hierarchy

The hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the resource or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The breakdown of the Group's financial assets and liabilities measured at fair value in its consolidated statements of financial position as of March 31, 2013 and December 31, 2012 is as follows:

March 31, 2013

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVTPL	P 6,448,830	P -	P -	P 6,448,830
AFS financial assets	4,475,956	294,100	-	4,770,056
Derivative liabilities	(1,542,547)	-	-	(1,542,547)
	<u>P 9,382,239</u>	<u>P 294,100</u>	<u>P -</u>	<u>P 9,676,339</u>

December 31, 2013

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVTPL	P 6,561,953	P -	P -	P 6,561,953
AFS financial assets	5,083,788	197,658	-	5,281,446
Derivative liabilities	(1,246,124)	-	-	(1,246,124)
	<u>P 10,399,617</u>	<u>P 197,658</u>	<u>P -</u>	<u>P 10,597,275</u>

10. SEASONAL FLUCTUATIONS

There were no seasonal aspects that had a material effect on the financial condition or results of operation of the Group.

11. SUBSEQUENT EVENTS

On April 17, 2013, Megaworld issued a US\$250 million, 10-year international bond which carries a coupon of 4.25%.

On April 23, 2013, the Bureau of Internal Revenue (BIR) issued Memorandum Circular No. 33-013 which clarified that PAGCOR, its contractees and licensees (such as Travellers) are not exempt from corporate income tax. This BIR issuance is being studied, in consultation with PAGCOR. The Group is optimistic that the government and the industry will come out with a common understanding supportive of the growth and success of the business, confident that fair and equitable resolution will be in keeping with the true spirit and intent of the provisional licence, and trust that PAGCOR will safeguard the economic terms of agreement and the best interest of the industry.

On May 9 and 10, 2013, Travellers filed a registration statement with PSE and SEC for a potential initial public offering. Principal terms of the offering and any pre-transaction reorganization are yet to be finalized.

The foregoing events are deemed to be not adjusting events.

ALLIANCE GLOBAL GROUP, INC.
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
MARCH 31, 2013

	3/31/13	12/31/12
Current ratio	3.33 : 1.00	3.35 : 1.00
Quick ratio	2.10 : 1.00	2.14 : 1.00
Debt-to-equity ratio	0.88 : 1.00	0.90 : 1.00
Interest-bearing debt to total capitalization ratio	0.42 : 1.00	0.43 : 1.00
Asset -to-equity ratio	1.88 : 1.00	1.90 : 1.00
		3/31/12
Interest rate coverage ratio	757%	707%
Net profit margin	16.17%	17.03%
Return on assets	1.77%	1.73%
Return on equity/investment	3.29%	3.11%
Return on equity/investment of owners	4.09%	3.86%

LIQUIDITY RATIOS measure the business' ability to pay short-term debt.

Current ratio - computed as current assets divided by current liabilities

Quick ratio - computed a cash, marketable securities, accounts receivable divided by current liabilities.

SOLVENCY RATIOS measure the business' ability to pay all debts, particularly long-term debt.

Debt-to-equity ratio - computed as total liabilities divided by stockholders'equity.

Interest-bearing debt to total capitalization ratio - computed as interest-bearing debt divided by interest-bearing debt + stockholder's equity attributable to controlling interest

ASSET-TO-EQUITY RATIOS measure financial leverage and long-term solvency. It shows how much of the assets are owned by the company. It is computed as total assets divided by stockholders'equity.

INTEREST RATE COVERAGE RATIOS measure the business' ability to meet its interest payments.

It is computed as profit before income tax and interest expense ("EBIT") divided by interest.

In the computation, non-recurring gain is excluded from EBIT.

PROFITABILITY RATIOS

Net margin - computed as net profit divided by revenues

Return on assets - net profit divided by average total assets

Return on investment - net profit divided by total stockholders' equity

Return on investment of equity owners- net profit attributable to owners of the parent divided by equity attributable to ownersof the parent company

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
AGING SCHEDULE OF TRADE AND OTHER RECEIVABLES
UNDER CURRENT ASSETS
MARCH 31, 2013
(Amounts in Thousand Philippine Pesos)

Trade Receivables

Current	P 19,897,523
1 to 30 days	1,368,918
31 to 60 days	1,191,904
Over 60 days	<u>1,845,477</u>

Total 24,303,822

Due to other related parties 1,064,810

Balance at March 31, 2013 **P 25,368,632**