COVER SHEET

16342
SEC Registration Number

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
(Company's Full Name)

10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City 1300
(Business Address: No. Street City/Town/Province)

Ms. Ma. Ruby Ll. Cano
(Contact Person)

857-0100
(Company Telephone Number)

1 2	3 1	17-Q	0 4	2 4
Month	*Day*	(Form Type)	*Month*	*Day*
(Fiscal Year)			(Annual Meeting)	

(Secondary License Type, If Applicable)

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

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SEC Number **16342**

PSE Disclosure Security Code

SM INVESTMENTS CORPORATION

(Company's Full Name)

10th Floor, One E-Com Center, Harbor Drive,
Mall of Asia Complex, CBP-IA, Pasay City 1300

(Company's Address)

857- 0100

(Telephone Number)

December 31

(Year Ending)
(month & day)

SEC Form 17-Q
1st Quarter Report

Form Type

Amendment Designation (If applicable)

March 31, 2013

Period Ended Date

(Secondary License Type and File Number)

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. Commission Identification Number **016342** 3. BIR Tax Identification No. **169-020-000**

4. Exact name of registrant as specified in its charter **SM INVESTMENTS CORPORATION**

5. **PHILIPPINES**
   Province, Country or other jurisdiction of incorporation or organization

6. Industry Classification Code (SEC Use Only)

7. **10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-IA, Pasay City 1300**
   Address of principal office Postal Code

8. **857-0100**
   Registrant's telephone number, including area code

9. Former name, former address, and former fiscal year, if changed since last report.

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

Title of Each Class of Common Stock Outstanding	Number of Shares	Amount of Debt Outstanding
COMMON STOCK P10 PAR VALUE	**628,112,292**	**N.A.**

11. Are any or all of these securities listed on the Philippine Stock Exchange.
    Yes [**X**] No [ ]

12. Indicate by check mark whether the registrant:
(a) has filed all reports required to be filed by Section 11 of the Securities Regulation Code (SRC)and SRC Rule 11(a)-1 thereunder and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);

Yes [**X**] No [ ]

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

Yes [**X**] No [ ]

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PART I FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements
March 31, 2013, December 31, 2012, and December 31, 2011
and for the Three Months Ended March 31, 2013 and 2012

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

	March 31, 2013 (Unaudited)	December 31, 2012 (Audited)	December 31, 2011 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 5, 16, 20, 24 and 25)	**₱49,022,049**	₱60,714,720	₱56,050,322
Time deposits and short-term investments (Notes 6, 18, 20, 24 and 25)	**27,652,474**	29,090,335	879,410
Investments held for trading and sale (Notes 7, 10, 20, 24 and 25)	**2,190,336**	2,854,541	1,939,709
Receivables (Notes 8, 15, 20, 24 and 25)	**18,603,975**	16,365,552	11,764,852
Merchandise inventories - at cost (Note 21)	**13,225,356**	13,402,762	13,436,456
Other current assets (Notes 9, 14, 15, 20, 24 and 25)	**22,301,959**	23,458,208	17,189,740
Total Current Assets	**132,996,149**	145,886,118	101,260,489
Noncurrent Assets			
Available-for-sale investments (Notes 10, 20, 24 and 25)	**17,109,239**	16,912,646	12,453,181
Investments in shares of stock of associates (Note 11)	**138,869,060**	128,453,744	88,417,849
Time deposits (Notes 6, 18, 20, 24 and 25)	**29,253,600**	29,432,850	37,416,562
Property and equipment (Note 12)	**17,740,407**	17,186,517	15,092,354
Investment properties (Notes 13 and 18)	**152,241,664**	149,970,690	131,275,911
Land and development (Note 14)	**35,469,762**	30,197,862	23,012,453
Intangibles (Note 15)	**15,354,200**	15,354,200	15,354,200
Deferred tax assets - net (Note 22)	**937,199**	642,105	694,644
Other noncurrent assets (Notes 8, 15, 20, 24 and 25)	**30,221,405**	27,976,519	24,395,631
Total Noncurrent Assets	**437,196,536**	416,127,133	348,112,785
	₱570,192,685	₱562,013,251	₱449,373,274
LIABILITIES AND EQUITY			
Current Liabilities			
Bank loans (Notes 16, 20, 24 and 25)	**₱28,106,813**	₱31,793,975	₱25,747,920
Accounts payable and other current liabilities (Notes 17, 20, 24 and 25)	**52,108,880**	57,865,876	44,749,807
Income tax payable	**2,392,625**	1,474,045	1,331,046
Current portion of long-term debt (Notes 13, 18, 20, 24 and 25)	**14,664,862**	13,859,558	7,920,961
Dividends payable (Notes 24 and 25)	**398,360**	97,282	25,696
Total Current Liabilities	**97,671,540**	105,090,736	79,775,430
Noncurrent Liabilities			
Long-term debt - net of current portion (Notes 13, 18, 20, 24 and 25)	**170,234,935**	174,532,871	128,464,019
Derivative liabilities (Notes 24 and 25)	**236,997**	244,330	237,980
Deferred tax liabilities - net (Note 22)	**4,955,861**	4,605,703	4,601,344
Tenants' deposits and others (Notes 13, 23, 24 and 25)	**16,314,988**	15,748,135	13,789,789
Total Noncurrent Liabilities	**191,742,781**	195,131,039	147,093,132
Total Liabilities	**289,414,321**	300,221,775	226,868,562
Equity Attributable to Owners of the Parent			
Capital stock (Note 19)	**6,259,260**	6,229,746	6,121,640
Additional paid-in capital (Note 19)	**45,787,612**	42,858,920	35,536,615
Equity adjustments from business combination under common control (Note 19)	**(2,332,796)**	(2,332,796)	(2,332,796)
Cost of Parent common shares held by subsidiaries (Note 19)	**(125,906)**	(125,906)	(263,195)
Cumulative translation adjustment of a subsidiary	**246,558**	266,915	428,058
Actuarial gains losses	**(293,998)**	(264,111)	(144,563)
Net unrealized gain on available-for-sale investments (Notes 10 and 11)	**16,714,885**	11,718,559	7,008,067
Retained earnings (Note 19):			
Appropriated	**35,000,000**	35,000,000	5,000,000
Unappropriated	**102,222,256**	94,833,613	106,520,237
Total Equity Attributable to Owners of the Parent	**203,477,871**	188,184,940	157,874,063
Non-controlling Interests	**77,300,493**	73,606,536	64,630,649
Total Equity	**280,778,364**	261,791,476	222,504,712
	₱570,192,685	₱562,013,251	₱449,373,274

See accompanying Notes to Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Per Share Data)

	Three months ended March 31	
	2013 (Unaudited)	2012 (Unaudited)
REVENUE		
Sales:		
Merchandise	**₱36,209,807**	₱34,420,109
Real estate and others	**6,293,229**	6,018,690
Rent (Notes 13, 20 and 23)	**6,416,166**	5,417,723
Equity in net earnings of associates (Note 11)	**5,649,159**	1,665,275
Cinema ticket sales, amusement and others	**1,101,258**	1,003,906
Dividend income, management fees, and others (Note 7, 10, 20 and 25)	**1,171,370**	1,079,145
	56,840,989	49,604,848
COST AND EXPENSES		
Cost of sales:		
Merchandise (Note 21)	**26,643,941**	25,608,800
Real estate and others	**3,694,831**	3,626,433
Selling, general and administrative expenses	**11,850,839**	9,829,051
	42,189,611	39,064,284
OTHER INCOME (CHARGES)		
Interest expense (Notes 14, 16, 18, 20, 24 and 25)	**(2,845,525)**	(2,256,392)
Interest income (Notes 5, 6, 7, 10, and 20)	**1,014,463**	1,176,367
Gain (loss) on fair value changes on derivatives - net (Notes 18 and 25)	**(1,310,743)**	73,771
Foreign exchange gain and others (Notes 11, 12, 13, 18, 24 and 25)	**235,288**	218,221
	(2,906,517)	(788,033)
INCOME BEFORE INCOME TAX	**11,744,861**	9,752,531
PROVISION FOR INCOME TAX (Note 22)		
Current	**1,516,213**	1,370,643
Deferred	**98,346**	209,665
	1,614,559	1,580,308
NET INCOME	**₱10,130,302**	₱8,172,223
Attributable to		
Owners of the Parent (Note 26)	**₱7,388,643**	₱6,047,381
Non-controlling interests	**2,741,659**	2,124,842
	₱10,130,302	₱8,172,223
Earnings Per Common Share (Note 26)		
Basic	**₱11.85**	₱9.86

See accompanying Notes to Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Three months ended March 31	
	2013	2012
	Unaudited	Unaudited
NET INCOME	**₱10,130,302**	₱8,172,223
OTHER COMPREHENSIVE INCOME		
Share in unrealized gain on available-for-sale investments of associates - net (Notes 10 and 11)	**4,853,881**	264,724
Net unrealized gain on available-for-sale investments (Note 10)	**1,186,668**	2,173,174
Income tax relating to components of other comprehensive income	**43,282**	70,745
Actuarial losses	**(29,887)**	(29,887)
Cumulative translation adjustment of a subsidiary	**(17,859)**	(65,289)
	6,036,085	2,413,467
TOTAL COMPREHENSIVE INCOME	**₱16,166,387**	₱10,585,690
Attributable to		
Owners of the Parent	**₱12,334,725**	₱7,745,031
Non-controlling interests	**3,831,662**	2,840,659
	₱16,166,387	₱10,585,690

See accompanying Notes to Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands, Except Per Share Data)

	Equity Attributable to Owners of the Parent										Non-controlling Interests	Total Equity
	Capital Stock (Note 19)	**Additional Paid-in Capital** (Note 19)	**Equity Adjustments from Business Combination Under Common Control** (Note 19)	**Cost of Parent Common Shares Held by Subsidiaries** (Note 19)	**Cumulative Translation Adjustment of a Subsidiary**	**Actuarial Gains (Losses)**	**Net Unrealized Gain on Available-for-Sale Investments** (Notes 10 and 11)	**Appropriated Retained Earnings** (Note 19)	**Unappropriated Retained Earnings** (Note 19)	**Total**		
Balance at December 31, 2012, as previously reported	**₱6,229,746**	**₱42,858,920**	**(₱2,332,796)**	**(₱125,906)**	**₱266,915**	**₱–**	**₱11,718,559**	**₱35,000,000**	**₱94,458,694**	**₱188,074,132**	**₱73,570,846**	**₱261,644,978**
Prior period adjustments (Notes 3 and 27)	–	–	–	–	–	**(264,111)**	–	–	**374,919**	**110,808**	**35,690**	**146,498**
Balance at December 31, 2012, restated	**6,229,746**	**42,858,920**	**(2,332,796)**	**(125,906)**	**266,915**	**(264,111)**	**11,718,559**	**35,000,000**	**94,833,613**	**188,184,940**	**73,606,536**	**261,791,476**
Net income for the period	–	–	–	–	–	–	–	–	**7,388,643**	**7,388,643**	**2,741,659**	**10,130,302**
Other comprehensive income	–	–	–	–	**(20,357)**	**(29,887)**	**4,996,326**	–	–	**4,946,082**	**1,090,003**	**6,036,085**
Total comprehensive income for the period	–	–	–	–	**(20,357)**	**(29,887)**	**4,996,326**	–	**7,388,643**	**12,334,725**	**3,831,662**	**16,166,387**
Issuance of Parent common shares	**29,514**	**2,928,692**	–	–	–	–	–	–	–	**2,958,206**	–	**2,958,206**
Decrease in previous year's non-controlling interests	–	–	–	–	–	–	–	–	–	–	**11,415**	**11,415**
Cash dividends received by non-controlling interests	–	–	–	–	–	–	–	–	–	–	**(149,120)**	**(149,120)**
Balance at March 31, 2013	**₱6,259,260**	**₱45,787,612**	**(₱2,332,796)**	**(₱125,906)**	**₱246,558**	**(₱293,998)**	**₱16,714,885**	**₱35,000,000**	**₱102,222,256**	**₱203,477,871**	**₱77,300,493**	**₱280,778,364**
Balance at December 31, 2011, as previously reported	₱6,121,640	₱35,536,615	(₱2,332,796)	(₱263,195)	₱428,058	₱–	₱7,008,067	₱5,000,000	₱106,167,942	₱157,666,331	₱64,620,530	₱222,286,861
Prior period adjustments (Notes 3 and 27)	–	–	–	–	–	(144,563)	–	–	352,295	207,732	10,119	217,851
Balance at December 31, 2011, restated	6,121,640	35,536,615	(2,332,796)	(263,195)	428,058	(144,563)	7,008,067	5,000,000	106,520,237	157,874,063	64,630,649	222,504,712
Net income for the period	–	–	–	–	–	–	–	–	6,047,381	6,047,381	2,124,842	8,172,223
Other comhensive income,restated	–	–	–	–	(51,146)	(14,029)	1,762,826	–	–	1,697,651	715,816	2,413,467
Total comprehensive income for the period	–	–	–	–	(51,146)	(14,029)	1,762,826	–	6,047,381	7,745,032	2,840,658	10,585,690
Issuance of Parent common shares	17,106	758,458	–	–	–	–	–	–	–	775,564	–	775,564
Increase in previous year's non-controlling interests	–	–	–	–	–	–	–	–	–	–	(158,875)	(158,875)
Balance at March 31, 2012, restated	₱6,138,746	₱36,295,073	(₱2,332,796)	(₱263,195)	₱376,912	(₱158,592)	₱8,770,893	₱5,000,000	₱112,567,618	₱166,394,659	₱67,312,432	₱233,707,091

See accompanying Notes to Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Three months ended March 31	
	2013	2012
	Unaudited	Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱11,744,861**	₱9,752,531
Adjustments for:		
Interest expense	**2,845,525**	2,256,392
Depreciation and amortization (Notes 12 and 13)	**2,257,325**	1,903,425
Equity in net earnings of associates (Note 11)	**(5,649,159)**	(1,665,275)
Interest income	**(1,014,463)**	(1,176,367)
Gain on disposal of investments and properties - net (Notes 11, 12, 13 and 15)	**(47,507)**	(17,432)
Loss (gain) on fair value changes on derivatives - net (Note 25)	**1,310,743**	(73,771)
Gain on available-for-sale investments and fair value changes on investments held for trading - net (Notes 7, 10 and 25)	**(165,794)**	(31,487)
Dividend income	**(192,554)**	(288,011)
Unrealized foreign exchange gain	**(135,737)**	(74,292)
Income before working capital changes	**10,953,240**	10,585,713
Decrease (increase) in:		
Land and development	**(3,973,190)**	(2,619,542)
Merchandise inventories	**177,406**	(384,227)
Receivables	**(1,562,902)**	(2,872,390)
Other current assets	**696,127**	459,013
Increase (decrease) in:		
Accounts payable and other current liabilities	**(7,433,018)**	(10,006,234)
Dividends payable	**151,957**	–
Tenants' deposits and others	**566,719**	2,628,825
Defined benefit liability	**(8,328)**	(18,587)
Net cash used in operations	**(431,989)**	(2,227,429)
Income tax paid	**(597,831)**	(691,415)
Net cash used in operating activities	**(1,029,820)**	(2,918,844)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
Investments in shares of stock of associates	–	72,655
Property and equipment	**24,556**	890
Available-for-sale investments	**166,453**	18,755
Additions to:		
Investment properties (Note 13)	**(3,493,078)**	(5,426,580)
Investments in shares of stock of associates	–	(5,493,857)
Property and equipment (Note 12)	**(1,463,971)**	(873,479)
Decrease (increase) in:		
Other noncurrent assets	**(1,134,829)**	372,357
Time deposits and short-term investments	**1,345,827**	(10,313,651)
Interest received	**1,474,482**	1,432,057
Dividends received (Note 11)	**354,772**	129,070
Net cash used in investing activities	**(2,725,788)**	(20,081,783)

(Forward)

	Three months ended March 31	
	2013	2012
	Unaudited	Unaudited
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of:		
Long-term debt	**₱9,151,125**	₱21,016,250
Bank loans	**10,324,138**	–
Payments of:		
Long-term debt	**(10,391,830)**	(1,606,132)
Bank loans	**(14,004,400)**	(12,900,000)
Interest	**(3,038,529)**	(2,109,919)
Dividends paid	–	(303)
Increase (decrease) in non-controlling interests	**11,417**	(166,109)
Net cash provided by (used in) financing activities	**(7,948,079)**	4,233,787
DECREASE IN CASH AND CASH EQUIVALENTS	**(11,703,687)**	(18,766,840)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**11,016**	62,913
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**60,714,720**	56,050,322
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**₱49,022,049**	₱37,346,395

See accompanying Notes to Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

SM Investments Corporation (SMIC or Parent Company) was incorporated in the Philippines on January 15, 1960. On June 3, 2009, the Philippine Securities and Exchange Commission (SEC) approved the amendment of SMIC's articles of incorporation for the extension of the Company's corporate life for another 50 years from January 15, 2010. Its registered office address is 10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City 1300.

The Parent Company and its subsidiaries (collectively referred to as the Group), and its associates are involved primarily in shopping mall development, retail, real estate development and tourism, hotels and conventions and financial services and others.

The Parent Company's shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

2. Basis of Preparation, Statement of Compliance and Changes in Accounting Policies

Basis of Preparation
The consolidated financial statements of the Group have been prepared on the historical cost basis, except for derivative financial instruments, investments held for trading and available-for-sale (AFS) investments, which have all been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest thousand, except when otherwise indicated.

Statement of Compliance
The consolidated financial statements have been prepared in compliance with PFRS. PFRS includes statements named PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) issued by the Financial Reporting Standards Council (FRSC).

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS, which were adopted starting January 1, 2012. The adoption of the amended standards and interpretations did not have any impact on the Group's consolidated financial statements.

Amendments to Standards and Interpretations

- PFRS 7 (Amendment), *Financial Instruments: Disclosures - Transfers of Financial Assets,* became effective for annual periods beginning July 1, 2011
- PAS 12 (Amendment), *Income Taxes - Deferred Tax: Recovery of Underlying Assets,* became effective for annual periods beginning January 1, 2012
- Philippine Interpretation Questions and Answers (Q&A) 2011-02, PFRS 3.2 *Common Control Business Combinations*, effective January 1, 2012
- Philippine Interpretation Q&A 2011-03, *Accounting for Intercompany Loans*, effective January 1, 2012
- PAS 1, *Financial Statement Presentation* (Amendment) - *Presentation of Items of Other Comprehensive Income,* will become effective July 1, 2012.
- Amendments to PFRS 1 – Government Loans. This standard is not applicable to the Group.
- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*, effective January 1, 2013.
- PAS 19, *Employee Benefits (Revised),* effective January 1, 2013. Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk.

  The Group reviewed its existing employee benefits and determined that the amended standard has a significant impact on its accounting for retirement benefits. The Group obtained the services of an external actuary to compute the applied the amendments retrospectively from January 1, 2011. The impact to the financial statements upon adoption of the standard are detailed in Note 3.

The Group assessed that the following standards do not have significant impact on its consolidated financial statements:

- PFRS 7, *Financial Instruments: Disclosures* (Amendment) - *Offsetting Financial Assets and Financial Liabilities,* effective January 1, 2013
- Transition guidance on PFRS 10, PFRS 11 and PFRS 12 (Amendment), effective January 1, 2013
- PFRS 10, *Consolidated Financial Statements,* effective January 1, 2013
- PFRS 11, *Joint Arrangements,* effective January 1, 2013
- PFRS 12, *Disclosure of Interests in Other Entities,* effective January 1, 2013
- PFRS 13, *Fair Value Measurement,* effective January 1, 2013
- PAS 27, *Separate Financial Statements* (Amendment), as revised in 2011, effective January 1, 2013
- PAS 28, *Investments in Associates and Joint Venture* (Amendment), as revised in 2011, effective January 1, 2013

Future Changes in Accounting Policies

The following are the new standards, interpretations, amendments and improvements to PFRS and Philippine Interpretations that were issued but are not yet effective as at March 31, 2013. The Group intends to adopt the applicable standards, interpretations, amendments and improvements when these become effective.

New Standards and Interpretations

- PFRS 9, *Financial Instruments*, will become effective for annual periods beginning on or after January 1, 2015. PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

The Group has made an evaluation of the impact of the adoption of this standard. The Group decided not to early adopt PFRS 9 for its 2013 reporting ahead of its effectivity date on January 1, 2015 and therefore the consolidated financial statements as of March 31, 2013 do not reflect the impact of the said standard. Based on this evaluation, loans and receivables and other financial liabilities, both carried at amortized cost, and investments held for trading and available for sale investments, both carried at fair value, will not be significantly affected. Upon adoption, these financial instruments shall continue to be carried at amortized cost and fair value, thus, has no impact to the Group's financial position and performance.

The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's other financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The adoption of this interpretation will result to a change in the revenue and cost recognition from percentage of completion method to completed contract method. The Group has made an assessment and is continuously monitoring the impact of this new interpretation to its consolidated financial statements.

Amendments to Standards

- PAS 32, *Financial Instruments: Presentation* (Amendment) - *Offsetting Financial Assets and Financial liabilities*. The amendments to PAS 32 are to be applied retrospectively for annual periods beginning on or after January 1, 2014. The amendments clarify the meaning of "currently has a legally enforceable right to offset" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendment affects presentation only and have no impact on the Group's financial position or performance.

Basis of Consolidation

Basis of Consolidation from January 1, 2010. The consolidated financial statements comprise the financial statements of the Parent Company and all of its subsidiaries as at March 31, 2013.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests represent the portion of profit or loss, other comprehensive income and net assets not held by the Group and are presented separately in the consolidated statements of income, consolidated statements of comprehensive income and within equity section in the consolidated balance sheets, separately from equity attributable to owners of the Parent.

Losses from a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss;
- Reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of Consolidation Prior to January 1, 2010. Certain of the above-mentioned policies were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

Transactions with non-controlling interest without loss of control, prior to January 1, 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration transferred (received) and the proportionate share of the net assets acquired (sold) were recognized as goodwill (negative goodwill).

Losses applicable to the non-controlling interest in a consolidated subsidiary may exceed the non-controlling interest in the subsidiary's equity. The excess, and any further losses applicable to the non-controlling interest, are allocated against the controlling interest to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the controlling interest until the non-controlling interest's share in the losses previously absorbed by the controlling has been recovered. Losses prior to January 1, 2010 were not reallocated between non-controlling interest and owners of the Parent.

The income and expenses of a subsidiary are included in the consolidated financial statements until the date on which the Group ceases to control the subsidiary. The difference between the proceeds from the disposal of the subsidiary and its carrying amount as at the date of disposal, including the cumulative amount of any exchange differences that relate to the subsidiary recognized in equity, is recognized in the consolidated statements of income as gain or loss on the disposal of the subsidiary.

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries:

	Percentage of Ownership					
	March 31, 2013		December 31, 2012		December 31, 2011	
Company	**Direct**	**Indirect**	Direct	Indirect	Direct	Indirect
Shopping Mall Development						
SM Prime Holdings, Inc. (SM Prime) and Subsidiaries	**22**	**41**	22	41	22	41
Retail						
SM Retail, Inc. (SM Retail) and Subsidiaries	**100**	**–**	100	–	100	–
Prime Central, Inc. (Prime Central) and Subsidiaries	**100**	**–**	100	–	100	–
Rappel Holdings, Inc. (Rappel) and Subsidiaries	**100**	**–**	100	–	100	–
Real Estate Development and Tourism						
SM Land, Inc. (SM Land) and Subsidiaries:	**67**	**–**	67	–	67	–
SM Development Corporation (SMDC) and Subsidiaries	**–**	**65**	–	65	–	65
Magenta Legacy, Inc. (Magenta)	**–**	**99**	–	99	–	99
Associated Development Corporation	**–**	**100**	–	100	–	100
Mountain Bliss Resort and Development Corporation (Mt. Bliss) and Subsidiaries	**100**	**–**	100	–	100	–
Belleshares Holdings, Inc. (formerly SM Commercial Properties, Inc.) and Subsidiaries	**59**	**–**	59	–	59	–
Intercontinental Development Corporation (ICDC)	**72**	**28**	72	28	72	28
Bellevue Properties, Inc.	**62**	**–**	62	–	62	–
Tagaytay Resort Development Corporation	**33**	**25**	33	25	33	25
Hotels and Conventions						
SM Hotels and Conventions Corp. (SM Hotels) and Subsidiaries	**100**	**–**	100	–	100	–
Others						
Primebridge Holdings, Inc. (Primebridge)	**80**	**20**	80	20	80	20
Asia Pacific Computer Technology Center, Inc.	**52**	**–**	52	–	52	–
Multi-Realty Development Corporation (MRDC)	**91**	**–**	91	–	91	–
SM Arena Complex Corporation	**100**	**–**	100	–	–	–
Henfels Investments Corp.	**99**	**–**	99	–	–	–

Hotel Specialist (Davao), Inc.
In August 2012, SM Hotels incorporated Hotel Specialist (Davao), Inc., as a wholly owned subsidiary to engage in and carry on the business of hotel and resort.

Mindanao Shoppers Daily Destination Corp.(MSDD)
In July 2012, SM Retail invested ₱18.8 million or an equivalent of 75% interest in a newly incorporated company in the Philippines, MSDD. MSDD is engaged in the retail/wholesale trading of merchandise, such as dry goods, wearing apparels, food and other merchandise. Consequently, MSDD became a subsidiary of SM Retail.

SM Arena Complex Corporation (SM Arena)
In March 2012, SMIC incorporated SM Arena, as a wholly owned subsidiary to engage in, conduct and carry on the business to manage the operations of Mall of Asia Arena, an entertainment and sporting events facility that also houses various stores.

My ShoppingLane Cebu Corporation (MSCC)
In October 2011, SM Retail invested ₱22.5 million or an equivalent of 75% interest in a newly incorporated company in the Philippines, MSCC. MSCC is engaged in the retail/wholesale trading of merchandise, such as dry goods, wearing apparels, food and other merchandise. Consequently, MSCC became a subsidiary of SM Retail.

Hyperhome Corp. and Hyperfashion Corp. (subsidiaries of SM Retail)
In 2011, SM Retail incorporated Hyperhome Corp. and Hyperfashion Corp. as wholly owned subsidiaries to engage in, conduct and carry on the business of buying, selling, distributing, marketing at wholesale and retail, importing, exporting insofar as may be permitted by law, all kinds of goods, commodities, wares and merchandise of every kind and description such as but not limited to bags and luggages, clothing line and accessories and other general merchandise on a wholesale/retail basis.

SM Prime
SM Prime declared a stock dividend in 2012 which resulted in an increase of 752.4 million and 1,423.4 million common shares held by SMIC and SM Land, respectively. The declaration of stock dividend by SM Prime did not result in a change in ownership interest of the Group.

On October 14, 2010, SM Prime has undergone an international placement and engaged into a Placement Agreement with SM Land (Selling Shareholder) and CLSA Limited and Macquarie Capital (Singapore) Pte. Limited (the "Joint Bookrunners"). As stated in the Placement Agreement, SM Land shall sell its 569.6 million SM Prime common shares (the "Sale Shares") with a par value of ₱1.00 per share at ₱11.50 (Offer Price) per share to the Joint Bookrunners, or to investors that the Joint Bookrunners may procure outside the Philippines (the "International Placement").

Contemporaneous with the signing of the Placement Agreement, SM Prime likewise entered into a Subscription Agreement with SM Land, where the latter will not directly receive any proceeds from the International Placement but has conditionally agreed to subscribe for new SM Prime common shares (out of its authorized but unissued capital stock) in an amount equal to the aggregate number of the Sale Shares sold by SM Land at a subscription price of ₱11.50 per share, which is equal to the Offer Price of the Sale Shares.

SM Land was able to sell through the Joint Bookrunners the total Sale Shares of 569.6 million SM Prime common shares. Likewise, SM Land subscribed for and SM Prime issued to SM Land the same number of new SM Prime common shares.

The placement and subscription agreements resulted in a 3% decrease in total direct and indirect ownership of the Group over SM Prime.

SMDC
SMDC declared a stock dividend in 2012 which resulted to an increase of 1.1 million and 549.4 million common shares held by SMIC and SM Land, respectively. The declaration of stock dividend by SMDC did not result to a change in the ownership interest of the Group.

In 2012, SMDC acquired Guadix Land Corporation (GLC), Lascona Land Company, Inc. (LLCI) and Metro South Davao Property Corporation (MSDPC) for ₱498.4 million, ₱1,500.0 million and ₱600.0 million, respectively, and became its wholly owned subsidiaries (see Note 15).

In 2011, SMDC acquired Twenty Two Forty One Properties, Inc. (TTFOPI) for ₱195.6 million and became its wholly owned subsidiary (see Note 15).

In 2010, SMDC acquired Vancouver Lands, Inc. (VLI) for ₱566.6 million and became its wholly owned subsidiary (see Note 15).

In January and October 2010, SMDC had a stock rights offering to eligible existing common shareholders of SMDC at the proportion of one rights share for every three existing common shares held as at record date, at an offer price of ₱3.50 and ₱6.38 per rights share, respectively.

SMIC acquired a total of 4.04 million additional SMDC shares for a total cost of ₱20.8 million. The availment of additional shares from the said offering did not result to a change in ownership interest of SMIC in SMDC.

SM Land acquired a total of 2,114.5 million additional SMDC shares for a total cost of ₱10,840.0 million, a fraction of which totaling to 32.9 million SMDC shares or a total cost of ₱115.2 million was purchased by SM Land from the unsubscribed portion of the aggregate stock rights offered by SMDC. The availment of additional shares resulted to a 0.6% increase in SM Land's interest in SMDC.

3. **Summary of Significant Accounting Policies**

Cash and Cash Equivalents

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

Time Deposits and Short-term Investments

Time deposits and short-term investments are cash placements, shown under current assets, with original maturities of more than three months but less than one year. Time deposits which will mature twelve months after the reporting period are presented under noncurrent assets.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated balance sheets when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, are done using settlement date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place. Derivatives are recognized on a trade date basis.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those classified as fair value through profit or loss (FVPL), includes transaction cost.

Subsequent to initial recognition, the Group classifies its financial instruments in the following categories: financial assets and financial liabilities at FVPL, loans and receivables, HTM investments, AFS investments and other financial liabilities. The classification depends on the purpose for which the instruments are acquired and whether they are quoted in an active market.

Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date.

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

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

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

Financial Assets and Liabilities at FVPL. Financial assets and liabilities at FVPL include financial assets and liabilities held for trading and financial assets and liabilities designated upon initial recognition as at FVPL.

Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Gains or losses on investments held for trading are recognized in the consolidated statements of income under "Foreign exchange gain and others" account. Interest income earned on investments held for trading are recognized in "Interest income" account in the consolidated statements of income.

Financial assets and liabilities may be designated by management at initial recognition as FVPL when any of the following criteria is met:

▪ the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets and liabilities or recognizing gains or losses on a different basis; or

▪ the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

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

The Group's investments held for trading and derivative assets are classified as financial assets at FVPL, while the Group's derivative liabilities arising from issuance of convertible bonds and derivative financial instruments with negative fair values are also included as financial liabilities at FVPL.

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

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the consolidated statements of income when the loans and receivables are derecognized and impaired, as well as through the amortization process. Loans and receivables are included under current assets if realizability or collectibility is within twelve months from reporting period. Otherwise, these are classified as noncurrent assets.

The Group's cash and cash equivalents, time deposits and short-term investments (including noncurrent portion) and receivables (including noncurrent portion of receivables from real estate buyers), advances and other receivables (included under "Other current assets" account), receivable from a related party and long-term notes (included under "Other noncurrrent assets" account) are classified under this category.

HTM Investments. HTM investments are quoted nonderivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS investments. After initial measurement, these investments are measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the consolidated statements of income when the HTM investments are derecognized or impaired, as well as through the amortization process. Assets under this category are classified as current assets if maturity is within twelve months from reporting period. Otherwise, these are classified as noncurrent assets.

The Group's investment in quoted Philippine government treasury bonds are classified under this category.

AFS Investments. AFS investments are nonderivative financial assets that are designated under this category or are not classified in any of the other categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. Subsequent to initial recognition, AFS investments are carried at fair value in the consolidated balance sheets. Changes in the fair value of such assets are reported as net unrealized gain or loss on AFS investments in the consolidated statements of comprehensive income under "Net unrealized gain (loss) on available-for-sale investments" account until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in consolidated statements of comprehensive income is transferred to the consolidated statements of income. Interest earned on holding AFS investments are recognized in the consolidated statements of income using the effective interest method. Assets under this category are classified as current assets if expected to be disposed of within twelve months from reporting period and as noncurrent assets if expected date of disposal is more than twelve months from reporting period.

The Group's investments in shares of stock, bonds and corporate notes, redeemable preferred shares and club shares are classified under this category. The current portion is included under "Investments held for trading and sale" account in the consolidated balance sheets.

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

Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. Gains and losses on other financial liabilities are recognized in the consolidated statements of income when the liabilities are derecognized, as well as through the amortization process.

The Group's bank loans, accounts payable and other current liabilities, dividends payable, long-term debt and tenants' deposits and others are classified under this category.

Classification of Financial Instruments Between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

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

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

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Redeemable Preferred Shares
In determining whether a preferred share is a financial liability or an equity instrument, the Group assesses the particular rights attaching to the share to determine whether it exhibits the fundamental characteristic of a financial liability. A preferred share that provides for mandatory redemption by the Group for a fixed or determinable amount at a fixed or determinable future date, or gives the holder the right to require the Group to redeem the instrument at or after a particular date for a fixed or determinable amount, is a financial liability.

The redeemable preferred shares of the Group exhibit the characteristics of a financial liability and are thus recognized as a liability under "Long-term debt" account in the consolidated balance sheets, net of transaction costs. The corresponding dividends on the shares are charged as interest expense in the consolidated statements of income.

Transaction costs are amortized over the maturity period of the preferred shares using the effective interest method.

Debt Issue Costs
Debt issue costs are presented as reduction in long-term debt and are amortized over the terms of the related borrowings using the effective interest method.

Derivative Financial Instruments
The Group uses derivative financial instruments such as long-term currency swaps, foreign currency call options, interest rate swaps, foreign currency range options and non-deliverable forwards to hedge the risks associated with foreign currency and interest rate fluctuations. Derivative financial instruments, including bifurcated embedded derivatives, are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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 profit or loss for the year.

Embedded Derivative. An embedded derivative is a component of a hybrid (combined) instrument that also includes a nonderivative host contract with the effect that some of the cash flows of the combined instrument vary, in a way similar to a stand-alone derivative. The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes a party to the contract. An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized as at FVPL.

Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Group determines whether a modification to cash flows is significant by considering the extent to which the expected future cash flows associated with embedded derivative, the host contract or both have changed and whether the change is significant relative to the previously expected cash flows on the contract.

Options arising from the Parent Company's investment in bonds and convertible bonds payable are the Group's bifurcated embedded derivatives.

Derecognition of Financial Assets and Liabilities

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

- the rights to receive cash flows from the asset have expired;

- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

Impairment of Financial Assets

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

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

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

The carrying amount of the impaired asset shall be reduced through the use of an allowance account. The amount of the loss shall be recognized in the consolidated statements of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Group. If, in a subsequent period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in the consolidated statements of income under "Other revenue" account to the extent of the carrying amount that would have been determined had no impairment loss been recognized.

Financial Assets Carried at Cost. If there is objective evidence that an impairment loss has been incurred in an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS Investments. The Group assesses at each reporting period whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS investments, an objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Significant decline in fair value is evaluated against the original cost of the investment, while prolonged decline is assessed against the periods in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statements of income, is removed from the consolidated statements of comprehensive income and recognized in the consolidated statements of income. Impairment losses on equity investments are not reversed through the consolidated statements of income; increases in fair value after impairment are recognized directly in the consolidated statements of comprehensive income.

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount of the asset and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of "Interest income" account in the consolidated statements of income. If, in subsequent year, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statements of income, the impairment loss is reversed through the consolidated statements of income.

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

Merchandise Inventories
Merchandise inventories are valued at the lower of cost and net realizable value. Cost, which includes all costs directly attributable to acquisition, such as purchase price and transport costs, is primarily determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Land and Development, Condominium Units for Sale and Club Shares for Sale
Land and development, condominium units for sale (included under "Other current assets" account in the consolidated balance sheets) and club shares for sale (included under "Other current assets" account in the consolidated balance sheets) are stated at the lower of cost and net realizable value. Net realizable value is the selling price in the ordinary course of business, less costs to complete and the estimated cost to make the sale. Cost includes those costs incurred for development and improvement of the properties.

Land and development includes properties held for future development and properties being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation. Cost incurred for the development and improvement of the properties includes the following:

- Land cost

- Amounts paid to contractors for construction and development

- Borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

Investments in Shares of Stock of Associates
The Group's investments in shares of stock of associates are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, investment in an associate is carried in the consolidated balance sheets at cost plus post-acquisition changes in the Group's share in net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the associate. The consolidated statements of income reflect the share in the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share in any changes and discloses this, when applicable, in the consolidated statements of comprehensive income. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

An investment in an associate is accounted for using the equity method from the date when it becomes an associate. On acquisition of the investment, any difference between the cost of the investment and the investor’s share in the net fair value of the associate’s identifiable assets, liabilities and contingent liabilities is accounted for as follows:

a. goodwill relating to an associate is included in the carrying amount of the investment. However, amortization of that goodwill is not permitted and is therefore not included in the determination of the Group’s share in the associate’s profits or losses.

b. any excess of the Group’s share in the net fair value of the associate’s identifiable assets, liabilities and contingent liabilities over the cost of the investment is included as income in the determination of the investor's share of the associate's profit or loss in the period in which the investment is acquired.

Also, appropriate adjustments to the investor’s share of the associate’s profit or loss after acquisition are made to account for the depreciation of the depreciable assets based on their fair values at the acquisition date and for impairment losses recognized by the associate, such as for goodwill or property, plant and equipment.

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate and accounts for the investment in accordance with PAS 39, from that date, provided the associate does not become a subsidiary or a joint venture as defined in PAS 31. When the Group’s interest in an investment in associate is reduced to zero, additional losses are provided only to the extent that the Group has incurred obligations or made payments on behalf of the associate to satisfy obligations of the investee that the Group has guaranteed or otherwise committed. If the associate subsequently reports profits, the Group resumes recognizing its share of the profits if it equals the share of net losses not recognized.

The financial statements of the associates are prepared for the same reporting period as the Parent Company. The accounting policies of the associates conform to those used by the Group for like transactions and events in similar circumstances.

<u>Property and Equipment</u>
Property and equipment, except land, is stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment at the time that cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs necessary in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation and interest incurred during the construction period on funds borrowed to finance the construction of the projects. When each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. Expenditures incurred after the item has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have improved the condition of the asset beyond the originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the assets:

Buildings, condominium units and improvements	5–25 years
Store equipment and improvements	5–10 years
Data processing equipment	5 years
Furniture, fixtures and office equipment	3–10 years
Machinery and equipment	5–10 years
Leasehold improvements	5–10 years or term of the lease, whichever is shorter
Transportation equipment	5–10 years

The residual values, useful lives and method of depreciation and amortization of the assets are reviewed and adjusted, if appropriate, at each reporting period.

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

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is credited or charged to current operations.

An item of property and equipment is derecognized when either it has been disposed or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gains or losses arising on the retirement and disposal of an item of property and equipment are recognized in the consolidated statements of income in the period of retirement or disposal.

<u>Investment Properties</u>
Investment properties are measured initially at cost. The cost of a purchased investment property comprises of its purchase price and any directly attributable costs. Subsequently, investment properties, except land, are measured at cost, less accumulated depreciation and amortization and accumulated impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

Property under construction or development for future use as an investment property is classified as investment property.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the assets:

Land improvements	3–5 years
Land use rights	40–60 years
Buildings and improvements	10–35 years
Building equipment, furniture and others	3–15 years

The residual values, useful lives and method of depreciation and amortization of the assets are reviewed and adjusted, if appropriate, at each reporting period.

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

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

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Construction in Progress
Construction in progress represents structures under construction and is stated at cost. This includes cost of construction, property and equipment, and other direct costs. Cost also includes interest on borrowed funds incurred during the construction period. Construction in progress is not depreciated until such time that the relevant assets are completed and are ready for use.

Tenants' Deposits
Tenants' deposits are measured at amortized cost. Tenants' deposits refers to security deposits received from various tenants upon inception of the respective lease contracts on the Group's investment properties. At the termination of the lease contracts, the deposits received by the Group are returned to tenants, reduced by unpaid rental fees, penalties and/or deductions from repairs of damaged leased properties, if any. The related lease contracts usually have a term of more than twelve months.

Business Combinations

Business Combinations from January 1, 2010. Business combinations are accounted for using the acquisition method except for commonly controlled transaction of which an accounting similar to pooling of interest method is used. Business combinations under commonly controlled transactions are those in which all of the combining entities or businesses are controlled by the same party or parties both before and after the business combination, and that control is not transitory. Under the acquisition method, the cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in "Selling, general and administrative expenses" account in the consolidated statements of income.

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Acquisition of Non-controlling Interests. Changes in the Parent Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e., transactions with owners in their capacity as owners). In such circumstances, the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid shall be recognized directly in equity.

Business Combinations prior to January 1, 2010. Business combinations were accounted for using the purchase method, except for commonly controlled transactions, of which, an accounting similar to pooling of interest method is used. For purchase method of accounting, the cost of acquisition is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control over the net assets of the acquired entity. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets. The identifiable assets, liabilities and contingent liabilities that satisfy certain recognition criteria have to be measured initially at their fair values at acquisition date, irrespective of the extent of any non-controlling interest. For accounting similar to pooling of interest method, the assets, liabilities and equity of the acquired companies for the reporting period in which the common control business combinations occur, and for any comparative periods presented, are included in the consolidated financial statements of the Group at their carrying amounts as if the combinations had occurred from the date when the acquired companies first became under the control of the Group. The excess of the cost of business combinations over the net carrying amounts of the assets and liabilities of the acquired companies is recognized under "Equity adjustments from business combination" account in the equity section of the consolidated balance sheet.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest do not affect previously recognized goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

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

Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in consolidated statements of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- not larger than an operating segment determined in accordance with PFRS 8, *Operating Segments*.

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

Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed and the portion of the cash-generating unit retained.

Excess of the fair values of acquired identifiable assets and liabilities of subsidiaries and associates over the acquisition cost of that interest, is credited directly to income. Transfers of assets between commonly controlled entities are accounted for under historical cost accounting.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation adjustments and goodwill is recognized in the consolidated statements of income.

Intangible Assets
The cost of trademarks and brand names acquired in a business combination is the fair value as at the date of acquisition. The Group assessed the useful life of the trademarks and brand names to be indefinite because based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the Group.

Trademarks and brand names with indefinite useful lives are not amortized but are tested for impairment annually either individually or at the cash generating unit level. The useful life of an intangible asset is assessed as indefinite if it is expected to contribute net cash inflows indefinitely and is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

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

Impairment of Nonfinancial Assets
The carrying values of property and equipment, investment properties and investments in shares of stock of associates are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell or value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's-length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statements of income in those expense categories consistent with the function of the impaired asset.

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

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

Revenue
Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and sales taxes or duties. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or as an agent. The Group has concluded that it is acting as principal in majority of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Merchandise Inventories. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which is normally upon delivery. Sales returns and sales discounts are deducted from sales to arrive at sales shown in the consolidated statement of income.

Sale of goods under consignment arrangements with suppliers is recognized as revenue upon billing, delivery and transfer of goods to customers.

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

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee Q&A No. 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Any excess of collections over the recognized receivables are included in the "Tenants' deposits and others" account in the consolidated balance sheets. If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Tenants' deposits and others" account in the consolidated balance sheets.

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works.

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

Revenue from construction contracts included in the “Revenue from real estate and others” account in the consolidated statements of income is recognized using the percentage-of-completion method, measured principally on the basis of the estimated physical completion of the contract work.

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

Sale of Club Shares for Sale. Revenue is recognized when the significant risks and rewards of ownership of the club shares for sale have passed to the buyer, which is normally upon delivery of such.

Rent. Revenue is recognized on a straight-line basis over the lease term or based on the terms of the lease as applicable.

Sale of Cinema and Amusement Tickets. Revenue is recognized upon receipt of cash from the customer which coincides with the rendering of services.

Gain on Sale of Investments in Shares of Stock and Available-for-Sale Investments. Revenue is recognized upon delivery of the securities to and confirmation of the sale by the broker.

Dividend. Revenue is recognized when the Group’s right as a shareholder to receive the payment is established.

Management and Service Fees. Revenue is recognized when earned in accordance with the terms of the agreements.

Marketing Support. Revenue is recognized when the performance and provision of contractually agreed marketing tasks have been rendered and store facilities have been used. Marketing support is shown under “Others” account in the consolidated statements of income.

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

<u>Management Fees</u>
Management fees are recognized as expense in accordance with the terms of the agreements.

<u>Cost and Expenses</u>
Cost of sales, selling, general and administrative expenses and interest expense are recognized as incurred.

Pension Benefits
The Group has a funded defined benefit pension plan covering all regular and permanent employees. The benefits are based on emplyees' projected salaries and number of years of service.

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

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

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

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

The amendment to PAS 19 has been applied retrospectively from January 1, 2011. As a result, interest on net defined benefit obligation (net of the plan assets) is recognized in profit or loss, calculated using the discount rate used to measure the net pension obligation or asset. Unrecognized net actuarial losses are recognized in other comprehensive income. The impact to the financial statements upon adoption of the standard are detailed below:

	As at March 31, 2013	As at December 31, 2012	As at December 31, 2011	As at January 1, 2011
		(In Thousands)		
Increase (decrease) in:				
Consolidated balance sheet				
Net defined benefit asset	₱183,799	₱209,283	₱311,216	₱401,557
Deferred tax liability	55,140	62,785	93,365	120,467
Other comprehensive income (net of tax)	(293,998)	(264,111)	(144,563)	-
Retained earnings	422,657	410,609	362,414	281,090

	2013	2012
	(In Thousands)	
Consolidated statements of comprehensive income		
Net pension expense	(₱4,404)	(₱4,404)
Income tax expense	(7,645)	(7,645)
Net income for the year	12,049	12,049
Attributable to owners of the Parent Company	5,656	5,656
Attributable to non-controlling interests	6,393	6,393
Actuarial losses	(29,887)	(29,887)
Income tax expense	8,966	8,966
Actuarial losses, net of tax	(20,921)	(20,921)

Foreign Currency-denominated Transactions

The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency rate of exchange as at reporting date. Nonmonetary items denominated in foreign currency are translated using the exchange rates as at the date of initial recognition. All differences are taken to the consolidated statements of income.

Foreign Currency Translation

The assets and liabilities of foreign operations are translated into Philippine peso at the rate of exchange ruling as at reporting date and their respective statements of income are translated at the weighted average rates for the year. The exchange differences arising on the translation are included in the consolidated statements of comprehensive income and are presented within the "Cumulative translation adjustment of a subsidiary" account in the consolidated statements of changes in equity. On disposal of a foreign entity, the deferred cumulative amount of exchange differences recognized in equity relating to that particular foreign operation is recognized in the profit or loss.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as Lessee. Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the consolidated statements of income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statements of income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Group as Lessor. Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases are recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset as part of the cost of that asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. Borrowing costs are capitalized when it is probable that they will result in future economic benefits to the Group. All other borrowing costs are expensed as incurred. For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowings is used.

Taxes

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

Deferred Tax. Deferred tax is provided, using the balance sheet liability method, on temporary differences at reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

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

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

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of excess MCIT and NOLCO, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefits of excess MCIT and NOLCO can be utilized, except:

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

- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

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

Income tax relating to items recognized directly in the consolidated statements of comprehensive income is recognized in the consolidated statements of comprehensive income and not in the consolidated statements of income.

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

Value-added Tax (VAT). Revenue, expenses and assets are recognized net of the amount of VAT, except:

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

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

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Other current assets" or "Accounts payable and other current liabilities" accounts in the consolidated balance sheets.

<u>Business Segments</u>
The Group is organized and managed separately according to the nature of business. The five major operating businesses of the Group are shopping mall development, retail, real estate development and tourism, hotels and conventions, and financial services and others. These operating businesses are the basis upon which the Group reports its segment information presented in Note 5 to the consolidated financial statements.

Basic/Diluted Earnings Per Common Share (EPS)
Basic EPS is computed by dividing the net income for the period attributable to owners of the Parent by the weighted-average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

For the purpose of computing diluted EPS, the net income for the period attributable to owners of the Parent and the weighted-average number of issued and outstanding common shares are adjusted for the effects of all dilutive potential ordinary shares.

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

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

4. **Segment Information**

For management purposes, the Group is organized into business units based on their products and services, and has five reportable operating segments as follows: shopping mall development, retail, real estate development and tourism, hotels and conventions, and financial services and others.

The shopping mall development segment develops, conducts, operates and maintains the business of modern commercial shopping centers and all businesses related thereto such as the conduct, operation and maintenance of shopping center spaces for rent, amusement centers, or cinema theaters within the compound of the shopping centers.

The retail segment is engaged in the retail/wholesale trading of merchandise, such as dry goods, wearing apparels, food and other merchandise.

The real estate development and tourism segment is involved in the development and transformation of major residential, commercial, entertainment and tourism districts through sustained capital investments in buildings and infrastructure.

The hotels and conventions segment engages in and carries on the business of hotel and resort and operates and maintains any and all services and facilities incident thereto.

Financial services and others segment primarily includes the Parent Company which engages in asset management and capital investments, and associates which are involved in financial services.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with the operating profit or loss in the consolidated financial statements.

Segment assets and liabilities do not include deferred tax assets and deferred tax liabilities, respectively.

Segment revenue includes transfers between business segments. Such transfers are eliminated in the consolidation.

Business Segment Data

	March 31, 2013						
	Shopping Mall Development	**Retail**	**Real Estate Development and Tourism**	**Hotels and Conventions**	**Financial Services and Others**	**Eliminations**	**Consolidated**
				(In Thousands)			
Revenue:							
External customers	**₱6,635,084**	**₱36,850,674**	**₱7,431,705**	**₱381,454**	**₱5,542,072**	**₱–**	**₱56,840,989**
Inter-segment	**1,207,312**	**–**	**2,086,928**	**4,494**	**4,804,053**	**(8,102,787)**	**–**
	₱7,842,396	**₱36,850,674**	**₱9,518,633**	**₱385,948**	**₱10,346,125**	**(₱8,102,787)**	**₱56,840,989**
Segment results:							
Income before income tax	**₱3,805,410**	**₱1,704,364**	**₱3,706,387**	**₱25,565**	**₱1,286,891**	**1,216,244**	**₱11,744,861**
Provision for income tax	**(891,262)**	**(485,064)**	**(98,168)**	**(5,690)**	**(134,375)**	**–**	**(1,614,559)**
Net income (loss)	**₱2,914,148**	**₱1,219,300**	**₱3,608,219**	**₱19,875**	**₱1,152,516**	**₱1,216,244**	**₱10,130,302**
Net income (loss) attributable to:							
Owners of the Parent	**₱2,814,658**	**₱1,162,328**	**₱3,136,449**	**18,272**	**₱1,146,123**	**(₱889,187)**	**₱7,388,643**
Non-controlling interests	**99,490**	**56,972**	**471,770**	**1,603**	**–**	**2,111,824**	**2,741,659**
Segment assets (excluding deferred tax)	**₱162,555,941**	**₱54,628,304**	**₱161,500,805**	**₱1,238,031**	**₱234,552,287**	**(₱45,219,882)**	**₱569,255,486**
Segment liabilities (excluding deferred tax)	**₱84,617,820**	**₱29,622,596**	**₱60,373,399**	**₱425,468**	**₱141,156,972**	**(₱31,737,795)**	**₱284,458,460**
Other information:							
Investments in shares of stock of associates	**₱–**	**₱92,158**	**₱12,094,306**	**₱–**	**₱126,682,596**	**₱–**	**₱138,869,060**
Equity in net earnings of associates	**–**	**2,120**	**560,784**	**–**	**5,086,255**	**–**	**5,649,159**
Capital expenditures	**2,964,784**	**1,649,928**	**4,291,849**	**67,643**	**307,301**	**–**	**9,281,505**
Depreciation and amortization	**1,113,037**	**799,505**	**127,357**	**50,691**	**166,735**	**–**	**2,257,325**

	March 31, 2012						
	Shopping Mall Development	Retail	Real Estate Development and Tourism	Hotels and Conventions	Financial Services and Others	Eliminations	Consolidated
				(In Thousands)			
Revenue:							
External customers	**₱5,829,419**	**₱35,059,119**	**₱6,681,381**	**₱301,750**	**₱1,733,179**	**₱–**	**₱49,604,848**
Inter-segment	**1,244,279**	**564,265**	**653,800**	–	**766,736**	**(3,229,080)**	–
	₱7,073,698	**₱35,623,384**	**₱7,335,181**	**₱301,750**	**₱2,499,915**	**(₱3,229,080)**	**₱49,604,848**
Segment results:							
Income before income tax	**₱3,338,904**	**₱1,708,983**	**₱1,939,918**	**(₱27,325)**	**₱605,675**	**₱2,186,376**	**₱9,752,531**
Provision for income tax	**(806,186)**	**(512,548)**	**(46,491)**	**(1,841)**	**(214,295)**	**1,053**	**(1,580,308)**
Net income (loss)	**₱2,532,718**	**₱1,196,435**	**₱1,893,427**	**(₱29,166)**	**₱391,380**	**₱2,187,429**	**₱8,172,223**
Net income (loss) attributable to:							
Owners of the Parent	**₱2,433,869**	**₱1,184,948**	**₱1,892,886**	**(₱30,687)**	**₱384,987**	**₱181,378**	**₱6,047,381**
Non-controlling interests	**98,848**	**11,486**	**543**	**1,521**	–	**2,012,444**	**2,124,842**
Segment assets (excluding deferred tax)	**₱144,320,853**	**₱66,063,106**	**₱117,223,324**	**₱1,112,249**	**₱194,241,620**	**(₱64,086,524)**	**₱458,874,628**
Segment liabilities (excluding deferred tax)	**₱73,443,281**	**₱29,526,122**	**₱38,869,562**	**₱351,652**	**₱114,274,003**	**(₱35,342,701)**	**₱221,121,919**

	March 31, 2012						
	Shopping Mall Development	Retail	Real Estate Development and Tourism	Hotels and Conventions	Financial Services and Others	Eliminations	Consolidated
				(In Thousands)			
Other information:							
Investments in shares of stock of associates	**₱–**	**₱100,000**	**₱11,673,212**	**₱–**	**₱84,033,400**	**₱–**	**₱95,806,612**
Equity in net earnings of associates	**–**	**–**	**131,929**	**–**	**1,533,346**	**–**	**1,665,275**
Capital expenditures	**4,647,820**	**837,823**	**2,810,843**	**7,564**	**615,551**	**–**	**8,919,601**
Depreciation and amortization	**965,468**	**675,167**	**87,759**	**31,731**	**143,300**	**–**	**1,903,425**

5. **Cash and Cash Equivalents**

This account consists of:

	March 31, 2013	December 31, 2012	December 31, 2011
		(In Thousands)	
Cash on hand and in banks (see Note 20)	**₱4,609,015**	₱6,098,368	₱6,384,567
Temporary investments (see Notes 18 and 20)	**44,413,034**	54,616,352	49,665,755
	₱49,022,049	₱60,714,720	₱56,050,322

Cash in banks earn interest at the respective bank deposit rates. Temporary investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the respective temporary investment rates.

6. **Time Deposits and Short-Term Investments**

This account consists of:

	March 31, 2013	December 31, 2012	December 31, 2011
		(In Thousands)	
Time deposits:			
Pledged (see Notes 18 and 20)	**₱19,380,000**	₱19,498,750	₱20,824,000
Not pledged (see Note 20)	**36,710,074**	38,203,435	16,595,172
	56,090,074	57,702,185	37,419,172
Short-term investments (see Note 20)	**816,000**	821,000	876,800
	56,906,074	58,523,185	38,295,972
Less current portion	**27,652,474**	29,090,335	879,410
Noncurrent portion	**₱29,253,600**	₱29,432,850	₱37,416,562

A portion of the time deposits amounting to US$475.0 million, with peso equivalents of ₱19,380.0 million, ₱19,498.8 million and ₱20,824.0 million as at March 31, 2013, December 31, 2012 and December 31, 2011, respectively, were used as collateral for loans obtained by SMIC (see Note 18).
Short-term investments amounting to US$20.0 million, with peso equivalents of ₱816.0 million ₱821.0 million and ₱876.8 million as at March 31, 2013, December 31, 2012 and December 31, 2011, respectively, bear a fixed interest rate of 3.24%.

7. **Investments Held for Trading and Sale**

This account consists of investments in shares of stocks totaling ₱733.0 million as at March 31, 2013, ₱661.4 million as at December 31, 2012 and ₱482.2 million as at December 31, 2011, and investments in bonds and corporate notes amounting to ₱1,457.3 million as at March 31, 2013, ₱2,193.1 million as at December 31, 2012 and ₱1,457.5 million as at December 31, 2011. Investments in bonds and corporate notes as at December 31, 2012 include third party convertible bonds with fixed interest rate of 2.5% that matured in February 2013. Investment in convertible bonds as at March 31, 2013 have embedded derivatives which are further discussed in Note 25.

The Group recognized a loss of ₱0.7 million and ₱1.4 million from fair value adjustments of investments held for trading for the three months ended March 31, 2013 and 2012, respectively. The amounts are included under “Foreign exchange gain and others” account in the consolidated statements of income.

8. **Receivables**

This account consists of receivable from tenants and real estate buyers (net of noncurrent portion), due from related parties, management and service fees, and dividends.

The terms and conditions of the above receivables are as follows:

- Trade receivables from tenants and management and service fee receivables are noninterest-bearing and are normally collectible on a 30 to 90 days’ term. Receivables from real estate buyers mainly consist of receivables subject to financing from banks and other financial institutions with interest at market rates ranging from 13% to 18% per annum and normally collectible on a 3 to 5 years’ term.

- The terms and conditions relating to related party receivables are further discussed in Note 20.

- Dividends receivables are noninterest-bearing and are normally collectible within the next financial year.

Allowance for impairment loss amounting to ₱12.4 million, ₱155.3 million and ₱47.1 million as at March 31, 2013, December 31, 2012 and December 31, 2011, respectively, pertains to receivables from tenants which were identified through specific assessment.

Receivables, other than those identified as impaired, are assessed by the Group’s management as good and collectible.

9. **Other Current Assets**

This account consists of:

	March 31, 2013	December 31, 2012	December 31, 2011
		(In Thousands)	
Prepaid taxes and other prepayments	**₱5,151,869**	₱5,295,701	₱3,785,637
Non-trade receivables	**4,076,370**	4,252,786	2,629,570
Condominium units for sale (see Note 14)	**3,285,394**	2,670,943	1,115,878
Advances to contractors	**2,828,893**	3,374,278	3,098,881
Input tax	**1,950,443**	1,704,159	1,019,280
Receivable from banks and credit cards	**1,643,653**	2,352,836	2,083,278
Advances for project development (see Note 20)	**1,121,565**	1,121,565	1,121,565
Club shares for sale	**824,213**	824,213	856,208
Accrued interest receivable	**714,766**	1,174,785	966,503
Supplies and uniform inventory	**509,995**	474,146	474,803
Treasury bonds (see Notes 24 and 25)	**200,000**	200,000	–
Derivative assets (see Notes 24 and 25)	**503**	18,501	43,842
	22,307,664	23,463,913	17,195,445
Less allowance for impairment loss	**5,705**	5,705	5,705
	₱22,301,959	₱23,458,208	₱17,189,740

- Non-trade receivables include interest-bearing advances to third parties, which are normally collectible within the next financial year.

- Receivable from banks and credit cards are noninterest-bearing and are normally collectible on a 30 to 90 day’s term.

- Accrued interest receivable relates mostly to time deposits which will be collected at respective maturity dates.

- Advances for project development mostly pertain to advances made to related parties for the acquisition of land for future development.

- Club shares for sale pertain to club shares of Pico de Loro Beach and Country Club (Pico de Loro) which Costa, a subsidiary of Mt. Bliss, received as consideration for the parcel of land and construction costs of the beach and country club. The club shares entitle its holders to proprietary club membership in Pico de Loro’s beach and country club facilities. Costa’s club shares for sale had a total of 6,898 and 6,919 as at March 31, 2013 and December 31, 2012, respectively.

  On the other hand, at various dates in 2013, and 2012, Costa sold 18 and 37 club shares to third parties and other affiliates for a total consideration of ₱9.6 million, and ₱20.5 million, respectively. Revenue arising from the sale of club shares amounted to ₱11.7 million, and ₱ 28.6 million for the three months ended March 31, 2013 and 2012, respectively.

- Allowance for impairment loss amounting to ₱5.7 million as at March 31, 2013, December 31, 2012 and December 31, 2011, pertains to nontrade receivables which were identified through specific assessment. There was no additional impairment loss identified based on the collective assessments made in 2013, 2012 and 2011.

10. **Available-for-Sale Investments**

This account consists of investments in shares of stocks and corporate bonds, net of allowance for impairment losses amounting to ₱45.1 million as at March 31, 2013, December 31, 2012, and December 31, 2011.

Investments in bonds and corporate notes as at March 31, 2013, December 31, 2012 and December 31, 2011 include third party convertible bonds and corporate notes with fixed interest rates ranging from 2.5% to 8.25%. These investments will mature on various dates beginning on February 9, 2015 until April 15, 2018.

Gain and loss on disposal of AFS investments recognized under "Dividend income, management fees and others" account in the consolidated statements of income amounted to loss of ₱166.5 million and gain of ₱18.8 million for the three months ended March 31, 2013 and 2012, respectively. The amounts are exclusive of the share of the non-controlling interests.

Listed shares of stock of the Group pertain to investments in publicly-listed companies. These are measured at the quoted market price of the shares. A portion of these investments amounting to ₱3,930.8 million, ₱3,587.0 million, and ₱2,159.8 million as at March 31, 2013, December 31, 2012, and December 31, 2011, respectively, were pledged as collateral for a portion of the Group's long-term loans (see Note 18).

Investment in convertible bonds as at March 31, 2013, December 31, 2012 and December 31, 2011 have embedded derivatives which are further discussed in Note 25.

11. **Investments in Shares of Stock of Associates**

The details of and movements in this account are as follows:

	March 31, 2013	December 31, 2012	December 31, 2011
	(In Thousands)		
Acquisition cost:			
Balance at beginning of year	**₱92,840,123**	₱66,416,206	₱54,114,191
Additions	**19,427**	28,361,006	12,590,225
Disposals – net of realized deferred gain	**–**	(1,937,089)	(288,210)
Balance at end of period	**92,859,550**	92,840,123	66,416,206
Accumulated equity in net earnings:			
Balance at beginning of year	**34,874,325**	26,319,348	21,113,648
Equity in net earnings	**5,649,159**	9,042,034	6,415,424
Dividends received	**(103,535)**	(418,470)	(1,583,351)
Accumulated equity in net earnings of investments sold	**–**	(68,587)	(66,500)
Balance at end of the period	**40,419,949**	34,874,325	25,879,221
Share in net unrealized gain on AFS investments of associates	**6,364,608**	1,514,343	440,127
Allowance for impairment loss	**775,047**	775,047	4,317,705
	₱138,869,060	₱128,453,744	₱88,417,849

The Group recognized its share in the net gain on AFS investments of the associates amounting to ₱6,364.6 million, ₱1,514.3 million, and ₱440.1 million inclusive of the share of the non-controlling interests amounting to ₱324.1 million, ₱28.1 million, and ₱15.3 million, respectively, for the three months ended March 31, 2013 and for the years ended December 31, 2012, and December 31, 2011, respectively.

The major associates of the Group are as follows:

	Percentage of Ownership						
	March 31, 2013		**December 31, 2012**		**December 31, 2011**		
Company	**Gross**	**Effective**	Gross	Effective	Gross	Effective	Principal Activities
BDO	**48**	**47**	48	47	47	46	Financial Services
China Banking Corporation (China Bank)	**23**	**20**	23	21	23	21	Financial Services
Atlas	**29**	**29**	29	29	18	18	Mining
Belle Corp. (Belle)	**32**	**18**	32	18	46	26	Real estate development and tourism
HPI	**35**	**27**	35	27	35	27	Real estate development and tourism
Summerhills Home Development Corporation (SHDC)	**49**	**21**	49	21	49	21	Real estate development and tourism
Sodexo Motivation Solutions Philippines, Inc.	**40**	**40**	40	40	40	40	Retail
Fast Retailing Philippines, Inc.	**25**	**25**	25	25	–	–	Retail

Atlas

Finalization of 2011 Provisional Accounting
In July 2011, SMIC acquired 316.2 million common shares of Atlas for US$142.2 million (₱5,996.6 million) representing 17.9% equity interest. In 2011, the Group accounted for the purchase price allocation on provisional basis, pending the information on the fair value of Atlas' net assets. The fair values of the net assets acquired were finalized in June 2012 and goodwill from the acquisition formed part of the cost of investment in shares of stock of Atlas.

SMIC has three representations in the BOD of Atlas as at December 31, 2011 and is participating in operational decisions. Based on these facts and circumstances, management determined that the Group has significant influence in Atlas and therefore has accounted it as an investment in associate.

Convertible Loan of Atlas
On February 29, 2012, SMIC purchased from BDO the ₱5,492.7 million convertible loan covered by Secured Notes Facility Agreement (the Agreement) between Atlas and BDO dated July 25, 2011. On May 21, 2012, SMIC gave an irrevocable notice to fully exercise the conversion option under the Agreement as the assignee of BDO. On July 13, 2012, upon completion of the necessary regulatory approval, the shares were issued to SMIC resulting to an increase in ownership in Atlas from 17.9% to 28.4%. The goodwill resulting from the acquisition formed part of the cost of investment in shares of stock of Atlas.

Belle

In April 2011, the Group, increased its ownership interest in Belle, an associate, by 20.78% and 12.58% gross and effective ownership, respectively, via share swap wherein the entire outstanding shares of Premium Leisure Amusement, Inc. (a subsidiary) was exchanged for certain number of common shares of Belle valued at ₱1.95 per share (shares swap). The valuation of the PLAI shares was made by an independent appraiser and approved by the SEC on October 6, 2010. This is the same valuation used in recording the share swap transaction in its 2011 financial statements upon receipt of the approval from the Bureau of Internal Revenue on March 31, 2011 and issuance of stock certificates by Belle on April 14, 2011. The transaction resulted to a net gain on share swap amounting to ₱2,604.2 million, net of the eliminated portion of the gain pertaining to the retained interest of the Group in Belle and is recognized under "Gain on disposal of investments and properties - net" account in the consolidated statements of income. The Group will realize the deferred income as the investment in the associate is disposed.

At various dates in 2012, the Group sold 1,509.0 million Belle shares on which the Group realized ₱811.2 million of the deferred gain and was recognized under "Gain on disposal of investments and properties - net" account in the consolidated statements of income. The remaining balance of the deferred gain as at December 31, 2012 amounted to ₱1,076.4 million. The disposal of Belle shares resulted to a decrease in the Group's direct and effective ownership to 32% and 18%, respectively.

BDO

In March 2012, BDO declared a stock dividend equivalent to 3% of the outstanding capital stock of BDO which increased the number of common and preferred shares held by the Group by 40.5 million and 3.6 million, respectively. The declaration of the stock dividend by BDO increased the ownership interest of the Group by 1% as a result of the preferred shares held by SMIC.

In June 2012, BDO had a stock rights offering which entitled each eligible stockholder to subscribe to one common share for every three common shares held as at record date at an offer price of ₱48.6 per rights share. As at June 30, 2012, the Group exercised its rights share and paid ₱22,528.7 million equivalent to 463.5 million BDO shares. Upon completion of the regulatory requirements by BDO, the shares were issued to SMIC on July 4, 2012.

At various dates in 2012, SMIC sold a total number of 1.2 million BDO shares, equivalent to 0.04% of the total outstanding voting shares of BDO at a total cost of ₱39.0 million.

HPI

In 2011, the Group disposed 134.8 million shares of HPI for a total cost of ₱288.2 miliion. The disposal resulted in a gain of ₱1.0 million, which is included under "Gain on disposal of investments and properties - net" account in the consolidated statements of income.

China Bank

On August 24, 2012, SEC approved the Amended Articles of Incorporation of China Bank to effect a ten-for-one stock split of the common shares. This resulted to an increase in the number of shares from 200 million to 2,000 million, and a reduction in par value of shares from ₱100.00 to ₱10.00 per share. The stock split by China Bank did not result to a change in the ownership interest of the Group.

SHDC
In 2011, SMDC obtained 49% and 21% gross and effective ownership, respectively, in SHDC for a total consideration of ₱20.1 million. Consequently, SHDC became an associate of the Group.

Fast Retailing Philippines, Inc.
In January 2012, Marketwatch Investments Co., Inc., a subsidiary of SM Retail, invested ₱100.0 million to acquire 25% ownership of the total outstanding shares of Fast Retailing Philippines, Inc. accounted as an investment in an associate. The entity is organized with Fast Retailing (Singapore) Co. Ltd. to engage in the retail/wholesale trading of merchandise, such as dry goods, wearing apparels and other merchandise, cosmetics, skin care and hair care products and other related products under the brand name "Uniqlo".

As at March 31, 2013 and December 31, 2012, the fair values of investments in associates which are listed in the PSE are as follows:

	March 31, 2013	December 31, 2012	December 31, 2011
		(In Thousands)	
BDO	**₱177,508,795**	₱134,986,770	₱80,928,951
China Bank	**18,739,670**	15,987,281	10,594,301
Belle	**19,080,350**	16,268,509	24,670,664
Atlas	**13,532,541**	11,272,094	5,325,521
HPI	**1,804,818**	1,575,258	1,036,979

12. **Property and Equipment**

The movements in this account are as follows:

	Land	Buildings, Condominium Units and Improvements	Store Equipment and Improvements	Data Processing Equipment	Furniture, Fixtures and Office Equipment	Machinery and Equipment	Leasehold Improvements	Transportation Equipment	Construction in Progress	Total
					(In Thousands)					
Cost										
Balance as at December 31, 2010	₱2,945,232	₱4,534,292	₱6,638,725	₱3,253,276	₱3,050,238	₱2,424,501	₱2,629,192	₱626,380	₱699,668	₱26,801,504
Additions	26,970	118,732	784,783	635,960	620,339	507,700	1,188,675	258,957	648,946	4,791,062
Reclassifications	1,893	2,549	(615,945)	317,809	(186,048)	(120,348)	(61,331)	(3,365)	(383,445)	(1,048,231)
Disposals/retirements	–	(1)	(86,520)	(74,484)	(27,304)	(10,407)	(43)	(301,378)	–	(500,137)
Balance as at December 31, 2011	2,974,095	4,655,572	6,721,043	4,132,561	3,457,225	2,801,446	3,756,493	580,594	965,169	30,044,198
Additions	183,851	1,594,292	1,119,843	428,180	767,679	690,525	1,180,589	38,469	611,142	6,614,570
Reclassifications	(744,956)	764,325	(115,484)	141,191	(184,867)	(23,739)	87,977	6,043	(329,884)	(399,394)
Disposals/retirements	–	(2,644,901)	(148,498)	(163,128)	(57,536)	(99,186)	(35,118)	(31,879)	(11,474)	(3,191,720)
Balance as at December 31, 2012	2,412,990	4,369,288	7,576,904	4,538,804	3,982,501	3,369,046	4,989,941	593,227	1,234,953	33,067,654
Additions	300,311	126,387	402,716	86,157	132,534	150,369	216,875	5,350	394,537	1,815,236
Reclassifications	(2,616)	40,875	(87,085)	47,811	9,881	397	21,561	1,352	(288,170)	(255,994)
Disposals/retirements	–	–	(3,780)	(40,449)	(2,072)	(8,399)	(759)	(1,500)	(137,751)	(194,710)
Balance as at March 31, 2013	**₱2,710,685**	**₱4,536,550**	**₱7,888,755**	**₱4,632,323**	**₱4,122,844**	**₱3,511,413**	**₱5,227,618**	**₱598,429**	**₱1,203,569**	**₱34,432,186**
Accumulated Depreciation and Amortization										
Balance as at December 31, 2010	₱–	₱2,262,529	₱4,544,869	₱2,394,063	₱1,300,562	₱1,454,709	₱1,172,404	₱303,829	₱–	₱13,432,965
Depreciation and amortization	–	246,322	713,596	418,680	427,925	296,607	533,033	47,467	–	2,683,630
Reclassifications	–	(582)	(598,186)	(31,281)	(106,226)	(115,046)	(88,726)	(2,934)	–	(942,981)
Disposals/retirements	–	–	(85,128)	(41,815)	(26,695)	(1,306)	–	(66,826)	–	(221,770)
Balance as at December 31, 2011	–	2,508,269	4,575,151	2,739,647	1,595,566	1,634,964	1,616,711	281,536	–	14,951,844
Depreciation and amortization	–	381,307	825,626	493,886	500,992	387,047	706,389	52,514	–	3,347,761
Reclassifications	–	(127,122)	(236,144)	(3,049)	(42,307)	(53,726)	32,125	(99)	–	(430,322)
Disposals/retirements	–	(1,535,720)	(154,118)	(120,030)	(50,391)	(90,035)	(18,228)	(19,624)	–	(1,988,146)
Balance as at December 31, 2012	–	1,226,734	5,010,515	3,110,454	2,003,860	1,878,250	2,336,997	314,327	–	15,881,137
Depreciation and amortization	–	77,715	225,085	125,835	144,007	112,146	211,558	12,690	–	909,036
Reclassifications	–	28,879	(113,831)	12,293	11,558	(413)	63	1,886	–	(59,565)
Disposals/retirements	–	–	(589)	(30,007)	(1,243)	(5,826)	(389)	(775)	–	(38,829)
Balance as at March 31, 2013	**₱–**	**₱1,333,328**	**₱5,121,180**	**₱3,218,575**	**₱2,158,182**	**₱1,984,157**	**₱2,548,229**	**₱328,128**	**₱–**	**₱16,691,779**
Net Book Value										
As at March 31, 2013	**₱2,710,685**	**₱3,203,222**	**₱2,767,575**	**₱1,413,748**	**₱1,964,662**	**₱1,527,256**	**₱2,679,389**	**₱270,301**	**₱1,203,569**	**₱17,740,407**
As at December 31, 2012	₱2,412,990	₱3,142,554	₱2,566,389	₱1,428,350	₱1,978,641	₱1,490,796	₱2,652,944	₱278,900	₱1,234,953	₱17,186,517
As at December 31, 2011	₱2,974,095	₱2,147,303	₱2,145,892	₱1,392,914	₱1,861,659	₱1,166,482	₱2,139,782	₱299,058	₱965,169	₱15,092,354

As at March 31, 2013, December 31, 2012 and December 31, 2011, the Group has no idle property and equipment and the carrying amount of fully depreciated property and equipment still in use amounted to ₱6,181.88 million, ₱4,644.3 million and ₱4,148.3 million, respectively

13. Investment Properties

The movements in this account are as follows:

	Land and Improvements and Land Use Rights	Buildings and Improvements	Building Equipment, Furniture and Others	Construction in Progress	Total
			(In Thousands)		
Cost					
Balance as at December 31, 2010	₱27,302,498	₱84,785,047	₱15,973,989	₱12,828,906	₱140,890,440
Additions	2,606,363	2,762,132	932,825	14,839,591	21,140,911
Reclassifications	508,106	6,742,227	549,958	(7,138,201)	662,090
Translation adjustment	153,159	387,953	64,394	186,433	791,939
Disposals	–	(6,113)	–	(48,474)	(54,587)
Balance as at December 31, 2011	30,570,126	94,671,246	17,521,166	20,668,255	163,430,793
Additions	4,766,518	10,150,742	2,907,309	10,107,534	27,932,103
Reclassifications	(186,572)	7,850,434	1,260,406	(13,493,898)	(4,569,630)
Translation adjustment	(159,893)	(611,091)	(71,572)	(220,612)	(1,063,168)
Balance as at December 31, 2012	34,990,179	112,061,331	21,617,309	17,061,279	185,730,098
Additions	253,310	210,273	157,740	2,871,755	3,493,078
Reclassifications	(42,312)	1,011,406	(696,883)	54,463	326,674
Translation adjustment	(8,741)	(42,865)	(5,132)	(14,750)	(71,488)
Disposals	–	(565)	–	–	(565)
Balance as at March 31, 2013	**₱35,192,436**	**₱113,239,580**	**₱21,073,034**	**₱19,972,747**	**₱189,477,797**
Accumulated Depreciation, Amortization and Impairment Loss					
Balance as at December 31, 2010	₱1,123,236	₱18,075,582	₱8,024,378	₱–	₱27,223,196
Depreciation and amortization	46,470	3,186,275	1,276,725	–	4,509,470
Reclassifications	–	217,003	–	–	217,003
Impairment loss	–	–	–	123,564	123,564
Translation adjustment	7,731	51,228	22,690	–	81,649
Balance as at December 31, 2011	1,177,437	21,530,088	9,323,793	123,564	32,154,882
Depreciation and amortization	72,584	3,229,407	1,408,119	–	4,710,110
Reclassifications	(323,275)	(664,505)	(179)	–	(987,959)
Translation adjustment	(10,232)	(76,254)	(31,139)	–	(117,625)
Balance as at December 31, 2012	916,514	24,018,736	10,700,594	123,564	35,759,408
Depreciation and amortization	21,581	901,501	425,207	–	1,348,289
Reclassifications	(3)	132,656	–	–	132,653
Translation adjustment	(622)	(1,682)	(1,896)	–	(4,200)
Disposals	–	(17)	–	–	(17)
Balance as at March 31, 2013	**₱937,470**	**₱25,051,194**	**₱11,123,905**	**₱123,564**	**₱37,236,133**
Net Book Value					
As at March 31, 2013	**₱34,254,966**	**₱88,188,386**	**₱9,949,129**	**₱19,849,183**	**₱152,241,664**
As at December 31, 2012	₱34,073,665	₱88,042,595	₱10,916,715	₱16,937,715	₱149,970,690
As at December 31, 2011	₱29,392,689	₱73,141,158	₱8,197,373	₱20,544,691	₱131,275,911

The fair values of investment properties as at December 31, 2011 were determined by independent appraisers based on various appraisal reports made in 2010, which amounted to ₱291,671.9 million. The fair value, which is based on market data approach, represents the amount at which the assets can be exchanged between a knowledgeable, willing seller and a knowledgeable, willing buyer in an arm's-length transaction at the date of valuation in accordance with International Valuation Standards.

Included under "Land" account are the 212,119 square meters of real estate properties with a carrying value of ₱445 million, ₱447 million and ₱474 million as at March 31, 2013, December 31, 2012 and December 31, 2011, respectively, and a fair value of ₱13,531 million as at August 2007, planned for residential development in accordance with the cooperative contracts entered into by Mega Make and Affluent with Grand China International Limited (Grand China) and Oriental Land Development Limited (Oriental Land) on March 15, 2007. The value of these real estate properties were not part of the consideration amounting to ₱10,827 million paid by the Parent Company to Grand China and Oriental Land. Accordingly, the assets were recorded at their carrying values under "Investment properties - net" account and a corresponding liability equivalent to the same amount, which is shown as part of "Other noncurrent liabilities" account in the consolidated balance sheets.

Portions of investment properties located in China with carrying value of ₱4,217 million, ₱4,852 million and ₱3,896 million as at March 31, 2013, December 31, 2012 and December 31, 2011, respectively, and estimated fair value of ₱10,843 million, ₱10,874 million and ₱13,541 million as at March 31, 2013, December 31, 2012 and December 31, 2011, respectively, were mortgaged as collaterals to secure the domestic borrowings in China (see Note 18).

Rent income from investment properties amounted to ₱6,416.2 million and ₱5,417.7 million for the three months ended March 31, 2013 and 2012, respectively. Direct operating expenses from investment properties that generated rent income amounted to ₱3,604.0 million and ₱3,241.7 million for the three months ended March 31, 2013 and 2012, respectively.

Construction in progress account includes shopping mall complex under construction of SM Prime. In 2013, shopping mall complex under construction mainly pertains to costs incurred for the development of SM Aura Premier, SM City BF Parañaque, SM Seaside City Cebu, SM City Cauayan, SM Tianjin and SM Zibo and the ongoing expansions and renovations of SM City Bacolod, SM City Sta. Rosa, SM City Clark, SM City Dasmariñas, SM City Lipa, SM Megamall and SM Mall of Asia.

Shopping mall complex under construction includes cost of land amounting to ₱1,630.0 million ₱1,615.0million and ₱1,575.0 million as at March 31, 2013, December 31, 2012 and December 31, 2011, respectively.

Construction contracts with various contractors related to the construction of the above-mentioned projects amounted to ₱48,177 million, ₱53,965 million and ₱39,240.0 million as at March 31, 2013, December 31, 2012 and December 31, 2011, respectively, inclusive of overhead, cost of labor and materials and all other costs necessary for the proper execution of the works. The outstanding contracts are valued at ₱12,104 million, ₱14,393 million and ₱10,268.0 million as at March 31, 2013, December 31, 2012 and December 31, 2011, respectively.

Interest capitalized to shopping mall complex under construction amounted to ₱9 million and ₱114 million as at March 31, 2013 and December 31, 2012, respectively. Capitalization rates used were 5.99% and 6.13% as at March 31, 2013 and December 31, 2012, respectively.

14. Land and Development and Condominium Units for Sale

This account consists of the following:

	2013	2012	2011
Condominium units for sale	**₱3,285,394**	₱2,670,943	₱1,115,878
Land and development	**35,469,762**	30,197,862	23,012,453
	₱38,755,156	₱32,868,805	₱24,128,331

Land and development, which amounted to ₱35,469.8 million, ₱30,197.9 million and ₱23,012.5 million as at March 31, 2013, December 31, 2012 and December 31, 2011, respectively, include land and cost of ongoing condominium projects.

Condominium units for sale amounting to ₱3,285.4 million, ₱2,670.9 million and ₱1,115.9 million as at March 31, 2013, December 31, 2012 and December 31, 2011, respectively, pertain to completed projects of SMDC, Costa and ICDC. The amounts were included under "Other current assets" account in the consolidated balance sheets (see Note 9).

The condominium units for sale and land and development are stated at cost as at March 31, 2013, December 31, 2012 and December 31, 2011.

Borrowing costs capitalized by the Group to land and development account amounted to ₱169.6 million and ₱661.0 million in 2013 and 2012, respectively. The average rates used to determine the amount of borrowing costs eligible for capitalization range from 3.3% to 8.3% in 2013 and 2012. Interest expense charged to operations amounted to ₱258.8 million and ₱701.0 million in 2013 and 2012, respectively.

15. Intangibles and Other Noncurrent Assets

<u>Intangibles</u>
This account consists of:

	March 31, 2013	December 31, 2012	December 31, 2011
	(In Thousands)		
Goodwill	**₱9,321,057**	₱9,321,057	₱9,321,057
Less accumulated impairment loss	**91,619**	91,619	91,619
Net book value	**9,229,438**	9,229,438	9,229,438
Trademarks and brand names	**6,124,762**	6,124,762	6,124,762
	₱15,354,200	₱15,354,200	₱15,354,200

Goodwill is allocated to SM Prime, SM Land, Prime Metroestate Inc. (formerly Pilipinas Makro, Inc.), Supervalue, Inc. (SVI) and Super Shopping Market, Inc. (SSMI) as separate cash generating units. Trademarks and brand names pertain to that of the supermarket and hypermarket business of the Group which were acquired in a business combination in 2006. The trademarks and brand names were assessed to have an indefinite life and was valued using the Relief-from-Royalty Method. The royalty rate was 3.5%, which was the prevailing royalty rate in 2006 in the retail assorted category where the two entities fall.

The recoverable amount of goodwill, trademarks and brand names have been determined using the cash flow projections based on the financial budgets approved by senior management covering a three-year period. The calculation of value-in-use is most sensitive to pre-tax discount rates. The pre-tax discount rates applied to cash flow projections ranged from 6.61% to 9.14% as at March 31, 2013. The discount rates were determined based on the yield of ten-year government bonds at the beginning of the forecasted year. Discount rates reflect the current market assessment of the risks to each cash generating unit and were estimated based on the average percentage of weighted average cost of capital for the industry. The rate was further adjusted to reflect the market assessment of any risk specific to the cash-generating unit for which future estimates of cash flows have not been adjusted. Management assessed that no reasonable possible change in pre-tax discount rates and future cash inflows would cause the carrying value of goodwill, trademarks and brand names in 2013 to materially exceed its recoverable amount.

<u>Other Noncurrent Assets</u>
This account consists of:

	March 31, 2013	December 31, 2012	December 31, 2011
		(In Thousands)	
Receivables from real estate buyers (see Note 8)	**₱16,016,441**	₱14,401,513	₱8,739,412
Deposits and advance rentals	**8,266,394**	8,149,028	5,030,882
Advances for property development cost	**2,590,250**	1,962,578	–
Deferred input VAT	**979,589**	962,629	380,994
Defined benefit asset	**617,578**	662,193	705,929
Long-term notes (see Note 20)	**306,724**	306,724	506,724
Derivative assets (see Notes 24 and 25)	**138,454**	109,979	159,461
Escrow fund	**53,024**	98,996	2,195,691
Advances from a related party	**–**	–	6,000,000
Treasury bonds	**–**	–	200,000
Others	**1,252,951**	1,322,879	476,538
	₱30,221,405	₱27,976,519	₱24,395,631

Deposits and advance rentals substantially pertain to the lease agreements entered into by SM Prime for certain parcels of land where some of its malls are constructed. The lease agreements provide that the security deposits will be applied to future rentals. Consequently, the said deposits and advance rentals are not remeasured at amortized cost.

Long-term notes pertain to unquoted and unsecured subordinated debt instruments which carry fixed interest rates per annum ranging from 7.0% to 8.50% as at March 31, 2013, December 31, 2012, and December 31, 2011. The ₱88.6 million will mature on May 29, 2018 and the remaining ₱218.1 million will mature on March 20, 2019.

Escrow fund amounting to ₱53.0 million, ₱99.0 million, and ₱2,195.7 million as at March 31, 2013, December 31, 2012, and December 31, 2011, respectively, pertains mainly to the amounts deposited in the account of an escrow agent as required by the Housing and Land Use Regulatory Board (HLURB) in connection with SMDC's temporary license to sell prior to HLURB's issuance of a license to sell and certificate of registration.

16. **Bank Loans**

This account consists of:

	March 31, 2013	December 31, 2012	December 31, 2011
		(In Thousands)	
Parent Company:			
U.S. dollar-denominated loans	**₱2,040,000**	₱2,052,500	₱3,857,920
Peso-denominated loans	**8,783,400**	11,783,400	15,500,000
Subsidiaries -			
Peso-denominated loans	**17,283,413**	17,958,075	6,390,000
	₱28,106,813	₱31,793,975	₱25,747,920

The U.S. dollar-denominated loans amounting to US$30.0 million, with peso equivalents of ₱1,224.0 million and ₱1,231.5 million as at March 31, 2013 and December 31, 2012, respectively, and US$88.0 million, with peso equivalent of ₱3,857.9 million as at December 31, 2011, bear interest based on London Inter-Bank Offered Rate (LIBOR) plus margin. The U.S. dollar-denominated loans amounting to US$20.0 million, with peso equivalents of ₱816.0 million and ₱821.0 million as at March 31, 2013 and December 31, 2012, respectively bear annual interest rate of 1.19% in 2013 and 1.24% in 2012 (see Note 24). The peso-denominated loans bear annual interest rates ranging from 3.63% to 5.00% and 3.25% to 5.00% in 2013 and 2012, respectively. These loans have maturities of less than one year (see Note 18).

17. **Accounts Payable and Other Current Liabilities**

This account consists of:

	March 31, 2013	December 31, 2012	December 31, 2011
		(In Thousands)	
Trade	**₱31,287,521**	₱34,304,241	₱28,639,479
Payable arising from acquisition of land	**4,422,623**	6,100,508	3,116,058
Due to related parties (see Note 20)	**3,142,569**	3,265,015	2,734,415
Payable to government agencies	**2,946,078**	2,334,796	1,426,230
Derivative liabilities (see Notes 24 and 25)	**2,815,672**	2,493,651	124,222
Accrued utilities	**1,654,958**	866,150	751,208
Accrued interest (see Notes 16, 18 and 20)	**2,372,350**	2,537,777	1,702,660
Nontrade	**1,502,760**	2,276,078	2,078,768
Gift checks redeemable and others	**858,603**	2,672,556	2,088,702
Subscription payable	–	–	1,101,205
Other accruals (see Note 20)	**1,105,746**	1,015,104	986,860
	₱52,108,880	₱57,865,876	₱44,749,807

The terms and conditions of the above liabilities follow:

- Trade payables primarily consist of liabilities to suppliers and contractors, which are noninterest-bearing and are normally settled on a 30 to 60 days' term.
- Payable arising from, nontrade payables, accrued interest and others are expected to be settled within the next financial year.
- Payable arising from acquisition of land is expected to be settled within one to three years.
- The terms and conditions relating to due to related parties are discussed in Note 20.
- Gift checks are redeemable at face value.
- Payable to government agencies mainly consists of output tax which are normally settled within the next financial year.
- Accrued expenses pertain to accrued and unpaid selling, general and administrative expenses which are normally settled within the next financial year.

18. **Long-term Debt**

This account consists of:

	March 31, 2013			December 31, 2012			December 31, 2011		
	Gross Amount	**Debt Issue Cost**	**Net Amount**	Gross Amount	Debt Issue Cost	Net Amount	Gross Amount	Debt Issue Cost	Net Amount
					(In Thousands)				
Parent Company									
U.S. dollar-denominated:									
Fixed rate bonds	**₱61,462,050**	**(₱414,565)**	**₱61,047,485**	₱61,813,938	(₱449,782)	₱61,364,156	₱43,990,263	(₱357,171)	₱43,633,092
Convertible bonds	**7,397,628**	**(134,813)**	**7,262,815**	9,407,559	(183,247)	9,224,312	979,645	(8,256)	971,389
Peso-denominated:									
Seven-year and ten-year corporate notes	**4,995,000**	**(36,573)**	**4,958,427**	4,995,000	(37,757)	4,957,243	5,000,000	(42,578)	4,957,422
Five-year fixed rate notes	**-**	**-**	**-**	6,699,043	(36,984)	6,662,059	6,700,000	(49,708)	6,650,292
Five-year and seven-year retail bonds	**9,400,000**	**(27,162)**	**9,372,838**	9,400,000	(32,107)	9,367,893	9,400,000	(47,422)	9,352,578
Seven-year and ten-year retail bonds	**13,082,270**	**(104,808)**	**12,977,462**	14,282,270	(118,549)	14,163,721	–	–	–
Bank loans collateralized with time deposits	**3,000,000**	**(5,870)**	**2,994,130**	3,000,000	(6,635)	2,993,365	8,950,000	(15,070)	8,934,930
Preferred shares	**–**	**–**	**–**	–	–	–	200,000	(131)	199,869
Other bank loans	**6,550,000**	**(7,103)**	**6,542,897**	8,050,000	(10,945)	8,039,055	9,548,500	(17,921)	9,530,579
Subsidiaries									
U.S. dollar-denominated:									
Five-year term loans	**11,016,000**	**(171,671)**	**10,844,329**	11,083,500	(186,538)	10,896,962	6,356,800	(255,267)	6,101,533
Five-year term syndicated loans	**8,160,000**	**(200,326)**	**7,959,674**	-	-	-	-	-	-
Two-year, three-year and five-year bilateral loans	**1,020,000**	**(3,535)**	**1,016,465**	1,026,250	(5,008)	1,021,242	1,096,000	(11,071)	1,084,929
Other bank loans	**3,468,000**	**(47,382)**	**3,420,618**	2,463,000	(24,888)	2,438,112	3,068,800	(38,021)	3,030,779
China yuan-renminbi denominated:									
Three-year loan	**984,852**	**-**	**984,852**	1,111,112	-	1,111,112	1,299,441	–	1,299,441
Five-year loan	**2,134,528**	**-**	**2,134,528**	2,272,374	-	2,272,374	2,599,819	–	2,599,819
Eight-year loan							277,388	–	277,388
Peso-denominated:									
Three-year and five-year fixed rate notes	**18,306,687**	**(90,979)**	**18,215,708**	18,313,000	(84,747)	18,228,253	10,000,000	(55,774)	9,944,226
Five-year and ten-year fixed and floating rate notes	**7,450,000**	**(54,487)**	**7,395,513**	7,500,000	(57,081)	7,442,919	–	–	–

	March 31, 2013			December 31, 2012			December 31, 2011		
	Gross Amount	**Debt Issue Cost**	**Net Amount**	Gross Amount	Debt Issue Cost	Net Amount	Gross Amount	Debt Issue Cost	Net Amount
					(In Thousands)				
Five-year, seven-year and ten-year fixed and floating rate notes	**₱4,950,000**	**(₱32,515)**	**₱4,917,485**	₱5,000,000	(₱33,540)	₱4,966,460	₱–	₱–	₱–
Five-year, seven-year and ten-year corporate notes	**6,664,000**	**(32,558)**	**6,631,442**	6,860,000	(36,161)	6,823,839	6,930,000	(45,829)	6,884,171
Five-year and ten-year corporate notes	**1,100,000**	**(7,624)**	**1,092,376**	1,100,000	(7,849)	1,092,151	4,289,350	(24,457)	4,264,893
Five-year floating rate notes	**4,900,000**	**(26,951)**	**4,873,049**	4,950,000	(29,172)	4,920,828	5,000,000	(37,587)	4,962,413
Five-year, seven-year and ten-year fixed rate notes	**800,000**	**(4,496)**	**795,504**	800,000	(4,658)	795,342	1,997,030	(11,355)	1,985,675
Five-year bilateral loans	**500,000**	**(1,898)**	**498,102**	500,000	(2,009)	497,991	546,875	(2,584)	544,291
Other bank loans	**8,982,190**	**(18,092)**	**8,964,098**	9,133,550	(20,510)	9,113,040	9,203,500	(28,229)	9,175,271
	186,323,205	**(1,423,408)**	**184,899,797**	189,760,596	(1,368,167)	188,392,429	137,433,411	(1,048,431)	136,384,980
Less current portion	**14,696,270**	**(31,408)**	**14,664,862**	13,889,278	(29,720)	13,859,558	7,935,231	(14,270)	7,920,961
Noncurrent portion	**₱171,626,935**	**(₱1,392,000)**	**₱170,234,935**	₱175,871,318	(₱1,338,447)	₱174,532,871	₱129,498,180	(₱1,034,161)	₱128,464,019

Parent Company

Fixed Rate Bonds
On October 17, 2012, SMIC issued US$500.0 million senior bonds, with peso equivalent of ₱ 20,400.0 million as at March 31, 2013 and ₱20,525.0 million as at December 31, 2012, which bear a fixed interest rate of 4.25% per annum, payable semi-annually in arrears. The bonds will mature on October 17, 2019.

On October 13, 2010, SMIC issued US$400 million bonds with peso equivalents of ₱15,571.1 million and ₱15,641.8 million as at March 31, 2013 and December 31, 2012, respectively, which bear a fixed interest rate of 5.5% per annum, payable semi-annually in arrears and will mature on October 13, 2017. This issuance is comprised of US$186.3 million (₱7,311.4 million) additional bonds, and US$82.9 million (₱3,190.2 million) and US$130.8 million (₱5,069.5 million) exchanged bonds from the existing US$350.0 million 6.75% bonds due 2013 and US$500.0 million 6.0% bonds due 2014, respectively. The exchange was not accounted for as an extinguishment but merely a modification of terms because the terms of the exchanged bonds are not substantially different from the existing bonds (i.e., the difference between the present value of the cash flows of the exchanged bonds and the present value of the remaining cash flows of the existing bonds discounted using the original effective interest rate did not exceed 10%).

On September 22, 2009, SMIC issued US$500.0 million bonds, with peso equivalent of ₱15,469.6 million and ₱15,564.4 million as at March 31, 2013 and December 31, 2012, respectively, which bear a fixed interest rate of 6.0% per annum, payable semi-annually in arrears. The bonds will mature on September 22, 2014.

On July 17, 2008, SMIC issued US$350.0 million bonds, with peso equivalents of ₱10,021.4 million and ₱10,082.8 million as at March 31, 2013 and December 31, 2012, respectively, which bear a fixed interest rate of 6.75% per annum, payable semi-annually in arrears. The bonds will mature on July 18, 2013 and may be redeemed at the option of the relevant holder beginning July 18, 2011 at the principal amount.

Convertible Bonds

US$250.0 million Convertible Bonds
On February 15, 2012, SMIC issued at face value 1.625% coupon US$250.0 million (carrying value of which amounted to ₱7,397.6 million and ₱9,407.6 million as at March 31, 2013 and December 31, 2012, respectively), with a yield to maturity of 2.875% due on February 15, 2017 at 106.67%. Interest on the Bonds is payable semi-annually. The bonds contain multiple embedded derivatives (i.e., conversion option, call option and put option) which are further discussed in Note 25.

The conversion option entitles the holder to convert its outstanding bonds for SMIC's common shares at any time, on or after June 15, 2012 until the close of business on February 5, 2017, unless previously redeemed, converted or purchased and cancelled, at an initial conversion price of ₱781.44 per share translated into U.S. dollars at a fixed conversion rate of ₱42.711 to US$1.00. At various dates in 2013, the bondholders of US$54.0 million (₱2,028.4 million) opted to convert their holdings into 2,951,428 of SMIC's shares.

The put option entitles the bondholders to require the Parent Company to redeem all or some of its Bonds on February 15, 2015 (put date) at 103.89%.

Lastly, the call option gives right to the Parent Company to redeem the Bonds, in whole but not in part at their early redemption amount on the date fixed for redemption, provided, however, that no such redemption may be made unless the closing price of the shares of the Parent Company (translated into US Dollars at the prevailing rate) for each of the 30 consecutive trading days, the last of which occurs no more than five days prior to redemption notice, was at least 130% of the applicable early redemption amount divided by the conversion ratio.

US$300.0 million Convertible Bonds
On March 19, 2007, SMIC issued at face zero coupon US$300.0 million Convertible Bonds (the Bonds) (financial liability component amounted to nil as at March 31, 2013 and December 31, 2012, respectively), with a yield to maturity of 3.5% due on March 20, 2012 at 118%. The bonds contain multiple embedded derivatives (i.e., conversion option, call option and put option) which are further discussed in Note 25.

The conversion option entitles the holder to convert its outstanding bonds for SMIC's common shares at any time, on or after June 30, 2007 until the close of business on March 13, 2012, unless previously redeemed, converted or purchased and cancelled. Starting April 25, 2007, the conversion price is equal to ₱453.39 a share, after giving effect to the 4.27% stock dividend.

The remaining value of convertible bond amounting to $4.7 million (₱201.4 million) matured on March 19, 2012. The derecognition of the fair value of the related derivative liability on the same date resulted in a gain of ₱28.8 million, shown under " Gain (loss) on fair value changes on derivatives - net" account in the consolidated statements of income.

The put option entitles the bondholders to require SMIC to redeem all or some of its Bonds on March 19, 2010 (put date) at 110.97%. A total of US$246.3 million (₱11,253.5 million) bonds were redeemed, which resulted in a gain of ₱844.6 million shown under "Gain on disposal of investments and properties" account in the 2010 consolidated statements of income. The fair value of the related derivative liability derecognized upon early redemption amounted to US$35.2 million (₱1,609.7 million) (see Note 25).

Lastly, the call option gives right to SMIC to redeem the remaining Bonds, in whole but not in part at their early redemption amount on the date fixed for redemption, provided, however, that no such redemption may be made unless the closing price of the shares of SMIC (translated into US Dollars at the prevailing rate) for each of the 30 consecutive trading days, the last of which occurs no more than five days prior to redemption notice, was at least 130% of the applicable early redemption amount divided by the conversion ratio.

Seven-year and Ten-year Fixed Rate Corporate Notes
On September 26, 2011, SMIC issued fixed rate corporate notes comprised of seven-year or Series A Notes and ten-year or Series B Notes due on September 26, 2018 and September 26, 2021, respectively. The total issuance amounted to ₱916.0 million and ₱4,084.0 million for the Series A and Series B Notes, respectively.

The Series A Notes have a term of seven years from the issue date, with a fixed interest rate equivalent to 5.75% per annum payable semi-annually in arrears starting March 26, 2012. The Series B Notes have a term of ten years from the issue date, with a fixed interest rate equivalent to 6.625% per annum payable semi-annually in arrears starting March 26, 2012.

The Series A and B Notes have principal repayment of 0.1% of the principal amount in annual installments that will commence on the twelfth (12th) month from the issue date, with the last installment payment to be made on maturity date.

Outstanding balance as at March 31, 2013 for the Series A and B Notes amounted to ₱915.1 million and ₱4,079.9 million, respectively.

Five-year Fixed Rate Corporate Notes
On February 7, 2011, SMIC issued corporate notes amounting to ₱6,700.0 million, which bear a fixed interest rate of 6.17% per annum, payable semi-annually in arrears. The corporate notes has an original maturity date of February 8, 2016. The notes have principal repayment of ₱1.0 million that will commence on the twelfth month from the issue date, with the last installment payment to be made on maturity date. SMIC prepaid the ₱6,999.0 million fixed rate notes on March 7, 2013.

Five-year, Seven-year and Ten-year Retail Bonds
On June 25, 2009, SMIC issued fixed rate bonds, which comprised of 5-year or Series A Bonds and 7-year or Series B Bonds due on June 25, 2014 and June 26, 2016, respectively. The total issuance amounted to ₱8,400.0 million and ₱1,000.0 million for the Series A and Series B Bonds, respectively.

The Series A Bonds have a term of five years and one day from the issue date, with a fixed interest rate equivalent to 8.25% per annum payable semi-annually in arrears starting December 26, 2009. The Series B Bonds have a term of seven years from the issue date, with a fixed interest rate equivalent to 9.10% per annum payable semi-annually in arrears starting December 25, 2009.

Seven-year and Ten-year Retail Bonds
On July 16, 2012, SMIC issued fixed rate bonds, which comprised of 7-year or Series C Bonds and 10-year or Series D Bonds due on July 16, 2019 and July 16, 2022, respectively. The total issuance amounted to ₱5,623.5 million and ₱8,658.8 million for the Series C and Series D Bonds, respectively. On February 27, 2013, a total of ₱600.0 million Series C and ₱600.0 million Series D Bonds were redeemed.

The Series C Bonds have a term of seven years from the issue date, with a fixed interest rate equivalent to 6.00% per annum payable semi-annually in arrears starting January 16, 2013. The Series D Bonds have a term of ten years from the issue date, with a fixed interest rate equivalent to 6.94% per annum payable semi-annually in arrears starting January 16, 2013

Bank Loans Collateralized with Time Deposits
On January 8, 2010, SMIC obtained two five-year term loans amounting to ₱1,500.0 million each. The loans are based on a three-month Philippine Dealing System Treasury-Fixing (PDST-F) rate plus an agreed margin. Interest on these loans is payable quarterly in arrears.

On October 16, 2007, SMIC obtained a five-year term loan amounting to ₱6,000.0 million, which bears interest based on a three-month PDST-F rate plus an agreed margin, payable quarterly in arrears. On October 12, 2011, SMIC paid ₱50.0 million of this loan. The remaining value amounting to ₱5,950.0 million matured on October 16, 2012.

These loans are collateralized by a portion of SMIC's time deposits amounting to US$475.0 million with peso equivalents of ₱19,380.0 million and ₱19,498.8 million as at March 31, 2013 and December 31, 2012, respectively (see Note 6).

Other Peso Bank Loans
This account includes the following:

	March 31, 2013	December 31, 2012	December 31, 2011
		(In Thousands)	
Ten-year term loans	**₱1,550,000**	₱2,050,000	₱2,050,000
Seven-year term loans	**2,000,000**	3,000,000	4,498,500
Five-year term loans	**3,000,000**	3,000,000	3,000,000
	₱6,550,000	₱8,050,000	₱9,548,500

- In January 2008, SMIC obtained two ten-year term loans amounting to ₱1,050.0 million and ₱500.0 million, which bear fixed interest rates of 6.85% and 6.71% per annum, respectively. SMIC prepaid the ₱500.0 million ten-year term loan on January 4, 2013. Outstanding balances of these loan as at March 31, 2013, December 31, 2012 and December 31, 2011 amounted to ₱1,050.0 million, ₱1,550.0 million and ₱1,550.0 million, repectively.

- In April 2008, SMIC obtained seven-year and ten-year term loans amounting to ₱500.0 million each, which bear fixed interest rates of 8.56% and 8.79% per annum, respectively. The seven-year term loan has annual principal repayment of ₱0.5 million that will commence on the twelfth (12th) month from the issue date, with the last installment payment to be made on maturity date. On April 25, 2012, SMIC paid the total outstanding balance of the seven-year term loan amounting to ₱498.5 million. Outstanding balance of the seven-year and ten-year term loans amounted to nil as at March 31, 2013 and ₱500.0 million as at December 31, 2012 and December 31, 2011.

- In March 2008, SMIC obtained a seven-year term loan amounting to ₱1,000.0 million, which bears a fixed interest rate of 7.28% per annum. SMIC prepaid the ₱1,000.0 million seven-year term loan on March 6, 2013.

- The seven-year term loans also include ₱2,000.0 million and ₱1,000.0 million fixed rate loans with interest rates of 6.90% and 6.91%, respectively. It likewise includes ₱2,000.0 million floating rate loan with interest based on 3-month PDST-F plus an agreed margin. The loans will mature in October and November 2014. On January 31, 2011 and November 23, 2012, SMIC prepaid the ₱2,000.0 million and ₱1,000.0 million fixed rate loans respectively. Outstanding balance as at March 31, 2013 and December 31, 2012 amounted to ₱2,000.0 million.

- In February 2009, SMIC obtained a five-year term loan amounting to ₱3,000.0 million which bears a floating interest rate based on a 6-month PDST-F plus margin. Outstanding balance as at March 31, 2013, December 31, 2012 and December 31, 2011 amounted to ₱3,000.0 million.

Subsidiaries

U.S. Dollar-denominated Five-Year Syndicated Loan
This represents a US$200 million unsecured loan obtained on January 29, 2013 by SM Prime. The loan bears an interest rate based on London Inter-Bank Offered Rate (LIBOR) plus spread, with a bullet maturity on January 29, 2018.

US Dollar-denominated Five-year Term Loans
This represents a US$270.0 million unsecured loans obtained on various dates in 2012 and 2011 by SM Prime. The loans bear interest rates based on London Inter-Bank Offered Rate (LIBOR) plus spread, with a bullet maturity on March 21, 2016.

US Dollar-denominated Two-year, Three-year and Five-year Bilateral Loans
The US$75.0 million unsecured loans were obtained by SM Prime in November 2008. The loans bear interest rates based on LIBOR plus spread, with bullet maturities ranging from two to five years. SM Prime prepaid the US$30.0 million (₱1,386.0 million) and the US$20.0 million (₱950.4 million) unsecured loans on November 30, 2010 and June 1, 2009, with original maturity dates of November 28, 2011 and November 19, 2010, respectively. The related unamortized debt issuance costs charged to expense amounted ₱4.0 million in 2010. The remaining balance of US$25.0 million will mature on November 20, 2013.

Other US Dollar-denominated Bank Loans
This consists of the following:

- This represents the US$10 million and US$25 million, out of US$50 million five-year bilateral unsecured loan, obtained by SM Prime on December 7, 2012 and January 15, 2013, respectively. The loan bears interest rate based on LIBOR plus spread, with a bullet maturity on August 30, 2017.

- *US Dollar-denominated Five-year Bilateral Loans*. The US$20.0 million (₱821.0 million) and US$30.0 million (₱1,231.5 million) five-year bilateral unsecured loans were obtained by SM Prime on April 15, 2011 and November 30, 2010, respectively. The loans bear interest rate based on LIBOR plus spread, with bullet maturity on November 30, 2015.

China Yuan Renminbi-denominated Three-year Loan
This represents a three-year loan obtained by SM Prime on March 28, 2011 amounting to ¥187.4 million to finance the construction of shopping malls. Partial drawdown amounting to ¥168.6 million (₱1,111.1 million) was made as at December 31, 2012. The loan has a floating rate with an annual repricing at prevailing rate dictated by Central Bank of China less 5% and will mature on March 27, 2014. The loan bears an interest rate of 6.20% and 6.66% in 2012 and 2011, respectively.

China Yuan Renminbi-denominated Five-year Loan
This consists of the following:

- This represents a five-year loan obtained by SM Prime on August 26, 2009 amounting to ¥350.0 million to finance the construction of shopping malls. The loan is payable in semi-annual installments until 2014. The loan has a floating rate with an annual repricing at prevailing rate dictated by Central Bank of China less 10%. The loan carries an interest rate of 5.76% in 2013 and 2012.

- This represents a five-year loan obtained by SM Prime on August 27, 2010 amounting to ¥150.0 million to finance the construction of shopping malls. Partial drawdown totaling ¥60.9 million was made as at December 31, 2012. The loan is payable in 2015. The loan has a floating rate with an annual re-pricing at prevailing rate dictated by Central Bank of China less 10%. The loan carries an interest rate of 5.76% in 2013 and 2012 (see Note 25).

The China yuan renminbi-denominated loans are secured by investment properties in China (see Note 13).

Philippine Peso-denominated Three-year and Five-year Fixed Rate Notes
This consists of the following:

- On December 27, 2012, SMDC obtained long-term loan amounting to ₱2,000.0 million from a local bank with an interest rate of 4.72%, payable quarterly and will mature on December 23, 2015.

- On April 27, 2012, SMDC issued five-year fixed rate corporate notes amounting to ₱6,313.0 million which will mature on various dates starting April 27, 2013 up to July 27, 2017. The notes have fixed interest rate of 6.01% payable semi-annually.

- On June 1, 2010, SMDC issued a three-year and five-year fixed rate corporate notes amounting to ₱2,000.0 million and ₱8,000.0 million, respectively. The three-year and five-year fixed rate notes bear fixed interest rates of 6.8% and 7.7%, respectively, payable semi-annually and will mature on June 1, 2013 and June 2, 2015, respectively. SMDC has an option to prepay the notes subject to a fixed prepayment penalty. The prepaid amount shall include the outstanding principal obligation, any accrued interest on the notes and the prepayment penalty.

Philippine Peso-denominated Five-year and Ten-year Fixed and Floating Rate Notes
This represents a five-year and ten-year floating and fixed rate notes obtained by SM Prime on June 19, 2012 amounting to ₱3,450.0 million and ₱1,000.0 million for the floating and ₱680.0 million and ₱2,370.0 million for the fixed, respectively. The loans bear an interest rate based on PDST-F plus margin for the floating and 6.22% and 6.81% for the five-year and ten-year fixed, respectively. The loans have bullet maturities in 2017 and 2022, respectively. SM Prime prepaid a portion of fixed rate notes amounting to ₱50 million on March 19, 2013, the related unamortized debt issuance costs charged to expense amounted to ₱0.4 million (see Note 25).

Philippine Peso-denominated Five-year, Seven-year and Ten-year Fixed and Floating Rate Notes
This represents a five-year floating, five-year, seven-year and ten-year fixed rate notes obtained by SM Prime on January 12, 2012 amounting to ₱200.0 million, ₱1,012.0 million, ₱133.0 million, and ₱3,655.0 million, respectively. The loans bear an interest rate based on PDST-F plus margin for the five-year floating and 5.86%, 5.97% and 6.10% for the five-year, seven-year and ten-year fixed, respectively. The loans have bullet maturities in 2017, 2019 and 2022, respectively (see Note 25).

Philippine Peso-denominated Five-year, Seven-year and Ten-year Corporate Notes
This represents a five-year floating and five-year, seven-year and ten-year fixed rate notes obtained by SM Prime amounting to ₱3,000.0 million, ₱1,134.0 million, ₱52.5 million and ₱813.5 million, respectively, out of ₱7,000.0 million facility obtained on December 20, 2010. The remaining ₱2,000.0 million floating rate note was obtained on June 13, 2011. The loans bear an interest rate based on PDST-F plus margin for the five-year floating and 5.79%, 5.89% and 6.65% for the five-year, seven-year and ten-year fixed, respectively. The loans have bullet maturities in 2015, 2017 and 2020, respectively. SM Prime prepaid a portion of fixed rate notes amounting to ₱196 million on March 20, 2013, the related unamortized debt issuance costs charged to expense amounted to ₱2 million(see Note 25).

Philippine Peso-denominated Five-year and Ten-year Corporate Notes

This represents a five-year floating and fixed rate notes and ten-year fixed rate note obtained by SM Prime on April 14, 2009 amounting to ₱200.0 million, ₱3,700.0 million and ₱1,100.0 million, respectively. The loans bear an interest rate based on PDST-F plus margin for the five-year floating and 8.4% and 10.1% for the five-year and ten-year fixed, respectively. The loans have bullet maturities in 2014 and 2019, respectively . SM Prime prepaid the ₱200.0 million and ₱3,700.0 million loans on April 15, 2012, with original maturity date of April 15, 2014. The related unamortized debt issuance costs charged to expense amounted to ₱17.0 million (see Note 25).

Philippine Peso-denominated Five-year Floating Rate Notes

This represents a five-year floating rate notes obtained on March 18, 2011 and June 17, 2011 amounting to ₱4,000.0 million and ₱1,000.0 million, respectively. The loans bear an interest rate based on PDST-F plus margin and will mature on March 19, 2016 and June 18, 2016, respectively (see Note 25).

Philippine Peso-denominated Five-year, Seven-year and Ten-year Fixed Rate Notes

This represents a five-year, seven-year and ten-year fixed rate notes obtained by SM Prime on June 17, 2008 amounting to ₱1,000.0 million, ₱1,200.0 million and ₱800.0 million, respectively. The loans bear fixed interest rates of 9.31%, 9.60% and 9.85%, respectively, and will mature on June 17, 2013, 2015 and 2018, respectively. A portion of the loans amounting to ₱1,000.0 million and ₱1,200.0 million were prepaid on June 17, 2011 and 2012, respectively. The related unamortized debt issuance costs charged to expense amounted to ₱4.0 million and ₱ 5.0 million in 2011 and 2012, respectively (see Notes 25).

Philippine Peso-denominated Five-year Bilateral Loans

This consists of the following:

- Five-year term loan obtained by a subsidiary of SM Prime on October 24, 2011 amounting to ₱500.0 million and will mature on October 24, 2016. The loan carries an interest rate based on PDST-F plus an agreed margin (see Note 25).

Other Bank Loans - Subsidiaries

This account includes the following:

	March 31, 2013	December 31, 2012	December 31, 2011
		(In Thousands)	
Ten-year term loan	**₱1,200,000**	₱1,200,000	₱1,200,000
Five-year term loans	**7,782,190**	7,933,550	8,003,500
	₱8,982,190	₱9,133,550	₱9,203,500

- On August 16, 2006, SM Prime obtained a ten-year bullet fixed rate loan amounting to ₱1,200.0 million which bears a fixed interest rate of 9.75% and will mature on August 16, 2016 (see Note 25).

- The following five-year term loans were obtained by various subsidiaries:

Year Obtained	Maturity	Subsidiary	**March 31, 2013**	December 31, 2012	December 31, 2011	Interest Rate (see Note 30)
			(In Millions)			
2010	2015	SM Prime	**₱2,000.0**	₱2,000.0	₱2,000.0	PDST-F plus an agreed margin
		SM Prime	**880.0**	980.0	990.0	Agreed fixed rate less PDST-F
		SM Land	**222.8**	222.8	225.0	Fixed rate of 6.75%
		Costa	**118.4**	118.8	120.0	Fixed rate of 7.0%
		SM Land	**25.0**	75.0	75.0	PDST-F plus an agreed margin
2009	2014	SM Prime	**3,000.0**	3,000.0	3,000.0	PDST-F plus an agreed margin
		SM Land	**1,386.0**	1,387.0	1,393.5	Fixed rate of 5.69-6.75%
		SM Land	**150.0**	150.0	200.0	PDST-F plus an agreed margin
			₱7,782.2	₱7,933.6	₱8,003.5	

The repricing frequencies of floating rate loans range from three to six months.

A portion of these loans is collateralized by temporary investment and shares of stocks. The carrying values of the collaterals approximate the amounts of the loans (see Note 10)

Repayment Schedule

The repayments of long-term debt are scheduled as follows:

	Gross Loan	Debt Issue Cost	Net
		(In Thousands)	
2013	₱14,696,270	(₱31,408)	₱14,664,862
2014	34,835,203	(109,161)	34,726,042
2015	24,663,581	(82,945)	24,580,636
2016	18,653,500	(210,852)	18,442,648
2017	35,887,281	(372,737)	35,514,544
2018	11,503,968	(216,160)	11,287,808
2019	26,730,614	(257,757)	26,472,857
2020	802,134	(5,554)	796,580
2021	4,117,294	(30,462)	4,086,832
2022	14,433,360	(106,372)	14,326,988
	₱186,323,205	(₱1,423,408)	₱184,899,797

The loan agreements provide certain restrictions and requirements principally with respect to maintenance of required financial ratios and material change in ownership or control. As at March 31, 2013, December 31, 2012 and December 31, 2011, the Group is in compliance with the terms of its loan covenants.

19. **Equity**

Capital Stock

As at March 31, 2013, December 31, 2012 and December 31, 2011, SMIC’s authorized capital stock is composed of 690,000,000 common shares and 10,000,000 redeemable preferred shares with a par value of ₱10.0 a share. There are no issued and subscribed redeemable preferred shares as at March 31, 2013 and December 31, 2012 and 20,000 as at December 31, 2011. SMIC’s issued and subscribed common shares are 625,926,048, 622,974,620 and 612,164,033 as at March 31, 2013, December 31, 2012 and December 31, 2011, respectively.

As at March 31, 2013, the Company is compliant with the minimum public float as required by the PSE.

At various dates in 2013 and 2012, 2,951,428 common shares and 1,710,588 common shares, respectively, were issued as a result of conversion of SMIC's convertible bonds (see Note 18). The excess of conversion price over par value totaling ₱2,276.9 million and ₱758.4 million, respectively, are presented under "Additional paid-in capital" account in the consolidated balance sheets.

On August 24, 2012, SMIC entered into a Placement Agreement with certain shareholders and Macquarie Capital PTE. Limited (the "Placement Agent"), where the selling shareholders shall sell 9.1 million SMIC common shares (the "Sale Shares") at ₱700.00 per share to the Placement Agent, or to investors that the Placement Agent may procure outside the Philippines.

Simultaneously, SMIC entered into a Subscription Agreement with the selling shareholders, where SMIC agreed to issue new SMIC common shares (out of its authorized but unissued capital stock) in an amount equal to the aggregate number of the Sale Shares sold by the Selling Shareholders and the Selling Shareholders agreed to subscribe to the said shares.

The placement and subscription agreements increased "Capital Stock" and "Additional paid-in capital" in the amount of ₱91.0 million and ₱6,238.7 million, respectively.

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

Date of SEC Approval	Authorized Shares	No. of Shares Issued	Issue/Offer Price
March 2005		105,000,000	₱250
November 6, 2007		56,000,000	218
June 14, 2007	100,000,000		10
April 25, 2007		25,023,038	10
October 4, 2010		340,858	453
November 3, 2010		309,387	453
November 25, 2010		309,386	453
August 17, 2011		10,668	453
September 26, 2011		170,696	453
January 2, 2012		21,337	453
January 10, 2012		16,002	453
January 11, 2012		298,718	453
January 26, 2012		90,682	453
February 3, 2012		679,584	453
February 8, 2012		279,515	453
March 8, 2012		250,070	453
March 12, 2012		10,668	453
March 13, 2012		64,011	453
September 24, 2012		9,100,000	700
January 23, 2013		10,931	781
January 24, 2013		32,793	781
February 20, 2013		688,668	781
February 25, 2013		87,450	781
February 28, 2013		109,312	781
March 4, 2013		76,518	781

Date of SEC Approval	Authorized Shares	No. of Shares Issued	Issue/Offer Price
March 6, 2013		54,656	781
March 8, 2013		109,312	781
March 12, 2013		349,797	781
March 14, 2013		459,113	781
March 15, 2013		109,312	781
March 18, 2013		163,968	781
March 19, 2013		218,625	781
March 20, 2013		153,037	781
March 22, 2013		120,243	781
March 25, 2013		207,693	781

The Parent Company declared stock dividends in 2007. The total number of shareholders of the Parent Company is 1,251, 1,263 and 1,304 as at March 31, 2013, December 31, 2012 and December 31, 2011, respectively.

Cost of Parent Common Shares Held by Subsidiaries
Certain subsidiaries hold common shares of the Parent Company. This is presented as "Cost of Parent common shares held by subsidiaries" and is treated as a reduction in equity as shown in the consolidated balance sheets and consolidated statements of changes in equity.

The cost of common shares held by subsidiaries at March 31, 2013 and December 31, 2012 amounting to ₱125.9 million pertains to 390,491 shares with an average cost of ₱322.4 per share. The cost of common shares held by subsidiaries as at December 31, 2011 amounting to ₱263.2 million pertains to 820,491 shares with an average cost of ₱320.8 per share.

In various dates in 2012, SM Land and MRDC disposed a total of 430,000 Parent common shares at a total selling price of ₱323.9 million. The disposal resulted in a total gain of ₱184.5 million where the portion of the gain pertaining to the interest of the Parent Company and Non-controlling interest is recognized under "Additional paid-in capital" and "Non-controlling interests" account, respectively, in the consolidated balance sheets.

Additional Paid-in Capital
The movements in "Additional paid-in capital" account in the consolidated balance sheets are as follows:

	March 31, 2013	December 31, 2012	December 31, 2011
		(In Thousands)	
Balance at beginning of year	**₱42,858,920**	₱35,536,615	₱35,456,200
Adjustments from additional issuance of shares	**2,928,692**	7,216,451	80,415
Gain on sale of Parent common shares held by subsidiaries	–	105,854	–
Balance at end of year	**₱45,787,612**	₱42,858,920	₱35,536,615

Equity adjustments from business combination under common control
Equity adjustments from business combination under common control mainly pertains to the acquisitions of the various SM China Companies by SM Prime in 2007 and various service companies by SM Retail in 2009. These acquisitions were considered as business reorganizations of companies under common control. Thus, the acquisitions were accounted for similar to pooling of interest method.

Retained Earnings
On December 14, 2012, the BOD approved the appropriation of ₱30,000.0 million retained earnings. As at March 31, 2013 and December 31, 2012, the total appropriated retained earnings is ₱35,000.0 million.

Projects	Timeline	**March 31, 2013**	December 31, 2012
		(In Thousands)	
Hotel projects	2013–2015	**₱8,000,000**	₱8,000,000
Commercial buildings	2012–2016	**10,000,000**	10,000,000
Acquisition of investments	2012–2013	**17,000,000**	17,000,000
		₱35,000,000	₱35,000,000

On April 25, 2013, the BOD approved the declaration of cash dividends of 118.0% of the par value or ₱11.80 per share for a total amount of ₱7,402.0 million in favor of stockholders on record as at May 24, 2013. This will be paid on June 20, 2013.

On April 26, 2012, the BOD approved the declaration of cash dividends of 104.0% of the par value or ₱10.40 per share for a total amount of ₱6,383.6 million in favor of stockholders on record as at May 22, 2012. This was paid on June 21, 2012.

The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries and associates amounting to ₱102,222.3 million, ₱94,833.6 million and ₱106,520.2 million as at March 31, 2013, December 31, 2012 and December 31, 2011, respectively. The amount is not available for dividends distribution until such time that the Parent Company receives the dividends from the respective subsidiaries and associates.

20. **Related Party Transactions**

Terms and Conditions of Transactions with Related Parties
For the periods ended March 31, 2013 and December 31, 2012, the Group did not make any provision for doubtful accounts relating to amounts owed by related parties. An assessment is undertaken at each financial year-end by examining the financial position of the related party and the market in which the related party operates. There have been no guarantees provided or received for any related party receivables or payables. Related parties under common stockholders refer to an entity, that is neither a parent, subsidiary, nor an associate, with stockholders common to the SM Group or under common control.

Parties are considered to be related if one party has the ability, directly and indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

Rent
The Group have existing lease agreements for office and commercial spaces with related companies (retail entities under common stockholder, banking group and other related parties under common stockholder).

Management and Service Fees
The Group pays management fees to Shopping Center Management Corporation, Leisure Center, Inc., West Avenue Theaters Corporation and Family Entertainment Center, Inc. (related parties under common sotckholder) for the management of the office and mall premises. The Group also provides manpower and other services to related parties under common stockholder.

SMIC and SM Retail also receive management and service fees from retail entities under common stockholder for management, consultancy, manpower and other services.

Dividend Income
The Group has investment in certain related parties under common stockholder classified as AFS equity instruments. The Group earn income from these investments upon the declaration of dividends by the investees.

Cash Placements and Loans
The Group has certain bank accounts and cash placements that are maintained with BDO and China Bank (Bank Associates). Such accounts earn interest based on prevailing market interest rates (see Notes 5 and 6).

The Group also availed of bank loans and long-term debt from BDO and China Bank and pays interest based on prevailing market interest rates (see Notes 16 and 18).

Others
The Group, in the normal course of business, has outstanding receivables from and payables to related companies as at reporting period which are unsecured and normally settled in cash.

The consolidated balance sheets and statements of income include the following amounts resulting from the above transactions with related parties as at March 31, 2013 and 2012 and December 31, 2012:

Category	Year	Amount/Volume	Outstanding balance	Terms	Condition
		(In Thousands)			
Bank Associates					
Cash placement and investment in debt securities	**March 31, 2013**	**(₱12,992,616)**	**₱101,021,632**	Interest bearing	Unsecured; no
	December 31, 2012	₱54,171,200	₱114,014,248	0.5% to 6.55%	impairment
Interest income	**March 31, 2013**	**885,718**	**564,787**	Interest bearing	Unsecured; no
	December 31, 2012	1,027,310	1,011,987	4.9% to 6.47%	impairment
Loans	**March 31, 2013**	**2,668,978**	**34,690,622**	Interest-bearing	Unsecured; no
	December 31, 2012	(5,175,006)	32,021,644	3.25% to 8.79%	impairment
Interest expense	**March 31, 2013**	**194,801**	**56,806**	Interest-bearing	Unsecured; no
	December 31, 2012	326,032	286,719	3.25% to 8.79%	Impairment
Rent income	**March 31, 2013**	**1,109,103**	**4,300**	Noninterest bearing	Unsecured; no
	December 31, 2012	730,336	2,547		impairment
Retail Entities under Common Stockholders					
Rent income	**March 31, 2013**	**1,056,243**	**1,676,933**	Noninterest bearing	Unsecured; no
	December 31, 2012	723,808	1,516,066		impairment
Management fee income	**March 31, 2013**	**150,817**	**42,246**	Noninterest bearing	Unsecured; no
	December 31, 2012	144,959	154,172		impairment
Management fee expense	**March 31, 2013**	**231,920**	**99,883**	Noninterest bearing	Unsecured; no
	December 31, 2012	221,418	2,020		impairment
Dividend income	**March 31, 2013**	–	**81,456**	Noninterest bearing	Unsecured; no
	December 31, 2012	280,000	292,917		impairment
Service income	**March 31, 2013**	**138,213**	**38,914**	Noninterest bearing	Unsecured; no
	December 31, 2012	126,628	49,098		impairment
Due from related parties	**March 31, 2013**	**(720,612)**	**1,692,559**	Noninterest bearing	Unsecured; no
	December 31, 2012	1,040,720	2,413,171		impairment
Due to related parties	**March 31, 2013**	**(479,802)**	**2,785,213**	Noninterest bearing	Unsecured; no
	December 31, 2012	530,600	3,265,015		impairment

Category	Year	Amount/Volume	Outstanding balance	Terms	Condition
			(In Thousands)		
Other Related Parties					
Receivable under common Stockholders	**March 31, 2013**	**–**	**52,800**	Interest-bearing	Unsecured; no impairment
	December 31, 2012	(7,259,307)	52,800	Fixed at 4.5% in 2013 and 2012 and 7.0% in 2011	
Receivable for project development	**March 31, 2013**	**585,583**	**3,711,816**	Noninterest-bearing	Unsecured; no impairment
	December 31, 2012	2,004,668	3,126,233		

21. **Cost of Sales**

This account consists of:

	March 31, 2013	March 31, 2012
	(In Thousands)	
Merchandise inventories at beginning of year	**₱13,402,762**	**₱13,436,456**
Purchases	**26,466,535**	25,993,026
Total goods available for sale	**39,869,297**	39,429,482
Less merchandise inventories at end of year	**13,225,356**	13,820,682
	₱26,643,941	₱25,608,800

22. **Income tax**

The deferred tax assets of ₱937.2 million, ₱642.1 million and ₱694.6 million as at as at March 31, 2013, December 31, 2012 and December 31, 2011, respectively, represent the tax effects of defined benefit liability, unamortized past service cost, unrealized foreign exchange loss and others, accrued leases, MCIT, unrealized marked-to-market loss on investments, deferred income on sale of real estate and NOLCO.

The deferred tax liabilities of ₱4,955.9 million, ₱4,605.7 million and ₱4,601.3 million as at March 31, 2013, December 31, 2012 and December 31, 2011, respectively, consist of the tax effects of trademarks and brand names, capitalized interest, unrealized foreign exchange gain, unrealized gross profit on sale of real estate, accrued/deferred rent income, unrealized marked-to-market gain on investments, and Unamortized past service cost and defined benefit asset. The disproportionate relationship between income before income tax and the provision for income tax is due to various factors such as interest income already subjected to final tax, non-deductible interest expense, equity in net earnings of associates, and dividend income exempt from tax.

The Group's consolidated deferred tax assets as at March 31, 2013, December 31, 2012, and December 31, 2011 have been reduced to the extent that part or all of the deferred tax assets may no longer be utilized in the future.

23. **Lease Agreements**

The lease agreements of SM Prime and its subsidiaries with their tenants are generally granted for a term of one year, with the exception of some of the larger tenants operating nationally, which are granted initial lease terms of five years, renewable on an annual basis thereafter. Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits. Tenants likewise pay either a fixed monthly rent, which is calculated by reference to a fixed sum per square meter of area leased, or pay rent on a percentage rental basis, which comprises of a basic monthly amount and a percentage of gross sales or a minimum set amount, whichever is higher.

The Parent Company's lease agreements with its tenants are generally granted for a term of one to twenty-five years. Tenants likewise pay a fixed monthly rent which is calculated by reference to a fixed sum per square meter of area leased except for few tenants, which pay either a fixed monthly rent or a percentage of gross sales, whichever is higher.

Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits. Tenants' deposits amounted to ₱13,369.9 million and ₱11,691.8 million as at March 31, 2013 and December 31, 2012, respectively.

The minimum lease receivables under the noncancellable operating leases of the Parent Company as at March 31, 2013 and December 31, 2012 are as follows:

	March 31, 2013	December 31, 2012	December 31, 2011
		(In Thousands)	
Within one year	**₱675,471**	₱738,122	₱763,355
After one year but not more than five years	**2,174,145**	2,230,084	1,937,989
After five years	**5,420,828**	5,512,218	4,180,161
Balance at end of year	**₱8,270,444**	₱8,480,424	₱6,881,505

SM Prime and its subsidiaries also lease certain parcels of land where some of their malls are situated or constructed. The terms of the lease are for periods ranging from 15 to 50 years, renewable for the same period under the same terms and conditions. Rental payments are generally computed based on a certain percentage of the gross rental income or a certain fixed amount, whichever is higher.

The minimum lease payables under the noncancellable operating leases of SM Prime as at March 31, 2013 and December 31, 2012 are as follows:

	March 31, 2013	December 31, 2012	December 31, 2011
		(In Thousands)	
Within one year	**₱428,496**	₱427,541	₱425,473
After one year but not more than five years	**1,820,927**	1,809,929	1,767,203
After five years	**20,912,079**	21,041,694	21,511,962
Balance at end of year	**₱23,161,502**	₱23,279,164	₱23,704,638

24. **Financial Risk Management Objectives and Policies**

The Group's principal financial instruments, other than derivatives, comprise of bank loans, long-term debt, AFS investments, investments held for trading, time deposits and short-term investments and cash and cash equivalents. The main purpose of these financial instruments is to finance the Group's operations. The Group has other financial assets and liabilities such as receivables and accounts payable and other current liabilities, which arise directly from its operations.

The Group also enters into derivative transactions, principally, cross currency swaps, interest rate swaps, foreign currency call options, non-deliverable forwards and foreign currency range options. The purpose is to manage the interest rate and foreign currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and equity price risk. The BOD reviews and agrees policies for managing each of these risks and they are summarized in the following tables. The Group's accounting policies in relation to derivatives are set out in Note 3.

Interest Rate Risk

The following tables set out the carrying amount, by maturity, of the Group's long-term financial liabilities that are exposed to interest rate risk as at March 31, 2013, December 31, 2012 and December 31, 2011:

	March 31, 2013							
	Below 1 Year	1-2 Years	2-3 Years	3-5 Years	Over 5 Years	Total	Debt Issue Cost	Carrying Amount
				(In Thousands)				
Fixed Rate								
Foreign Currency Loans:								
US$400 million fixed rate bonds	$–	$–	$–	$381,644	$–	₱ 15,571,067	(₱121,431)	₱15,449,636
Interest rate	–	–	–	5.50%	–			
US$500 million fixed rate bonds	–	379,156	–	–	–	15,469,565	(76,831)	15,392,734
Interest rate	–	6.00%	–	–	–			
US$350 million fixed rate bonds	245,623	–	–	–	–	10,021,418	(9,310)	10,012,108
Interest rate	6.75%	–	–	–	–			
US$250 million convertible bonds	–	–	181,314	–	–	7,397,628	(134,813)	7,262,815
Interest rate	–	–	1.63%	–	–			
US$500 million Senior bonds	–	–	–	–	500,000	20,400,000	(206,995)	20,193,005
Interest rate	–	–	–	–	4.25%			
Peso Loans:								
Three-year, five-year, seven-year and ten-year fixed rate notes	₱2,078,000	₱ 30,000	₱10,078,000	₱8,041,587	₱6,631,100	26,858,687	(148,846)	26,709,841
Interest rate	5.86%-6.81%	5.86%-6.81%	5.86%-7.73%	5.86%-6.81%	5.86%-9.85%			
Five-year and seven-year retail bonds	–	8,400,000	–	1,000,000	–	9,400,000	(27,162)	9,372,838
Interest rate	–	8.25%	–	9.10%	–			
Seven-year and Ten-year retail bonds	–	–	–	–	13,082,270	13,082,270	(104,808)	12,977,462
Interest rate	–	–	–	–	6.00%-6.94%			
Five-year and ten-year corporate notes	–	–	–	–	1,100,000	1,100,000	(7,624)	1,092,376
Interest rate	–		–	–	10.11%			
Seven-year and ten-year corporate notes	5,000	5,000	5,000	10,000	4,970,000	4,995,000	(36,572)	4,958,428
Interest rate	5.75%-6.63%	5.75%-6.63%	5.75%-6.63%	5.75%-6.63%	5.75%-6.63%			
Five-year, seven-year and ten-year corporate notes	18,000	18,000	968,000	16,000	744,000	1,764,000	(9,302)	1,754,698
Interest rate	5.79%-6.65%	5.79%-6.65%	5.79%-6.65%	5.89%-6.65%	6.65%			
Other bank loans	8,750	1,379,500	338,900	1,200,000	1,550,000	4,477,150	(9,322)	4,467,828
Interest rate	6.75%	5.69%-6.75%	3.6%-7.28%	9.75%	6.71%-8.79%			
Variable Rate								
Foreign Currency Loans:								
US$ five-year term loans	$–	$–	$–	$280,000	$–	11,424,000	(204,844)	11,219,156
Interest rate	–	–	–	LIBOR+margin %	–			
China Yuan renminbi loans	**¥203,906**	**¥210,000**	**¥60,900**	¥–	¥–	3,119,380	–	3,119,380

(Forward)

	March 31, 2013							
	Below 1 Year	**1-2 Years**	**2-3 Years**	**3-5 Years**	**Over 5 Years**	**Total**	**Debt Issue Cost**	**Carrying Amount**
				(In Thousands)				
Interest rate	5.76%-6.20%	5.76%-6.20%	5.76%		–			
US$ bilateral loans	$25,000	$–	$–	$–	$–	₱1,020,000	(3,534)	₱ 1,016,466
Interest rate	LIBOR+marg in %	–	$–	–	–			
Other bank loans	$–	$–	$50,000	$225,000	$–	11,220,000	(214,536)	11,005,464
Interest rate	–	–	LIBOR+marg in %	LIBOR+marg in %	–			
Peso Loans:								
Peso loans collateralized with time deposits	–	3,000,000	–	–	–	3,000,000	(5,870)	2,994,130
Interest rate	–	PDST-F+margin%	–	–	–			
Five-year, seven-year and ten-year corporate notes	30,000	30,000	2,880,000	–	–	2,940,000	(23,256)	2,916,744
Interest rate	PDST-F+margin%	–	PDST-F+margin%	–	–			
Five-year floating rate loan	96,500	44,500	96,500	8,360,500	950,000	9,548,000	(60,581)	9,487,419
Interest rate	PDST-F+margin%	PDST-F+margin%	PDST-F+margin%	PDST-F+margin%	PDST-F+margin%			
Five-year bilateral loans	–	–	–	500,000	–	500,000	(1,898)	498,102
Interest rate	–	–	–	PDST-F+margin%	–			
Other bank loans	3,078,980	5,079,980	4,857,080	–	–	13,015,040	(15,873)	12,999,167
Interest rate	PDST-F+margin%	PDST-F+margin%	PDST-F+margin%	PDST-F+margin%	–			
						₱186,323,205	(₱1,423,408)	₱ 184,899,797

	December 31, 2012							
	Below 1 Year	1-2 Years	2-3 Years	3-5 Years	Over 5 Years	Total	Debt Issue Cost	Carrying Amount
	(In Thousands)							
Fixed Rate								
Foreign Currency Loans:								
US$400 million fixed rate bonds	$–	$–	$–	$381,042	$–	₱15,641,760	(₱127,984)	₱15,513,776
Interest rate	–	–	–	5.50%	–			
US$500 million fixed rate bonds	–	379,156	–	–	–	15,564,354	(89,610)	15,474,744
Interest rate	–	6.00%	–	–	–			
US$350 million fixed rate bonds	245,623	–	–	–	–	10,082,824	(17,119)	10,065,705
Interest rate	6.75%	–	–	–	–			
US$250 million convertible bonds	–	–	229,173	–	–	9,407,559	(183,247)	9,224,312
Interest rate	–	–	1.63%	–	–			
US$500 million Senior bonds	–	–	–	–	500,000	20,525,000	(215,069)	20,309,931
Interest rate	–	–	–	–	4.25%			
Peso Loans:								
Three-year, five-year, seven-year and ten-year fixed rate notes	₱2,078,500	₱78,500	₱10,078,500	₱8,077,400	₱6,650,100	26,963,000	(144,816)	26,818,184
Interest rate	5.86%-6.81%	5.86%-6.81%	5.86%-7.73%	5.86%-6.81%	5.86%-9.85%			
Five-year and seven-year retail bonds	–	8,400,000	–	1,000,000	–	9,400,000	(32,108)	9,367,892
Interest rate	–	8.25%	–	9.10%	–			
Seven-year and Ten-year retail bonds	–	–	–	–	14,282,270	14,282,270	(118,549)	14,163,721
Interest rate	–	–	–	–	6.00%-6.94%			
Five-year fixed rate notes	1,000	1,000	1,000	6,696,043	–	6,699,043	(36,984)	6,662,059
Interest rate	6.17%	6.17%	6.17%–	6.17%	–			
Five-year and ten-year corporate notes	–	–	–	–	1,100,000	1,100,000	(7,849)	1,092,151
Interest rate	–		–	–	10.11%			
Seven-year and ten-year corporate notes	5,000	5,000	5,000	10,000	4,970,000	4,995,000	(37,757)	4,957,243
Interest rate	5.75%-6.63%	5.75%-6.63%	5.75%-6.63%	5.75%-6.63%	5.75%-6.63%			
Five-year, seven-year and ten-year corporate notes	20,000	20,000	1,097,300	66,145	756,555	1,960,000	(10,332)	1,949,668
Interest rate	5.79%-6.65%	5.79%-6.65%	5.79%-6.65%	5.89%-6.65%	6.65%			
Other bank loans	8,750	1,380,500	1,339,300	1,200,000	2,050,000	5,978,550	(13,070)	5,965,480
Interest rate	6.75%	5.69%-6.75%	3.6%-7.28%	9.75%	6.71%-8.79%			
Variable Rate								
Foreign Currency Loans:								
US$ five-year term loans	$–	$–	$–	$280,000	$–	11,494,000	(195,854)	11,298,146
Interest rate	–	–	–	LIBOR+ margin %	–			

	December 31, 2012							
	Below 1 Year	1-2 Years	2-3 Years	3-5 Years	Over 5 Years	Total	Debt Issue Cost	Carrying Amount
				(In Thousands)				
China Yuan renminbi loans	¥77,476	¥375,168	¥60,900	¥–	¥–	3,383,486	–	3,383,486
Interest rate	5.76%-6.20%	5.76%-6.20%	5.76%		–			
US$ bilateral loans	$25,000	$–	$–	$–	$–	₱1,026,250	(₱5,008)	₱1,021,242
Interest rate	LIBOR+margin %	–	$–	–	–			
Other bank loans	$–	$–	$50,000	$–	$–	2,052,500	(15,572)	2,036,928
Interest rate	–	–	LIBOR+margin %	–	–			
Peso Loans:								
Peso loans collateralized with time deposits	–	–	3,000,000	–	–	3,000,000	(6,635)	2,993,365
Interest rate	–	–	PDST-F+margin%	–	–			
Five-year, seven-year and ten-year corporate notes	30,000	30,000	2,880,000	–	–	2,940,000	(25,829)	2,914,171
Interest rate	PDST-F+margin%	–	PDST-F+margin%	–	–			
Five-year floating rate loan	96,500	96,500	96,500	8,360,500	950,000	9,600,000	(64,382)	9,535,618
Interest rate	PDST-F+margin%	PDST-F+margin%	PDST-F+margin%	PDST-F+margin%	PDST-F+margin%			
Five-year bilateral loans	–	–	–	500,000	–	500,000	(2,009)	497,991
Interest rate	–	–	–	PDST-F+margin%	–			
Other bank loans	30,000	5,180,000	4,955,000	3,000,000	–	13,165,000	(18,384)	13,146,616
Interest rate	PDST-F+margin%	PDST-F+margin%	PDST-F+margin%	PDST-F+margin%	–			
						₱189,760,596	(₱1,368,167)	₱188,392,429

	December 31, 2011							
	Below 1 Year	1-2 Years	2-3 Years	3-5 Years	Over 5 Years	Total	Debt Issue Cost	Carrying Amount
				(In Thousands)				
Fixed Rate								
Foreign Currency Loans:								
US$400 million fixed rate bonds	$–	$–	$–	$–	$378,649	₱16,599,952	(₱160,739)	₱16,439,213
Interest rate	–	–	–	–	5.50%			
US$500 million fixed rate bonds	–	–	379,156	–	–	16,622,199	(146,602)	16,475,597
Interest rate	–	–	6.00%	–	–			
US$350 million fixed rate bonds	–	245,623	–	–	–	10,768,112	(49,831)	10,718,281
Interest rate	–	6.75%	–	–	–			
Peso Loans:								
Three-year, five-year, seven-year and ten-year fixed rate notes	₱990	₱2,000,990	₱990	₱9,194,060	₱800,000	11,997,030	(67,129)	11,929,901
Interest rate	9.60%	6.76%	9.60%	7.73%-9.60%	9.85%			
Five-year and seven-year retail bonds	–	–	8,400,000	1,000,000	–	9,400,000	(47,421)	9,352,579
Interest rate	–	–	8.25%	9.10%	–			
Five-year fixed rate notes	–	–	–	6,700,000	–	6,700,000	(49,708)	6,650,292
Interest rate	–	–	–	6.16%	–			
Five-year and ten-year corporate notes	5,550	–	5,550	2,978,850	1,100,000	4,089,950	(23,804)	4,066,146
Interest rate	8.4%	–	8.4%	8.4%	10.11%			
Seven-year and ten-year corporate notes	–	–	–	–	5,000,000	5,000,000	(42,578)	4,957,422
Interest rate	–	–	–	–	5.75%-6.63%			
Five-year, seven-year and ten-year corporate notes	20,000	20,000	20,000	1,105,960	814,040	1,980,000	(16,074)	1,963,926
Interest rate	5.79%-6.65%	–	5.79%-6.65%	5.79%-6.65%	5.79%-6.65%			
Other bank loans	500	500	–	4,236,000	3,250,000	7,487,000	(19,660)	7,467,340
Interest rate	8.57%	8.57%	–	7%-8.57%	6.71%-9.75%			

(Forward)

	December 31, 2011							
	Below 1 Year	1-2 Years	2-3 Years	3-5 Years	Over 5 Years	Total	Debt Issue Cost	Carrying Amount
	(In Thousands)							
Variable Rate								
Foreign Currency Loans:								
US$ five-year term loans	$–	$–	$–	$145,000	$–	6,356,800	(255,267)	6,101,533
Interest rate	–	–	–	LIBOR+margin %	–			
China Yuan renminbi loans	¥40,000	¥–	¥501,382	¥60,900	¥–	4,176,648	–	4,176,648
Interest rate	5.32%-6.65%	–	5.32%-6.65%	5.32%-6.65%	–			
US$ bilateral loans	$–	$–	$25,000	$–	$–	1,096,000	(11,071)	1,084,929
Interest rate	–	–	LIBOR+margin %	–	–			
US$300 million convertible bonds	22,346	–	–	–	–	979,645	(8,256)	971,389
Interest rate	6.65%	–	–	–	–			
Other bank loans	$–	$20,000	$–	$50,000	$–	₱3,068,800	(₱38,021)	₱3,030,779
Interest rate	–	LIBOR+margin %	–	LIBOR+margin %	–			
Peso Loans:								
Peso loans collateralized with time deposits	₱5,950,000	₱–	₱–	₱3,000,000	₱–	8,950,000	(15,070)	8,934,930
Interest rate	PDST-F+margin%	–	–	PDST-F+margin%	–			
Five-year, seven-year and ten-year corporate notes	50,000	50,000	50,000	4,800,000	–	4,950,000	(29,755)	4,920,245
Interest rate	PDST-F+margin%	–	PDST-F+margin%	PDST-F+margin%	–			
Five-year floating rate loan	50,000	–	50,000	100,000	4,800,000	5,000,000	(37,587)	4,962,413
Interest rate	PDST-F+margin%	–	PDST-F+margin%	PDST-F+margin%	PDST-F+margin%			
Redeemable preferred shares - Series 2	200,000	–	–	–	–	200,000	(131)	199,869
Interest rate	PDST-F+margin%	–	–	–	–			
Corporate notes	300	–	300	198,800	–	199,400	(653)	198,747
Interest rate	PDST-F+margin%	–	PDST-F+margin%	PDST-F+margin%	–			
Five-year bilateral loans	46,875	–	–	–	500,000	546,875	(2,584)	544,291
Interest rate	PDST-F+margin%	–	–	–	PDST-F+margin%			
Other bank loans	10,000	–	5,010,000	6,245,000	–	11,265,000	(26,490)	11,238,510
Interest rate	PDST-F+margin%	–	PDST-F+margin%	PDST-F+margin%	–			
						₱137,433,411	(₱1,048,431)	₱136,384,980

Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk.

Repricing of floating rate financial instruments is mostly done at intervals of three months or six months.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group's guideline is to keep between 50% to 60% of its borrowings at fixed interest rates. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional amount. These swaps economically hedge the underlying debt obligations. As at March 31, 2013, December 31, 2012 and 2011, after taking into account the effect of interest rate swaps, approximately 62%, 64% and 56%, respectively, of the Group's borrowings are kept at a fixed rate of interest, considering market conditions.

Foreign Currency Risk

The Group's exposure to foreign currency risk arises as the Parent Company and SM Prime have significant investments and debt issuances which are denominated in U.S. dollars. To manage its foreign exchange risk, stabilize cash flows and improve investment and cash flow planning, the Group enters into foreign currency swap contracts, foreign currency call options, non-deliverable forwards and foreign currency range options with the aim of reducing and/or managing the adverse impact of changes in foreign exchange rates on financial performance and cash flows.

The Group's foreign currency-denominated monetary assets and liabilities amounted to ₱78,562.0 million (US$1,925.5 million) and ₱248,801.8 million (US$6,098.1 million), respectively, as at March 31, 2013, ₱71,946.4 million (US$1,752.7 million) and ₱88,508.4 (US$2,156.1 million), respectively, as at December 31, 2012, and ₱54,978.9 million (US$1,254.1 million) and ₱59,880.2 (US$1,365.9 million), respectively, as at December 31, 2011.

As at March 31, 2013, December 31, 2012 and December 31, 2011, approximately 44.1%, 39.5%, and 36.4%, respectively, of the Group's total consolidated bank loans and long-term debt were denominated in US Dollars. Thus, appreciation of the Philippine peso against the US Dollar will decrease both the principal amount of the foreign currency-denominated debt and interest expense on the Group's debt in Philippine peso terms.

In translating the foreign currency-denominated monetary assets and liabilities to peso amounts, the exchange rate used were ₱40.8 to US$1.00, ₱41.05 to US$1.00, and ₱41.05 to US$1.00, the Philippine peso to U.S. dollar exchange rates as of March 31, 2013, December 31, 2012, and December 31, 2011, respectively.

Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments.

The Group seeks to manage its liquidity profile to be able to finance capital expenditures and service maturing debts. To cover its financing requirements, the Group intends to use internally generated funds and proceeds from debt and equity issues and sales of certain assets.

As part of its liquidity risk management program, the Group regularly evaluates its projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives. These initiatives may include bank loans, export credit agency-guaranteed facilities and debt capital and equity market issues.

The Group's financial assets, which have maturities of less than 12 months and used to meet its short-term liquidity needs, include cash and cash equivalents, current portion of time deposits and short-term investments, investments held for trading and current portion of AFS investments-bonds and corporate notes amounting to ₱49,022.0 million, ₱27,652.5 million, ₱457.3 million and ₱1,733.0 million, respectively, as at March 31, 2013, ₱60,714.2 million, ₱29,090.3 million, ₱ 459.3 million and ₱1,734.0 million, respectively, as at December 31, 2012 and ₱56,050.3 million, ₱879.4 million, ₱457.5 million and ₱1,000.0 million, respectively, as at December 31, 2011 (see Notes 5, 6 and 7). The Group also has readily available credit facility with banks and related parties to meet its long-term financial liabilities.

The tables below summarize the maturity profile of the Group's financial liabilities as at December 31, 2012 and 2011 based on the contractual undiscounted payments:

			March 31, 2013		
	On Demand	**Less than 1 Year**	**2 to 5 Years**	**More than 5 Years**	**Total**
			(In Thousands)		
Bank loans	**₱–**	**₱28,231,837**	**₱–**	**₱–**	**₱28,231,837**
Accounts payable and other current liabilities*	**–**	**46,347,129**	**–**	**–**	**46,347,129**
Long-term debt (including current portion)	**–**	**15,606,354**	**135,669,228**	**68,129,930**	**219,405,512**
Derivative liabilities:**					
Interest rate swaps	**–**	**–**	**236,997**	**–**	**236,997**
Multiple derivatives on convertible bonds	**–**	**2,815,672**	**–**	**–**	**2,815,672**
Dividends payable	**–**	**398,360**	**–**	**–**	**398,360**
Tenants' deposits	**–**	**139,941**	**12,878,561**	**59,402**	**13,077,904**
	₱–	**₱93,539,293**	**₱148,784,786**	**₱68,189,332**	**₱310,513,411**

			December 31, 2012		
	On Demand	Less than 1 Year	2 to 5 Years	More than 5 Years	Total
			(In Thousands)		
Bank loans	₱–	₱33,146,253	₱–	₱–	₱33,146,253
Accounts payable and other current liabilities*	–	55,531,106	–	–	55,531,106
Long-term debt (including current portion)	–	16,077,517	144,860,929	69,106,024	230,044,470
Derivative liabilities:**					
Non-deliverable forward	–	18,501	–	–	18,501
Interest rate swaps	–	–	244,330	–	244,330
Foreign currency exchange swap	–	2,020	–	–	2,020
Multiple derivatives on convertible bonds	–	2,473,130	–	–	2,473,130
Dividends payable	–	97,282	–	–	97,282
Tenants' deposits	–	146,360	11,123,172	77,786	11,347,318
	₱–	₱107,492,169	₱156,228,431	₱69,183,810	₱332,904,410

	December 31, 2011				
	On Demand	Less than 1 Year	2 to 5 Years	More than 5 Years	Total
			(In Thousands)		
Bank loans	₱–	₱25,947,425	₱–	₱–	₱25,947,425
Accounts payable and other current liabilities*	–	43,323,757	–	–	43,323,757
Long-term debt (including current portion)	–	10,010,330	120,904,570	36,026,066	166,940,966
Derivative liabilities:**					
Non-deliverable forwards	–	–	43,842	–	43,842
Interest rate swaps	–	–	237,980	–	237,980
Multiple derivatives on convertible bonds	–	80,380	–	–	80,380
Dividends payable	–	25,696	–	–	25,696
Tenants' deposits	–	290,923	13,459,693	–	13,750,616
	₱–	₱79,678,511	₱134,646,085	₱36,026,066	₱250,350,662

* *Excluding payable to government agencies of ₱2,946.1 million, ₱2,334.8 million, and ₱1,426.2 million at March 31, 2013, December 31, 2012 and December 31, 2011, respectively, the amounts of which are not considered as financial liabilities.*
***Based on estimated future cash flows.*

Credit Risk

The Group trades only with recognized, creditworthy related and third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on a regular basis which aims to reduce the Group's exposure to bad debts at a minimum level. Given the Group's diverse base of customers, it is not exposed to large concentrations of credit risk.

With respect to credit risk arising from the other financial assets of the Group, which comprise of cash and cash equivalents, time deposits and short-term investments, investments held for trading, AFS investments and certain derivative instruments, 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, without considering the effects of collateral.

Since the Group trades only with recognized related and third parties, there is no requirement for collateral.

Receivable from sale of real estate has minimal credit risk and is effectively collateralized by respective unit sold since title to the real estate properties are not transferred to the buyers until full payment is made.

As at March 31, 2013 and December 31, 2012, the financial assets, except for certain receivables and AFS investments, are generally viewed by management as good and collectible considering the credit history of the counterparties. Past due or impaired financial assets are very minimal in relation to the Group's total financial assets.

Credit Quality of Financial Assets

The credit quality of financial assets is managed by the Group using high quality and standard quality as internal credit ratings.

High Quality. Pertains to counterparty who is not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions, companies and government agencies.

Standard Quality. Other financial assets not belonging to high quality financial assets are included in this category.

As at March 31, 2013, December 31, 2012 and December 31, 2011, the credit analyses of the Group's financial assets that are neither past due nor impaired are as follows:

	March 31, 2013		
	High Quality	**Standard Quality**	**Total**
		(In Thousands)	
Cash and cash equivalents (excluding cash on hand)	**₱48,157,939**	**₱–**	**₱48,157,939**
Time deposits and short-term investments (including noncurrent portion)	**56,906,074**	–	**56,906,074**
Investments held for trading - Bonds	**457,335**	–	**457,335**
AFS investments	**18,837,392**	**4,848**	**18,842,240**
Receivables - net (including noncurrent portion of receivables from real estate buyers)	**30,122,946**	**4,089,255**	**34,212,201**
Advances and other receivables - net (included under "Other current assets" account in the consolidated balance sheet)	**9,670,481**	–	**9,670,481**
Treasury bonds (included under "Other current assets" account in the consolidated balance sheet)	**₱200,000**	**₱–**	**₱200,000**
Long-term notes (included under "Other noncurrent assets" account in the consolidated balance sheet)	**306,724**	**–**	**306,724**
Derivative assets	**138,957**	**–**	**138,957**
	₱164,797,848	**₱4,094,103**	**₱168,891,951**

	December 31, 2012		
	High Quality	Standard Quality	Total
		(In Thousands)	
Cash and cash equivalents (excluding cash on hand)	₱59,646,460	₱–	₱59,646,460
Time deposits and short-term investments (including noncurrent portion)	58,523,185	–	58,523,185
Investments held for trading - Bonds	459,343	–	459,343
AFS investments	19,303,356	4,488	19,307,844
Receivables - net (including noncurrent portion of receivables from real estate buyers)	25,883,925	4,623,017	30,506,942
Advances and other receivables - net (included under "Other current assets" account in the consolidated balance sheet)	11,148,979	–	11,148,979
Treasury bonds (included under "Other current assets" account in the consolidated balance sheet)	200,000	–	200,000
Long-term notes (included under "Other noncurrent assets" account in the consolidated balance sheet)	306,724	–	306,724
Derivative assets	128,480	–	128,480
	₱175,600,452	₱4,627,505	₱180,227,957

	December 31, 2011		
	High Quality	Standard Quality	Total
		(In Thousands)	
Cash and cash equivalents (excluding cash on hand)	₱54,991,002	₱–	₱54,991,002
Time deposits and short-term investments (including noncurrent portion)	38,295,972	–	38,295,972
Investments held for trading - Bonds	457,496	–	457,496
AFS investments	13,930,761	4,633	13,935,394
Receivables - net (including noncurrent portion of receivables from real estate buyers)	16,428,092	3,873,746	20,301,838
Advances and other receivables - net (included under “Other current assets” account in the consolidated balance sheet)	8,816,370	–	8,816,370
Receivable from a related party (included under “Other noncurrent assets” account in the consolidated balance sheet)	6,000,000	–	6,000,000
Treasury bonds (included under “Other current and noncurrent assets” account in the consolidated balance sheet)	200,000	–	200,000
Long-term notes (included under “Other noncurrent assets” account in the consolidated balance sheet)	506,724	–	506,724
Derivative assets	159,461	–	159,461
	₱139,785,878	₱3,878,379	₱143,664,257

Equity Price Risk

Management monitors the mix of debt and equity securities in its investment portfolio based on market expectations. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Management.

The Group’s exposure to equity price pertains to its investments in quoted equity shares which are classified as AFS investments in the consolidated balance sheets. Equity price risk arises from the changes in the levels of equity indices and the value of individual stocks traded in the stock exchange.

As a policy, management monitors the equity securities in its investment portfolio based on market expectations. Material equity investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by management.

Capital Management

Capital includes equity attributable to the owners of the Parent.

The primary objective of the Group’s capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group monitors its capital gearing by measuring the ratio of net interest-bearing debt divided by total capital plus net interest-bearing debt and interest-bearing debt divided by total capital plus interest-bearing debt. Net interest-bearing debt includes all short-term and long-term debt, reduced by related pledged time deposits, net of cash and cash equivalents, time deposits and short-term investments, investments in bonds held for trading, AFS investments (redeemable preferred shares and bonds and corporate notes) and long-term notes included under "Other noncurrent assets" account, while interest-bearing debt includes all short-term and long-term debt, reduced by related pledged time deposits. The Group's guideline is to keep the gearing ratio at not lower than 50:50.

As at March 31, 2013 and December 31, 2012 and 2011, the Group's ratio of net interest-bearing debt to total capital plus net interest-bearing debt and ratio of interest-bearing debt to total capital plus interest-bearing debt were as follows:

Net Interest-bearing Debt to Total Capital plus Net Interest-bearing Debt

	March 31, 2013	December 31, 2012	December 31, 2011
		(In Thousands)	
Bank loans	**₱28,106,813**	₱31,793,975	₱25,747,920
Current portion of long-term debt	**14,664,862**	13,859,558	7,920,961
Long-term debt - net of current portion and pledged time deposits	**170,234,935**	174,532,871	128,464,019
Less cash and cash equivalents, time deposits (net of pledged) and short-term investments, investments in held for trading bonds, AFS investments (bonds and corporate notes and redeemable preferred shares) and long-term notes included under "Other noncurrent assets" account	**(111,884,031)**	(126,574,773)	(100,803,702)
Total net interest-bearing debt (a)	**101,122,579**	93,611,631	61,329,198
Total equity attributable to owners of the Parent	**203,391,294**	188,074,132	157,666,331
Total net interest-bearing debt and equity attributable to owners of the Parent (b)	**₱304,513,873**	₱281,685,763	₱218,995,529
Gearing ratio (a/b)	**33%**	33%	28%

Interest-bearing Debt to Total Capital plus Interest-bearing Debt

	March 31, 2013	December 31 2012	December 31, 2011
		(In Thousands)	
Bank loans	**₱28,106,813**	₱31,793,975	₱25,747,920
Current portion of long-term debt	**14,664,862**	13,859,558	7,920,961
Long-term debt - net of current portion and pledged time deposits	**170,234,935**	174,532,871	128,464,019
Total interest-bearing debt (a)	**213,006,610**	220,186,404	162,132,900
Total equity attributable to owners of the Parent	**203,391,294**	188,074,132	157,666,331
Total interest-bearing debt and equity attributable to owners of the Parent (b)	**₱416,397,904**	₱408,260,536	₱319,799,231
Gearing ratio (a/b)	**51%**	54%	51%

25. **Financial Instruments**

Fair Values

The following table sets forth the carrying values and estimated fair values of financial assets and liabilities, by category and by class, recognized as at March 31, 2013, December 31, 2012 and 2011:

	March 31, 2013		December 31, 2012		December 31, 2011	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value	Carrying Value	Fair Value
			(In Thousands)			
Financial Assets						
Financial assets at FVPL:						
Investments held for trading -						
Bonds	**₱457,335**	**₱457,335**	₱459,343	₱459,343	₱457,496	₱457,496
Derivative assets	**138,956**	**138,956**	128,480	128,480	159,461	159,461
	596,291	**596,291**	587,823	587,823	616,957	616,957
Loans and receivables:						
Cash and cash equivalents	**49,022,049**	**49,022,049**	60,714,720	60,714,720	56,050,322	56,050,322
Time deposits and short-term investments (including noncurrent portion)	**56,906,074**	**59,409,538**	58,523,185	62,048,610	38,295,972	42,325,254
Receivables - net (including noncurrent portion of receivables from real estate buyers)	**34,620,416**	**34,620,416**	30,767,065	29,466,700	20,504,264	19,517,334
Advances and other receivables - net (included under "Other current assets" account in the consolidated balance sheets)	**9,670,481**	**9,670,481**	11,316,886	11,316,886	8,816,370	8,816,370
Receivable from a relared party (included under :Other noncurrent assets" account	**–**	**–**	–	–	6,000,000	6,292,484
Long-term notes (included under "Other noncurrent assets" account in the consolidated balance sheets)	**306,724**	**346,231**	306,724	331,519	506,724	523,977
	150,525,744	**153,068,715**	161,628,580	163,878,435	130,173,652	133,525,741

(Forward)

	March 31, 2013		December 31, 2012		December 31, 2011	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value	Carrying Value	Fair Value
Held-to-Maturity - Treasury bonds (included under "Other current assets" account in the consolidated balance sheets)	**200,000**	**212,126**	200,000	225,695	200,000	220,468
AFS Investments:						
Shares of stock	**13,691,691**	**13,691,691**	11,618,836	11,618,836	7,088,955	7,088,955
Bonds and corporate notes	**5,144,589**	**5,144,589**	7,728,240	7,728,240	6,841,109	6,841,109
Club shares	**5,960**	**5,960**	5,900	5,900	5,330	5,330
	18,842,240	**18,842,240**	19,352,976	19,352,976	13,935,394	13,935,394
	₱170,164,275	**₱172,719,372**	₱181,769,379	₱184,044,929	₱144,926,003	₱148,298,560
Financial Liabilities						
Financial Liabilities at FVPL - Derivative liabilities	**₱3,052,669**	**₱3,052,669**	₱2,737,981	₱2,737,981	₱362,202	₱362,202
Other Financial Liabilities:						
Bank loans	**28,106,813**	**28,106,813**	31,793,975	31,793,975	25,747,920	25,747,920
Accounts payable and other current liabilities*	**46,347,129**	**46,347,129**	55,531,106	55,531,106	43,323,577	43,323,577
Long-term debt (including current portion and net of unamortized debt issue cost)	**184,899,797**	**219,405,512**	188,392,429	230,044,469	136,384,980	150,553,342
Dividends payable	**398,360**	**398,360**	97,282	97,282	25,696	25,696
Tenants' deposits and others	**16,314,988**	**16,325,052**	14,500,317	14,976,358	13,713,302	13,718,285
	276,067,087	**310,582,866**	290,315,109	332,443,190	219,195,475	233,368,820
	₱279,119,756	**₱313,635,535**	₱293,053,090	₱335,181,171	₱219,557,677	₱233,731,022

** Excluding payable to government agencies of ₱2,946.1 million, ₱2,334.8 million, and ₱1,426.2 million as at March 31, 2013, December 31, 2012,and December 31, 2011, respectively, the amounts of which are not considered financial liabilities.*

Fair Value Hierarchy

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

Level 1: Quoted prices in active markets for identical assets or liabilities, except for related embedded derivatives which are either classified as Level 2 or 3 and redeemable preferred shares categorized as AFS investments under Level 2;

Level 2: Those measured using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);

Level 3: Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following tables show the Group's financial instruments carried at fair value as at March 31, 2013, December 31, 2012, and 2011:

		March 31, 2013	
	Level 1	**Level 2**	**Level 3**
		(In Thousands)	
Financial Assets			
Financial assets at FVPL:			
Investments held for trading -bonds	**₱457,335**	**₱–**	**₱–**
Derivative assets	**–**	**138,956**	**–**
	457,335	**138,956**	**–**
AFS investments:		**–**	**–**
Shares of stocks	**13,691,691**	**–**	**–**
Bonds and corporate notes	**5,144,589**	**–**	**–**
Club shares	**5,960**	**–**	**–**
	18,842,240	**–**	**–**
	₱19,299,575	**₱138,956**	**₱–**
Financial Liabilities			
Financial liabilities at FVPL - Derivative liabilities	**₱–**	**₱236,997**	**₱2,815,672**

		December 31, 2012	
	Level 1	Level 2	Level 3
		(In Thousands)	
Financial Assets			
Financial assets at FVPL:			
Investments held for trading - bonds	₱459,343	₱–	₱–
Derivative assets	–	128,480	–
	459,343	128,480	–
AFS investments:			
Shares of stocks	11,471,584	–	102,120
Bonds and corporate notes	7,728,240	–	–
Club shares	5,900	–	–
	19,205,724	–	102,120
	₱19,665,067	₱128,480	₱102,120
Financial Liabilities			
Financial liabilities at FVPL - Derivative liabilities	₱–	₱264,851	₱2,473,130

	December 31, 2011		
	Level 1	Level 2	Level 3
		(In Thousands)	
Financial Assets			
Financial assets at FVPL:			
Investments held for trading -			
bonds	₱457,496	₱–	₱–
Derivative assets	–	159,461	–
	457,496	159,461	–
AFS investments:			
Shares of stocks	7,031,822	–	–
Bonds and corporate notes	6,841,109	–	–
Club shares	5,330	–	–
	13,878,261	–	–
	₱14,335,757	₱159,461	₱–
Financial Liabilities			
Financial liabilities at FVPL -			
Derivative liabilities	₱–	₱281,822	₱80,380

During the periods ended March 31, 2013, December 31, 2012, and December 31, 2011, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

The financial instrument classified under Level 3 pertains to the derivative liability arising from the options in the Parent Company's convertible bonds. This was classified under Level 3 because of the credit spreads used as inputs to the fair value calculation of the options which were assessed by the Group as having a significant impact to its fair values.

Derivative Financial Instruments

To address the Group's exposure to market risk for changes in interest rates arising primarily from its long-term floating rate debt obligations and to manage its foreign exchange risks, the Group entered into various derivative transactions such as cross-currency swaps, interest rate swaps, foreign currency call options, non-deliverable forwards and foreign currency range options.

The table below shows information on the Group's cross currency and interest rate swaps presented by maturity profile:

	March 31, 2013		
	<1 Year	**>1-<2 Years**	**>2-<5 Years**
Cross Currency Swaps			
Floating-Fixed			
Outstanding notional amount	**$200,000,000**	**$200,000,000**	**$200,000,000**
Receive-floating rate	**6 months LIBOR+margin%**	**6 months LIBOR+margin%**	**6 months LIBOR+margin%**
Pay-fixed rate	**3.70%**	**3.70%**	**3.70%**
Weighted swap rate	**₱40.67**	**₱40.67**	**₱40.67**
Interest Rate Swaps			
Floating-Fixed			
Outstanding notional amount	**$145,000,000**	**$145,000,000**	**$145,000,000**
Receive-floating rate	**6 months LIBOR+margin%**	**6 months LIBOR+margin%**	**6 months LIBOR+margin%**
Pay-fixed rate	**2.91%–3.28%**	**2.91%–3.28%**	**2.91%–3.28%**
Outstanding notional amount	**$30,000,000**	**$30,000,000**	**$30,000,000**
Receive-floating rate	**6 months LIBOR+margin%**	**6 months LIBOR+margin%**	**6 months LIBOR+margin%**
Pay-fixed rate	**3.53%**	**3.53%**	**3.53%**
Outstanding notional amount	**$20,000,000**	**$20,000,000**	**$–**
Receive-floating rate	**6 months LIBOR+margin%**	**6 months LIBOR+margin%**	
Pay-fixed rate	**3.18%**	**3.18%**	
Outstanding notional amount	**$25,000,000**	**$–**	**$–**
Receive-floating rate	**6 months LIBOR+margin%**		
Pay-fixed rate	**4.10%**		
Fixed-Floating			
Outstanding notional amount	**₱970,000,000**	**₱960,000,000**	**₱950,000,000**
Receive-fixed rate	**5.44%**	**5.44%**	**5.44%**
Pay-floating rate	**3MPDST-F**	**3MPDST-F**	**3MPDST-F**
Outstanding notional amount	**₱970,000,000**	**₱960,000,000**	**₱950,000,000**
Receive-fixed rate	**7.36%**	**7.36%**	**7.36%**
Pay-floating rate	**3MPDST-F+margin%**	**3MPDST-F+margin%**	**3MPDST-F+margin%**

	December 31, 2012		
	<1 Year	>1-<2 Years	>2-<5 Years
Interest Rate Swaps			
Floating-Fixed			
Outstanding notional amount	$145,000,000	$145,000,000	$145,000,000
Receive-floating rate	6 months LIBOR+margin%	6 months LIBOR+margin%	6 months LIBOR+margin%
Pay-fixed rate	2.91%–3.28%	2.91%–3.28%	2.91%–3.28%
Outstanding notional amount	$30,000,000	$30,000,000	$30,000,000
Receive-floating rate	6 months LIBOR+margin%	6 months LIBOR+margin%	6 months LIBOR+margin%
Pay-fixed rate	3.53%	3.53%	3.53%
Outstanding notional amount	$20,000,000	$20,000,000	$–
Receive-floating rate	6 months LIBOR+margin%	6 months LIBOR+margin%	
Pay-fixed rate	3.18%	3.18%	
Outstanding notional amount	$25,000,000	$–	$–
Receive-floating rate	6 months LIBOR+margin%		
Pay-fixed rate	4.10%		
Fixed-Floating			
Outstanding notional amount	₱970,000,000	₱960,000,000	₱950,000,000
Receive-fixed rate	5.44%	5.44%	5.44%
Pay-floating rate	3MPDST-F	3MPDST-F	3MPDST-F
Outstanding notional amount	₱970,000,000	₱960,000,000	₱950,000,000
Receive-fixed rate	7.36%	7.36%	7.36%
Pay-floating rate	3MPDST-F+margin%	3MPDST-F+margin%	3MPDST-F+margin%

	December 31, 2011		
	<1 Year	>1-<2 Years	>2-<5 Years
		(Amounts in Thousands)	
Floating-Fixed			
Outstanding notional amount	$145,000	$145,000	$145,000
Receive-floating rate	6 months LIBOR+margin%	6 months LIBOR+margin%	6 months LIBOR+margin%
Pay-fixed rate	2.91%-3.28%	2.91%-3.28%	2.91%-3.28%
Outstanding notional amount	$50,000	$50,000	$50,000
Receive-floating rate	6 months LIBOR+margin%	6 months LIBOR+margin%	6 months LIBOR+margin%
Pay-fixed rate	3.18%-3.53%	3.18%-3.53%	3.18%-3.53%
Outstanding notional amount	$25,000	$25,000	$–
Receive-floating rate	6 months LIBOR+margin%	6 months LIBOR+margin%	
Pay-fixed rate	4.10%	4.10%	
Outstanding notional amount	$20,000	$20,000	$–
Receive-floating rate	6 months LIBOR+margin%	6 months LIBOR+margin%	
Pay-fixed rate	3.41%	3.41%	
Fixed-Floating			
Outstanding notional amount	₱980,000	₱970,000	₱960,000
Receive-floating rate	5.44%	5.44%	5.44%
Pay-fixed rate	3MPDST-F	3MPDST-F	3MPDST-F
Outstanding notional amount	980,000	970,000	960,000
Receive-fixed rate	7.36%	7.36%	7.36%
Pay-floating rate	3MPDST-F +margin%	3MPDST-F +margin%	3MPDST-F +margin%

Options Arising from Investment in Convertible Bonds. The Parent Company invested in US$ denominated convertible bonds of a public company which it classified as AFS investments. The bonds contain multiple embedded derivatives such as long equity call, short call and long put options which were accounted for as compound derivatives. Such multiple embedded derivatives were bifurcated by the Parent Company from the host bonds on the respective purchase dates of the bonds. The net positive fair value of the options at inception amounted to ₱3.7 million. The long equity call option pertains to the right of the Parent Company to convert the bonds into common shares of the issuer at the conversion price of ₱63.7 (₱26.9 at present) per share at the fixed exchange rate of ₱40.6 per US$1.0 until January 31, 2013, subject to a cash settlement option on the part of the issuer. The short call option pertains to the right of the issuer to early redeem the bonds on or after February 11, 2010 subject to the conditions stated in the bond agreement. On the other hand, the long put option, which expired on February 11, 2011, pertains to the right of the Parent Company to require the issuer to redeem the bonds at 115.6%.

Options Arising from Convertible Bonds. The Parent Company's convertible bonds contain multiple embedded derivatives such as short equity call option, long call option and short put option, which were bifurcated and accounted for as compound derivatives.

Short equity call option pertains to the option of the bondholders to convert the bonds into SMIC's common shares prior to maturity. If a bondholder exercised its conversion option, the Parent Company can choose either to settle the bonds in cash or issue common shares, and such option on the part of the Parent Company is a long call option.

<u>US$300.0 Million Convertible Bonds</u>
The Bonds are denominated in U.S. dollar while the currency of the underlying shares is denominated in Philippine peso. The contracting parties have fixed the exchange rate at ₱48.37 per US$1. Considering the exposure of the Parent Company, the option was assessed as a short put option. In addition, the bondholder may require the Parent Company to redeem all or some of the Bond at 110.79% of the principal amount on March 19, 2010.

The bonds matured on March 19, 2012, therefore as at March 31, 2012, the fair value of the options, which is shown as a noncurrent liability in the consolidated balance sheets, amounted to ₱80.4 million. Net fair value changes recognized by the Group for the quarters ended March 31, 2012 amounted to negative ₱131.5 million, which are reflected under "Dividends, management fees, and others"account in the consolidated statements of income.

US$250.0 Million Convertible Bonds
The Bonds are denominated in U.S. dollar while the currency of the underlying shares is denominated in Philippine peso. The contracting parties have fixed the exchange rate at ₱42.71 per US$1. Considering the exposure of the Parent Company, the option was assessed as a short put option. In addition, the bondholder may require the Parent Company to redeem all or some of the Bonds on February 15, 2015 at their Early Redemption Amount, together with accrued but unpaid interest.

As at March 31, 2013 and December 31, 2012, the fair value of these options, which is shown as a current liability in the consolidated balance sheets, amounted to ₱2,815.7 million and ₱2,473.1 million, respectively. At inception date, the negative fair value of these options amounted to ₱1,193.9 million. In 2013, the Group recognized a fair value change from these options amounting to ₱1,321.0 million loss which is recognized under "Gain (loss) on fair value changes on derivatives – net" account in the consolidated statements of income.

Cross Currency Swaps (CCS). In 2012, SM Prime entered into cross currency swap agreements with aggregate notional amount of US$200 million and weighted swap rate of ₱40.67 to US$1. Under these agreements, SM Prime effectively receives at inception ₱ notional amount and pays US$ notional amount. Every interest payment date, SM Prime will receive variable interest based on the US$ notional and will pay fixed interest based on the ₱ notional amount up to January 2018. At maturity date, SM Prime will receive US$ notional amount and pay ₱ notional amount. The US$ receipts from the CCS correspond to 100% of the expected interest and principal payment due on the hedged loan. With this, the variability in the cash flows of the CCS is expectedly to partially offset the variability in cash flows of the hedged loan due to changes in ₱/US$ exchange rate and 6-month LIBOR plus spread. Effectively, the CCS transformed 100% of the floating interest US dollar-denominated loan into fixed interest Philippine peso-denominated loan (see Note 18). As at March 31, 2013, the cross currency swaps have aggregate negative fair value of ₱21.7 million recognized as part of "Cumulative translation adjustment of a subsidiary" account in the consolidated statements of comprehensive income.

Interest Rate Swaps. In 2011, SM Prime entered into US$ interest rate swap agreements with notional amount of US$145 million. Under the agreements, SM Prime effectively converts the floating rate U.S. dollar-denominated term loan into fixed rate loan with semi-annual payment intervals up to March 21, 2015 (see Note 18). As at March 31, 2013, December 31, 2012 and December 31, 2011, the floating to fixed interest rate swap has negative fair value of ₱152.1 million, ₱157.9 million, and ₱142.4 million, respectively.

SM Prime also entered into US$ interest rate swap agreement with notional amount of US$20 million in 2011. Under the agreement, SM Prime effectively converts the floating rate U.S. dollar-denominated five-year bilateral unsecured loan into fixed rate loan with semi-annual payment intervals up to November 30, 2014 (see Note 18). As at March 31, 2013, December 31, 2012, and December 31, 2011, the floating to fixed interest rate swaps has negative fair value of ₱16.4 million, ₱16.7 million, and ₱14.8 million, respectively.

In 2010, SM Prime entered into the following interest rate swap agreements:

- A US$ interest rate swap agreement with nominal amount of US$30.0 million. Under the agreement, the Parent Company effectively converts the floating rate U.S. dollar-denominated five-year bilateral unsecured loan into fixed rate loan with semi-annual payment intervals up to November 30, 2015 (see Note 19). As at March 31, 2013, December 31, 2012 and December 31, 2011, the floating to fixed interest rate swap has a negative fair values of ₱46.7 million, ₱47.7 million, and ₱37.8 million, respectively.

- Two Philippine peso interest rate swap agreements with notional amount of ₱1,000.0 million each, with amortization of ₱10.0 million every anniversary. The combined net cash flows of the two swaps effectively converts the Philippine peso-denominated five-year inverse floating rate notes into floating rate notes with quarterly payment intervals up to June 2015 (see Note 19). As at March 31, 2013, December 31, 2012 and December 31, 2011, these swaps have positive fair values of ₱134.2 million, ₱110.0 million, and ₱115.6 million, respectively.

- A US$ interest rate swap agreement with notional amount of US$20.0 million. Under the agreement, SM Prime effectively converts the floating rate U.S. dollar-denominated three-year bilateral unsecured loan into fixed rate loan with semi-annual payment intervals up to January 14, 2013 (see Note 18). As at December 31, 2011, the floating to fixed interest rate swap has a negative fair value of ₱3.2 million. On January 13, 2012, the interest rate swap was preterminated as a result of prepayment of the underlying loan. Fair value changes from the preterminated swap recognized on the consolidated statements of income amounted to ₱1.1 million loss in 2012.

In 2009, SM Prime entered into US$ interest rate swap agreements with notional amount of US$25 million. Under these agreements, SM Prime effectively converts the floating rate U.S. dollar-denominated five-year bilateral loan into fixed rate loan with semi-annual payment intervals up to November 2013 (see Note 18). As at March 31, 2013, December 31, 2012, and December 31, 2011, the floating to fixed interest rate swap has a negative fair value of ₱22.1 million, ₱22.1 million, and ₱39.8 million, respectively.

Non-deliverable Forwards. In 2012 and 2011, the Parent Company entered into sell ₱ and buy US$ forward contracts. It entered into sell US$ and buy ₱ with the same aggregate notional amount. The Group recognized derivative asset and derivative liability amounting to ₱0.5 million, ₱18.5 million, and ₱43.8 million from the outstanding forward contracts as at March 31, 2013, December 31, 2012, and December 31, 2011, respectively.

26. EPS Computation

	March 31, 2013	March 31, 2012
Net Income Attributable to Common Owners of the Parent		
Net income attributable to common owners of the Parent for basic earnings (a)	**₱7,388,643**	₱6,047,381
Weighted Average Number of Common Shares Outstanding		
Weighted average number of common shares outstanding for the period (b)	**623,519**	613,209
Basic EPS (a/b)	**₱11.85**	₱9.86

27. Prior Period Adjustments

The comparative information in 2012 consolidated statements of income has been reclassified to conform to the presentation of the financial statements for the period ended March 31, 2013.

In addition, the consolidated balance sheets for the year ended December 31, 2012 and December 31, 2011 were restated to effect the adoption of PAS 19, Employee Benefits (Revised). The impact to the financial statements upon adoption of the standard are discussed in Note 3.

28. Other Matters

In 1988, the Parent Company acquired the former Baguio Pines Hotel properties from the Development Bank of the Philippines (DBP) through a negotiated sale and purchased the Taal Vista Lodge (the Lodge) from the Taal & Tagaytay Management Corp., the original purchaser of the Lodge from DBP.

Previously, in 1984, certain minority stockholders of Resort Hotel Corp. (RHC), the previous owner of the former Baguio Pines Hotel properties and the Lodge, filed with the Regional Trial Court (RTC) of Makati a derivative suit against the DBP questioning the foreclosure by the DBP of the mortgages of these properties. The Parent Company was impleaded as a party defendant in 1995. The RTC of Makati voided the foreclosure by the DBP on the mortgaged properties and declared the Parent Company a buyer in bad faith.

The DBP and the Parent Company have appealed the RTC's decision to the Court of Appeals. On May 25, 2007, the Court of Appeals issued a decision completely reversing and setting aside the February 13, 2004 decision of the RTC Makati and, consequently, dismissing the said RTC case. The appellees (certain non-controlling stockholders of RHC) filed a Motion for Reconsideration with the Court of Appeals and on November 9, 2007, the Court of Appeals issued a resolution denying the appellees' Motion for Reconsideration. The appellees filed a Petition for Review on Certiorari before the Supreme Court appealing the decision of the Court of Appeals reversing the said decision of the RTC Makati. On December 23, 2009, the Supreme Court rendered a decision decreeing, among others, that the foreclosures of the mortgaged Baguio Pines Hotel and Taal Vista Lodge properties were valid; and on October 24, 2010, the Supreme Court issued a Resolution denying petitioners (certain non-controlling stockholders of RHC) Motion for Reconsideration of the Resolution dated June 21, 2010 denying with finality the separate Motion for Partial Reconsideration filed by Petitioner and DBP since it was treated as a second Motion for Reconsideration, a prohibited pleading under the Rules of Court.

29. Events After the Reporting Period

At various dates in April 1 to April 25, 2013, the bondholders of US$40.0 million (₱1,517.2 million) opted to convert their holdings into 2,186,244 SMIC's shares. This resulted to an increase in capital stock and additional paid-in capital amounting to ₱21.9 million and ₱2,289.4 million, respectively, and a decrease in liability of ₱2,311.3 million.

PART 1 FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Consolidated Results of Operations

For the Three Months Ended March 31, 2013 and 2012
(Amounts in Billions Pesos)

Accounts	Three Months Ended 03/ 31 / 2013	03 / 31 / 2012	% Change
Revenue	**P 56.8**	**P 49.6**	**14.6%**
Cost and Expenses	42.2	39.1	8.0%
Income from Operations	**P 14.6**	**P 10.5**	**39.0%**
Other Income (Charges)	(2.9)	(0.8)	268.8%
Provision for Income Tax	1.6	1.6	2.2%
Non-controlling Interest	2.7	2.1	29.0%
Net Income Attributable to Equity Holders of the Parent	**P 7.4**	**P 6.0**	**22.2%**

For the three months ended March 31, 2013, SM Investments Corporation (SMIC) posted a consolidated net income of P7.4 billion, a growth of 22.2% over P6.0 billion in the same period in 2012. Consolidated revenues grew by 14.6% to P56.8 billion, as against last year's P49.6 billion.

Income from operations increased by 39.0% to P14.6 billion compared to P10.5 billion of the same period last year. Operating income margin and Net profit margin is at 25.8% and 13.0%, respectively.

The total merchandise sales of SM Department Stores, SM Supermarkets, SaveMore, and SM Hypermarkets (Retail Group) grew by 5.2% in 2013 mainly due to the opening of the following new stores from April 01, 2012 to March 31, 2013:

	SM Department Stores	***SM Supermarket***	***SaveMore Stores***	***SM Hypermarkets***
1	SM City Consolacion	Consolacion	SaveMore Baclaran	Cadiz
2	SM City General Santos	San Fernando	SaveMore Malinta	Antipolo
3	SM City Lanang	General Santos	SaveMore San Jose	Heroes Hall, Laoag
4	SM San Fernando	Lanang	SaveMore Parian	Cainta*
5	-		SaveMore Camarin	Monumento
6	-		SaveMore Sta. Cruz	Alabang Zapote Road*
7	-		SaveMore LB Centro	East Service Road*

	SM Department Stores	*SM Supermarket*	*SaveMore Stores*	*SM Hypermarkets*
8	-		SaveMore Sta. Rosa	
9	-		SaveMore Maribago	
10	-		SaveMore MD Fuente	
11			SaveMore Talisay	
12			SaveMore Kawit	
13			SaveMore Santiago	
14			SaveMore Zabarte	
15			SaveMore Bajada	
16			SaveMore Parola Cainta	

** These were formerly Makro stores which were converted into Hypermarket stores*

Of the P36.2 billion and P34.4 billion merchandise sales for the three months ended March 31, 2013 and 2012, respectively, the non-food group and food group contributed 41.2% and 58.8%, respectively in 2013 and 41.0% and 59.0%, respectively in 2012.

As of March 31, 2013, SM Investments' retail subsidiaries have 201 stores. These consist of 46 department stores, 37 supermarkets, 81 SaveMore stores and 37 hypermarkets.

Real estate sales for the three months ended March 31, 2013 grew by 3.7% to P6.0 billion from P5.8 billion. These largely came from the real estate sale of SM's residential arm, SM Development Corporation (SMDC) and the condominium projects of Costa del Hamilo (CDHI), SM's tourism vehicle, which is developing the Pico de Loro Cove project in Nasugbu Batangas. The majority of the units sold by SMDC in the first three months of the year were from Shell Residences in the Mall of Asia Complex, Wind Residences in Tagaytay, Grace Residences at The Fort, Taguig City, Green Residences along Taft Avenue and Jazz Residences in Makati.

As of March 31, 2013, SMDC has a total of 15 ongoing residential condominium projects. Aside from the above mentioned projects, the other ongoing projects of SMDC are the following: Grass Residences, behind SM City North EDSA in Quezon City, Field Residences in Parañaque, Princeton Residences, along Aurora Boulevard in Quezon City, Sun Residences, beside the Mabuhay Rotunda at the boundary of Manila and Quezon City, Light Residences, along the northbound side of EDSA, Blue Residences, at the corner of Katipunan Avenue and Aurora Boulevard in Quezon City, Mezza II Residences, along Aurora Boulevard in Quezon City, M Place @ South Triangle in Quezon City, Rose Residences in the Ortigas Center in Pasig, and Breeze Residences in Pasay City. All projects are in Metro Manila, except Wind Residences, which is in Tagaytay.

Further contributions to the real estate sales were provided by the sale of condominium units and club shares in Pico de Loro. Costa Del Hamilo's condominium projects at Pico de Loro, namely, Jacana and Myna condominium projects were launched in late 2008, were both completed late 2012. The completed condominium units were turned over to the buyers starting from the construction completion date.

Rent revenue for the three months ended March 31, 2013, derived mainly from the mall operations of SM Prime Holdings, Inc. (SM Prime), increased by 18.4% to P6.4 billion in 2013 from P5.4 billion in the same period last year. SM Prime is the country's leading shopping mall developer and operator which owns 46 malls in the Philippines and five malls in China. The increase in rent revenues is largely due to rentals from new SM Supermalls opened in 2012, namely SM City Masinag, SM City Olongapo, SM City Consolacion, SM City San Fernando, SM City General Santos and SM Lanang Premier, with a total gross floor area of 527,000 square meters. Excluding the new malls and expansions, same-store rental growth is at 7%.

The five malls in China contributed ₱0.69 billion in 2013 and ₱0.62 billion in 2012, or 9% of SM Prime's total consolidated revenues. Likewise, in terms of rental revenues, the China operations contributed 10% to SM Prime's consolidated rental revenues. Gross revenues of the five malls in China increased 11% in 2013 compared to 2012 largely due to improved mall productivity and lease renewals for the first three malls opened namely SM Xiamen, SM Jinjiang and SM Chengdu. Average occupancy rate for the first three malls is now at 96%.

For the three months ended March 31, 2013 and 2012, cinema ticket sales and amusement revenues increased by P0.1 billion or 9.7% to P1.1 billion due to more blockbuster movies, conversion of all screens to digital and roll-out of cinema turnstile system which made the cinema viewing experience more convenient for customers and has led to increase in foot traffic. Amusement revenue is mainly composed of income from rides, bowling and ice skating operations including the SM Science Discovery Center and the SM Storyland.

Equity in net earnings of associates increased by 239.2% to P5.6 billion in 2013 from P1.7 billion in 2012, primarily due to the increase in the net income of BDO which is attributed to the bank's non-interest income, which increased by 130%, driven by fee-based service income and exceptional trading gains due to continuing favorable market conditions. For the full year 2013, BDO disclosed an income guidance of Php20.4 billion. With the Philippine economy expected to sustain its growth momentum particularly with the recent upgrade to an investment-grade rating, BDO looks forward to tapping promising growth opportunities in its various customer segments, capitalizing on its established business franchise and wide distribution network.

Dividend, management fees and other revenues increased by 8.5% to P1.2 billion for the three months ended March 31, 2013 from P1.1 billion in the same period last year. Dividend income decreased by 33.1% to P0.2 billion in 2013 from P0.1 billion in 2012 due to decrease in dividends received from investees. Management and service fees, which is computed based on percentage of sales, increased by 14.8% to P336.4 million in 2013 from P292.9 million in 2012 mainly due to increase in sales of retail affiliates. Other revenues comprised mainly of commission from bills payment, prepaid cards, show tickets, service income, and gain on sale of available-for-sale investments and fair value changes on investments held for trading. Gain on sale of available for sale investments and fair value changes on investments held for trading increased by 426.5% to P165.8 million in 2013 from P31.5 million in 2012 due to the maturity of certain investments in bonds.

Total cost and expenses increased by 8.0% to P42.2 billion for the three months ended March 31, 2013 from P39.1 billion in the same period last year. Selling, general and administrative expenses increased by 20.6% to P11.9 billion for the three months ended March 31, 2013 from P9.8 billion in the same period last year mainly due to the additional operating expenses associated with mall expansions and new malls, department stores, supermarkets, savemore and hypermarkets and store renovations and current real estate projects.

Net other charges increased by 268.8% to P2.9 billion for the three months ended March 31, 2013 from P0.8 billion in the same period last year. Interest expense increased by 26.1% to P2.8 billion in 2013 from P2.3 billion in 2012 due mainly to new loans availed this year. Interest income decreased by 13.8% from P1.2 billion in 2012 to P1.0 billion in 2013 due to lower average balance of temporary investments as of March 31, 2013 compared with the same period last year. Loss on fair value changes on derivatives of P1.3 billion in 2013 pertains mainly to the fair value changes of the embedded derivatives related to the US$250.0 million convertible bonds of SMIC in 2012 (refer to Note 18 of the consolidated financial statements). Foreign exchange gains and others increased by 7.8% to P235.3 million in 2013 from P218.2 million in 2012 due mainly to the proceeds from insurance claims, offset by the decrease in foreign exchange rate from P42.92:US$1.00 in 2012 to P40.8:US$1.00 in 2013.

Provision for income tax increased by 2.2 % to P1.6 billion for the three months ended March 31, 2013 from P1.6 billion in the same period last year due mainly to the increase in taxable income. The effective income tax rate is 14% in 2013 and at 16% in 2012.

Non-controlling interest increased by 29.0% to P2.7 billion for the three months ended March 31, 2013 compared to P2.1 billion for the same period in 2012 due to increase in the net income of certain subsidiaries that are not wholly owned.

Financial Position
(amounts in billion pesos)

Accounts	**03 / 31 / 2013 (Unaudited)**	**12 / 31 / 2012 (Audited)**	**% Change**
Current assets	P 133.0	P 145.9	-8.8%
Noncurrent assets	437.2	416.1	5.1%
Total assets	**P 570.2**	**P 562.0**	**1.5%**
Current liabilities	P 97.7	P 105.1	-7.1%
Noncurrent Liabilities	191.7	195.1	-1.7%
Total Liabilities	**289.4**	**300.2**	**-3.6%**
Equity	**280.8**	**261.8**	**7.3%**
Total Liabilities and Equity	**P 570.2**	**P 562.0**	**1.5%**

Consolidated total assets as of March 31, 2013 amounted to P570.2 billion, an increase by 1.5% from P562.0 billion as of December 31, 2012. On the other hand, consolidated total liabilities decreased by 3.6% to P289.4 billion as of March 31, 2013 from P300.2 billion as of December 31, 2012.

Consolidated current assets decreased by 8.8% to P133.0 billion as of March 31, 2013 from P145.9 billion as of December 31, 2012. Cash and cash equivalents decreased by 19.3% to P49.0 billion as of March 31, 2013 from P60.7 billion as of December 31, 2012 due mainly to payments of loans and capital expenditures. Time deposits and short-term investments decreased by 4.9% to P27.7 billion as of March 31, 2013 from P29.1 billion as of December 31, 2012 due mainly to loan payments in 2013. Investments held for trading and sale from decreased by 23.3% to P2.2 billion as of March 31, 2013 from P2.9 billion as of December 31, 2012 due to maturity of certain investments in bonds. Receivables increased by 13.7% to P18.6 billion as of March 31, 2013 from P16.4 billion as of December 31, 2012 mainly due to the increase in the current portion of receivable from real estate buyers resulting from higher sales volume and construction accomplishments. Other current assets decreased by 4.9% to P22.3 billion as of March 31, 2013 from P23.5 billion as of December 31, 2012 resulting mainly from decrease in receivable from banks, accrued interest and advances to contractors.

Consolidated noncurrent assets amounted to P437.2 billion as of March 31, 2013, a growth of 5.1% from P416.1 billion as of December 31, 2012. Investments in shares of stock of associates increased by 8.1% to P138.9 billion as of March 31, 2013 from P128.5 billion as of December 31, 2012 mainly due to the equity share in banks' net income and increase in the unrealized gain on AFS investments of bank associates in 2013. Land and development increased by 17.5% to P35.5 billion as of March 31, 2013 from P30.2 billion as of December 31, 2012, mainly from new residential projects. Deferred tax assets increased by 46.0% to P0.9 billion as of March 31, 2013 from P0.6 billion as of December 31, 2012, mainly due to the tax effect of the increase in deferred income on sale of real estate, net operating loss carry over, and minimum corporate income tax. Other noncurrent assets increased by 8.0% to P30.2 billion as of March 31, 2013 from P28.0 billion as of December 31, 2012 mainly due to the increase in noncurrent receivable from real estate buyers and noncurrent advances for project development cost.

Total consolidated current liabilities decreased by 7.1% to P97.7 billion as of March 31, 2013 from P105.1 billion as of December 31, 2012 due mainly from loan payments in 2013 which decreased bank loans by 11.6% to P28.1 billion as of March 31, 2013 from P31.8 billion as of December 31, 2012 and decrease in accounts payable and other current liabilities by 9.9% to P52.1 billion as of March 31, 2013 from P57.9 billion as of December 31, 2012 resulting from settlement of trade payables. These were partially offset by the increase in current portion of long term debt by 5.8% to P14.7 billion as of March 31, 2013 from P13.9 billion as of December 31, 2012 due to reclassification of maturing loans from non-current to current portion; increase in income tax payable by 62.3% to P2.4 billion as of March 31, 2013 from P1.5 billion as of December 31, 2012 which were subsequently paid on April 2013; and increase in dividends payable by 309.5% to P398.4 million as of March 31, 2013 from P97.3 million as of December 31, 2012 due to the dividends declared to minority stockholders as of March 31, 2013.

Total noncurrent liabilities decreased by 1.7% to P191.7 billion as of March 31, 2013 from P195.1 billion as of December 31, 2012 due mainly to the 2.5% decrease in long-term debt - net of current portion from P174.5 billion as of December 31, 2012 to P170.2 billion as of March 31, 2013 which resulted from loan payments in 2013 (see note 18 to the unaudited consolidated financial statements for further discussion regarding long-term debt). Deferred tax liabilities increased by 7.6% to P4.9 billion as of March 31, 2013 from P4.6 billion as of December 31, 2012 due mainly to the tax effect of the increase in unrealized gross profit on sale of real estate and capitalized interest. Tenants' deposits and others increased by 3.6% to P16.3 billion as of March 31, 2013 from P15.7 billion as of December 31, 2012 due mainly to new malls and expansions and new condominium projects of the real estate group.

Total equity amounted to P280.8 billion as of March 31, 2013, while total Equity attributable to equity holders of the parent amounted to P203.5 billion. Additional paid-in capital increased by 6.8% to P45.8 billion as of March 31, 2013 from P42.9 billion as of December 31, 2012 due to conversion of US$ bonds to SMIC shares. The 7.6% or P20.4 million decrease in cumulative translation adjustment to P246.5 million as of March 31, 2013 from P266.9 million as of December 31, 2012 resulted from the translation of the financial accounts of SM China malls from China Yuan Renminbi to Philippine peso. The 11.3% or P29.0 million increase in actuarial losses to P294.0 million as of March 31, 2013 from P264.1 million as of December 31, 2012 resulted from the valuation of the Group's retirement plan. Net unrealized mark-to-market gain on AFS investments increased by 42.6% to P16.7 billion from P11.7 billion mainly due to the increase in the market value of AFS investments of subsidiaries and associates. Non-controlling interest increased by 5.0% to P77.3 billion from P73.6 billion mainly due to increase in the net assets of certain subsidiaries that are not wholly owned.

The Company has no known direct or contingent financial obligation that is material to the Company operations, including any default or acceleration of an obligation. The Company has no off-balance sheet transactions, arrangements, obligations during the reporting year and as of the balance sheet date.

There are no known trends, events, material changes, seasonal aspects or uncertainties that are expected to affect the company's continuing operations.

Key Performance Indicators

The following are the major financial ratios of the Company for the three months ended March 31, 2013 and 2012 and for the year ended December 31, 2012:

Accounts	**03 / 31 / 2013 (Three months)**	**12 / 31 / 2012 (One Year)**
Current Ratio	1.36 : 1.00	1.39 : 1.00
Debt-equity Ratios:		
On Gross Basis	51% :49%	54% : 46%
On Net Basis	33% : 67%	33% : 67%

Accounts	**03 / 31 / 2013 (Three months)**	**03 / 31 / 2012 (Three months)**
Revenue Growth	14.6%	15.9%
Net Income to Revenue	13.0%	12.2%
Net Income Growth	22.2%	12.6%
Return on Equity	14.3%	14.1%
EBITDA *(In Billions of Pesos)*	P16.9B	P12.4B

The current ratio decreased to 1.36:1.00 from 1.39:1.00 due mainly to the higher decrease in current assets by 8.8% in contrast to the decrease in current liabilities of 7.1% (See Management's Discussion and Analysis of Financial Condition).

The debt-equity ratio on gross basis decreased to 51%:49% in 2013 from 54%:46% due mainly to loan payments in 2013. On net basis, the debt-equity ratio remained at 33%:67% in both periods.

In terms of profitability, revenue growth decreased to 14.6% in 2013 from 15.9% in 2012 due mainly to lower growth of retail and real estate sales and cinema ticket sales and amusement as compared to same period in 2012.

Net income to revenue increased to 13.0% from 12.2% due mainly to improvement in cost of sales percentage in 2013. Return on equity slightly increased to 14.3% from 14.1% while EBITDA improved by P4.5 billion. (See Managements' Discussion and Analysis of Results of Operations).

The manner by which the Company calculates the foregoing indicators is as follows:

1. Current Ratio	Current Assets / Current Liabilities
2. Debt-Equity Ratio	
a. Gross Basis	Total Interest Bearing Debt less Pledged time deposits / Total Equity Attributable to Equity Holders of the Parent) + Total Interest Bearing Debt less Pledged time deposits
b. Net Basis	Total Interest Bearing Debt less cash and cash equivalents, time deposits, investment in bonds held for trading and sale / Total Equity Attributable to Equity Holders of the Parent) + Total Interest Bearing Debt less cash and cash equivalents, time deposits and investments in bonds held for trading and available for sale
3. Return on Equity	Net Income Attributable to Equity Holders of the Parent / Average Equity Attributable to Equity Holders of the Parent
4. Net Income to Revenue	Net Income Attributable to Equity Holders of the Parent / Total Revenue
5. Revenue Growth	Total Revenues (Current Period) / Total Revenues (Prior Period) - 1
6. Net Income Growth	Net Income Attributable to Equity Holders of Parent (Current Period) / Net Income Attributable to Equity Holders of Parent (Prior Period) - 1
7. EBITDA	Income from operations + Depreciation & Amortization

Expansion Plans / Prospects for the Future

For the rest of 2013, SM Prime is scheduled to launch SM Aura Premier in Taguig and SM City BF in Paranaque. SM Megamall, on the other hand, will be expanded with an additional 101,000 square meters. By year-end, SM Prime will have 48 malls in the Philippines and five in China with an estimated combined gross floor area of 6.9 million square meters.

Retail expansion plans for the rest of 2013 include the opening of two department stores, two supermarkets, sixteen SaveMore branches and six hypermarkets. By year-end, the Group will have 48 department stores, 39 supermarkets, 97 SaveMore branches and 43 hypermarkets.

SMDC currently has 15 residential projects. For the rest of 2013, SMDC plans to launch three to four new projects in various cities within Metro Manila. In order to sustain the growth momentum and to further expand SMDC's presence in the industry, SMDC will continue to vigorously pursue its vision of uplifting the Filipino lifestyles by launching products that will meet the demand for affordable and high quality residential units in prime locations and will also pursue projects that will cater to the preferences and financial capacity of its target market. Innovation shall remain to be its strength while continuously focusing attention to changing market needs. The broadening and strengthening of its revenue base shall also be pursued as it moves forward. In addition, it shall continue to search for viable locations in key cities in Metro Manila in response to the increasing demands for residences. SMDC shall be open to tapping various sources of financing to support its operational needs in real estate development.

The expansion plans of Costa del Hamilo include developing the Marina Village. It is envisioned to be a vibrant mixed-use community of prime residential lots, waterfront homes, and retail and water sports facilities connected by a boardwalk that surrounds the Marina which will enhance Coastal Living in Hamilo Coast.

SM Hotel's subsidiary SMX will manage SM Prime's SMX Convention Center in Taguig, which is scheduled to open in the second quarter of 2013.

The above expenditures will be funded through internally generated sources and other capital raising initiatives such as bond issuances and loan availments.

The Company has no known direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation. There were no contingent liabilities or assets in the Company's balance sheet. The Company has no off-balance sheet transactions, arrangements, obligations during the reporting year as of balance sheet date.

There are no known trends, events, material changes, seasonal aspects or uncertainties that are expected to affect the Company's continuing operations.

PART I FINANCIAL INFORMATION

Item 3. Aging of Accounts Receivable – Trade

SM Investments Corporation and Subsidiaries
Aging of Accounts Receivable - Trade
As of March 31, 2013
(Amounts in Thousands)

Receivable from Tenants		
Third-party tenants	₱	2,483,112
Related-party tenants		1,622,911
Receivables from Real Estate Buyers & others		
- net of non-current portion		11,898,362
Total	₱	16,004,385

Aging:

Neither past due nor impaired	₱	15,563,744
31-90 days		171,789
91-120 days		172,954
Over 120 days		83,472
Impaired		12,426
Total	₱	16,004,385

PART II - SIGNATURE

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

Registrant: **SM INVESTMENTS CORPORATION**

Ma. Ruby Ll. Cano

MA. RUBY LL. CANO
Senior Vice President – Controller
Alternate Corporate Information Officer

Date: 05-15-13