

2012

PERFORMANCE REPORT



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Foreword

NDC used to be at the forefront of national development which spurred economic development, generated jobs, and encouraged import substitution. All these were geared in achieving countryside development benefitting the grass roots in areas where NDC projects were situated. But it has its downside financially when the country was hit by economic crisis which affected the performance of NDC's investments.

Today, NDC trails the same path of creating a niche in the country's socio economic development but in a limited scope. The company prudently manages its profitable investments deriving dividends thereon, taking steps in remedial management of non-performing investments, and engaging in projects in industries where gaps exist.

Financially, NDC in 2012 generated a net income of P330.5 Million, a feat that has been consistent for the last three years. To sustain this, NDC continues to dispose of assets to generate funds.

In the pursuit of its mandate, NDC has embarked on identifying prospective projects for investment or financing.

The goal to serve as a catalyst for development, particularly in areas that the private sector dreads to tread, still exists. Thereby, maintaining its relevance in the scheme of the country's development.



I. Operational Highlights

NDC has undergone the following project development activities in the execution of its mandate:

A. EQUITY INVESTMENTS / PROJECT FINANCING

1. Davao Food Complex

NDC is tasked to take a lead in the Agri-Economic-Tourism Synergy Project in Toril, Davao. This is a collaboration among the Departments of Agriculture, Tourism and Trade and Industry with the LGUs.



This involves the establishment of a food exchange terminal in the NDC-owned 24.96 hectare property which will serve as a venue for trading of agricultural produce of farmers and fishermen and the establishment of a cold-storage warehouse and food processing centers.

The development also includes tourist attractions with the concept similar to some of the world's best fresh markets where shoppers can choose from range of fruits, vegetables, fish, or just admire the fascinating stalls and trading activities around. The edges will be lined with cafés and souvenir shops.

2. FCIE Annex Economic Zone

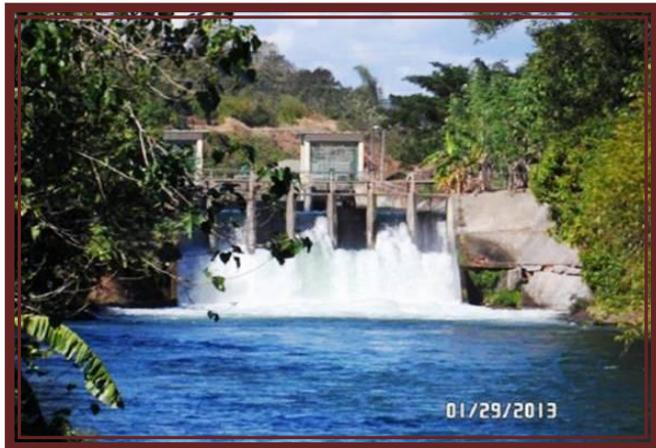
With the booming demand for more industrial estates, the project involves the development of the NDC-owned 19.17 hectares property located in Lankaan II, Dasmariñas, Cavite into an industrial economic zone as an expansion of the highly successful NDC's First Cavite Industrial Estate (FCIE). The project will be implemented in joint venture with the private sector.

3. NDC Schoolbuilding Program

The program is an expansion of the previous school building program in 2004. Previously, the program only involves the extension of loan to LGUs for the construction of school building. With the PPP for School Infrastructure Project in place, the program now includes providing loans to some state universities and colleges.

4. Mini-Hydro Power Project

The project is in line with the National Program for the development of renewable energy. It involves the installation of mini-hydro power plants in existing and planned irrigation systems nationwide. Government participation is vital in order for it to have full control over the operation and maintenance of the water canals to be used not only for irrigation but also for flood control, drinking water and power generation which would address power outage nationwide.



5. Mindanao Rubber Processing Plant

The proposed project to be located in Lamitan, Basilan is a rubber development undertaking which includes the establishment of post harvest facilities, acquisition of support equipment and road networking.

The project intends to set-up a modern rubber processing plant that produces 8 to 10 MT of processed-rubber for an 8-hour operation. This would upgrade the low-quality rubber crumbs being currently produced locally. The processing plant will produce semi-processed rubber technically graded as a SPR 20 and SPR 5. The proposed project will also enhance the quality and sustain the supply of rubber for future business opportunities and export market share.

6. Carrageenan Processing Project

The proposed project will involve the establishment of processing plant of raw and dried seaweeds into higher value products particularly Alkali-treated Chips (ATC) and Food-Grade semi-refined Carrageenan Powder. To address the perennial problem of wild price fluctuation in the price of carrageenan, the intention is to develop the first integrated seaweeds development project encompassing the whole value chain of the industry from farming to processing and marketing. The Project is also based on a new squeezing method which will revolutionize the industry's production process.

The target site for the processing facility is in Zamboanga City. The farmers from adjacent areas such as Sitangkai and Bongao Tawi-tawi, which already produce 70% of the high quality seaweed export of the Philippines, will serve as the partner suppliers of the Project.

7. Cooperation between the Philippines and Indonesia

The Government of Indonesia sent a top level delegation with instructions from the Honorable President of Indonesia to discuss with the Philippine government the possible areas of cooperation between the two countries. A discussion was held on May 31, 2013 among the representatives of the Philippines and Indonesia. The focus of the development would benefit primarily the Mindanao region.

The joint cooperation would involve the participation of different agencies and institutions of the government including the DOF, DTI, DENR, DND, DBP, NDC and the GCG with the DOF, DTI and NDC taking the lead.

Major benefits are anticipated to be derived from these undertakings which will also further strengthen the commercial and social ties between the two nations.

8. Other Project Endeavors

NDC is also exploring the possibilities of investing in the Redondo Wind Power in Zambales, the LIDE Water Supply System in Ormoc and Isabel, Leyte, as well as prospective tourism project through the participation in the expansion of a retirement park in Ajuy, Iloilo, biomass energy development in Pampanga using rice husks for generating steam power, sweet sorghum ethanol project in Negros Occidental, cold chain systems covering strategic areas nationwide in coordination with the Department of Agriculture.

The company likewise assisted PITC Pharma, Inc. (PPI) in its low-cost medicine program by providing performance security on the supply by PPI of medicines to the Department of Health.

The Japan International Cooperation Agency (JICA) is promoting NDC to act as the Philippine Infrastructure Guarantee Fund entity for the Public Private Partnership Infrastructure projects/undertakings.

B. ASSET MANAGEMENT

NDC continues to provide the land preservation and administration of its investment properties. It is also adopting the appropriate scheme for the efficient management of NDC properties through lease, lease renewal or disposition.

C. CORPORATE GOVERNANCE AND BEST PRACTICES



In consonance with the government's thrust of good governance, NDC had secured its ISO Certification 9001:2008 for the last three (3) years. The certification covers its four (4) core processes: equity investment, project financing, fund generation and asset management.

II. FINANCIAL PERFORMANCE

Compared with year 2011 financial performance, net income for 2012 of P330.5 Million dropped by 25% or by P110.5 Million

A bulk of the decrease in income was due to the non-recurring gain that NDC realized in 2011 primarily from the redemption of the preferred shares held by the Philippine National Oil Company done through Dacion en Pago of NDC properties accounting for P142.8 Million.

NDC's mandate of investments and project financing and management of its assets resulted to NDC's revenues for 2012 of P764 Million consisting mainly of Interest on Loan to the National Irrigation Administration, Dividends from Semirara Mining Corporation and Lease and Rental Income, accounting for 89% of total operating income.

The bulk of Operating Expenses consists of Interest and Financial Charges, Taxes, Depreciation and Other Expenses which account for 86.7% of total operating expenses.

Financial Position

NDC's Total Assets increased by P2.25 Billion from P10.04 Billion in 2011 to P12.29 Billion in 2012. This is accounted for by the recognition of the Fair Market Value of NDC's Investment Property in the books amounting to P2.88 Billion from the 2011 cost value of P65.48 Million in accordance with the change in accounting policy. Other transactions which contributed to the changes in assets include increase in cash due to collections primarily from the loan receivables from the National Irrigation Administration and dividend income coupled with accruals of interest on loans, however, reinstatement of impairment of ICB assets amounting to P955.8 Million diminished increase in assets.

**AUDITED
FINANCIAL STATEMENTS
2012**

NATIONAL DEVELOPMENT COMPANY
STATEMENT OF FINANCIAL POSITION
December 31, 2012
(In Philippine Peso)

	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents	796,483,044	626,740,356
Short-term investments	58,043,255	640,395,450
Receivables, net	1,498,127,067	1,257,989,348
Other current assets	76,538,219	72,365,731
Total Current Assets	2,429,191,585	2,597,490,885
Non-Current Assets		
Investments	1,564,549,362	1,002,409,088
Receivables	4,890,162,665	4,891,812,795
Investment property	2,879,726,792	65,477,553
Property and equipment	20,810,225	42,907,589
Other non-current assets and deferred charges	509,445,746	1,441,873,410
Total Non-Current Assets	9,864,694,790	7,444,480,435
TOTAL ASSETS	12,293,886,375	10,041,971,320
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	599,925,796	858,532,431
Current portion of loans payable	3,786,272,765	3,633,703,463
Other current liabilities	65,031,114	97,754,552
Total Current Liabilities	4,451,229,675	4,589,990,446
Non-Current Liabilities		
Loans payable, net of current portion	308,098,946	308,098,946
Bonds payable	3,500,000,000	3,500,000,000
Subscription payable	-	7,552,842
Other long-term liabilities	150,915,055	187,198,111
Total Non-Current Liabilities	3,959,014,001	4,002,849,899
Equity	3,883,642,699	1,449,130,975
TOTAL LIABILITIES AND EQUITY	12,293,886,375	10,041,971,320

NATIONAL DEVELOPMENT COMPANY
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2012
(In Philippine Peso)

	2012	2011
OPERATING INCOME		
Interest on loans	447,656,296	450,494,962
Dividends	172,591,394	233,449,419
Rental and leasehold	96,061,931	116,016,810
Interest on deposits	46,620,333	55,482,154
Guarantee income	44,192	-
Interest on receivables	904,642	1,154,153
Management fees	84,000	84,000
	763,962,788	856,681,498
OPERATING EXPENSES	410,608,214	579,903,993
	353,354,574	276,777,505
OTHER INCOME (EXPENSES)		
Gain from sale of assets	22,899,454	165,709,071
Foreign exchange gain (loss)	(78,960,602)	12,302,739
Miscellaneous income	8,764	296,204
Share in net profit (losses) from associates	39,554,883	(7,449,520)
	(16,497,501)	170,858,494
PROFIT BEFORE INCOME TAX	336,857,073	447,635,999
INCOME TAX EXPENSE	6,307,443	6,617,009
NET PROFIT	330,549,630	441,018,990

NATIONAL DEVELOPMENT COMPANY

STATEMENT OF CHANGES IN EQUITY

(With comparative figures for the year ended December 31, 2011)

(In Philippine Peso)

	2012	2011
CAPITAL STOCK	8,602,803,483	8,602,803,483
DONATED CAPITAL	112,739,868	112,739,920
SHARE IN REVALUATION INCREMENT OF ASSOCIATES	28,883,100	28,883,100
DEFICIT		
Balance at beginning of year	(7,295,295,528)	(7,666,494,485)
Change in accounting policy - FMV valuation of IP	2,797,835,516	-
Prior-period adjustments	(643,978,921)	35,867,226
Share in prior-period adjustments of associates	105,551	(5,687,259)
Dividends	(50,000,000)	(100,000,000)
Adjusted beginning balance	(5,191,333,382)	(7,736,314,518)
Net profit for the year	330,549,630	441,018,990
Balance at end of year	(4,860,783,752)	(7,295,295,528)
TOTAL EQUITY	3,883,642,699	1,449,130,975

NATIONAL DEVELOPMENT COMPANY

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2012

(With comparative figures for the year ended December 31, 2011)

(In Philippine Peso)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Dividends received	183,664,854	242,212,547
Collection of rentals	90,371,646	120,758,872
Collection of receivables	10,929,631	41,144,142
Interest received	110,039,223	5,118,558
Miscellaneous collections	1,118,790	1,174,420
Loans granted	(2,147,542)	(822,017)
Payment of salaries and benefits to officers and employees	(16,422,725)	(16,133,711)
Payment of taxes and licenses	(61,271,644)	(56,436,786)
Payment to suppliers and service providers	(55,372,607)	(57,616,182)
Payment of interest	(190,470,685)	(326,305,982)
Net cash provided by (used in) operating activities	70,438,941	(46,906,139)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from money market placements	53,225,713	433,410,612
Proceeds from disposal of assets	1,709,534	14,082,718
Acquisition of assets	(28,438,396)	(33,724,511)
Proceeds from retirement of sinking fund	-	677,154,879
Net cash provided by investing activities	26,496,851	1,090,923,698
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from net lending	179,375,000	1,619,343,127
Payment of subscription	(7,552,843)	(207,500,000)
Payment of loans payable	(35,895,754)	(140,195,510)
Payment of dividends	(50,000,000)	(100,000,000)
Redemption of preferred shares	-	(504,322)
Redemption of bonds payable	-	(2,000,000,000)
Net cash provided by (used in) financing activities	85,926,403	(828,856,705)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
CASH EQUIVALENTS	(13,119,507)	65,306
NET INCREASE IN CASH AND CASH EQUIVALENTS	169,742,688	215,226,160
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	626,740,356	411,514,196
CASH AND CASH EQUIVALENTS AT END OF YEAR	796,483,044	626,740,356