

SEC Number: 62893

PSE Number:

File Number:

**ROCKWELL LAND CORPORATION**

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(Company's Full Name)

**The Garage at Rockwell Center,  
Estrella Street, Makati City**

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(Company's Address)

**(632) 793-0088**

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(Telephone Number)

**December 31, 2013**

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(Year Ending)

**SEC Form 17-A Annual Report**

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(Form Type)

SECURITIES AND EXCHANGE COMMISSION  
 SEC FORM 17-A  
 ANNUAL REPORT PURSUANT TO SECTION 17  
 OF THE SECURITIES REGULATION CODE AND SECTION 141  
 OF THE CORPORATION CODE OF THE PHILIPPINES



1. For the fiscal period ended **December 31, 2013**
2. Commission Identification Number **62893**
3. BIR Tax Identification Number **004-710-062-000**
4. Exact name of issuer as specified in its charter: **ROCKWELL LAND CORPORATION**
5. Province, country or other jurisdiction of incorporation or organization: **Philippines**
6. Industry Classification Code: \_\_\_\_\_ (SEC Use Only)
7. Address of issuer's principal office and postal code:  
**The Garage at Rockwell, Rockwell Center, Makati City 1200**
8. Issuer's telephone number, including area code: **(632) 793-0088**
9. Former name, former address, former fiscal year, if changes since last report: **N/A.**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

<u>Title of each class</u>	<u>Number of shares issued and outstanding</u>
<b>Common shares</b>	<b>6,116,762,198 shares</b>

Amount of Debt Outstanding  
**PhP15,000,000,000**

11. Are any or all of the securities listed on a Stock Exchange?  
 Yes [X]      No [ ]

Stock Exchange: **Philippine Stock Exchange**  
 Securities Listed: **Common shares**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)  
 Yes [X]      No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.  
 Yes [ ]      No [X]

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## **PART I – BUSINESS AND GENERAL INFORMATION**

### **Item 1 BUSINESS**

#### **Background**

Rockwell Land is a premier property developer for residential and commercial projects that cater to the high-end and upper-mid markets mainly in Metro Manila. It is primarily engaged in the residential development of high-rise condominiums as well as in retail and office leasing.

The Company was incorporated on August 11, 1975 as First Philippine Realty and Development Corporation. In February 23, 1995, the Company amended its articles of incorporation, changing its name to Rockwell Land Corporation. On September 27, 1996, the SEC approved the increase in capital stock of the Company from P1.0 million to P6.0 billion with three major shareholders subscribing to the increase, namely: Manila Electric Company (Meralco), First Philippine Holdings Corporation (FPHC) and Benpres Holdings Corporation (now Lopez Holdings Corporation or LPZ). During the increase, the Company also amended its articles of incorporation to include the increase in capital stock and the increase in number of directors from 5 to 11. On May 4, 2000, the SEC approved the articles of merger of the Company with Hubbard Realty Holdings Inc., Farragut Realty Holdings Inc., Mc Pherson Square, Inc., and Foggy Bottom, Inc., with the Company as the surviving entity. In July 2008, the SEC approved the Company's increase in authorized capital stock from P6.0 billion divided into 6,000,000,000 Common Shares with P1 par value each to P9.0 billion divided into 8,890,000,000 Common Shares with the same par value and 11,000,000,000 Preferred Shares with a P0.01 par value each with existing shareholders subscribing to the increase in capital. In August 2009, LPZ sold its share in the Company to FPHC therefore leaving the Company with only two (2) major shareholders, namely Meralco and FPHC.

Recently, the SEC approved the amendment to the First Article of the Articles of Incorporation of the Company changing its name from "Rockwell Land Corporation" to: "ROCKWELL LAND CORPORATION doing business under the name and style of Powerplant Mall; Powerplant Cinemas; and Edades Serviced Apartments".

On February 27, 2012, the Board of Directors of Meralco approved the declaration of its 51% ownership in the Company as property dividend in favor of common stockholders of record as of March 23, 2012, except for foreign common shareholders who were paid the cash equivalent of the property dividend. Consequently the Company became a public company having more than 200 shareholders. The property dividend was paid on May 11, 2012 wherein FPHC received property dividends from Meralco in the form of 125,079,016 common shares of the Company. On the same date, the Company acquired 126,620,146 common shares from Meralco, representing the foreign shareholders' entitlement from the property dividend distribution, at ₱1.4637 per share. The Company was listed in the Philippine Stock Exchange (PSE) on May 11, 2012.

On June 28, 2012 and July 27, 2012, FPHC purchased additional shares of the Company from Beacon Electric Asset Holdings, Inc. and San Miguel Corporation, respectively. As of December 31, 2012, FPHC owns 86.8% of the Company

#### **Subsidiaries and Affiliates**

Rockwell Integrated Property Services, Inc. (RIPSI), a wholly owned subsidiary of the Company, was incorporated in 1999 to establish, own, manage, operate and carry on the business of maintaining and cleaning buildings and other facilities.

Primaries Development Corporation (“Primaries”, formerly Rockwell Homes Inc.) a wholly owned subsidiary of the Company, was incorporated in September 2012 to primarily cater to the broader market under a 2<sup>nd</sup> brand “Primaries”. The subsidiary envisions itself to be the preferred developer in terms of providing exceptional and quality living at a more affordable price.

Stonewell Development Corporation Inc., a wholly owned subsidiary of the Company, was also incorporated in September 2012 to develop socialized housing for the Parent Company.

Primaries Properties Sales Specialist Inc., a wholly owned subsidiary of the Company, was incorporated in November 2012 primarily to act as the sales and marketing arm of Primaries.

Rockwell Hotels & Leisure Management Corporation (Rockwell Hotels), a wholly owned subsidiary of the Company, was incorporated last June 20, 2013 for the management of hotel and resort operations.

The Company also has ownership in Rockwell Leisure Club Inc. (RLCI), owning 1,500 ordinary shares and 770 proprietary shares. RLCI is a non-profit premier leisure club created to complement Rockwell Land’s exclusive lifestyle concept. Opened in December 1999, the Rockwell Club offers its resident members and proprietary shareholders a first-class social, sports and recreational facility within the Rockwell Center.

## **Business Segments**

Rockwell Land’s operations are divided into two (2) segments: residential development and commercial leasing.

### **RESIDENTIAL DEVELOPMENT**

The residential development segment involves the development, sales and property management of all residential units under the Rockwell and Primaries brands. This segment currently accounts for 68% of the Company’s EBITDA. Its portfolio of completed projects comprises of the following:

#### **West Block Residential Towers (2000)**

Approximately 2.8 hectares, the West Block was the first residential development within Rockwell Center. It consists of four towers, each named after the country’s most prominent artists and national figures. The West Block has a total of 856 residential units as follows:

Hidalgo Place	251 units
Luna Gardens	131 units
Rizal Tower	169 units
Amorsolo Square	305 units

The Company completed and handed over these towers to the unit owners on time starting 1999.

#### **The Manansala (2005)**

After the completion of West Block, the Company introduced The Manansala in 2001 – the first residential project on the east side of Rockwell Center. It was launched to address the market requirement for smaller units. This 618-unit project was also the first project of the Company that was launched to the Filipino-American investor market. The project broke ground in May 2002 and was completed six months ahead of schedule in July 2005.

### **Joya Lofts and Towers (2008)**

Following The Manansala, the 931-unit Joya Lofts and Towers were launched in late 2003. The distinguishing feature of the Joya Lofts and Towers is its loft design, featuring 20 foot ceilings and a “canvass” for the unit owners’ creative ideas. The project also includes more ground for retail spaces for tenants intended to service residents’ requirements. The twin tower project broke ground in August 2004 and was completed in June 2008, six months ahead of schedule.

### **One Rockwell (2011)**

Riding on the sales momentum of Joya, the Company launched One Rockwell in 2005 – its largest development within Rockwell Center with 1,275 units. The distinguishing feature of One Rockwell is its Z-loft units, which provides residents with units crossing across the corridor for views from both sides of the building. This two (2) – tower project (East and West Towers) commenced construction in February 2007 and was completed in November 2011. Turnover to unit owners started in November 2010.

### **The Grove by Rockwell – Phase 1 (2012)**

The Grove by Rockwell is the Company’s first project outside of Rockwell Center in Makati and its first venture into the upper mid-market segment. The project is situated on a 5.4 hectare prime property along the major thoroughfare of E. Rodriguez Jr. Ave. in Pasig and will consist of six residential towers with a small retail and commercial area. The Grove’s master plan intends to retain 75% of its area for open-space and landscaped environment with a resort-inspired design for its 2,400 unit owners.

The project was introduced to the market in late 2008 with the launch of Phase 1 (Towers A, B & Podium). Its construction was completed by end of 2012 while the turnover to unit owners started on July 2012.

In addition to the above completed projects, the Company has the following ongoing projects;

### **The Grove by Rockwell – Phases 2 & 3 (completion by 2014 & 2015, respectively)**

Following the launch of the Phase 1 of The Grove by Rockwell, Phase 2 (Towers C & D) and Phase 3 (Towers E, F and Garden Villas) were introduced to the market on November 2010 and July 2011, respectively. Construction is ongoing for the aforementioned towers and the completion for Phase 2 is expected to be on December 2014 and Phase 3 on December 2015.

### **Edades Tower and Garden Villas (completion by 2014)**

Following The Grove, a 50-storey development Edades Tower and Garden Villas was launched on December 2009. It has Garden Villas which are extension of the tower and are composed of a landscaped cluster of bi-level units while the Garden Loft is a loft unit located within the residential tower that spills out to a generous garden deck. It also features six floors of serviced apartments which has a dedicated lobby and set of amenities. Construction of Edades is already on the finishing stage and is expected to be completed within the second quarter of 2014.

### **205 Santolan by Rockwell (completion by 2014)**

To expand its portfolio of products, the Company launched its first townhouse community venture – the 205 Santolan in 2012. It is situated on a 1.8 hectare property located near the Santolan- Ortigas Avenue intersection that has quick access to major thoroughfares. This 105-unit low-density project

comes complete with master-planned landscaping and amenities. It broke ground in February 2012 and is scheduled for turnover to the buyers by the 2<sup>nd</sup> quarter of 2014.

### **The Proscenium (completion by 2020)**

The latest project launched by the Company is The Proscenium which is a mixed-use development project situated on a 3.6 hectare property adjacent to Rockwell Center. The development will consist of four (4) residential towers and an office tower which will be anchored on a cultural component with a 600-seater performing arts theater and the Lopez Museum to be located on the south-west corner of the property.

The first two residential towers, Sakura and Kirov, were launched on November 2012 featuring 367 large size units ranging from 2 to 4 bedrooms. These are scheduled for turnover to the buyers by 2017 and 2018, respectively. The third residential tower, Lincoln, was launched in February 2013, this time with studios and 1 - 2 bedroom units. The fourth residential tower, Lorraine, and the office tower, the Proscenium Tower, will be launched in 2014.

### **The Alvendia (completion by 2014)**

Coming from the success of its 1st townhouse development, Rockwell Land launched another townhouse project on a 0.5 has site in San Juan City in July 2013. With only 28 units, the project was almost sold out within the first month of its launch. Construction started in August 2013 and will be completed by December 2014.

### **32 Sanson (completion by 2017)**

The Company acquired a 3.1 hectare lot in Lahug, Cebu City to expand to other strategic urban centers in the Philippines. This will be the Company's first venture outside the region of Luzon and Cebu City is one of the most progressive provincial cities in the country. The primarily residential project will have 2 phases; the 135 units for the 1<sup>st</sup> phase and 220 units for the 2<sup>nd</sup> phase for a total of 355 units. The project was launched in January 2014 and the 1<sup>st</sup> phase is scheduled for completion in July 2016.

## **COMMERCIAL LEASING**

The Commercial leasing segment of the Company develops leases and manages its retail and office developments. As of end- 2013, the Company has a total portfolio of 92,449 sqm of leasable space.

### **Power Plant Mall**

The Power Plant Mall is a four-level shopping center of 41,059 sqm. leasable area with three (3) levels of parking. The Power Plant Mall provides the leisure component for the occupants of the residential towers and offices within the Rockwell Center. It contributes substantial recurring income to the Company.

### **Other Retail Spaces**

The Company also maintains 4,257 sqm of retail spaces on the ground floor of its residential and office projects, providing services, convenience and dining choices to residents/ tenants and non-residents/ non-tenants alike.

## **Rockwell Business Center (RBC)**

The Company established an unincorporated joint venture, Rockwell Business Center, with Meralco for the development and operations of an office complex within the Meralco headquarters in Ortigas.

Rockwell Business Center is the Company's first venture into the office market. Its first two towers have a total leasable area of 47,135 sqm of office and retail spaces.

To expand its office space, the Company launched the third tower of Rockwell Business Center in June 2013. It will add 28,445 sqm of leasable area primarily for office space but with a retail area on the ground floor. It is expected to be completed by the third quarter of 2014.

## **Lopez Tower**

The ongoing construction of the 20-storey Lopez Tower will add 33,054 sqm of leasable office space to the Company's commercial leasing portfolio. It is intended to be the headquarters of the Lopez Group of Companies upon its completion in the 1<sup>st</sup> quarter of 2015.

## **Customers and Distribution Methods of Products**

The Company caters to a wide range of customers, not any one of whom account for 20% or more of its revenues. Its residential projects are sold to both local individuals and corporations and foreign individuals with the local market accounting for about 80% of sales in the last three years. For its commercial leasing business, its customers are individuals and institutions. Residential projects are sold to clients primarily through the Company's in-house sales team which exclusively sells Rockwell projects, complemented by a network of licensed brokers. Its in-house sales team, now numbering 87, consists of regular employees and is headed by licensed brokers. The Company also has an in-house leasing team which handles leasing of tenants for its retail and office business.

The Company maintains websites and various model units which serve as touch points for its customers. Beginning in late 2011, it has tapped the Filipinos living overseas or abroad through international roadshows. Since 2013, the Company formally organized an International Sales team who is focused on servicing the current international markets as well as establishing new markets.

## **Competition**

Rockwell Land operates in a highly competitive industry. The industry consists of two sets of players: (a) the major players who are present in all segments of the market (residential, retail, office and tourism) and generally have nationwide presence and (b) the niche players who only operate in certain segments of the market.

The Company is a niche player which is mainly into vertical residential projects in Metro Manila primarily targeting the high-end and the upper-mid markets and more recently the broader market with its 2<sup>nd</sup> brand, Primaries. For its residential development business, the Company competes on the basis of location, product quality, amenities and price. On the other hand, competition for the commercial leasing business is based on location, quality and availability of space. Rockwell Land believes that it mainly competes with Ayala Land Inc. ("ALI"), Shang Properties Inc. ("Shang Properties") and Century Properties Group Inc. ("CPG") for its residential business and ALI and Shang Properties for its retail business. For its office segment, the Company competes with Robinsons Land Corp. ("RLC") and the office building developers in Fort Bonifacio Global City. ALI and RLC are both major players present in the whole spectrum of the property market segments nationwide. On the other hand, Shang Properties and CPG are also niche players, similar to the Company, focused mainly on residential and retail (for Shang Properties) and residential (for CPG).

With its strong brand name and its track record of project innovations and successful delivery, the Company believes that it can effectively compete in its current niche and is in a solid position to enter new markets. In 2012, the Company decided to enter into horizontal residential development with the launch of its first townhouse project, 205 Santolan. Although the Company had no track record in managing this type of project as compared to its competitors, it believes that its experience in vertical residential projects will be useful. The Company followed that with the launch of its second townhouse development, the Alvendia, in June 2013. These projects target the high-end and the upper-mid markets that the Company is very familiar with.

In 2013, the Company entered the broader market segment with the launch of its “Primaries” brand through the 53 Benitez project. The brand aims to tap into the upper end of the broader market segment and offers unique product feature such as floating corridors and private bridgeways. It targets young families and professionals by offering more than the basics in modern functional living spaces with its spacious two and three bedroom units.

### **Suppliers**

The Company’s raw material requirements for its business are widely available from local and international sources. It generally enters into fixed- sum agreements with reputable general contractors for the construction and development works of its projects except in instances when it believes that it can benefit from the direct procurement of certain materials and packages. Awarding of construction contracts and packages go through the following selection process: pre-qualification (based on project track record, including previous works done for Rockwell, and financial capacity, among others), submission of sealed bids, evaluation of accepted bids (technical and commercial) and a final bidding. It maintains a wide base of suppliers and is not dependent on one or a limited number. Rockwell Land also continues to seek new suppliers as well as explore ways of effectively partnering with its contractors and subcontractors to ensure the quality, on time delivery and the cost-effectiveness of its projects.

Rockwell Land maintains an in-house project development team that it has built over the past three completed residential projects. This team of about 115 employees with specialization in various engineering and architectural disciplines is tasked to ensure that projects are delivered on time according to a specified quality and budget. It manages the different projects by strictly monitoring project milestones in coordination with the general contractors and ensuring that issues during construction are resolved timely.

Some of Rockwell Land’s manpower requirements for its retail, office and property management operations are outsourced to accredited services providers. This includes housekeeping, janitorial, security and maintenance personnel, among others. The service providers also go through a selection and accreditation process and regular evaluation in order to maintain the required service level.

### **Intellectual Property**

The Company currently owns two trademarks, namely, the ROCKWELL & (stylized letter “R”) LOGO, with validity until 28 April 2023:



and the THE GROVE BY ROCKWELL, with validity until 06 October 2018:



The effectiveness of the trademarks is renewable another 10 years for each renewal.

As trademark owner, the Company alone has the right to use the trademarks in the real estate development business, and exclude any person or entity from exploiting the trademarks in the same business, or in the manner that will dilute or diminish the distinctiveness of the trademarks.

As of December 31, 2013, the Company has the following pending trademark application with the Intellectual Property Office.

Mark	Date Filed
1. EDADES TOWER AND GARDEN VILLAS	Oct. 8, 2010
2. PROSCENIUM (WORDMARK)	Nov. 23, 2012
3. PRIMARIES	Dec. 10, 2012

The Company also owns business name registrations for the trademarks below:

TRADEMARK	DATE FILED	STATUS
POWER PLANT MALL	12-Mar-12	REGISTERED
POWER PLANT CINEMA	12-Mar-12	REGISTERED
THE PROSCENIUM AT ROCKWELL	20-Mar-12	REGISTERED
205 SANTOLAN BY ROCKWELL	20-Mar-12	REGISTERED
PROSCENIUM (LOGO)	23-Nov-12	REGISTERED
PRIMARIES A ROCKWELL COMPANY	10-Dec-12	REGISTERED
LINCOLN AT THE PROSCENIUM	18-Jul-13	REGISTERED
SAKURA AT THE PROSCENIUM	18-Jul-13	REGISTERED
KIROV AT THE PROSCENIUM	5-Sep-13	REGISTERED
ICONIQUE AT THE PROSCENIUM	5-Sep-13	REGISTERED
LORRAINE AT THE PROSCENIUM	5-Sep-13	REGISTERED

Registering a business name with the Department of Trade and Industry precludes another entity engaged in the same or similar business from using the same business name as one that has been registered. A registration of a business name with Department of Trade and Industry shall be effective for five years from the initial date of registration.

The Company also recently amended its Articles of Incorporation in February 2012 to include in its corporate name “Doing business under the name and style of Powerplant Mall; Powerplant Cinemas; And Edades Serviced Apartments.”

On March 25, 2008, Meralco and Rockwell Land entered into a Joint Venture Agreement with respect to the property in the Meralco-Ortigas complex, Pasig City covered by TCT No. (210867) 12101 also known as the Rockwell Business Center. Under the Joint Venture agreement, Meralco and Rockwell Land entered into agreements on property management over the property, the allocation of the ownership and the sharing of the rentals over the project development. Sharing of earnings is on an 80:20 basis (80% for the Company and 20% for Meralco) until 2014 or until certain operational indicators are reached, whichever comes first, after which sharing will be on a 70:30 basis. The agreement to operate is effective for 25 years.

### **Research and Development**

The Company incurred very minimal amounts for activities related to research and development in the last three years which also did not amount to a significant percentage versus revenues.

### **Employees**

As of December 31, 2013, Rockwell Land and its subsidiary had a total of 1,256 employees, including 585 organic employees and 671 non-organic (contractual and agency) employees. The breakdown of organic employees per business unit is as follows:

<b>Business Units</b>	<b>Number of Employees</b>
Residential Development	413
Commercial Leasing	66
Shared	106
<b>TOTAL</b>	<b>585</b>

The organic employees can be broken down by function as follows:

<b>Function</b>	<b>Number of Employees</b>
Operational	283
Technical	203
Administrative	99
<b>TOTAL</b>	<b>585</b>

The Company has no collective bargaining agreements with employees and none of the Company’s employees belong to a union.

The Company provides employees with training and other development programs to effectively carryout their jobs and to prepare them for career advancement in the Company.

## **Item 2 PROPERTIES**

The Company, in the course of its business, has invested in various properties for its existing and future development projects. It has also entered into a joint venture with Meralco for Rockwell Business Center, an office development project in Ortigas.

Following is the list of properties owned by the Company as of December 31, 2013. The list excludes properties which have been completed or have been launched as development projects since titles of properties in these projects have already been or will be transferred to the buyers and/or the respective condominium corporations.

	<u>Location</u>	<u>Description and use</u>
<b>Land and improvements</b>		
Power Plant Mall	Rockwell Center, Makati	Retail
Estrella lots	Estrella St., Makati City	Company use (office & storage)
Grove retail	The Grove, Pasig City	Company use (office and retail)
Block 4	Rockwell Center, Makati	Company use (office)
Lopez Tower	Rockwell Center, Makati	Under construction (office)
Various retail spaces	The Manansala, Joya Lofts and Towers, One Rockwell, #38 Rockwell Drive -- all within Rockwell Center, Makati	Retail
<b>Land for development</b>		
Proscenium	Makati City	Mixed-use development
J.P Rizal property	Makati City	Residential development
Sto. Tomas	Sto. Tomas, Batangas	Residential development

<b>Investment in Shares of Stock</b>	<b>No. of Shares</b>	<b>Par or Market Value and Description</b>
Primaries Development Corporation	400,000,000 Common Stock	₱400.0 Million
Stonewell Property Development Corporation	12,500,000 Common Stock	₱12.5 Million
Primaries Properties Sales Specialists Inc.	2,500,000 Common Stock	₱2.5 Million
Rockwell Integrated Property Services Inc.	20,000,000 Common Stock	₱20.0 Million
Rockwell Leisure Club Inc.	770 Proprietary Shares available for sale and 1,500 Ordinary Shares	₱230.1 Million
Rockwell Hotels & Leisure Management Corp.	5,000,000 Common Stock	₱5.0 Million

### **Item 3 LEGAL PROCEEDINGS**

To the best of the Company's knowledge, there has been no occurrence during the past five years and as of the date of this information statement of any of the following events which are material to an evaluation of the ability or integrity of any director, person nominated to become a director, executive officer, or control person of the Company:

- Any insolvency or bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the insolvency or within two (2) years prior to that time;
- Any conviction by final judgment in a criminal proceeding, domestic or foreign, or any pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- Any final and executory order, judgment, or decree or any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting involvement in any type of business, securities, commodities, or banking activities; and
- Any final and executory judgment by a domestic or foreign court or competent jurisdiction (in a civil action), the SEC, or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, for violation of a securities or commodities law.

#### **Item 4 SUBMISSIONS OF MATTERS TO A VOTE OF SECURITY HOLDERS**

Except for matters discussed during the Annual Stockholder's meeting, there was no other submitted to a vote of security holders during the period covered by this report.

### **PART II – OPERATIONAL AND FINANCIAL INFORMATION**

#### **Item 5 MARKET FOR ISSUER’S COMMON SHARE EQUITY and RELATED STOCKHOLDERS**

##### **(1) Market Information**

- (a) The registrant's common equity is being traded at the Philippine Stock Exchange.
- (b) STOCK PRICES

	Common	
	High	Low
2013		
First Quarter.....	2.96	2.90
Second Quarter .....	2.40	2.24
Third Quarter .....	1.88	1.82
Fourth Quarter .....	1.50	1.48

ROCK was trading at ₱ 1.70 per share as of April 14, 2014.

- (c) DIVIDENDS PER SHARE – The Company declared dividends in July 04, 2013. The Company declared a P0.0368 cash dividend per Common Share to stockholders of record as of July 25, 2013, payable on or before August 20, 2013.

The number of common and preferred shareholders of record as of December 31, 2013 was 49,060 and 1, respectively. As of December 31, 2013, common and preferred shares issued and subscribed were 6,243,382,344 shares (inclusive of 126,620,146 treasury shares) and 2,750,000,000 respectively.

Top 20 Stockholders of Common Shares as of December 31, 2013:

	Name	No. of Shares Held	% to Total
1.	First Philippine Holdings Corporation	5,296,015,375	86.58200%
2.	PCD Nominee Corporation (Filipino)	563,700,900	9.21570%
3.	PCD Nominee Corporation (Foreign)	103,194,458	1.68708%
4.	Board of Administrator - ESOP	16,547,838	0.27053%
5.	Lopez, Manuel M., &/Or Ma. Teresa L. Lopez	4,084,411	0.06677%
6.	Lopez, Manuel M.	2,243,174	0.03667%
7.	Concepcion, Raul Joseph &/Or Raul Anthony Concepcion &/or Raul Patrick Concepcion &/or Raul Stephen Concepcion &/or Rica C. Araneta	2,182,018	0.03567%
8.	Yan, Lucio W.	1,136,324	0.01858%
9.	Cheng, Charlotte Cua	886,422	0.01449%
10.	Avesco Marketing Corporation	801,574	0.01310%
11.	B.P. Insurance Agency, Inc.	792,139	0.01295%
12.	Francisco, Jesus P.	725,632	0.01186%
13.	Makati Supermarket Corporation	677,238	0.01107%
14.	Croslo Holdings Corporation	584,297	0.00955%
15.	Tan, Simeon Y.	458,804	0.00750%
16.	Carlos, Jose Ignacio A.	455,667	0.00750%
17.	Tan, Lozano	422,730	0.00691%
18.	Flordeliza, Virgilio C.	385,105	0.00630%
19.	Aquino, Antonio T., &/Or Evelina S. Aquino	377,231	0.00617%
20.	BP Insurance Agency, Inc.	328,969	0.00537%

Stockholders of Preferred Shares as of December 31, 2013:

	Name	No. of Shares Held	% to Total
1.	First Philippine Holdings Corporation	2,750,000,000	100%

**Recent Sales of Unregistered Securities**

**ISSUANCE OF SECURITIES AND RECENT SALES OF EXEMPT SECURITIES –**

On December 12, 2007, the Board of Directors and the stockholders representing at least two-thirds of the Company's outstanding capital stock approved the increase in authorized capital stock from ₱ 6.0 billion to ₱ 9.0 billion divided into 8,890,000,000 Common shares with a par value of ₱1.00 each and 11,000,000,000 Preferred shares with a par value of ₱0.01 each. The increase in authorized capital stock was approved by the SEC on July 28, 2008.

Subscription for shares of capital stock of a corporation in pursuance of an increase in its authorized capital stock, when no expense is incurred, no commission, compensation or remuneration is paid or given in connection with the sale or disposition of such securities, and only when the purpose for

soliciting, giving or taking of such subscriptions is to comply with the required minimum 25% subscribed capital stock, is exempt from registration under the SRC. No notice or confirmation of exemption is required to be filed for the issuance of shares pursuant to an increase in authorized capital stock.

*Exempt Transactions and Securities*

ROCK also issued the following securities:

<b>Date</b>	<b>Amount</b>	<b>Type of Security</b>	<b>Issued to:</b>
January 2013	₱4,000,000.00	Fixed Rate Corporate Notes	Primary institutional lenders
March 2013	₱2,000,000.00		
May 2013	₱1,000,000.00		
July 2013	₱1,500,000.00		
August 2013	₱1,500,000.00		

**Item 6 MANAGEMENT DISCUSSION and ANALYSIS of FINANCIAL CONDITION and RESULTS of OPERATIONS**

*The following management's discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's audited consolidated financial statements, including the related notes thereto, annexed to this Annual Report .*

**INTRODUCTION**

Rockwell Land Corporation’s net income after tax in 2013 amounted to ₱1.4 billion, representing a compounded annual growth rate of 24% since 2011. As a percentage to revenues, this year’s net income was slightly higher at 18% compared to the last two years. This was mainly due to higher margins on residential projects.

Total revenues grew to ₱7.8 billion in 2013, growing at a compounded annual rate of 12% since 2011. Residential development accounts for 84% of the total revenues in 2013 from its 82% share in 2012 due to having more projects simultaneously developed. Three ongoing residential projects had full year revenue recognition in 2013 compared to 2012 namely 205 Santolan, Grove Phase 2 and Grove Phase 3, which started revenue recognition on June 2012, November 2012 and December 2012 respectively. One new residential project, Alvendia, also started revenue recognition on August 2013. Edades and 205 Santolan, however, were substantially completed by December 2013.

EBITDA in 2013 amounted to ₱2.6 billion representing 33% of total revenues, slightly higher compared to 31% in 2012 and 26% in 2011. This is due to start of accretion on interest income of Proscenium and higher margins on other ongoing residential projects. EBITDA is derived by adding interest expense, depreciation and amortization and provision for income tax to Net Income. EBITDA has grown annually by 26% since 2011, where the Residential Development grew faster at a rate of 42% vs. the growth reported for Commercial Leasing. Residential Development now accounts for 68% of 2013’s total EBITDA, up from previous years.

The ratio of cost of real estate and selling to total revenues registered at 58% vs. the previous year’s ratio of 62% as a result of accretion of interest income of Proscenium and recognition of cost adjustments from residential projects as it is nearing completion.

Besides the recent acquisitions, the Company is not aware of any event that could materially affect the statement of comprehensive income reported in this Annual Report.

By the end of 2013, Net debt level was at ₱5.9 billion and stands at 0.52 of total equity. The debt is composed of P10.0 billion corporate notes drawn in portion from January to August 2013 and P5.0 billion proceeds from bond issuance. As a result of higher margins from residential & commercial projects in 2013, ROE increased to 13.1% compared to previous year's 11.7%. Below is a table showing the key performance indicators of the Company for 2011-2013.

KPI	2013	2012	2011
EBITDA (P)	2.6 billion	2.1 billion	1.6 billion
Current Ratio (x)	4.13	2.88	2.78
Net DE Ratio (x)	0.52	0.39	0.26
Asset to Equity Ratio (x)	3.03	2.05	1.97
Interest coverage ratio (x)	8.03	10.57	8.13
ROA	5.1%	5.8%	5.7%
ROE	13.1%	11.7%	10.4%
EPS (P)	0.23	0.18	0.15

**Notes:**

- (1) EBITDA [Net Income + (Interest Expense, Provision for Income Tax, Depreciation & Amortization)]
- (2) Current ratio [Current assets/Current liabilities]
- (3) Net debt to equity ratio [(Total Interest bearing debt)-(Cash and cash equivalents) / Total Equity]
- (4) Assets to Equity Ratio [Total Assets/Total Equity]
- (5) Interest coverage ratio [EBITDA/ Total interest payments ]
- (6) ROA [Net Income/Average Total Assets]
- (7) ROE [Net Income/ Average Total Equity]
- (8) EPS [Net Income/number of common shares outstanding]

**RESULTS OF OPERATIONS**

The following section provides information on the results of operations and financial condition for the periods 2011-2013.

**Revenues**

The following table shows the breakdown of the revenues by business segment for the periods 2011-2013.

	2013	% to Total	2012	% to Total	2011	% to Total
Residential Development <sup>(1)</sup>	6,815	87%	5,876	86%	5,310	85%
Commercial Leasing <sup>(2)</sup>	1,015	13%	966	14%	942	15%
<b>Total Consolidated Revenues</b>	<b>7,830</b>	<b>100%</b>	<b>6,842</b>	<b>100%</b>	<b>6,252</b>	<b>100%</b>
Share in Net Income (Losses) in JV <sup>(3)</sup>	93		98		80	

*Note:*

1. Revenues from this segment consist of the following projects in the years indicated: One Rockwell (2011), The Grove Phase 1 (2011 to 2013), Edades (2011 to 2013), 205 Santolan

(2012 to 2013), The Grove Phases 2 & 3(2012 to 2013), Alvendia (2013), Proscenium Towers (2013), 53 Benitez (2013)

2. Amounts exclude revenues from RBC. Under the Accounting policy for a jointly controlled entity, results of operations of RBC is not consolidated line by line.
3. These amounts represent the Company's share in the net income after tax of RBC.

Below is another table showing the breakdown of revenues by type of revenue for the periods 2011-2013.

	2013	% to Total	2012	% to Total	2011	% to Total
Residential Sales <sup>(1)</sup>	6,573	84%	5,625	82%	5,080	81%
Leasing	727	9%	688	10%	658	11%
Others <sup>(2)</sup>	530	7%	529	8%	514	8%
<b>Total Consolidated Revenues</b>	<b>7,830</b>	<b>100%</b>	<b>6,842</b>	<b>100%</b>	<b>6,252</b>	<b>100%</b>

Note:

1. Pertains only to sales of condominium units (at present value) and related interest income.
2. Includes income from Cinema, parking and other income.

### **Review of 2013 versus 2012**

Total revenues amounting to ₱7.8 billion grew by 14% vs. last year's ₱6.8 billion. About 84% of the revenues came from sale of condominium units, including accretion of interest income, amounting to ₱6.6 billion. Reservation sales reached ₱12.6 billion achieving a growth of 37% from previous year's ₱ 9.2 billion. More than half of the Reservation Sales came from new project Proscenium with its towers Sakura & Kirov which were launched on November 2012 and Lincoln which was launched on February 2013.

Total EBITDA amounted to ₱2.6 billion, which is 24% higher than last year's ₱2.1 billion. This year's growth was driven by Residential Development with growth of 38% vs. last year. Total EBITDA margin registered at 33% of total revenues in 2013, slightly higher than 2012's 31%. This is due to accretion on interest income of Proscenium in 2013 and higher margins on other ongoing residential projects. Contributions to total EBITDA from residential development and commercial leasing are currently at 68% and 32%, respectively.

Resulting net income after tax amounts to ₱1.4 billion, up by 25% from previous year's net income of ₱1.1 billion.

The net income after tax margin is at 18% of total revenues vs. previous year's 16%. This is caused by the impact of lower cost of real estate and selling ratio compared to 2012. The effective income tax rate is lower than the statutory rate of 30% in 2013 due to the Company's share in the income of RBC, which is no longer subject to income tax.

### **Business Segments**

The details of the individual performance of each business segment, in terms of revenues and EBITDA, are discussed as follows:

**Residential Development** contributed 87% of the total revenues of 2013. Total revenues reported from the sale of condominium units, including accretion of interest income, amounted to ₱6.6 billion. The 16% growth in this segment's revenue was primarily attributable to the full year construction

completion of 205 Santolan and The Grove Phase 2, start of recognition of Alvendia in August 2013, and accretion of interest income from new project Proscenium.

Sales take up grew substantially by 37% to ₱12.6 billion from last year's ₱9.2 billion; with more than half of the sales coming from newly launched projects Kirov, Sakura and Lincoln Towers of Proscenium. The Company expects strong reservation sales to continue in 2014 with the launch of the fourth tower of Proscenium and the launch of 32 Sanson project in Cebu.

EBITDA from this segment amounted to ₱1.8 billion and contributed 68% to the total EBITDA of ₱2.6 billion. EBITDA grew 38% due mainly from higher sales and construction completion of the ongoing projects and cost savings recognition for Edades and 205 Santolan as it nears completion.

**Commercial Leasing** revenues amount to ₱1.02 billion, which is 5% higher than last year's revenues of ₱965.7 million. This segment contributes 13% to total revenues. This excludes the share in the joint venture (RBC) as this is reported as "Share in Net Losses (Income) of JV" under Other Income (Expenses) and not consolidated line by line in the consolidated financial statements.

The details of the performances per source of revenue stream are explained as follows:

- Revenues from Retail operations amount to ₱794.5 million and accounts for 10% of total revenues. It grew by 5% vs. last year's revenues of ₱760.3 million. This mainly resulted from rental escalation and the replacement of underperforming stores with new and better performing tenants.
- Cinema Operations amounted to P220.5 million and accounting for 3% of the total revenues. It grew by 7% from last year's ₱205.5 million. This was driven by higher occupancy in 3D and 2D titles compared to last year and increase in ticket price effective last quarter of 2012.
- Office Leasing, operated under the Rockwell-Meralco BPO Venture, generated gross revenues of ₱295.3 million, which is slightly higher by 2% than last year's ₱289.7 million due to higher average occupancy of the buildings from 97% to 99%. At its 80% share, the Company generated revenues of ₱234.0 million and share in net income of ₱93.3 million. To reiterate, only the ₱93.3 million share in net income of RBC is reflected in the Company's consolidated statements of comprehensive income as "Share in Net Losses (Income) of JV".

The segment's EBITDA amounted to ₱830.5 million, which accounts for 32% of the total EBITDA of ₱2.6 billion. EBITDA grew by 2% from last year's ₱810.8 million mainly resulting from improved performance of Retail operations.

### **Costs and Expenses**

**Cost of real estate and selling** amounted to ₱4.6 billion in 2013. The percentage to total revenues is at 58%, down from last year's 62% ratio. The lower cost of real estate and selling ratio was due to higher income from interest accretion in 2013.

**General and administrative expenses (G&A)** amounted to ₱1.04 billion and represents 13% of the total revenues. The level of expenses grew by 19% vs. last year's ₱871.7 million. Higher G&A expenses were reported for manpower costs and professional fees. Manpower costs increased mainly due to cost of employee stock option plan (ESOP) granted in January 2013. The increase in professional fees is mainly due to expenses related the issuance of P5.0 billion bonds.

**Interest Expense** amounted to ₱345.2 million, which is 30% higher than last year's ₱266.2 million. The increase was mainly due to additional ₱6.0 billion corporate notes secured to partially fund development costs of the ongoing projects and land acquisition. The Company also issued P5.0 billion bonds on November 2013 to partially finance the capital expenditures of the Proscenium project. By end of 2013, total debt amounting to P14.9 billion has an average interest rate of 4.9% which improved from last year's 6.6%.

**Share in Net Losses (Income) of JV** recorded a net income of ₱93.3 million. This is a 5% decrease from last year's net income of ₱98.5 million. At 80% share, the gross revenues slightly increased by 1% to P236.2 million due to higher average occupancy rate, however, it recognized higher depreciation expense and lower other income for 2013, thus resulting to a slight decrease in share in net income. The share in net income is reported net of taxes and represents the Company's share in the operations generated by RBC.

### **Provision for Income Tax**

Provision for income tax amounted to ₱582.2 million, which is 33% higher than last year's provision of ₱437.6 million. The increase in effective tax rate is primarily attributable to higher taxable income from residential development in 2013 and the ESOP expenses which is a non-deductible expense.

### **Project and capital expenditures**

The Company spent a total of ₱6.7 billion, net of VAT, for project and capital expenditures in 2013, which is 15% lower than same period last year. The decrease was primarily due to lower land acquisition on 2013.

## **FINANCIAL CONDITION**

Total Assets as of December 31, 2013 amounted to ₱34.4 billion, which increased by ₱13.7 billion from last year's amount of ₱20.7 billion. Assets mainly grew from the cash proceeds from additional loans, recognition of receivables from ongoing projects and higher development costs.

Total Liabilities as of December 31, 2013 amounted to P23.1 billion, higher than 2012's ₱10.6 billion. The increase in liabilities mainly came from the ₱11 billion additional debt issued in 2013. By the end of 2013, Net debt level was at ₱5.9 billion and stands at 0.52 of total equity. Deposits from pre-selling of condominium units also increased from 2012's ₱3.2 million to ₱1.5 billion mainly from pre-selling of the first three towers of Proscenium.

Current ratio as of December 31, 2013 improved to 4.06x from 2.88x the previous year. Likewise, Net debt to equity ratio increased to 0.52x in 2013 from 0.39x in 2012.

### **Other Matters**

The Company launched its first midrise development project called 53 Benitez (under the Company's 2nd brand, "Primaries by Rockwell") last July 2013, which had sales take up amounted to ₱ 936.3 million by end of 2013.

The Company also acquired 2,000 sqm property beside the Rockwell Center on June 2013 in addition to its landbank.

*Causes for any material changes (+/- 5% or more) in the financial statements*

Statement of Comprehensive Income Items – 2013 vs. 2012

*13% increase in Sale of Condominium Units*

Mainly due to full year construction completion from The Grove Phase 2 and 205 Santolan and start of revenue recognition for Alvendia project in San Juan.

*53% increase in Interest Income*

Mainly due to higher interest income accretion arising from The Grove Phases 2 and 3 as well as interest accretion from Proscenium which started on December 2012.

*6% increase in Lease Income*

Mainly resulted from rental escalation and the replacement of underperforming stores with new and better performing tenants

*8% increase in Cinema revenues*

Due to higher occupancy in 3D and 2D titles compared to 2012 and increase in ticket price effective last quarter of 2012

*13% decrease in Other revenues*

Primarily attributable to lower cancellation charges.

*5% increase in Cost of Real Estate*

Mainly due to recognition of higher completion from The Grove Phase 2 and 205 Santolan projects, as well as Alvendia which started recognition for completion on August 2013.

*19% increase in General and Administrative Expenses*

Mainly due to ESOP expenses and professional fees related to bond issuance.

*38% increase in Selling Expenses*

Mainly due to higher marketing expenses coming from ad placements, sales commissions and prepaid cost amortization for The Grove Phase 2 and recognition of expenses from Proscenium project.

*30% increase in Interest Expense*

Primarily due to borrowing costs of additional ₱ 6.0 billion corporate notes and ₱5.0 billion bonds to fund land acquisitions and capital expenditures of ongoing projects.

*5% decrease in Share in Net Income of Joint Venture*

Due to higher depreciation caused by increase in capital expenditures and recognition of lower other income.

*33% decrease in Foreign Exchange Gain*

Due to lower dollar assets.

*78% decrease in Gain on sale of property and equipment*

Due to sale of a condominium asset in 2012 which was not present in 2013.

*254% decrease in Comprehensive Loss*

Mainly due to remeasurement of gains (loss) on employee benefits based on Revised PAS 19, as restated in 2012.

## Balance Sheet items – 2013 vs. 2012

### *₱8.4 billion increase in Cash and Cash Equivalents*

Primarily due to proceeds from corporate notes and bonds issued in 2013.

### *76% increase in Trade and Other Receivable*

Mainly due to recognition of receivables of Edades, 205 Santolan and The Grove Phases 2 & 3 projects as it follows % completion, partially offset by substantial collection from The Grove Phase 1 project.

### *61% increase in Advances to Contractors*

Primarily due to downpayment to contractors for The Grove Phases 2 & 3 and Lopez Tower projects.

### *23% increase in Condominium Units for Sale*

Mainly due to completion of The Grove Phase 1 which resulted to reclassification from land & development costs to condominium units for sale.

### *85% increase in Other Current Assets*

Mainly due to higher prepaid sales & marketing costs and deferred Input VAT arising from arising from the construction of The Grove, Proscenium and Lopez Tower.

### *16% increase in Non-current Trade Receivables*

Due to higher sales with payment terms extending to more than 1 year.

### *122% increase in Property, Plant & Equipment*

Mainly due to construction in progress of Edades and The Grove serviced apartments.

### *100% increase in Land held for future development*

Due to acquisition of lot located in Sto. Tomas, Batangas and near Rockwell center which were acquired in April and June 2013, respectively.

### *100% decrease in Pension Asset*

Due to remeasurement of employee benefits based on PAS 19 – Revised.

### *23% decrease in Other Non-Current Assets*

Due to decrease in deferred input vat.

### *51% increase in Trade and Other Payables*

Primarily due to increase in accrued development costs and VAT payable for deferred sales.

### *93% increase in Income Tax Payable*

Mainly due to higher taxable income in 2013.

### *259% increase in Non-current Portion of Interest Bearing Loan and Borrowings*

The increase due to drawdown of additional P6.0 billion corporate notes and P5.0 billion from bond issuance.

### *37% decrease in Non-current Portion of Installment Payable*

Mainly due to the reclassification to current liability of the installment payment relating to the acquisition of Proscenium, due in June 2014.

### *100% increase in Non-current Deposits from pre-selling of condominium units*

Mainly coming from collection of receivables from Proscenium towers.

*103% increase in Deferred Tax Liabilities*

Primarily due to increase in revenue recognition from 205 Santolan and The Grove Phases 2 and Alvendia projects.

*385% increase in Pension Liability and other employee benefits*

Mainly due to remeasurement of gains (loss) on employee benefits based on Revised PAS 19.

*323% increase in Deposits and other liabilities*

Primarily due to increase in deposit from preselling of Proscenium units and retention payable for Edades, 205 Santolan and Lopez Tower projects.

*100% increase in Additional paid-in capital*

Mainly due to exercise of ESOP at purchase price above par.

*100% increase in Share-based payments*

Due to recognition of ESOP related expenses.

*31% increase in Retained Earnings*

Due to net income after tax of ₱1.4 billion, net of dividends paid to preferred shares of P224.5 million and P52.8 million adjustment from the remeasurements loss on employee benefits based on Revised PAS 19.

**Review of 2012 versus 2011**

Total revenues amounting to ₱6.8 billion grew by 9% vs. last year's ₱6.3 billion. About 82% of the revenues came from sale of condominium units, including accretion of interest income, amounting to ₱5.6 billion. Reservation sales reached ₱9.2 billion achieving a substantial growth of 87% from previous year's ₱ 4.9 billion. Half of the Reservation Sales mainly came from new projects 205 Santolan and Towers Kirov and Sakura of Proscenium.

Total EBITDA amounted to ₱2.1 billion, which is 28% higher than last year's ₱1.6 billion. This year's growth was driven by Residential Development with growth of 45% vs. last year. Total EBITDA margin registered at 31% of total revenues in 2012, higher than 2011's 26% but slightly up from 2010's 30%. The growth was due to lower costs of real estate and selling for completed projects One Rockwell and The Grove Phase 1. EBITDA margin is derived by dividing EBITDA amount to consolidated revenues or segment revenues, whichever is used or specified. Contributions to total EBITDA from residential development and commercial leasing are currently at 61% and 39%, respectively.

Resulting net income after tax amounts to ₱1.1 billion, up by 23% from previous year's net income of ₱0.9 billion.

The net income after tax margin is at 16% of total revenues vs. previous year's 15%. The net impact of higher cost of real estate and selling ratio in 2011 was reduced by a lower tax provision in 2011. The effective income tax rate is lower than the statutory rate of 30% in 2012 due to the Company's share in the income of RBC, which is no longer subject to income tax..

**Business Segments**

The details of the individual performance of each business segment, in terms of revenues and EBITDA, are discussed as follows:

**Residential Development** contributed 86% of the total revenues of 2012. Total revenues reported from the sale of condominium units, including accretion of interest income, amounted to ₱5.6 billion. The 11% growth in this segment's revenue was primarily attributable to higher sales and percentage of completion of Edades and the start of recognition of 205 Santolan in June 2012 and Towers C to F of The Grove in November 2012, despite the drop in revenue contribution from One Rockwell's final completion in 2011 and from higher accomplishment from Towers A&B of The Grove in 2011 as it runs up to its final completion the year after.

Sales take up grew substantially by 87% to ₱9.2 billion from last year's ₱4.9 billion; with half of the sales coming from newly launched projects Kirov and Sakura Towers of Proscenium and 205 Santolan. The Company expects strong reservation sales to continue in 2013 with the launch of the third tower of Proscenium and the launch of the properties in Quezon City and San Juan City, which were both acquired in 2012.

EBITDA from this segment amounted to ₱1.3 billion and contributed 61% to the total EBITDA of ₱2.1 billion. EBITDA grew 46% due mainly from higher sales and construction completion of the ongoing projects and the lower cost of real estate ratio to total revenues from Towers A&B of The Grove in 2012 compared to last year, as costs from the latter reflects actual costs as it nears completion. Similarly in 2012, lower costs were used for 205 Santolan, Edades and One Rockwell projects to reflect current prices.

**Commercial Leasing** revenues amount to ₱965.7 million, which is 3% higher than last year's revenues of ₱941.5 million. This segment contributes 14% to total revenues. This excludes the share in the joint venture (RBC) as this is reported as "Share in Net Losses (Income) of JV" under Other Income (Expenses) and not consolidated line by line in the consolidated financial statements.

The details of the performances per source of revenue stream are explained as follows:

- Revenues from Retail operations amount to ₱760.3 million and accounts for 11% of Total revenues. About 90% comes from retail leasing amounting to ₱688.2 million. It grew by 5% vs. last year's revenues of ₱657.9 million. This mainly resulted from rental escalation and the replacement of underperforming stores with new and better performing tenants.. Same stores sales growth was at 5% in 2012.
- Cinema Operations amounted to ₱205.5 million and accounting for 3% of the total revenues. It slightly grew by 1% from last year's ₱203.2 million. This was driven by higher occupancy in 3D and 2D titles compared to last year.
- Office Leasing, operated under the Rockwell-Meralco BPO Venture, generated gross revenues of ₱289.7 million, which is 12% higher than last year's ₱258.1 million due to higher average occupancy of the buildings from 90% to 97%.. At its 80% share, the Company generated revenues of ₱231.8 million and share in net income of ₱98.47 million. To reiterate, only the ₱98.47 million share in net income of RBC is reflected in the Company's consolidated statements of comprehensive income as "Share in Net Losses (Income) of JV".

The segment's EBITDA amounted to ₱810.7 million, which accounts for 39% of the total EBITDA of ₱2.1 billion. EBITDA grew by 6% from last year's EBITDA of ₱764.8 million. Margin to total segment revenues improved to 84% from last year's 81% as a result of the significant improvement in the office segment of the company. The total revenues used as basis for the EBITDA margin excludes gross revenues from the office leasing or RBC operations as the latter is reported separately under "Share in Net Losses (Income) of JV". By 2012, the Company reported higher revenues from the operations of the RBC. Share in net income in the joint venture contributes 5% to the Company's total EBITDA.

## **Costs and Expenses**

*Cost of real estate and selling* amounted to ₱4.3 billion in 2012. The percentage to total revenues is at 62%, down from last year's 67% ratio. The lower cost of real estate and selling ratio was due to higher costs of real estate reported in 2011.

*General and administrative expenses (G&A)* amounted to ₱871.7 million and represents 13% of the total revenues, an increase from last years' ratio of 12%. The level of expenses grew by 18% vs. last year's ₱739.4 million. Higher G&A expenses were reported for manpower costs and taxes and licenses. Manpower costs increased due to increase in headcount to 173 from 154 regular employees for the Company's new projects. Taxes and Licenses grew by 41% due to taxes relating to the Mortgage Trust Indenture (MTI) agreement to secure the ₱4.0 billion corporate notes, and higher business permits.

*Interest Expense* amounted to ₱266.2 million, which is 38% higher than last year's ₱193.6 million. The increase was mainly due to the additional ₱1.5 billion debt secured to partially fund land acquisition. Average interest rate, however, improved significantly with the 2<sup>nd</sup> tranche of corporate notes of ₱1.5 billion drawn on April 2012 with an annual fixed rate of 5.85% vs. the drawdown in April 2011 with interest rate of 7.33%. By the end of 2012, total debt amounting to ₱4.4 billion has an average interest rate of 6.57%, lower than last year's 7.1%.

*Share in Net Losses (Income) of JV* recorded a net income of ₱98.5million. This is a 23% improvement from last year's net income of ₱79.9 million. The improvement was mainly due to the level of average occupancy which increased from 90% to 97% in 2012. The share in net income is reported net of taxes and represents the Company's share in the operations generated by RBC.

### **Provision for Income Tax**

Provision for income tax amounted to ₱437.6 million, which is 50% higher than last year's provision of ₱291.0 million. The increase in effective tax rate is primarily attributable to higher taxable income from residential development in 2012.

### **Project and capital expenditures**

The Company spent a total of ₱7.9 billion for project and capital expenditures in 2012, which is 79% higher than same period last year. The increase was primarily on development costs of ongoing projects.

## **FINANCIAL CONDITION**

Total Assets as of December 31, 2012 amounted to ₱20.7 billion, which increased by ₱2.7 billion from last year's amount of ₱18.0 billion. Assets mainly grew from land acquisitions, recognition of receivables from ongoing projects and higher development costs. Land acquisitions were partially funded by a long-term loan facility drawn in April 2011. Bridge financing were availed starting August 2012 to fund development costs for Edades and Towers A&B of The Grove, as the latter approaches final completion by end of year. Other funding requirements were funded internally by revenue collections from commercial leasing.

Current ratio as of December 31, 2012 improved to 2.88x from 2.78x the previous year. Likewise, Net debt to equity ratio increased to 0.39x in 2012 from 0.26x in 2011.

## **Other Matters**

The Company acquired a 3.1 hectare property in Cebu City in September 2012 and in Santo Tomas Batangas last November 2012. The latter was acquired to meet the requirements of the Economic and Socialized Housing Law found under Batas Pambansa 220. The Cebu property will be launched in 2013, together with the properties acquired in Quezon City and San Juan City.

The Company will launch its second brand, Primaries, by first the half of 2013. The 0.8 hectare property in Quezon City will become its first project.

### ***Causes for any material changes (+/- 5% or more) in the financial statements***

#### **Statement of Comprehensive Income Items – 2012 vs. 2011**

##### *9% increase in Sale of Condominium Units*

Mainly due to higher sales and construction completion from Edades and the start of revenue recognition for projects, 205 Santolan in Quezon City and Towers C to F of The Grove in Pasig City.

##### *24% increase in Interest Income*

Mainly due to higher interest income accretion arising from residential development projects whose revenue recognition only started in 2012.

##### *18% increase in General and Administrative Expenses*

Mainly due to increased manpower expenses, taxes and licenses and depreciation of The Grove's Information Center.

##### *8% decrease in Selling Expenses*

Mainly due to lower amortization of prepaid marketing and commission expenses.

##### *38% increase in Interest Expense*

Primarily due to additional loans of ₱1.5 billion availed in April 2012 to fund land acquisitions.

##### *23% increase in Share in Net Income of Joint Venture*

Mainly due to positive operating results from RBC, arising from higher average occupancy level which increased from 90% to 97% in 2012 and higher rental rates negotiated for new tenants in 2012.

##### *7% increase in Foreign Exchange Gain*

Resulted from the Company's effort to maintain minimal dollar positions throughout the year therefore reversing the previous year's recognized losses. The Company had fully collected all of its dollar-denominated receivables from sale of condominium units during the early part of 2011.

##### *100% increase in Gain on sale of property and equipment*

Mainly attributable to sale of a condominium unit classified as PPE.

##### *265% increase in Other Comprehensive Income*

Mainly due to remeasurement of gains (loss) on employee benefits based on Revised PAS 19.

#### **Balance Sheet items – 2012 vs. 2011**

##### *13% increase in Cash and Cash Equivalents*

Primarily because of collection of final payment from the completion of Towers A&B of The Grove project.

*36% increase in Trade and Other Receivable*

The increase was attributable to additional receivables recognized from Edades and 205 Santolan, reduced by the collection of receivables from Towers A&B of The Grove,

*49% decrease in Condominium Units for Sale*

Primarily due to additional sale of One Rockwell units in 2012

*21% increase in Land and Development Cost*

Mostly due to project costs incurred for ongoing projects (Edades, The Grove Phases 2 & 3 and 205 Santolan), including the acquisition of properties in cities of Cebu, Quezon and San Juan.

*28% increase in Advances to Contractors*

Primarily due to payment for the ongoing construction of residential projects and Lopez Tower.

*14% increase in Other current assets*

Primarily due to increase in other prepaid selling expenses for The Grove Phase 3, 205 Santolan and The Proscenium.

*10% increase in Property, Plant & Equipment*

Mainly due to the expansion of the Company's office space to provide for new projects, The Primaries, and the reclassification of the project costs of the information Center and retail areas located at The Grove in Pasig City.

*43% increase in Available for Sale Investments*

Due to increase in the market value per share of Manila Polo Club.

*19% decrease in Other Noncurrent Assets*

Mainly due to amortization of Deferred Input Vat related to partial payment of The Proscenium land.

*23% increase in Trade and Other Payables*

Mainly attributable to accrual of development costs of The Grove Phase 1 & 2, 205 Santolan and Edades projects.

*45% increase in Current Portion of Interest Bearing Loan*

The increase in the current portion of interest bearing loan are from the bridge loan facilities due in the first quarter of 2013.

*56% increase in Non-current Portion of Interest Bearing Loan*

The increase is mainly due to the modification of the existing P4B loan which extended the repayment terms of the existing loan.

*225% increase in Deferred Tax Liabilities*

Primarily due to increase in revenue recognition of Edades, The Grove 2 and 3 and 205 Santolan.

*114% increase in Pension Liability and other employee benefits*

Mainly due to accrual of pension cost and recognition of actuarial loss.

*22% decrease in Non-current Portion of Installment Payable*

Mainly due to the reclassification to current liability of the installment payment relating to the acquisition of Proscenium, due in June 2013.

*10% decrease in Deposits and other liabilities*

Mainly due to reclassification of Retail Security Deposits and Deferred Lease Income under current liabilities (under Trade & Other Payables). Security deposits and deferred lease income are advanced payment of retail tenants which will be refunded or applied to rentals at the end of their lease contract.

*45% increase in Retained Earnings*

Due to net income after tax of ₱1.12 billion, net of dividends paid to preferred shares of P4.1 million.

**Item 7 FINANCIAL STATEMENTS**

The consolidated financial statements as of December 2013 and 2012 and for each of the three years in the period ended December 31, 2013 and the Supplementary Schedules per SRC Rule 68, as amended are hereto attached as Exhibit A and Exhibit B, respectively.

**Item 8 CHANGES in and DISAGREEMENTS with ACCOUNTANTS on ACCOUNTING and FINANCIAL DISCLOSURE**

The external auditor of the Company is the accounting firm of Sycip, Gorres, and Velayo and Company (SGV & Co.). The accounting firm of SGV & Co. has been the Company's Independent Public Accountants for the last 5 years. There was no event in the past 5 years where SGV & Co. and the Company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

The Company has engaged SGV & Co., with Ms. Maria Vivian C. Ruiz as the engagement partner, for the audit of the Company's books in 2011 - 2013. The Company has complied with SRC Rule 68, paragraph 3(b)(ix) re: five year rotation requirement for the signing partner.

Representatives of SGV & Co. for the current year and for the most recently completed fiscal year are expected to be present at the Annual Stockholder's Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

**Audit and Audit-Related Fees**

The following table sets out the aggregate fees billed for each of the last two fiscal years for professional services rendered by SGV & Co.

<b>Year ended 31 December</b>	<b>2012</b>	<b>2013</b>
Audit and Audit-related fees	Php 2.3 million	Php 2.3 million

The Audit Committee is composed of Mr. Vicente R. Ayllón as Chairman and Mr. Manuel N. Tordesillas, Mr. Francis Giles B. Puno and Mr. Manuel L. Lopez, Jr. as members.

## PART IV – MANAGEMENT AND CERTAIN SECURITY HOLDERS

### Item 9 DIRECTORS and EXECUTIVE OFFICERS of the ISSUER

The overall management and supervision of the Company is undertaken by the Board of Directors. There are 11 members of the Board of Directors. The regular directors were elected during the annual meeting of the stockholders held on May 29, 2013 to serve for a term of one year and until their successors are elected and qualified. The composition of the Company's Board of Directors is as follows:

Manuel M. Lopez  
Oscar M. Lopez  
Federico R. Lopez  
Eugenio L. Lopez III  
Nestor J. Padilla  
Miguel Ernesto L. Lopez  
Manuel L. Lopez, Jr.  
Francis Giles B. Puno  
Ferdinand Edwin S. CoSeteng  
Vicente R. Ayllón (Independent Director)  
Manuel N. Tordesillas (Independent Director)

The Company's key executive officers as of December 31, 2013 are as follows:

Nestor J. Padilla	President & Chief Executive Officer
Miguel Ernesto L. Lopez	Senior Vice-President, Property Management & Treasurer
Valerie Jane L. Soliven	Senior Vice-President - Sales and Marketing
Ma. Lourdes L. Pineda	Senior Vice-President - New Business
Estela Y. Dasmaringas	Vice-President - Human Resources
Ellen V. Almodiel	Vice-President – Finance and Accounting & Chief Finance Officer
Adela D. Flores	Vice-President & General Manager, Retail
Julius A. Marzona	Vice-President - Project Development
Davy T. Tan	Vice-President – Business Development
Abel L. Roxas	Vice-President – Construction
Antonette O. Marquez	Vice-President – Construction
Belen C. Nones	Vice-President - Operations
Enrique I. Quiason	Corporate Secretary
Rodolfo R. Waga, Jr.	Assistant Corporate Secretary

The following discussion presents a brief description of the business experience of each of the Company's Directors and key executive officers for the last five years:

#### ***Manuel M. Lopez*** - 71, Filipino

Mr. Lopez has served as the Chairman of Rockwell Land since 1995. He is currently the Chairman and CEO of Lopez Holdings Corporation. Concurrently, he is the Chairman of the Board of Indra Philippines Inc., and Rockwell Leisure Club. He is the Vice Chairman of FPH and Lopez Inc. He is a Director of ABS-CBN Corp., Manila Electric Company (MERALCO), Sky Cable Corp., among others. He is also the current Philippine Ambassador to Japan. He served as the Chairman of the Board of MERALCO from July 2010 to June 2012. Mr. Lopez holds a Bachelor of Science degree in

Business Administration from the University of the East and attended the Program for Management Development at the Harvard Business School.

***Oscar M. Lopez*** - 84, Filipino

Mr. Lopez has served as Vice-Chairman of Rockwell Land from 1995 to 2012 until he became Chairman Emeritus in 2012. He is currently the Chairman Emeritus of FPH and Chief Strategic Officer. Prior to this, he was the Chairman of FPH from 1986 to 2010. Mr. Lopez is also the Chairman Emeritus of Lopez Holdings Corp., First Gen Corporation, Energy Development Corp., First Balfour Inc., and other FPH companies. He is the Chairman of the Board of Adtel, Inc., Griffin Sierra Travel, Inc., Inaer Aviation Corp., ABS-CBN Holdings Corp., among others. He was the President of Lopez Holdings Corp. (formerly Benpres Holdings Corp.) from 1973 to 1986. He studied at the Harvard College and graduated cum laude (Bachelor of Arts) in 1951. He finished his Masters of Public Administration at the Littauer School of Public Administration, also at Harvard in 1955.

***Federico R. Lopez*** – 52, Filipino

Mr. Lopez was appointed as Vice-Chairman of Rockwell Land in August of 2012. He is also the Chairman and Chief Executive Officer of FPH, First Gen, Energy Development Corporation, First Gas Holdings Corporation and First Philippine Industrial Corporation among others. He is likewise Chairman of First Balfour, Inc., First Phil. Dev't. Corp., and other FPH Companies. Mr. Lopez graduated with a Bachelor of Arts Degree with a Double Major in Economics & International Relations (Cum Laude) from the University of Pennsylvania in 1983.

***Eugenio L. Lopez III*** - 61, Filipino

Mr. Lopez has been a Director at Rockwell Land since 1995. He is the Chairman of the Board of ABS-CBN Corporation. He is also the Vice Chairman and Director of Lopez Holdings Corporation. He is the Vice Chairman of Bayan Telecommunications, President of Sky Vision Corporation and Director of First Gen Corporation. Mr. Lopez holds a Bachelor of Arts degree in Political Science from Bowdoin College and a Master's degree in Business Administration from the Harvard Business School.

***Nestor J. Padilla*** - 59, Filipino

Mr. Padilla has been a Director at Rockwell Land since 1997, and has been the President and Chief Executive Officer since 1995. He is also serving as a Director of First Philippine Realty Corporation and First Batangas Hotel Corporation. He has also served as a Director in Rockwell Club and has served as a Trustee of the Rockwell Residential Towers Condominium Corporation. During a stint in Indonesia, he held the position of Chief Executive Officer in Lippo Land and was the Executive Director of Indo Ayala Leasing. Mr. Padilla holds a Bachelor of Science degree in Business Management from the Ateneo de Manila University.

***Miguel Ernesto L. Lopez*** - 45, Filipino

Mr. Lopez has been a Director at Rockwell Land since 2009 and was also elected as Treasurer since 2009. He also serves as Senior Vice President for Property Management of Rockwell Land. He is currently the Vice President and Head of Corporate Affairs of Lopez Holdings Corporation. He is also a Director of Philippine Commercial Capital, Inc. (PCCI). He has also served as a Director in Lopez, Inc., MESALA, Meralco Industrial Engineering Services Corporation, CIS Bayad Center, Inc., and Outsourced Teleserve Corporation, among others. Mr. Lopez holds a Bachelor of Science degree in Business Administration from Menlo College of California, USA and attended the Executive Development Program of the Asian Institute of Management.

***Manuel L. Lopez, Jr.*** - 46, Filipino

Mr. Lopez has been a Director at Rockwell Land since 2011. He is currently the Chairman and CEO of PacificHub Corporation and serves as a Director of Philippine Trade Foundation, Inc., Stargate Media, and Philippine Commercial Capital, Inc. He is also a Board Member of the Contact Center Association of the Philippines (CCAP). He has served as a Director of ABS-CBN Broadcasting Corporation, ABS-CBN Holdings Corporation, Sky Cable Corporation, and Pilipino Cable Corporation, among others. Mr. Lopez holds a Bachelor of Science degree in Business Administration from De La Salle University.

***Francis Giles B. Puno*** - 49, Filipino

Mr. Puno was elected Director of Rockwell Land in 2013. He was appointed Chief Finance Officer and Treasurer of FPHC in October 2007, and was promoted to Executive Vice-President in September 2011. He is currently the President and Chief Operating Officer of First Gen. He is also a director of FPHC, First Gen and EDC. He is also President of First Phil. Development Corporation. Before joining FPHC, he worked with The Chase Manhattan Bank as Vice President for Global Power and Environment Group. He has a Bachelor of Science degree in Business Management from the Ateneo de Manila University and a Master in Business Administration degree from Northwestern University's Kellogg Graduate School of Management in Chicago, Illinois.

***Ferdinand Edwin S. CoSeteng*** - 50, Filipino

Mr. CoSeteng was elected director of Rockwell Land in 2013. He is Senior Vice-President of FPH since November 2011. His professional experience includes being a Tax Consultant at Arthur Andersen & Company, New York USA from 1988-1990; Engagement Manager at McKinsey & Company, Hong Kong from 1990-1993; President of Mariwasa Manufacturing, Inc. from 1993-2006 and Chairman of the Board & President of Mariwasa Siam Ceramics, Inc. from 1996-2006. In 2007, Mr. CoSeteng joined LF Logistics in Hong Kong as Executive Vice-President and headed the international logistics and freight forwarding business. He is a BS Electrical Engineering graduate from the University of the Philippines and holds a Master of Business Administration with Distinction from the Johnson Graduate School of Management, Cornell University, New York USA.

***Manuel N. Tordesillas*** – 60, Filipino

Mr. Tordesillas was elected as an Independent Director of Rockwell Land in May of 2012. He currently serves as President and CEO and Director of Maybank ATR Kim Eng Capital Partners, Inc., ATR Kim Eng AMG Holdings, Inc., ATR Holdings, and Vice Chairman of Asian Life Financial Assurance Corporation. Mr. Tordesillas is also a regular Director of Maybank ATR Kim Eng Fixed Income, Inc. and Tullet Prebon Philippines, among others. Mr. Tordesillas holds a Bachelor of Science degree in Industrial Management Engineering from De La Salle University and a Master's degree in Business Administration from the Harvard Business School.

***Vicente R. Ayllón*** - 82, Filipino

Mr. Ayllón was elected as an Independent Director of Rockwell Land in May of 2012. He currently serves as Chairman of the Board & CEO of The Insular Life Assurance Co., Ltd., Chairman of the Board and President of Insular Property Holdings, Inc., Chairman of the Board of Insular Investment Corporation, Insular Health Care, Insular Foundation, Insular Management and Development Corporation, and Home Credit Mutual Building and Loan Association, He is the Vice-Chairman of the Board of Union Bank of the Philippines and Mapfre Insular Insurance Corporation. Mr. Ayllón also serves as a regular Director of Pilipinas Shell Petroleum Corporation and Shell Co. of the Philippines,

Ltd. He serves as an independent Director of The Palms Country Club. Mr. Ayllón holds a Bachelor of Science degree in Commerce from the University of the East.

***Valerie Jane L. Soliven*** – 45, Filipino

Ms. Soliven served the Company for 18 years and is currently Senior Vice-President for Sales and Marketing. Before joining Rockwell Land, she worked at the Manila Garden Suites, EDSA Shangri-La Hotel and the Shangri-La Hotel in Singapore. Ms. Soliven, a licensed broker, holds a Bachelor of Science degree in Hotel and Restaurant Administration from the University of the Philippines. She completed a Management Development Program from the Asian Institute of Management in 2006.

***Ma. Lourdes L. Pineda*** - 44, Filipino

Ms. Pineda has been with the Company for 14 years and is currently Senior Vice-President for New Business. She previously served as Vice-President for Retail, and General Manager of the Power Plant Mall and other retail developments of Rockwell Land. Prior to joining Rockwell Land, she worked for four years at Jeweler International, a French-Filipino company specializing on exquisite jewellery. Ms. Pineda holds a Bachelor of Science degree in Hotel and Restaurant Management from the University of the Philippines. She completed a Management Development Program from the Asian Institute of Management in 2006.

***Ellen V. Almodiel*** - 40, Filipino

Ms. Almodiel has been Vice-President for Finance since 2010. She started as Finance Manager in 2004 and briefly served as Manager of the Business Development Team. Prior to joining Rockwell Land, she was a Financial Analyst and later an Assistant to the Group Chief Finance Officer of the Alcantara Group of Companies and Finance Manager of NextStage, Inc.. Ms. Almodiel, a Certified Public Accountant, holds a Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines, where she graduated cum laude.

***Estela Y. Dasmariñas*** – 53, Filipino

Ms. Dasmariñas is currently Vice-President for Human Resources of the Company and its subsidiaries. Prior to joining Rockwell Land, she was Vice-President for Human Resources of AMA-DDB Needham Worldwide, Inc., a multinational advertising and communications organization. She was also Director for Human Resources of property development firm Metro Asia Resources Corporation and Manager for Human Resources of Mitsubishi Motor Corporation Philippines, Inc. Ms. Dasmariñas holds a Bachelor of Science degree in Political Science and a Master of Arts degree in Industrial Relations specializing in Human Resource from the University of the Philippines.

***Adela D. Flores*** - 60, Filipino

Ms. Flores is currently Vice President of Rockwell Property Management Corporation. She rejoined Rockwell Land Corporation as Vice-President – Retail and General Manager of the Power Plant Mall in 2012 after 8 years in Malaysia managing The Curver shopping mall. Prior to her stint abroad, she was with Rockwell Land - Retail for almost a decade, following her work at CMG as Brand Manager and at Araneta Center as Marketing Manager. Ms. Flores is a graduate of the University of the Philippines with a Bachelor's Degree in Mass Communications. She is also a certified Associate Coach.

***Julius A. Marzoña*** – 52, Filipino

Mr. Marzona has been with the company for 7.4 years and is currently Vice-President for Project Development. From 1994 to 1996, he served as Project Management Officer for project management consulting company SPCastro and Associates Sdn. Berhad and later became Project Manager in the Philippines for the same company in 1997 until 2005. Mr. Marzona, a Licensed Civil Engineer, holds a Bachelor of Science degree in Civil Engineering from the Central Philippine University. He is a Certified Project Manager by the Construction Manpower Development Foundation.

***Abel C. Roxas*** – 50, Filipino

Mr. Roxas has been with Rockwell Land for 5 years and is currently Vice President for Project Development. Prior to joining the company, Mr. Roxas served SKI Construction Group Incorporated as Department Head of Planning and Formworks, and CitramegahKaryaGemilang (CKG) as Engineering Manager. Mr. Roxas first joined Rockwell Land as a Senior Manager for Project Development. Mr. Roxas, a Licensed Civil Engineer, holds a Bachelor of Science degree in Civil Engineering from Mapua Institute of Technology.

***Antonette O. Marquez*** – 47, Filipino

Ms. Marquez joined Rockwell Land Corporation in 2012 as Vice President for Construction. She has a total of 25 years of experience in project management ranging from engineering, cost and procurement, and construction management in industries, namely: energy, industrial, and chemical facilities, food and beverage plants and real estate development both locally and overseas. She also held an assistant vice president position in Japan Gas Corporation where she worked for 15 years. She is a licensed civil engineer and has taken units in Master of Science in civil engineering from University of the Philippines after completing her undergraduate degree from University of Santo Tomas. She has also taken a Leadership and Management Development Program in Ateneo Graduate School of Business and is a Certified Professional and Assessor for BERDE.

***Davy T. Tan*** – 40, Filipino

Mr. Tan joined Rockwell Land in 2007 as Financial Analyst and Budget Manager and in 2012 became Vice-President for Business Development. Prior to joining Rockwell Land, he spent six years with Filinvest Alabang, Inc., a subsidiary of Filinvest Development Corporation, as Proof and Control Officer of the Festival Supermall and later as Finance Analyst. He was also an Accounting Officer at D.M. Consunji, Inc. and Junior Auditor at Punongbayan and Araullo. Mr. Tan, a Certified Public Accountant, holds a Bachelor of Science degree in Accountancy from the University of the East.

***Belen C. Nones*** – 50, Filipino

Ms. Nones has been with Rockwell Land for 13 years and is currently Vice President for Operations. She first joined Rockwell Land as an Executive Assistant under the Office of the President and eventually became Housekeeping Manager of the Rockwell Club and Cinema Operations Manager of the Power Plant Mall. Ms. Nones holds a Bachelor of Science degree in Economics from St. Scholastica's College.

***Enrique I. Quiason*** - 53, Filipino

Mr. Quiason has been the Corporate Secretary at Rockwell Land since 1995. He is a Senior Partner of the Quiason Makalintal Barot Torres Ibarra & Sison Law Firm. He is also the Corporate Secretary of FPH and Lopez Holdings and Assistant Corporate Secretary of ABS-CBN and various subsidiaries and affiliates of FPH and Lopez Holdings. Mr. Quiason, a Member of the Integrated Bar of the

Philippines, graduated with a B.S. Business Economics (Cum Laude) degree in 1981 and with a Bachelor of Laws degree in 1985 from the University of the Philippines. He received his LL.M. in Securities Regulation from Georgetown University in 1991.

**Rodolfo R. Waga, Jr.** - 54, Filipino

Mr. Waga has been the Assistant Corporate Secretary at Rockwell Land since 2010. He is the Vice President and the Assistant Corporate Secretary of FPHC, and serves as either the Corporate Secretary or Assistant Corporate Secretary of various FPH subsidiaries/affiliates. Mr. Waga, a member of the Integrated Bar of the Philippines, graduated Magna Cum Laude with a Bachelor of Arts degree in Major in Economics from the Xavier University (Ateneo de Cagayan) in 1979 and a Bachelor of Laws degree from the University of the Philippines in 1983. He completed the academic requirements for his EMBA at the Asian Institute of Management. He has been part of the Lopez group in an executive capacity for the last five (5) years.

### Significant Employees

The Board of Directors and members of the senior management of Rockwell Land have been an integral part of its success. Their knowledge, experience, business relationships and expertise greatly contribute to Rockwell Land's operating efficiency and financial performance.

Rockwell Land maintains that it considers the collective efforts of the Board of Directors and all of the Company's employees as instrumental to its overall success. The business of Rockwell Land is not dependent on any individual person. No employee is indispensable in the organization. Rockwell Land has institutionalized through documentation, its processes, procedures and training to ensure continuity and scalability of the business without relying on any particular employee.

## Item 10 EXECUTIVE COMPENSATION

### COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

The Company's amended by-laws provide that the Board of Directors shall not receive any salary for their services as director other than an honorarium not exceeding P7,500.00 for their attendance in each regular or special meeting of the Board of Directors, or Executive Committee but this provision shall not preclude any director from serving the Company in any other capacity and receiving compensation therefore.

The Company's amended by-laws also provide that the Board of Directors, officers and employees may participate in the unrestricted profits or earnings from the operations of the Company, after taxes, to be distributed in the manner, amounts and proportions as the Board of Directors may determine.

Summary of Compensation Table (Annual Compensation)

(a) Name and Principal Position	(b) Year	(c) Salary	(d) Bonus	(e) Other annual compensation
CEO + 4 most highly compensated executive officers* Almodiel, Ellen V. (Vice-President, Finance and Accounting & CFO) Lopez, Miguel Ernesto L. (Treasurer and Senior Vice-	2012	P42.7 million	P3.6 million	P77.5 thousand

President, Property Management) Padilla, Nestor J. (President and CEO) Pineda, Ma. Lourdes L. (Senior Vice-President, New Business) Soliven, Valerie Jane L. (Senior Vice-President – Sales and Marketing)				
All other Officers and Directors	2012	P9.0 million	P0.8 million	P0.5 million
CEO + 4 most highly compensated executive officers* Almodiel, Ellen V. (Vice-President, Finance and Accounting & CFO) Lopez, Miguel Ernesto L. (Treasurer and Senior Vice-President, Property Management) Padilla, Nestor J. (President and CEO) Pineda, Ma. Lourdes L. (Senior Vice-President, New Business) Soliven, Valerie Jane L. (Senior Vice-President – Sales and Marketing)	2013	P47.7 million	P4.0 million	P170.6 thousand
All other Officers and Directors	2013	P11.0 million	P0.9 million	P0.9 million
CEO + 4 most highly compensated executive officers* Almodiel, Ellen V. (Senior Vice-President, Finance and Accounting & CFO) Lopez, Miguel Ernesto L. (Treasurer and Senior Vice-President, Property Management) Padilla, Nestor J. (President and CEO) Pineda, Ma. Lourdes L. (Senior Vice-President, New Business) Soliven, Valerie Jane L. (Senior Vice-President – Sales and Marketing)	2014 (estimate)	P52.5 million	P4.4 million	P187.7 thousand
All other Officers and Directors	2014 (estimate)	P12.1 million	P1.0 million	P1.0 million

*\*Alphabetically arranged*

## **Employment Contracts between the Company and Executive Officers**

### Options Outstanding

On May 2, 2012 and August 3, 2012, the BOD and the stockholders, respectively, approved the implementation of the ESOP to be offered to all regular employees of the Company including employees seconded to other affiliates or other individuals that the Board of Administrators may decide to include. The aggregate number of ESOP shares that may be issued shall not at any time exceed 3% of the issued capital stock of the Company on a fully diluted basis. The maximum numbers of shares a participant is entitled to shall be determined as a multiple of the gross basic monthly salary based on rank and performance for the year preceding the award. The option is exercisable anytime within the Option Term once vested.

The outstanding options are as follows:

Name	No. of Shares	Date of Grant	Exercise Price	Market Price at the Date of Grant
CEO + 4 most highly compensated executive officers* Almodiel, Ellen V. (Vice-President, Finance & Accounting & CFO) Lopez, Miguel Ernesto L. (Treasurer and Senior Vice-President, Property Management) Padilla, Nestor J. (President and CEO) Pineda, Ma. Lourdes L. (Senior Vice-President, New Business) Soliven, Valerie Jane L. (Senior Vice-President – Sales and Marketing)	32,127,000	various	P1.46	various
All Other Officers & directors	10,712,000	various	P1.46	various
Total	42,839,000			

*\*Alphabetically arranged*

### Other Arrangements

Except as described above, there are no other arrangements pursuant to which any of the Company's directors and officers are compensated, or are to be compensated, directly or indirectly.

## PART IV – MANAGEMENT AND CERTAIN SECURITY HOLDERS

### Item 11 SECURITY and OWNERSHIP of CERTAIN BENEFICIAL OWNERS and MANAGEMENT

(a) Security Ownership of Certain Record and Beneficial Owners and Management as of 31 December 2013

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	% of Total Outstanding Shares
Common Shares	First Philippine Holdings Corporation 4th Floor Benpres Bldg., Exchange Road, Ortigas Center, Pasig City Stockholder	First Philippine Holdings Corporation is the beneficial and record owner of the shares indicated	Filipino	5,296,015,375	86.5820%
Common Shares	PCD Nominee Corporation 37/F Enterprise Tower I, Ayala Ave., cor. Paseo de Roxas, Makati City Stockholder	PCD Nominee Corporation is the record owner but not the beneficial owner which are owned beneficially	Filipino	563,700,900	9.2156%

		by the investing public			
<b>TOTAL OUTSTANDING COMMON SHARES</b>				6,116,762,198	100.0%
Preferred Shares	First Philippine Holdings Corporation 4th Floor Benpres Bldg., Exchange Road, Ortigas Center, Pasig City, stockholder	First Philippine Holdings Corporation is the beneficial and record owner of the shares indicated	Filipino	2,750,000,000	100.0%
<b>TOTAL OUTSTANDING PREFERRED SHARES</b>				2,750,000,000	100.0%

(b) Security Ownership of Management as of 31 December 2013

To the best of knowledge of the Company, the following are the shareholdings of the directors and officers:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Total Outstanding Shares
Common Shares	Manuel M. Lopez Chairman	10,614,467 (direct/indirect)	Filipino	0.1735%
Common Shares	Oscar M. Lopez Director	174,898 (direct/indirect)	Filipino	0.0029%
Common Shares	Nestor J. Padilla Director and President	21,000,001 (direct/indirect)	Filipino	0.3433%
Common Shares	Miguel Ernesto L. Lopez Director, Treasurer & Senior Vice President, Property Management	243,694 (direct/indirect)	Filipino	0.0040%
Common Shares	Eugenio L. Lopez III Director	1 (indirect)	Filipino	0.0000%
Common Shares	Manuel L. Lopez, Jr. Director	1 (indirect)	Filipino	0.0000%
Common Shares	Federico R. Lopez Vice Chairman	1 (indirect)	Filipino	0.0000%
Common Shares	Francis Giles B. Puno Director	5,656 (direct)	Filipino	0.0001%
Common Shares	Ferdinand Edwin S. CoSeteng Director	1 (direct)	Filipino	0.0000%
Common Shares	Manuel N. Tordesillas Independent Director	1 (indirect)	Filipino	0.0000%
Common Shares	Vicente R. Ayllón Independent Director	1 (indirect)	Filipino	0.0000%
Common Shares	Enrique I. Quiason Corporate Secretary	3,575 (direct)	Filipino	0.0001%
Common Shares	Rodolfo R. Waga, Jr. Asst. Corporate Secretary	1,116 (direct)	Filipino	0.0000%
N.A.	Valerie Jane L. Soliven Senior Vice-President Sales and Marketing	None	Filipino	N.A.
Common Shares	Ma. Lourdes L. Pineda Senior Vice-President, New Business	81,272 (direct/indirect)	Filipino	0.0013%
N.A.	Ellen V. Almodiel Vice-President, Finance and	None	Filipino	N.A.

	Accounting & Chief Financial Officer			
Common Shares	Estela Y. Dasmariñas Vice-President, Human Resources	1,882 (direct)	Filipino	0.0000%
Common Shares	Adela D. Flores Vice -President & General Manager, Retail	4,340 (direct)	Filipino	0.0001%
N.A.	Julius A. Marzoña Vice-President, Project Development	None	Filipino	N.A.
N.A.	Abel L. Roxas Vice-President, Construction	None	Filipino	N.A.
N.A.	Antonette O. Marquez Vice President- Construction	None	Filipino	N.A.
N.A.	Davy T. Tan Vice-President, Business Development	None	Filipino	N.A.
N.A.	Belen C. Nones Vice-President, Operations	None	Filipino	N.A.

### **Change in Control**

No change of control in the Company has occurred since the beginning of its last fiscal year.

The Company's amended articles of incorporation or amended by-laws do not contain provisions that would delay, defer or prevent a change in control of the Company. Under the Company's amended articles of incorporation and amended by-laws, holders of Preferred Shares are entitled to voting rights. Further, Preferred shares can only be transferred to (a) Philippine citizens and (b) to a corporation of which at least 60% of the total outstanding equity capital is beneficially owned by Philippine citizens and which is not in competition with Meralco, Benpres Holdings Corporation (now "Lopez Holdings Corporation"), FPHC, or any of their affiliates. Upon completion of the Dividend Distribution and Listing, the Preferred Shares constitute 31.01% of the Company's outstanding capital stock. As of 31 December 2013, FPHC's combined ownership of the Company's Preferred Shares and Common Shares was 90.74% of the total outstanding voting capital stock.

### **Item 12 CERTAIN RELATIONSHIPS and RELATED TRANSACTIONS**

Other than the following family relationships, there are no other family relationships within the Board of Directors and executive officers of the Company:

- Chairman Manuel M. Lopez and Chairman Emeritus Oscar M. Lopez are brothers.
- Treasurer Miguel Ernesto L. Lopez and Manuel L. Lopez Jr. are brothers, sons of the Chairman Manuel M. Lopez and nephews of Chairman Emeritus Oscar M. Lopez.
- Vice-Chairman Federico R. Lopez and Benjamin R. Lopez are brothers, sons of Chairman Emeritus Oscar M. Lopez and nephews of Chairman Manuel M. Lopez.
- Eugenio Lopez III is the nephew of the Chairman, Manuel L. Lopez and Chairman Emeritus, Oscar M. Lopez.

- Vice-Chairman Federico R. Lopez and Benjamin R. Lopez, Eugenio Lopez III, and Miguel Ernesto L. Lopez and Manuel L. Lopez, Jr. are cousins.
- Vice-Chairman Federico R. Lopez is the brother in law of Francis Giles B. Puno.

**Item 13 COMPLIANCE with LEADING PRACTICE on CORPORATE GOVERNANCE**

Rockwell adopted its Manual on Corporate Governance (the “Manual”) on May 2, 2012. The Company, its directors, officers and employees complied with the leading practices and principles on good governance as embodied in the Manual of Corporate Governance.

Rockwell continues to abide by all the governance regulatory requirements. It has filed the Certificate required by the SEC certifying its, as well as its directors, officers and employees, compliance with the manual last January 29, 2013. Rockwell submitted to the Philippine Stock Exchange its responses to the Disclosure Template on Corporate Governance Guidelines for Listed Companies last April 1, 2013.

Apart from mandated Manual, Rockwell has also adopted a Corporate Code of Discipline. The Code embodies the principles and guidelines for the conduct of the business of the company and in dealing with its stakeholders.

Rockwell’s current board composition serves to insure independent, impartial and fair discussions having two independents, seven non-executive and two executive members. The Board shall hold regular meetings and may convene for special meetings as may be required by business exigencies in accordance with the provisions of the By-Laws.

Pursuant to the Manual for Corporate Governance, the Board has formed committees: Audit Committee, Nomination and Election Committee and Risk Management Committee.

Rockwell also has an Internal Audit Group (“IAG”) composed of Certified Public Accountants. The IAG reports to the Board through the Audit Committee. The IAG provides assurance and consulting functions for Rockwell in the areas of internal control, corporate governance and risk management. It conducts its internal audit activities in accordance with the International Standards for Professional Practice of Internal Auditing (ISPPA) under the International Professional Practices Framework.

It bears mention that the Audit Committee is chaired by an independent director. The Nomination and Election Committee and Risk Management Committee are composed of four members of the board, one of which is an independent director.

Rockwell has sought to keep communications open with its stockholders and encourages them to participate in the meeting of shareholders either in person or by proxy. Shareholders are free to write to the Nomination and Election Committee should they have recommendations and/or nominations for board directorship.

## PART V – EXHIBITS AND SCHEDULES

### Item 14. EXHIBITS and REPORTS on SEC FORM 17-C

#### (a) Exhibits

The following exhibits are filed as a separate section of this report:

- Exhibit “A” - Audited Consolidated Financial Statements  
for the Years Ended December 31, 2013 and 2012
- Exhibit “B” - Supplementary Schedules as per SRC Rule 68, As Amended

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

#### (b) Reports on SEC Form 17-C

The corporation disclosed the following matters on the dates indicated:

- March 11, 2013      The Company’s Board of Directors, in its regular meeting held on March 11, 2013, approved the following:
1. The Company’s Consolidated Audited Financial Statements for the year ended December 31, 2012
  2. The schedule of the Annual Stockholders’ Meeting on May 29, 2013 at 9:00 a.m. in the Rockwell Tent. The Board also fixed March 25, 2013 as the record date for stockholders who will be entitled to notice of, and attend, the meeting.
- March 12, 2013      Rockwell Land Corporation submitted a press release on the financial performance for the year ended December 31, 2012 which is based on the company’s audited financial statements approved by the Board of Directors in its regular meeting on March 11, 2013.
- April 1, 2013      Rockwell Land Corporation submitted their Corporate Governance Disclosure Survey covering the year 2012.
- April 3, 2013      Rockwell Land Corporation submitted the list of stockholders who own Common Shares of Rockwell Land Corporation as of March 25, 2013, the record date fixed for the Annual Stockholders’ Meeting scheduled on the 29<sup>th</sup> of May 2013.
- April 15, 2013      Rockwell Land Corporation submitted the initial beneficial ownership (SEC Form 23-A) of Ms. Adela Flores and Ms. Antonette Marquez, who were designated as key officers last April 11, 2014. They joined the Company last year in their present capacity. However, there had been no formal board confirmation of their appointment as key officers.
- May 16, 2013      Rockwell Land’s Audit Committee provided a copy of the approved Audit Committee Charter (which has been in effect since October 1, 2012) and the results of the annual assessment made by the Committee on the compliance of the Charter to the Company’s Code of Corporate Governance and the

implementation of provisions found therein. This was in compliance with the SEC Memorandum Circular No. 4, Series of 2012 re: Guidelines for the Assessment of the Performance of the Audit Committees of Companies listed on the Exchange.

May 29, 2013

Rockwell Land had its annual stockholders' meeting and elected its Board of Directors for the ensuing year 2013 to 2014.

Mr. Vicente R. Ayllon  
 Mr. Ferdinand Edwin S. CoSeteng  
 Mr. Eugenio L Lopez III  
 Mr. Federico R. Lopez  
 Amb. Manuel M. Lopez  
 Mr. Manuel L Lopez, Jr.  
 Mr. Miguel L. Lopez  
 Mr. Oscar M. Lopez  
 Mr. Nestor J. Padilla  
 Mr. Francis Giles B. Puno  
 Mr. Manuel N. Tordesillas

Mr. Ayllon and Mr. Tordesillas were elected as independent directors.

The stockholders approved the minutes of the annual meeting of the stockholders, approved annual report of management and the audited financial statements for 2012, ratified the acts and resolutions of the Board, its committees and management for 2012 and re-appointed the external auditors, Sycip Gorres Velayo & Co.

An organizational meeting was immediately held after the annual stockholders meeting for the election and appointment of the following as officers of the Company.

Name	Position
Manuel M. Lopez	Chairman of the Board
Oscar M. Lopez	Chairman Emeritus
Federico R. Lopez	Vice Chairman
Nestor J. Padilla	President & Chief Executive Officer
Miguel Ernesto L. Lopez	Treasurer & Senior Vice-President, Property Management)
Valerie Jane Lopez-Soliven	Senior Vice-President - Sales & Marketing
Maria Lourdes Lacson-Pineda	Senior Vice-President - New Business
Estela Y. Dasmariñas	Vice-President - Human Resources
Ellen V. Almodiel	Vice-President – Finance and Accounting & Chief Finance Officer
Engr. Julius A. Marzoña	Vice-President - Project Development
Abel L. Roxas	Vice-President - Construction
Antonette O. Marquez	Vice President, Construction Management
Davy T. Tan	Vice-President – Business Development
Belen C. Nones	Vice-President - Operations
Enrique I. Quiason	Corporate Secretary
Rodolfo R. Waga, Jr.	Asst. Corporate Secretary

The Board also appointed the members of the following committees:

Audit Committee

Name	Position
Vicente R. Ayllon	Chairman
Manuel N. Tordesillas	Member
Manuel L. Lopez, Jr.	Member
Francis Giles B. Puno	Member

Risk Management Committee

Name	Position
Eugenio L. Lopez III	Chairman
Ferdinand Edwin S. CoSeteng	Member
Nestor J. Padilla	Member
Manuel L. Tordesillas	Member

Nominations and Elections Committee

Name	Position
Manuel M. Lopez	Chairman
Oscar M. Lopez	Member
Eugenio L. Lopez III	Member
Vicente R. Ayllon	Member

The Board also adopted a dividend policy of 20% of prior year's Net Income after Tax (NIAT).

Projections disclosed during the press briefing are the following:

1. Projected NIAT for 2013 is P1.4billion.
2. Capital expenditure for 2013 is estimated between P10.0 to P12.0 billion.

July 5, 2013	At the regular meeting of the Board of Directors (BoD) of the Corporation, the BoD approved the declaration of a regular cash dividend of P0.0368 per share to all common shareholders of record as of July 25, 2013, payable on or before August 20, 2013.
September 19, 2013	The Board of Directors, in a special meeting, approved the public offering of up to P5.0 billion seven years and one quarter unsecured peso-denominated fixed-rate retail bonds. The Company also appointed First Metro Investment Corporation (FMIC) as Issue manager and Lead Underwriter. Proceeds of the said bonds issuance will be used to partially finance its various capital expenditures particularly for the Proscenium project.
October 25, 2013	The Credit Rating and Investors Service Philippines, Inc. (CRISP) assigns AA+ Issuer rating on Rockwell Land Corporation in connection with Rockwell Land Corporation's proposed issuance of P5.0 billion of 7 year and 1 quarter peso-denominated fixed rate retail bond in November 2013.
November 15, 2013	During the listing ceremony of Rockwell Land's P5 billion fixed rates bonds at the Philippine Dealing and Exchange Corporation (PDEX), the following information was disclosed:

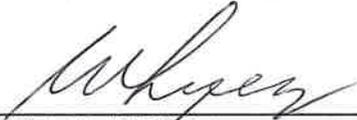
1. The Proscenium development will have 4 residential towers and 1 office building. The office building, the Iconique Tower will start its construction in 2014. The estimated development costs for the Iconique Tower is P5.0B (with VAT).
2. The development project over the 3.0 hectare property in Lahug, Cebu will contribute total revenues of P3.3B and will require an estimated total land and development cost of P2.5B (net of VAT).
3. The full year 2013 estimated reservation sales is P13.0B (with VAT).

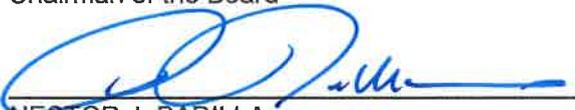
**SIGNATURES**

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of Rockwell by the undersigned, thereunto duly authorized, in the City of \_\_\_\_\_.

**ROCKWELL LAND CORPORATION**

By:

  
\_\_\_\_\_  
MANUEL M. LOPEZ  
Chairman of the Board

  
\_\_\_\_\_  
NESTOR J. PADILLA  
President

  
\_\_\_\_\_  
ELLEN V. ALMODIEL  
Chief Financial Officer / Comptroller

  
\_\_\_\_\_  
ENRIQUE I. QUIASON  
Corporate Secretary

**MAKATI CITY**

**MAR 27 2014**

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2014, affiant exhibiting to me his/their Residence Certificates as follows:

<b>Names</b>	<b>Res. Cert. No./ Passport No.</b>	<b>Date of Issue</b>	<b>Place of Issue</b>
Manuel M. Lopez	EA0007404	24 November 2009	DFA Manila
Nestor J. Padilla	EB7323729	07 February 2013	DFA Manila
Ellen V. Almodiel	EB0353983	07 June 2010	DFA Manila
Enrique I. Quiason	EA0007971	07 December 2009	DFA Manila

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Page No. 20  
Book No. 711  
Series of 2014.

**ATTY. GERVACIO B. ORTIZ JR.**  
**NOTARY PUB. LIC. FOR MAKATI CITY**  
**UNTIL DECEMBER 31, 2014**  
**PTR NO. 3864330/01/02-2013 MAKATI**  
**IBF NO. 856155 - LIFE TIME MEMBER**  
**APPT. M-199 / 2014 ROLL NO. 4009'**

## ROCKWELL LAND CORPORATION

### INDEX TO EXHIBITS Form 17-A, Item 7

<u>No.</u>		
(3)	Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	n.a.
(5)	Instruments Defining the Rights of Security Holders, Including Indentures	n.a.
(8)	Voting Trust Agreement	n.a.
(9)	Material Contracts	n.a.
(10)	2013 Consolidated Financial Statements: Rockwell Land Corporation and Subsidiaries (with notarized Statement of Management Responsibility)	Attached as Exhibit A
(13)	Letter re: Change in Certifying Accountant	n.a.
(16)	Report Furnished to Security Holders	n.a.
(18)	Subsidiaries of the Registrant	44
(19)	Published Report Regarding Matters Submitted to Vote of Security Holders	n.a.
(20)	Consent of Experts and Independent Counsel	n.a.
(21)	Power of Attorney	n.a.
(29)	Additional Exhibits	n.a.

**EXHIBIT 18: SUBSIDIARIES OF THE REGISTRANT**

As of December 31, 2013, Rockwell Land Corporation has six (6) consolidated subsidiaries as stated below:

<b>Name of Subsidiary</b>	<b>Percentage of Ownership</b>
Rockwell Leisure Club, Inc.	69%
Rockwell Integrated Property Services, Inc	100%
Primaries Development Corporation	100%
Stonewell Property Development Corporation	100%
Primaries Properties Sales Specialists Inc.	100%
Rockwell Hotels & Leisure Management Corp.	100%



ROCKWELL LAND

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

The management of **ROCKWELL LAND CORPORATION** is responsible for the preparation and fair presentation of the consolidated financial statements as of December 31, 2013 and 2012, and for each of the three years in the period ended December 31, 2013, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards.

This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

**Manuel M. Lopez**  
Chairman of the Board

**Nestor J. Padilla**  
Chief Executive Officer

**Ellen V. Almodiel**  
Chief Financial Officer

Signed this 27<sup>th</sup> day of March 2014



MAR 27 2014

SUBSCRIBED AND SWORN to before me this \_\_\_\_ day of \_\_\_\_, 2014, affiant exhibiting to me his/their Residence Certificates as follows:

Names	Res. Cert. No./ Passport No.	Date of Issue	Place of Issue
Manuel M. Lopez	EA0007404	24 November 2009	DFA, Manila
Nestor J. Padilla	EB7323729	07 February 2013	DFA, Manila
Ellen V. Almodiel	EB0353983	07 June 2010	DFA, Manila

MAKATI CITY

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Page No. 20  
Book No. 177  
Series of 2014

~~Notary Public~~  
ATTY. GERMEL ORTIZ JR.  
NOTARY PUBLIC FOR MAKATI CITY  
UN TIL DECEMBER 31, 2014  
PTR NO. 3864330/01-02-2013 MAKATI  
IBP NO. 658155 - LIFE TIME MEMBER  
AP (T.M-199 / 2014) ROLL NO. 40091

BUREAU OF INTERNAL REVENUE  
LARGE TAXPAYER SERVICE  
LARGE TAXPAYERS ASSISTANCE DIVISION  
Date APR 15 2014  
RECEIVED  
PATRICIA Q. PANALIGAN

## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
Rockwell Land Corporation  
Rockwell Information Center  
Rockwell Drive cor. Estrella St.  
Makati City



We have audited the accompanying consolidated financial statements of Rockwell Land Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2013, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

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

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

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



**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Rockwell Land Corporation and Subsidiaries as at December 31, 2013 and 2012, and their financial performance and their cash flows for the years ended December 31, 2013, 2012 and 2011 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Maria Vivian C. Ruiz

Partner

CPA Certificate No. 83687

SEC Accreditation No. 0073-AR-3 (Group A),

January 18, 2013, valid until January 17, 2016

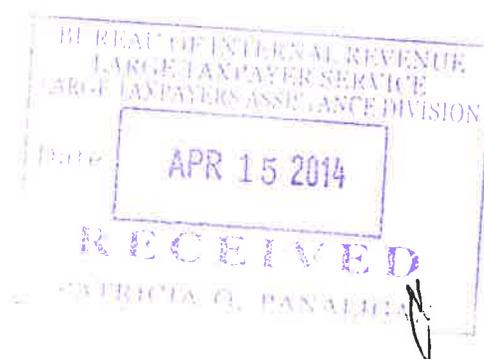
Tax Identification No. 102-084-744

BIR Accreditation No. 08-001998-47-2012,

April 11, 2012, valid until April 10, 2015

PTR No. 4225211, January 2, 2014, Makati City

March 27, 2014





**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Amounts in Thousands)

	December 31, 2013	December 31, 2012 (As restated – Note 3)	January 1, 2012 (As restated – Note 3)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents (Notes 6, 28 and 29)	₱8,972,015	₱533,154	₱472,959
Trade and other receivables (Notes 7, 28 and 29)	6,121,588	3,477,463	2,566,391
Land and development costs (Notes 8, 11, 15, 17 and 27)	6,992,692	6,752,411	5,584,593
Advances to contractors (Note 8)	1,696,598	1,055,398	822,888
Condominium units for sale	39,636	32,101	63,504
Other current assets (Notes 9, 15, 28 and 29)	954,009	515,843	453,018
<b>Total Current Assets</b>	<b>24,776,538</b>	<b>12,366,370</b>	<b>9,963,353</b>
<b>Noncurrent Assets</b>			
Noncurrent trade receivables (Notes 7, 14, 28 and 29)	51,591	44,592	44,377
Investment properties (Notes 11 and 14)	4,934,200	4,953,882	4,731,168
Investment in joint venture (Note 12)	2,282,152	2,188,891	2,103,102
Property and equipment (Note 13)	1,723,145	775,312	706,671
Available-for-sale investments (Notes 10, 28 and 29)	15,308	15,308	10,708
Land held for future development (Note 8)	358,187	–	–
Pension asset (Note 23)	–	16,721	–
Other noncurrent assets (Notes 8 and 15)	279,286	364,972	450,662
<b>Total Noncurrent Assets</b>	<b>9,643,869</b>	<b>8,359,678</b>	<b>8,046,688</b>
	<b>₱34,420,407</b>	<b>₱20,726,048</b>	<b>₱18,010,041</b>

**LIABILITIES AND EQUITY**

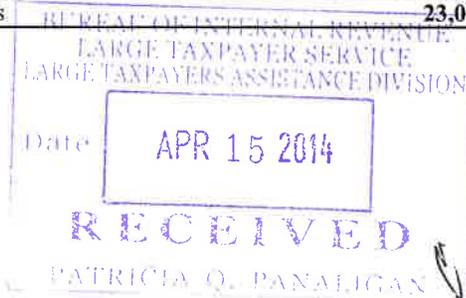
**Current Liabilities**

Trade and other payables (Notes 4, 8, 16, 17, 23, 25, 28 and 29)	₱4,872,876	₱3,221,201	₱2,625,492
Income tax payable	48,867	25,344	32,687
Current portion of interest-bearing loans and borrowings (Notes 7, 11, 14, 28 and 29)	404,050	404,572	278,418
Current portion of installment payable (Note 15)	677,169	647,085	651,736
<b>Total Current Liabilities</b>	<b>6,002,962</b>	<b>4,298,202</b>	<b>3,588,333</b>

**Noncurrent Liabilities**

Interest-bearing loans and borrowings - net of current portion (Notes 7, 11, 14, 28 and 29)	14,463,058	4,027,416	2,588,238
Installment payable - net of current portion (Note 15)	1,177,543	1,854,712	2,370,688
Deferred tax liabilities - net (Note 24)	367,128	180,780	55,707
Pension liability (Note 23)	88,162	18,165	8,503
Deposits and other liabilities (Notes 8, 16, 17, 23, 28 and 29)	955,473	225,568	251,439
<b>Total Noncurrent Liabilities</b>	<b>17,051,364</b>	<b>6,306,641</b>	<b>5,274,575</b>
<b>Total Liabilities</b>	<b>23,054,326</b>	<b>10,604,843</b>	<b>8,862,908</b>

(Forward)



	December 31, 2013	December 31, 2012 (As restated – Note 3)	January 1, 2012 (As restated – Note 3)
<b>Equity Attributable to Equity Holders of the Parent Company</b>			
Capital stock (Notes 18 and 19)	₱6,270,882	₱6,255,882	₱6,255,882
Additional paid-in capital (Notes 18 and 19)	28,350	–	–
Share-based payments (Note 18)	69,700	–	–
Unrealized gain on available-for-sale investments (Note 10)	4,743	4,743	603
Other equity adjustments (Note 19)	288,659	286,850	284,111
Retained earnings (Note 19)	4,818,757	3,691,847	2,540,481
	<b>11,481,091</b>	<b>10,239,322</b>	<b>9,081,077</b>
Less cost of treasury shares (Notes 1 and 19)	(185,334)	(185,334)	–
Total Equity Attributable to Equity Holders of the Parent Company	<b>11,295,757</b>	<b>10,053,988</b>	<b>9,081,077</b>
<b>Equity Attributable to Non-Controlling Interests</b>	<b>70,324</b>	<b>67,217</b>	<b>66,056</b>
Total Equity	<b>11,366,081</b>	<b>10,121,205</b>	<b>9,147,133</b>
	<b>₱34,420,407</b>	<b>₱20,726,048</b>	<b>₱18,010,041</b>

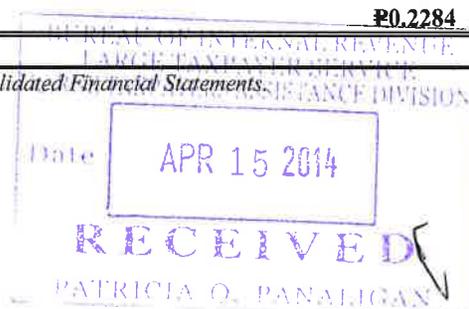
See accompanying Notes to Consolidated Financial Statements.



**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Amounts in Thousands, Except Earnings Per Share Value)

	Years Ended December 31		
	2013	2012 (As restated – Note 3)	2011 (As restated – Note 3)
<b>REVENUE</b>			
Sale of condominium units	₱5,642,149	₱5,011,156	₱4,588,106
Interest income (Note 20)	983,404	641,826	518,835
Lease income (Note 11)	727,017	688,184	657,947
Cinema revenue	216,712	201,178	199,906
Others (Note 12)	260,231	299,427	286,940
	<b>7,829,513</b>	<b>6,841,771</b>	<b>6,251,734</b>
<b>EXPENSES (INCOME)</b>			
Cost of real estate (Notes 8, 11, 21 and 25)	4,182,824	3,986,685	3,910,539
General and administrative expenses (Notes 7, 13, 18, 21, 22, 23 and 25)	1,040,881	871,724	739,371
Selling expenses (Notes 21, 22 and 23)	372,896	269,940	293,027
Interest expense (Notes 14 and 21)	345,223	266,214	193,577
Share in net income of joint venture (Note 12)	(93,261)	(98,470)	(79,861)
Foreign exchange loss - net (Note 28)	(2,726)	(4,049)	(3,790)
Gain on sale of property and equipment (Note 13)	(2,436)	(11,189)	–
Mark-to-market loss from derivative instruments (Note 26)	–	–	304
	<b>5,843,401</b>	<b>5,280,855</b>	<b>5,053,167</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>1,986,112</b>	<b>1,560,916</b>	<b>1,198,567</b>
<b>PROVISION FOR INCOME TAX</b> (Note 24)	<b>582,156</b>	<b>437,635</b>	<b>291,045</b>
<b>NET INCOME</b>	<b>1,403,956</b>	<b>1,123,281</b>	<b>907,522</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Unrealized gain (loss) on available-for-sale investments (Note 10)	–	4,600	(100)
Income tax effect	–	(460)	10
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurements gain (loss) on employee benefits	(74,550)	46,057	(31,428)
Income tax effect	24,514	(13,787)	9,429
	<b>(50,036)</b>	<b>36,410</b>	<b>(22,089)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱1,353,920</b>	<b>₱1,159,691</b>	<b>₱885,433</b>
<b>Net Income Attributable To</b>			
Equity holders of the Parent Company	₱1,402,138	₱1,123,221	₱909,556
Non-controlling interests	1,818	60	(2,034)
	<b>₱1,403,956</b>	<b>₱1,123,281</b>	<b>₱907,522</b>
<b>Total Comprehensive Income Attributable To</b>			
Equity holders of the Parent Company	₱1,351,455	₱1,159,631	₱887,467
Non-controlling interests	2,465	60	(2,034)
	<b>₱1,353,920</b>	<b>₱1,159,691</b>	<b>₱885,433</b>
<b>Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 30)</b>			
Basic	₱0.2293	₱0.1825	₱0.1458
Diluted	₱0.2284	₱0.1825	₱0.1458

See accompanying Notes to Consolidated Financial Statements.



**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011**  
**(Amounts in Thousands)**

	Equity Attributable to Equity Holders of the Parent Company							Equity Attributable to Non-Controlling Interests		Total Equity
	Capital Stock (Note 19)	Additional Paid-in Capital (Notes 18 and 19)	Unrealized Gain on Available-for-Sale Investments (Notes 3 and 10)	Other Equity Adjustments (Notes 3 and 19)	Share-based Payments (Note 18)	Retained Earnings (Notes 3 and 19)	Treasury Shares (Notes 1 and 19)	Total	Total Equity	
At December 31, 2012, as previously reported	₱6,255,882	₱-	₱1,437	₱-	₱-	₱3,999,410	(₱185,334)	₱10,071,395	₱-	₱10,071,395
Effect of adoption of PFRS 10 (Note 3)	-	-	3,306	286,850	-	(306,180)	-	(16,024)	67,217	51,193
Effect of adoption of PAS 19 (Notes 3 and 22)	-	-	-	-	-	(1,383)	-	(1,383)	-	(1,383)
At December 31, 2012, as restated	6,255,882	-	4,743	286,850	-	3,691,847	(185,334)	10,053,988	67,217	₱10,121,205
Net income	-	-	-	-	-	1,402,138	-	1,402,138	1,818	1,403,956
Other comprehensive income (loss)	-	-	-	-	-	(50,683)	-	(50,683)	647	(50,036)
Total comprehensive income for the year	-	-	-	-	-	1,351,455	-	1,351,455	2,465	1,353,920
Share-based payments (Note 18)	15,000	28,350	-	-	69,700	-	-	113,050	-	113,050
Sale to non-controlling interests (Note 3)	-	-	-	1,809	-	-	-	1,809	642	2,451
Cash dividends (Note 19)	-	-	-	-	-	(224,545)	-	(224,545)	-	(224,545)
At December 31, 2013	₱6,270,882	₱28,350	₱4,743	₱288,659	₱69,700	₱4,818,757	(₱185,334)	₱11,295,757	₱70,324	₱11,366,081
At December 31, 2011, as previously reported	₱6,255,882	₱-	₱13,171	₱-	₱-	₱2,878,686	₱-	₱9,147,739	₱-	₱9,147,739
Effect of adoption of PFRS 10 (Note 3)	-	-	(12,568)	284,111	-	(311,832)	-	(40,289)	66,056	25,767
Effect of adoption of PAS 19 (Notes 3 and 22)	-	-	-	-	-	(26,373)	-	(26,373)	-	(26,373)
At December 31, 2011, as restated	6,255,882	-	603	284,111	-	2,540,481	-	9,081,077	66,056	9,147,133
Acquisition of treasury shares (Notes 1 and 19)	-	-	-	-	-	-	(185,334)	(185,334)	-	(185,334)
Net income	-	-	-	-	-	1,123,221	-	1,123,221	60	1,123,281
Other comprehensive income	-	-	4,140	-	-	32,270	-	36,410	-	36,410
Total comprehensive income for the year	-	-	4,140	-	-	1,155,491	-	1,159,631	60	1,159,691
Sale to non-controlling interests (Note 3)	-	-	-	2,739	-	-	-	2,739	1,101	3,840
Cash dividends (Note 19)	-	-	-	-	-	(4,125)	-	(4,125)	-	(4,125)
At December 31, 2012	₱6,255,882	₱-	₱4,743	₱286,850	₱-	₱3,691,847	(₱185,334)	₱10,053,988	₱67,217	₱10,121,205



**Equity Attributable to Equity Holders of the Parent Company**

	<b>Capital Stock</b> (Note 19)	<b>Additional Paid-in Capital</b> (Notes 18 and 19)	<b>Unrealized Gain on Available-for- Sale Investments</b> (Notes 3 and 10)	<b>Other Equity Adjustments</b> (Notes 3 and 19)	<b>Share-based Payments (Note 18)</b>	<b>Retained Earnings</b> (Notes 3 and 19)	<b>Treasury Shares</b> (Notes 1 and 19)	<b>Total</b>	<b>Equity Attributable to Non- Controlling Interests</b> (Note 3)	<b>Total Equity</b>
At December 31, 2010, as previously reported	P6,255,882	P-	P27,409	P-	P-	P1,963,783	P-	P8,247,074	P-	P8,247,074
Effect of adoption of PFRS 10 (Note 3)	-	-	(26,716)	284,111	-	(304,293)	-	(46,898)	68,090	21,192
Effect of adoption of PAS 19 (Notes 3 and 22)	-	-	-	-	-	(6,566)	-	(6,566)	-	(6,566)
At December 31, 2010, as restated	6,255,882	-	693	284,111	-	1,652,924	-	8,193,610	68,090	8,261,700
Net income	-	-	-	-	-	909,556	-	909,556	(2,034)	907,522
Other comprehensive loss	-	-	(90)	-	-	(21,999)	-	(22,089)	-	(22,089)
Total comprehensive income (loss) for the year	-	-	(90)	-	-	887,557	-	887,467	(2,034)	885,433
At December 31, 2011	P6,255,882	P-	P603	P284,111	P-	P2,540,481	P-	P9,081,077	P66,056	P9,147,133

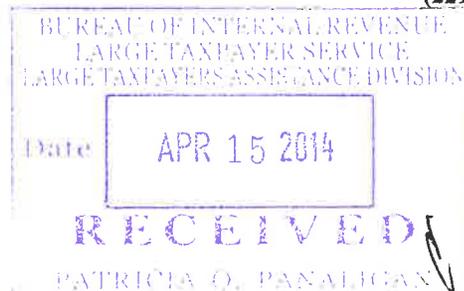
*See accompanying Notes to Consolidated Financial Statements*



**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in Thousands)

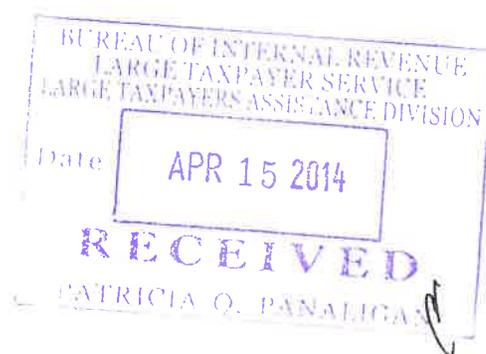
	Years Ended December 31		
	2013	2012 (As restated – Note 3)	2011 (As restated – Note 3)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	₱1,986,112	₱1,560,916	₱1,198,567
Adjustments for:			
Interest income (Note 20)	(983,404)	(641,826)	(518,835)
Interest expense (Note 21)	345,223	266,214	193,577
Depreciation and amortization (Note 21)	265,206	260,434	243,830
Share in net income of joint venture (Note 12)	(93,261)	(98,470)	(79,861)
Share-based payment plans (Note 18)	91,150	–	–
Gain on sale of property and equipment (Note 13)	(2,436)	(11,189)	–
Unrealized foreign exchange loss (gain) – net	748	(1,512)	(5,535)
Mark-to-market loss from derivative instruments (Note 26)	–	–	304
Operating income before working capital changes	1,609,338	1,334,567	1,032,047
Pension costs (Note 23)	26,827	28,188	15,527
Decrease (increase) in:			
Trade and other receivables	(1,709,446)	(337,425)	263,143
Land and development costs	(562,184)	(1,060,606)	(692,712)
Advances to contractors	(641,200)	(232,510)	(25,664)
Condominium units for sale	19,971	31,403	(50,185)
Other current assets	(438,166)	2,022	(21,554)
Increase in trade and other payables	1,553,934	548,577	502,038
Net cash generated from (used for) operations	(140,926)	314,216	1,022,640
Income taxes paid	(347,771)	(334,152)	(431,457)
Interest paid	(323,375)	(197,454)	(201,241)
Net cash provided by (used in) operating activities	(812,072)	(217,390)	389,942
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of:			
Investment properties (Note 11)	(840,090)	(366,424)	(19,890)
Property and equipment (Note 13)	(183,363)	(108,816)	(66,806)
Proceeds from sale of property and equipment	12,163	22,803	–
Interest received	41,726	27,426	26,973
Dividends received (Note 12)	–	12,681	–
Net cash used in investing activities	(969,564)	(412,330)	(59,723)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from:			
Availments of loans and borrowings (Note 14)	14,861,807	1,885,318	4,225,531
Proceeds from exercise of stock options (Note 18)	21,900	–	–
Sale to non-controlling interests (Note 19)	2,451	3,840	–
Payments of:			
Bank loans (Note 14)	(4,458,954)	(328,418)	(4,386,296)
Installment payable	(714,067)	(630,314)	–
Dividends (Note 19)	(221,797)	(4,125)	–

(Forward)



	Years Ended December 31		
	2013	2012 (As restated – Note 3)	2011 (As restated – Note 3)
Acquisition of treasury shares (Note 19)	P-	(P185,334)	P-
Increase (decrease) in deposits and other liabilities	729,905	(52,564)	(53,661)
Net cash provided by (used in) financing activities	10,221,245	688,403	(214,426)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(748)</b>	<b>1,512</b>	<b>5,927</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>8,438,861</b>	<b>60,195</b>	<b>121,720</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>533,154</b>	<b>472,959</b>	<b>351,239</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)</b>	<b>P8,972,015</b>	<b>P533,154</b>	<b>P472,959</b>

*See accompanying Notes to Consolidated Financial Statements.*



## ROCKWELL LAND CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Number of Shares, Earnings Per Share Value and Unless Otherwise Specified)

#### 1. Corporate Information

Rockwell Land Corporation (Rockwell Land or the Parent Company) is incorporated in the Philippines and is engaged in real estate development and sale or lease of condominium and commercial units and lots. The registered office and principal place of business of the Parent Company is Rockwell Information Center, Rockwell Drive cor. Estrella St., Makati City.

As at December 31, 2011, the Parent Company is owned by Manila Electric Company (Meralco) (51%) and First Philippine Holdings Corporation (FPHC) (49%). On February 27, 2012, the Board of Directors (BOD) of Meralco approved the declaration of its 51% ownership in the Parent Company as property dividend in favor of common stockholders of record as of March 23, 2012, except for foreign common shareholders who were paid the cash equivalent of the property dividend. Consequently, the Parent Company became a public company having more than 200 shareholders.

The property dividend was paid on May 11, 2012 wherein FPHC received property dividends from Meralco in the form of 125,079,016 common shares of the Parent Company. On the same date, the Parent Company acquired 126,620,146 common shares from Meralco, representing the foreign shareholders' entitlement from the property dividend distribution, at ₱1.4637 per share. The Parent Company was listed in the Philippine Stock Exchange (PSE) on May 11, 2012.

On June 28, 2012 and July 27, 2012, FPHC purchased additional shares of the Parent Company from Beacon Electric Asset Holdings, Inc. and San Miguel Corporation, respectively. As at December 31, 2013 and 2012, FPHC owns 86.58% of the Parent Company. With the adoption of Philippine Financial Reporting Standard (PFRS) 10, *Consolidated Financial Statements*, effective January 1, 2013, Lopez, Inc. becomes the ultimate parent of Rockwell Land.

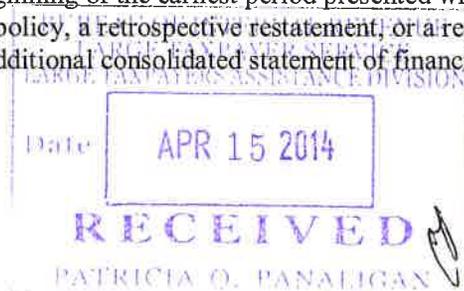
The accompanying consolidated financial statements were approved and authorized for issue by the BOD on March 27, 2014.

#### 2. Basis of Preparation and Statement of Compliance

##### Basis of Preparation

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale investments that have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency and all values are rounded to the nearest thousands, except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Company presents an additional consolidated statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional consolidated statement of financial position as at January 1, 2012 is



presented in these consolidated financial statements due to retrospective application of certain accounting policies.

Statement of Compliance

The consolidated financial statements have been prepared in accordance with PFRS.

Basis of Consolidation

The consolidated financial statements comprise of the financial statements of Rockwell Land and the following subsidiaries (collectively referred to as the “Company”) that it controls.

Subsidiaries	Nature of Business	Percentage of Ownership		
		December 31, 2013	December 31, 2012	December 31, 2011
Rockwell Integrated Property Services, Inc.	Service provider	100.0	100.0	100.0
Primaries Development Corporation (formerly, Rockwell Homes, Inc.)	Real estate development	100.0	100.0	–
Stonewell Property Development Corporation	Real estate development	100.0	100.0	–
Primaries Properties Sales Specialists Inc.	Marketing	100.0	100.0	–
Rockwell Hotels & Leisure Management Corp.*	Hotel Management	100.0	–	–
Rockwell Leisure Club, Inc. (“Rockwell Club”)	Leisure club	68.6	68.9	69.4

\*Incorporated on June 20, 2013

All subsidiaries are incorporated in the Philippines.

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

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

Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Parent Company and are presented in the profit or loss and within equity in the consolidated statement of financial position, separately from equity attributable to equity holders of the Parent Company.

Losses within 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 a loss of control, is accounted for as an equity transaction. The difference between the fair value of the consideration and the book value of the share in the net assets acquired or disposed is treated as an equity transaction and is presented as “Other equity adjustments” within the equity section in the consolidated statement of financial position. If the Company 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

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### 3. Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the accompanying consolidated financial statements are consistent with those of the previous financial year, except for the adoption of the following new and amended Philippine Accounting Standards (PAS), PFRSs and Philippine Interpretations which were adopted as at January 1, 2013. The adoption of the following amendments and interpretations did not have material effect on the accounting policies, financial position or performance of the Company, unless otherwise indicated.

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

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

As a result of the reassessment based on the new definition of control and explicit guidance on PFRS 10, as of January 1, 2010, the Company has retrospectively consolidated Rockwell Club. The Company controls Rockwell Club through its ownership of Rockwell Club's ordinary and proprietary shares. Prior to the adoption of PFRS 10, the investment in Rockwell Club was accounted for as available-for-sale investments and carried at fair market value, with the mark-to-market changes recognized in other comprehensive income, and the gain arising from the sale of Rockwell Club proprietary shares recognized in profit or loss. Under PFRS 10, Rockwell Club became a subsidiary and accordingly, the accounts have been consolidated to the Company. The sale of the proprietary shares is treated as a transaction with the non-controlling interest, thus any gain arising from the sale, representing the difference between the consideration received and the carrying value of the related interest is now recognized as an equity adjustment.

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

Prior to adoption of the Revised PAS 19, the Company 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.



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.

Upon adoption of the Revised PAS 19, the Company 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 Company's remeasurements will be recognized in other comprehensive income and subsequently transferred to retained earnings.

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 Company reviewed its existing employee benefits and determined that the amended standard has impact on its accounting for retirement and other long-term employee benefits. The Company obtained the services of an external actuary to compute the impact to the consolidated financial statements upon adoption of the standard.

The following is the summary of the effects of the adoption of PFRS 10 and Revised PAS 19 which became effective in 2013 and retroactively adopted in the accompanying consolidated financial statements:

Effect of PAS 19 in 2013

*Increase (Decrease) in Statement of Financial Position as at December 31, 2013*

Deferred tax assets	₱26,160
Pension liability and other employee benefits	80,038
Retained earnings	(53,878)
	₱26,160

*Statement of Comprehensive Income for the Year Ended December 31, 2013*

Retirement expense	(₱5,488)
Income tax effect	1,646
Net income	(3,842)
Remeasurement loss on employee benefits	(74,550)
Income tax effect	24,514
Other comprehensive loss	(50,036)
Total comprehensive loss	(₱53,878)



Effect of PFRS 10 and PAS 19 in 2012 and 2011

*Reconciliation of Statement of Financial Position as at December 31, 2012*

	Effects of adoption			
	As previously reported	PFRS 10	PAS 19	As restated
<b>ASSETS</b>				
<b>Total Current Assets</b>	₱12,300,009	₱66,361	₱–	₱12,366,370
<b>Noncurrent Assets</b>				
Property and equipment	521,731	253,581	–	775,312
Pension asset	–	–	16,721	16,721
Available-for-sale investments	248,408	(233,100)	–	15,308
Other noncurrent assets	7,552,339	(2)	–	7,552,337
<b>Total Noncurrent Assets</b>	8,322,478	20,479	16,721	8,359,678
<b>TOTAL ASSETS</b>	<b>₱20,622,487</b>	<b>₱86,840</b>	<b>₱16,721</b>	<b>₱20,726,048</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Total Current Liabilities</b>	₱4,286,290	₱37,805	(₱25,893)	₱4,298,202
<b>Total Noncurrent Liabilities</b>	6,264,802	(2,158)	43,997	6,306,641
<b>Equity Attributable to Equity Holders of the Parent Company</b>				
Capital stock	6,255,882	–	–	6,255,882
Unrealized gain on available-for-sale investments	1,437	3,306	–	4,743
Other equity adjustments (see Note 19)	–	286,850	–	286,850
Retained earnings	3,999,410	(306,180)	(1,383)	3,691,847
Cost of treasury shares	(185,334)	–	–	(185,334)
	10,071,395	(16,024)	(1,383)	10,053,988
Equity attributable to non-controlling interests	–	67,217	–	67,217
<b>Total Equity</b>	10,071,395	51,193	(1,383)	10,121,205
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱20,622,487</b>	<b>₱86,840</b>	<b>₱16,721</b>	<b>₱20,726,048</b>

*Reconciliation of Statement of Financial Position as of January 1, 2012*

	Effects of transition			
	As previously reported	PFRS 10	PAS 19	As restated
<b>ASSETS</b>				
<b>Total Current Assets</b>	₱9,917,032	₱46,321	₱–	₱9,963,353
<b>Noncurrent Assets</b>				
Property and equipment	444,399	262,272	–	706,671
Pension asset	33,482	–	(33,482)	–
Available-for-sale investments	262,228	(251,520)	–	10,708
Other noncurrent assets	7,329,309	–	–	7,329,309
<b>Total Noncurrent Assets</b>	8,069,418	10,752	(33,482)	8,046,688
<b>TOTAL ASSETS</b>	<b>₱17,986,450</b>	<b>₱57,073</b>	<b>(₱33,482)</b>	<b>₱18,010,041</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Total Current Liabilities</b>	₱3,559,470	₱28,863	₱–	₱3,588,333
<b>Total Noncurrent Liabilities</b>	5,279,241	2,443	(7,109)	5,274,575
<b>Equity Attributable to Equity Holders of the Parent Company</b>				
Capital stock	6,255,882	–	–	6,255,882
Unrealized gain on available-for-sale investments	13,171	(12,568)	–	603

(Forward)



	Effects of transition			
	As previously reported	PFRS 10	PAS 19	As restated
Other equity adjustments (see Note 19)	₱–	₱284,111	₱–	₱284,111
Retained earnings	2,878,686	(311,832)	(26,373)	2,540,481
	9,147,739	(40,289)	(26,373)	9,081,077
Equity attributable to non-controlling interests	–	66,056	–	66,056
<b>Total Equity</b>	9,147,739	25,767	(26,373)	9,147,133
<b>TOTAL LIABILITIES AND EQUITY</b>	₱17,986,450	₱57,073	(₱33,482)	₱18,010,041

*Reconciliation of Statement of Comprehensive Income for the Year Ended December 31, 2012*

	Effects of adoption			
	As previously reported	PFRS 10	PAS 19	As restated
<b>REVENUES</b>	₱6,737,533	₱104,238	₱–	₱6,841,771
<b>EXPENSES</b>	5,174,708	103,898	2,249	5,280,855
<b>INCOME BEFORE INCOME TAX</b>	1,562,825	340	(2,249)	1,560,916
<b>PROVISION FOR INCOME TAX</b>	(437,976)	(334)	675	(437,635)
<b>NET INCOME (LOSS)</b>	1,124,849	6	(1,574)	1,123,281
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	(11,734)	15,874	32,270	36,410
<b>TOTAL COMPREHENSIVE INCOME</b>	₱1,113,115	₱15,880	₱30,696	₱1,159,691
<b>Total Comprehensive Income Attributable to</b>				
Equity holders of the Parent Company	₱1,113,115	₱15,820	₱30,696	₱1,159,631
Non-controlling interests	–	60	–	60
	₱1,113,115	₱15,880	₱30,696	₱1,159,691
<b>Basic/Diluted Earnings Per Share for Net Income Attributable to the Equity Holders of the Parent Company</b>	₱0.18	₱–	₱–	₱0.18

*Reconciliation of Statement of Comprehensive Income for the Year Ended December 31, 2011*

	Effects of adoption			
	As previously reported	PFRS 10	PAS 19	As restated
<b>REVENUES</b>	₱6,152,697	₱99,037	₱–	₱6,251,734
<b>EXPENSES</b>	4,947,517	104,085	1,565	5,053,167
<b>INCOME BEFORE INCOME TAX</b>	1,205,180	(5,048)	(1,565)	1,198,567
<b>PROVISION FOR INCOME TAX</b>	(290,277)	(1,237)	469	(291,045)
<b>NET INCOME (LOSS)</b>	914,903	(6,285)	(1,096)	907,522
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	(14,238)	14,148	(21,999)	(22,089)
<b>TOTAL COMPREHENSIVE INCOME</b>	₱900,665	₱7,863	(₱23,095)	₱885,433
<b>Total Comprehensive Income Attributable to</b>				
Equity holders of the Parent Company	₱900,665	₱9,897	(₱23,095)	₱887,467
Non-controlling interests	–	(2,034)	–	(2,034)
	₱900,665	₱7,863	(₱23,095)	₱885,433
<b>Basic/Diluted Earnings Per Share for Net Income Attributable to the Equity Holders of the Parent Company</b>	₱0.15	₱–	₱–	₱0.15



In addition to the PFRS 10 and PAS 19, the Company adopted the following new and amended standards effective for annual periods beginning or after January 1, 2013. Except as otherwise indicated, the adoption of these amendments did not have a material impact on the consolidated financial statements.

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

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

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

The amendments had no impact on the Company's financial statements because it has no significant offsetting arrangements.

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

PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The Company assessed the Joint Venture (JV) agreement with Meralco for the unincorporated JV as a joint venture. Accordingly, there is no change in accounting policies upon its adoption since the Company had been accounting for its investment in joint venture under the equity method (see Note 12).

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

PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. Refer to Note 12 for the additional disclosures required under PFRS 12.



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

PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Company reflected the revised disclosure requirements in Note 29.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments) (effective for annual periods beginning on or after July 1, 2012)

The amendments to PAS 1 change the grouping of items presented in OCI. Items that can be reclassified (or “recycled”) to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affected the presentation only and had no impact on the Company’s financial position or performance. The amendments were applied retrospectively and resulted to the modification of the presentation of items of OCI.

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

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

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

As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The Company assessed the JV agreement with Meralco, an unincorporated JV, as a joint venture. Accordingly, there is no change in accounting policies upon its adoption since the Company will continue to use the equity method in accounting for its investment in joint venture (see Note 12).

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

This interpretation applies to waste removal costs (“stripping costs”) that are incurred in surface mining activity during the production phase of the mine (“production stripping costs”). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met (“stripping activity asset”). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part.



*Improvements to PFRS (Issued 2010)*

Improvements to PFRSs, an omnibus of amendments to standards, deal primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Company.

- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*

The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affected disclosures only and had no impact on the Company's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*

The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment affected disclosures only and had no impact on the Company's financial position or performance.

Other amendments resulting from the 2010 improvements to PFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Company:

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*
- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*

Standards, Interpretations and Amendments to Existing Standards Not Yet Effective

The Company did not early adopt the following amendments to existing standards and interpretations that have been approved but are not yet effective as of January 1, 2013. Except as otherwise indicated, the Company does not expect the adoption of these amendments and interpretations to have an impact on its consolidated financial statements.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)* (effective for annual periods beginning on or after July 1, 2014 with retrospective application)

The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the



remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendment has no impact on the Company since there are no contributions from employees or third parties.

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

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

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments) (effective for annual periods beginning on or after January 1, 2014, with retrospective application)

These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Company’s financial position or performance.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments) (effective for annual periods beginning on or after January 1, 2014)

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The Company has not novated any derivatives during the current period. However, these amendments would be considered for future novations.

- *Investment Entities* (Amendments to PFRS 10, PFRS 12 and PAS 27) (effective for annual periods beginning on or after January 1, 2014)

The amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Company since it does not have any investment entity.

- Philippine Interpretation IFRIC 21, *Levies* (effective for annual periods beginning on or after January 1, 2014)

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be



anticipated before the specified minimum threshold is reached. The Company does not expect that IFRIC 21 will have material financial impact in future financial statements.

▪ Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PAS 16, *Property, Plant and Equipment – Revaluation Method – Proportionate Restatement of Accumulated Depreciation* (effective for annual periods beginning on or after July 1, 2014)

The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

- a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
- b) The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Company's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel* (effective for annual periods beginning on or after July 1, 2014 with retrospective application)

The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments affect disclosures only and have no impact on the Company's financial position or performance.



- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization* (effective for annual periods beginning on or after July 1, 2014)

The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

- a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
- b) The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Company's financial position or performance.

- PFRS 2, *Share-based Payment - Definition of Vesting Condition* (effective for annual periods beginning on or after July 1, 2014)

The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment does not apply to the Company as it has no share-based payments.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination* (effective for annual periods beginning on or after July 1, 2014)

The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The Company shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets* (effective for annual periods beginning on or after July 1, 2014 with retrospective application)

The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating



segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

– PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*

The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

▪ Annual Improvements to PFRSs (2011-2013 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

– PAS 40, *Investment Property* (effective for annual periods beginning on or after July 1, 2014 with retrospective application)

The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. The amendment has no significant impact on the Company's financial position or performance.

– PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*

The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Company as it is not a first-time adopter of PFRS.

– PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements* (effective for annual periods beginning on or after July 1, 2014)

The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

– PFRS 13, *Fair Value Measurement – Portfolio Exception* (effective for annual periods beginning on or after July 1, 2014)

The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment has no significant impact on the Company's financial position or performance.



- PFRS 9, *Financial Instruments: Classification and Measurement*

PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, 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 relating to the entity's own 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 to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Company will not adopt the standard before the completion of the limited amendments and the second phase of the project.

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

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The Philippine Securities and Exchange Commission (SEC) and the FRSC 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. Adoption of this interpretation will result to a change in the revenue and cost recognition of the Company on sale of condominium units and accounting for certain pre-selling costs.

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



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#### 4. Summary of Significant Accounting Policies

##### Cash and Cash Equivalents

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

##### Financial Assets and Financial Liabilities

Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit or loss.

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits. Financial instruments are offset when there is a legally enforceable right to offset and intention to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and financial liabilities are classified into the following categories: financial assets or financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities. The Company determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this classification at each financial year-end.

*Day 1 Profit.* Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the difference between the transaction price and fair value (a Day 1 profit) is recognized in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where unobservable data is used, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the Day 1 profit amount. The Company has determined that the discounted cash flow analysis using credit-adjusted Philippine Dealing and Exchange Corporation (PDEX) interest rates is appropriate in determining the fair value of retention payable, with the Day 1 profit treated as a reduction from “Land and development costs” as these are directly related to project development (see Notes 8 and 17).

##### Financial Assets

*Financial Assets at Fair Value through Profit or Loss.* Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.



Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on financial assets held for trading are recognized in the consolidated statement of comprehensive income.

Financial assets may be designated by management at initial recognition as at fair value through profit or loss 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 or recognizing gains or losses on a different basis; or
- the assets 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.

Derivative instruments are also classified under this category unless they are designated as effective hedges under hedge accounting. Assets classified under this category are carried at fair value in the consolidated statement of financial position.

*Derivative Financial Instruments.* Derivative instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, 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 Company has opted not to designate its derivative transactions as accounting hedges. Consequently, gains and losses from changes in fair value of these derivatives are recognized immediately in the consolidated statement of comprehensive income.

Derivatives embedded in host contracts are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognized in the consolidated statement of comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The Company has no bifurcated embedded derivatives as at December 31, 2013 and 2012.

*Loans and Receivables.* Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the effective interest. Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. The effective interest amortization is recorded in "Interest income" account in the consolidated statement of comprehensive income. Assets in this category are included in the current assets, except for maturities more than 12 months after the end of the reporting period, which are classified as noncurrent assets.



This category includes the Company's cash and cash equivalents, trade receivables from sale of condominium units and lease, advances to officers and employees, other receivables, refundable deposits and restricted cash (see Notes 6, 7 and 9).

*Held-to-Maturity Investments.* Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the EIR method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the consolidated statement of comprehensive income. The losses arising from impairment are recognized as interest expense in the consolidated statement of comprehensive income.

The Company has no held-to-maturity investments as at December 31, 2013 and 2012.

*Available-for-Sale Financial Assets.* Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs of liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are measured at fair value with unrealized gains or losses being recognized as other comprehensive income in the consolidated statement of comprehensive income until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income section is transferred to expenses (income) section of the consolidated statement of comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are valued at cost. Assets under this category are classified as current assets if the Company intends to hold the assets within 12 months from financial reporting date and as noncurrent assets if it is more than a year from financial reporting date.

This category includes mainly the Parent Company's investment in Manila Polo Club shares and Meralco preferred shares (see Note 10).

#### Financial Liabilities

*Financial Liabilities at Fair Value through Profit or Loss.* Financial liabilities are classified in this category if these result from trading activities or derivatives transaction that are not accounted for as accounting hedges, or when the Company elects to designate a financial liability under this category.

*Other Financial Liabilities.* The Company's financial liabilities classified under this category include mainly interest-bearing loans and borrowings (see Note 14). All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs, if any.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.

Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.



This category also includes the Company's trade and other payables, interest-bearing loans and borrowings, installment payable, retention payable and security deposits (see Notes 14, 15, 16 and 17).

#### Fair Value Measurement

The Company measures financial instruments at fair value at each financial reporting date. The fair value information of certain financial and non-financial assets and liabilities are also required to be disclosed in the financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.



For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### Offsetting of Financial Instruments

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

#### Derecognition of Financial Assets and Liabilities

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

- the right to receive cash flows from the asset has expired; or
- the Company has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Company 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 Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Company’s continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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

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 an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

#### Impairment of Financial Assets

The Company assesses at each financial reporting date whether a financial asset or group of financial assets is impaired.

*Assets Carried at Amortized Cost.* If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate. The carrying amount of



the asset shall be reduced either directly or through the use of an allowance account. The amount of loss shall be recognized in the consolidated statement of comprehensive income.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. The Company considers breach of contract, such as default or delinquency in interest or principal payments as objective evidence that a financial asset or group of assets is impaired. For both specific and collective assessment, any collateral and credit enhancement are considered in determining the amount of impairment loss. The carrying amount of an impaired financial asset is reduced through an allowance account.

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

Financial assets, particularly trade receivables, are written off to the extent of the amount determined by management to be uncollectible. Those with pending cases in court are recommended for write-off, subject to management's approval.

*Assets Carried at Cost.* If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of 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.

*Available-for-Sale Financial Assets.* The Company treats available-for-sale financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated statement of comprehensive income, is transferred from other comprehensive income to profit or loss in the consolidated statement of comprehensive income. Reversals in respect of equity instruments classified as available-for-sale are not recognized as part of profit or loss but as part of other comprehensive income in the consolidated statement of comprehensive income. Reversals of impairment losses on debt instruments are generally reversed through the consolidated statement of comprehensive income as part of profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of comprehensive income.

#### Land and Development Costs and Condominium Units for Sale

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



Cost includes:

- Land cost
- Amounts paid to contractors for construction
- Borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated specifically identifiable costs of completion and the estimated costs of sale. As of year-end, condominium units for sale are stated at cost.

#### Advances to Contractors

Advances to contractors represent advance payments on services to be incurred in connection with the Company's operations. These are capitalized to projects under "Land and development costs" account in the consolidated statement of financial position, upon actual receipt of services, which is normally within 12 months or within the normal operating cycle. These are considered as nonfinancial instruments as these will be applied against future billings from contractors normally within one year.

#### Investment Properties

Investment properties represent land, building, structures and improvements of the mall (the "Power Plant"), Lopez Tower, other structures held for lease within the Rockwell Center and The Grove, and land held for appreciation. These, except land, are measured initially at cost, including transaction costs, less accumulated depreciation and any 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 carried at cost (initial purchase price and other costs directly attributable in bringing such assets to its working condition) less any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of investment properties, except for land. Investment properties are estimated to have a useful life of 5 to 35 years.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of comprehensive income in the period of derecognition.

The investment properties' estimated useful lives and depreciation method are reviewed at each financial year end, and adjusted prospectively if appropriate, at each financial year-end to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from the items of investment properties.

When each major inspection is performed, its cost is recognized in the carrying amount of the investment property as a replacement if the recognition criteria are satisfied.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. These transfers are recorded using the carrying amount of the investment property at the date of change in use.



When an entity uses the cost model, transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Investment property in progress pertains to Lopez Tower under construction and is stated at cost which includes cost of construction and other direct costs. Investment property in progress is not depreciated until such time that the relevant assets are completed and become available for operational use.

#### Investment in Joint Venture

The Parent Company recognizes its interest in a joint venture as an investment and accounts for the investment using the equity method. Under the equity method, the investment in joint venture is carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Parent Company's share in net assets of the joint venture, less any impairment in value. The consolidated statement of comprehensive income reflects the Parent Company's share in the results of operations of the joint venture. Distributions received from joint venture reduce the carrying amount of the investment. Unrealized gains arising from transactions with the joint venture are eliminated to the extent of the Parent Company's interest in the joint venture against the related investment. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred. The financial statements of the joint venture are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

Upon loss of joint control, the Parent Company measures and recognizes its remaining investment at its fair value. Any difference between the carrying amount of the former joint controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal is recognized in the consolidated statement of comprehensive income. When the remaining investment constitutes significant influence, it is accounted for as an investment in an associate.

#### Property and Equipment

Property and equipment, except land, is stated at cost, excluding the costs of day-to-day servicing, net of accumulated depreciation and/or impairment in value, if any. Such cost includes the cost of replacing part of such property and equipment, if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of comprehensive income as incurred.

Land is carried at cost (initial purchase price and other costs directly attributable in bringing such assets to its working condition) less any impairment in value.

Depreciation and amortization is calculated for each significant item or part of an item of property and equipment on a straight-line basis over the following estimated useful lives:

Buildings and improvements	15–40 years
Office furniture and other equipment	1–10 years
Transportation equipment	3–5 years

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



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

The assets' residual values, estimated useful lives and depreciation and amortization method are reviewed at each financial year end, and adjusted prospectively if appropriate.

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.

Construction in progress pertains to Edades serviced apartments under construction and is stated at cost which includes cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and become available for operational use. Upon completion, it will be depreciated over a period of 25 years.

#### Impairment of Nonfinancial Assets

The Company assesses at each reporting date whether there is an indication that a nonfinancial asset (e.g., investment properties, investment in joint venture and property and equipment) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. 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. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's CGU to which the individual assets are allocated. Those budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognized in the consolidated statement of comprehensive 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 losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amounts, nor 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 the consolidated statement of comprehensive income.



Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

*Sale of Condominium Units.* The Company assesses whether it is probable that the economic benefits will flow to the Company when the sales prices are collectible. Collectability of the sales price is demonstrated by the buyer's commitment to pay, which in turn is supported by substantial initial and continuing investments that give the buyer a stake in the property sufficient that the risk of loss through default motivates the buyer to honor its obligation to the seller. Collectability is also assessed by considering factors such as the credit standing of the buyer, age and location of the property.

Revenue from sale of completed real estate projects is accounted for using the full accrual method.

For revenue from sales of uncompleted real estate projects, in accordance with Philippine Interpretation Committee Q&A No. 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Company 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 and design work, execution of construction contracts, site clearance and preparation, excavation, and completion of the building foundation are finished), and the costs incurred or to be incurred can be reliably measured. 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.

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 is recognized as "Deposits from pre-selling of condominium units" account under "Trade and other payables" and "Deposits and other liabilities" accounts in the consolidated statement of financial position (see Notes 16 and 17).

Any excess of collections over the recognized receivables are presented as part of "Trade and other payables" account in the consolidated statement of financial position (see Note 16).

Cost of real estate sold is recognized consistent with the revenue recognition method applied. Cost of condominium units sold before 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, as determined by in-house technical staff.

The cost of inventory recognized in profit or loss on disposal 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.

Contract costs include all direct materials and labor costs and those direct costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty



provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Other costs incurred during the pre-selling stage to sell real estate are capitalized as prepaid costs and shown as part of "Other current assets" account in the consolidated statement of financial position if they are directly associated with and their recovery is reasonably expected from the sale of real estate that are initially being accounted for as deposits (see Note 9). Capitalized selling costs shall be charged to expense in the period in which the related revenue is recognized as earned.

*Lease.* Lease income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms or based on the terms of the lease, as applicable.

*Interest.* Revenue is recognized (using the effective interest, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset).

*Cinema, Mall and Other Revenues.* Revenue is recognized when services are rendered.

*Membership Dues (presented under Other Revenue).* Membership dues are recognized as revenue in the applicable membership period. Membership dues received in advance are recorded as part of "Trade and other payables - others" under the current liability section of the consolidated statement of financial position.

*Income from Recreational Facilities (presented under Other Revenue).* Revenue is recognized as the services are provided to or the rights are used by the members.

#### Operating Leases

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. 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 bases as lease income.

#### Equity

When the Company issues its par value shares, the proceeds shall be credited to the "Capital stock" account in the consolidated statement of financial position to the extent of the par value, with any excess being reflected as "Additional paid-in-capital" account in the consolidated statement of financial position. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Other equity adjustments represent the difference between the fair value of the consideration and the book value of the shares in the net assets sold.

Retained earnings represent the Company's accumulated earnings, net of dividends declared.

#### Treasury Shares

Acquisitions of treasury shares are recorded at cost. Own equity instruments which are reacquired are deducted from equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issuance or the cancellation of the Parent Company's own equity instruments.



### Share-based Payment Transactions

Employees (including directors) of the Parent Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

*Equity-settled Transactions.* The cost of equity-settled transactions with employees is measured by reference to the fair value of the stock options at the date the option is granted. The fair value is determined using Binomial Pricing Model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than the conditions linked to the price of the shares of the Parent Company (“market conditions”), if applicable.

The cost of equity-settled transactions is recognized in profit or loss with a corresponding increase in “Share-based payments plans” account in equity, over the period in which the performance and/or service conditions are fulfilled.

The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Parent Company’s best estimate of the number of equity instruments that will ultimately vest at that date. The cost of share-based payment is recognized in the interim consolidated statement of income as part of “Personnel expenses” account under “General and administrative expenses”.

No expense is recognized for awards that do not ultimately vest.

When the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled with payment, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see Note 18).

### Pension Costs and Other Employee Benefits

The Company has a funded, noncontributory defined benefit pension plan covering all regular and permanent employees. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

*Defined Benefit Plans.* The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.



Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit obligation or asset
- Remeasurements of net defined benefit obligation or asset

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as part of general and administrative expenses in the consolidated statements of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit obligation or asset is the change during the period in the net defined benefit obligation or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit obligation or asset is recognized under general and administrative expenses in the consolidated statements of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit obligation) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

*Employee Leave Entitlement.* Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before 12 months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period. Employee entitlements beyond 12 months are recognized as part of the noncurrent portion of other employee benefits liability.

#### Income Tax

*Current Income Tax.* Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the financial reporting date. Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income.

*Deferred Tax.* Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the financial reporting date.



Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefit of unused net operating loss carryover (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefit of unused NOLCO can be utilized. Deferred tax assets and liabilities, however, are not recognized when the deductible and taxable temporary differences arise 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.

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

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

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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)

Revenues, expenses and assets are recognized net of the amount of VAT except: where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the sales 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 VAT included.

The net amount of VAT recoverable from and payable to the tax authority is included as part of "Other current assets" and "Trade and other payables" accounts in the consolidated statement of financial position. Deferred output VAT, however, is shown separately under "Trade and other payables" account in the consolidated statement of financial position.

Deferred input VAT related to the unpaid portion of the acquisition cost of the asset expected to be settled beyond the succeeding year is recognized under "Other noncurrent assets" account in the consolidated statement of financial position.

#### Foreign Currency-Denominated Transactions

The consolidated financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the financial reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.



### Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalized. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when all the activities necessary to prepare the asset for its intended use or sale are substantially complete. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. All other borrowing costs are expensed in the period in which they occur.

### Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying the economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects a provision to be reimbursed, such as under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. 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 an interest expense.

### Contingencies

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

### Events After the Reporting Period

Post-year-end events that provide additional information about the Company's financial position at the financial reporting date (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.

### Basic/Diluted Earnings Per Share

Basic earnings per share is calculated by dividing the net income attributable to common shareholders by the weighted average number of common shares issued and outstanding.



Diluted earnings per share is calculated by dividing the net income attributable to common shareholders by the weighted average number of common shares issued and outstanding during the year adjusted for the effects of any dilutive convertible common shares.

#### Segment Reporting

The Company's operating businesses are organized and managed separately into two business activities. Such business segments are the bases upon which the Company reports its operating segment information. The Company operates in one geographical area where it derives its revenue. Financial information on segment reporting is presented in Note 31.

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### 5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the accompanying consolidated financial statements requires management to make judgments, estimates and assumptions that affect amounts reported in the consolidated financial statements and related notes at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset and liability affected in future periods.

#### Judgments

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

*Operating Lease Commitments.* The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties, which are leased out under operating lease arrangements.

Lease income earned from investment properties amounted to ₱727.0 million, ₱688.2 million and ₱657.9 million in 2013, 2012 and 2011, respectively (see Note 11).

*Transfers of Investment Properties.* The Company has made transfers to investment properties after determining that there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are also made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. These transfers are recorded using the carrying amount of the investment properties at the date of change in use.

Transfers from investment properties amounted to ₱723.5 million and ₱6.4 million in 2013 and 2012, respectively (see Notes 8 and 11).

*Interest in a Joint Venture.* Management has assessed that it has joint control in its joint venture agreement and both parties have rights to the net assets of the arrangement. Under the Joint Venture Agreement, each party's share in any proceeds, profits, losses, and other economic value derived under the Venture as well as any economic benefits and losses derived from the utilization of the access ways and open spaces of the joint venture property shall be proportional to the respective financial contributions made by each party (see Note 12).



*Fair Value of Financial Assets and Financial Liabilities.* Entities are required to disclose for each class of financial assets and liabilities the fair value of that class of assets and liabilities in a way that permits it to be compared with the corresponding carrying amount in the Company's consolidated statement of financial position, which requires the use of accounting judgment and estimates. While significant components of fair value measurement are determined using verifiable objective evidence (i.e., foreign exchange rates and interest rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and liabilities would affect the disclosures made by management.

The fair values of the Company's financial assets and liabilities are set out in Note 29.

*Contingencies.* The Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Company currently does not believe these proceedings will have a material effect on the financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 27).

No provision for contingencies was recognized in 2013, 2012 and 2011.

#### Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

*Revenue and Cost Recognition.* The Company's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Company's revenue from sale of real estate is recognized using the percentage-of-completion method.

This is measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project. There is no assurance that such use of estimates may not result to material adjustments in future periods.

#### *Impairment of Financial Assets*

##### a. Loans and Receivables

The Company maintains allowance for doubtful accounts at a level considered adequate to provide for potential uncollectible trade receivables. The level of this allowance is evaluated by management based on the results of the specific and collective assessments of impairment of financial assets, considering the Company's collection experience and other factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the customers, the customers' payment behavior



and known market factors. The amount and timing of recorded expenses for any period would therefore differ depending on the judgments and estimates made for each year.

Provision for doubtful accounts and write-off of other receivables totalled ₱0.07 million, ₱0.4 million and ₱4.3 million in 2013, 2012 and 2011, respectively (see Note 21). Trade and other receivables, net of allowance for doubtful accounts, amounted to ₱6.2 billion and ₱3.5 billion as at December 31, 2013 and 2012, respectively (see Note 7).

b. Available-for-Sale Financial Assets

The Company considers available-for-sale financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment. The Company treats “significant” generally as 20% or more and “prolonged” as period more than 12 months for quoted equity securities. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Available-for-sale investments amounted to ₱15.3 million as at December 31, 2013 and 2012 (see Note 10). No impairment loss was recognized in 2013, 2012 and 2011.

*Net Realizable Value of Condominium Units for Sale.* Condominium units for sale are carried at the lower of cost or NRV. Condominium units for sale, stated at cost, amounted to ₱39.7 million and ₱32.1 million as at December 31, 2013 and 2012, respectively.

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

There were no changes in the estimated useful lives of investment properties and property and equipment in 2013, 2012 and 2011.

Investment properties, net of accumulated depreciation, amounted to ₱3.1 billion as at December 31, 2013 and 2012 (see Note 11).

Property and equipment, net of accumulated depreciation and amortization, amounted to ₱1.7 billion and ₱754.5 million as at December 31, 2013 and 2012, respectively (see Note 13).

*Impairment of Nonfinancial Assets.* PFRS requires that an impairment review be performed when certain impairment indicators are present. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset’s recoverable amount.



Determining the recoverable amounts of investment properties, investment in joint venture and property and equipment, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the use of estimates and assumptions that can materially affect the consolidated financial statements. Future events could indicate that investment properties, investment in joint venture and property and equipment are impaired. Any resulting impairment loss could have a material adverse impact on the financial position and results of operations of the Company.

The preparation of estimated future cash flows involves significant judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect its assessment of recoverable values and may lead to future additional impairment charges under PFRS.

Noncurrent assets that are subject to impairment testing when impairment indicators are present are as follows:

	<b>December 31, 2013</b>	December 31, 2012
Investment properties (see Note 11)	<b>₱4,934,200</b>	₱4,953,882
Investment in joint venture (see Note 12)	<b>2,282,152</b>	2,188,891
Property and equipment (see Note 13)	<b>1,723,145</b>	775,312

The fair value of the investment properties amounted to ₱10.9 billion and ₱10.1 billion as at December 31, 2013 and 2012, respectively (see Note 11).

No impairment loss was recognized in 2013, 2012 and 2011.

*Deferred Tax Assets.* Management uses judgment in reviewing the carrying amount of deferred tax assets. The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of such deferred tax assets to be utilized. However, there is no assurance that sufficient taxable profit will be generated to allow all or part of the deferred tax assets to be utilized.

Unrecognized deferred tax assets amounted to ₱18.2 million and ₱28.6 million as at December 31, 2013 and 2012, respectively. Deferred tax assets recognized in the statements of financial position amounted to ₱104.9 million and ₱52.0 million as at December 31, 2013 and 2012, respectively (see Note 24).

*Pension Costs and Other Employee Benefits.* The determination of the Company's obligation and cost of pension and other employee benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 23 and include, among others, discount rate and expected rate of salary increase. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

As at December 31, 2013 and 2012, pension liability and other employee benefits amounted to ₱138.3 million and ₱44.1 million, respectively, while pension asset amounted to nil and ₱16.7 million, respectively. Since there is no minimum funding requirement, the resulting net asset or net liability recognized in the consolidated statement of financial position was determined as the lower of the surplus of the plan and the present value of the future service cost to the Company (see Note 23).



## 6. Cash and Cash Equivalents

This account consists of:

	<b>December 31, 2013</b>	December 31, 2012 (As restated – see Note 3)
Cash on hand and in banks	<b>₱255,289</b>	₱173,704
Short-term investments	<b>8,716,726</b>	359,450
	<b>₱8,972,015</b>	₱533,154

Cash in banks earn interest at the respective bank deposit rates. Short-term investments consist of peso and dollar-denominated placements made for varying periods of up to three months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term investment rates.

Interest income earned from cash in banks and short-term investments amounted to ₱40.4 million, ₱12.4 million and ₱11.3 million in 2013, 2012 and 2011, respectively (see Note 20).

## 7. Trade and Other Receivables

This account consists of:

	<b>December 31, 2013</b>	December 31, 2012 (As restated – see Note 3)
Trade receivables from:		
Sale of condominium units - net of noncurrent portion of ₱51.6 million in 2013 and ₱44.6 million in 2012	<b>₱5,883,695</b>	₱3,276,388
Lease	<b>106,110</b>	106,146
Advances to officers and employees (see Note 25)	<b>20,127</b>	12,448
Others - net of allowance for doubtful accounts of ₱5.2 million in 2013 and ₱5.9 million in 2012	<b>111,656</b>	82,481
	<b>₱6,121,588</b>	₱3,477,463

Trade receivables from sale of condominium units are noninterest-bearing long-term receivables with terms ranging from 1 to 5 years. Unamortized unearned interest on these receivables amounted to ₱19.8 million and ₱21.5 million as at December 31, 2013 and 2012, respectively.

Trade receivables from lease represents short-term receivables from the “Power Plant” Mall tenants and from other commercial establishments on properties held for lease within the Rockwell Center and The Grove.

Advances to officers and employees mainly representing cash advances to be used for operations are noninterest-bearing and will be liquidated within one year.

Other receivables mainly consist of claims from contractors and receivable from various third parties.



The movements in the allowance for doubtful accounts of other receivables are as follows:

	<b>December 31, 2012</b>	December 31, 2012 (As restated – see Note 3)
Balance at beginning of year	<b>₱5,885</b>	₱6,980
Reversal of provision	(774)	–
Provision (see Note 21)	70	379
Write-off	–	(1,474)
<b>Balance at end of year</b>	<b>₱5,181</b>	<b>₱5,885</b>

## 8. Land and Development Costs

This account consists of land and development costs for the following projects:

	<b>December 31, 2013</b>	December 31, 2012
Proscenium (see Note 15)	<b>₱4,588,970</b>	₱3,955,035
The Grove Phases 1, 2 & 3	<b>1,282,088</b>	1,214,491
53 Benitez	<b>294,192</b>	–
Alvendia	<b>113,324</b>	–
Edades	<b>102,836</b>	185,746
205 Santolan	<b>49,284</b>	454,661
Others	<b>561,998</b>	942,478
	<b>₱6,992,692</b>	<b>₱6,752,411</b>

A summary of the movements in land and development cost is set out below:

	<b>December 31, 2013</b>	December 31, 2012
Balance at beginning of year	<b>₱6,752,411</b>	₱5,584,593
Construction/development costs incurred	<b>3,964,023</b>	4,007,847
Cost of real estate sold (shown as part of cost of real estate)	<b>(4,046,599)</b>	(3,817,940)
Land acquired during the year	<b>284,142</b>	859,099
Borrowing costs capitalized (see Notes 14, 15 and 17)	<b>245,852</b>	206,975
Reclassifications to property and equipment (see Note 13)	<b>(179,631)</b>	(94,531)
Reclassification to condominium units for sale	<b>(27,506)</b>	–
Transfers from investment properties (see Note 11)	–	6,368
<b>Balance at end of year</b>	<b>₱6,992,692</b>	<b>₱6,752,411</b>



Details related to these projects are as follows:

Project	Structure and Location	Expected Completion Date	Estimated POC*	Estimated Cost to Complete	
				December 31, 2013	December 31, 2012
Proscenium	Highrise condominium, Rockwell Center	2018-2019	On-going substructure	<b>₱16,046,761</b>	₱16,680,696
The Grove Phase 2	Highrise condominium, Pasig City	2014	54%	<b>4,516,147</b>	6,171,551
The Grove Phase 3		2015	17%		
53 Benitez	Midrise condominium, Quezon City	2015	On-going substructure	<b>1,109,820</b>	–
Alvendia	Townhouse, San Juan City	2014	36%	<b>156,807</b>	–
Edades	Highrise condominium, Rockwell Center	2014	97%	<b>152,980</b>	1,642,745
205 Santolan	Townhouse, Quezon City	2013	99%	<b>10,527</b>	571,013
				<b>₱21,993,042</b>	<b>₱25,066,005</b>

\*Percentage of completion (POC) as of December 31, 2013

Other land and development costs mainly pertain to land acquisition in Cebu City for future residential development project. The Company expects to launch this project in 2014.

Other land acquisitions expected to be launched after 2014 are presented separately under “Other noncurrent assets” in the consolidated statements of financial position.

Advances to contractors, shown separately in the consolidated statements of financial position, mainly pertain to advances related to the development of “The Grove” and “Edades” projects.

Specific and general borrowing costs from interest-bearing loans and borrowings capitalized as part of development costs amounted to ₱90.8 million and ₱18.3 million in 2013 and 2012, respectively. Capitalization rates used are 4.9% and 6.3% in 2013 and 2012, respectively. Amortization of discount on retention payable capitalized as part of development costs amounted to ₱14.7 million and ₱7.9 million in 2013 and 2012, respectively (see Note 17).

Total cash received from pre-selling activities amounted to ₱1,506.4 million and ₱3.2 million as at December 31, 2013 and 2012, respectively (see Notes 16 and 17).

## 9. Other Current Assets

This account consists of:

	December 31, 2013	December 31, 2012 (As restated – see Note 3)
Prepaid costs (see Notes 4, 15 and 21)	<b>₱503,525</b>	₱354,045
Input VAT (see Note 15)	<b>305,768</b>	95,613
Refundable deposits	<b>33,493</b>	25,293
Restricted cash	<b>14,693</b>	2,897
Creditable withholding tax	<b>11,683</b>	11,737
Supplies	<b>6,988</b>	7,121
Others (see Note 25)	<b>77,859</b>	19,137
	<b>₱954,009</b>	<b>₱515,843</b>

Refundable deposits mainly consist of deposits to Meralco refundable upon termination of service.



Restricted cash represents funds with an escrow agent in compliance with Presidential Decree No. 957, as amended, in connection with the Parent Company's application for a Certificate of Registration and a License to Sell (LTS) with the Housing and Land Use Regulatory Board (HLURB). The proceeds from the pre-selling of residential development projects, received from the date of issuance of the temporary LTS by HLURB, are temporarily restricted until receipt by the Parent Company of its Certificate of Registration and permanent LTS. The escrow account shall only be disbursed for purposes of payment of refunds to buyers, cancellation charges to the developer, fees, charges and other expenses incurred in the management and administration of the escrow agent. The restricted cash in 2012 pertaining to "Proscenium" project was released in July 2013. The restricted cash in 2013 represents funds earmarked for planned land acquisition by Primaries Development Corporation.

#### 10. Available-for-Sale Investments

As at December 31, 2013 and 2012, this account consists of:

Quoted	₱12,000
Unquoted	3,308
	₱15,308

##### Quoted Equity Shares

This consists of investment in Manila Polo Club shares. Movement in the balance follows:

	2013	2012	2011
Balance at beginning of year	₱12,000	₱7,400	₱7,500
Unrealized gain (loss) on fair value adjustments (excluding tax effect of ₱460 in 2012 and ₱10 in 2011)	-	4,600	(100)
Balance at end of year	₱12,000	₱12,000	₱7,400

##### Unquoted Equity Shares

Unquoted equity securities consist mainly of investments in Meralco preferred shares, which do not have a quoted market price, hence, valued at cost. These shares were issued to the Company when Meralco meters were connected and will only be disposed of upon termination of service. As of financial reporting date, the Company has no plans of disposing the unquoted equity securities.

#### 11. Investment Properties

The rollforward analysis of this account follows:

	December 31, 2013			
	Land	Buildings and Improvements	Investment Property in Progress	Total
At January 1, 2013, net of accumulated depreciation	₱1,870,844	₱2,573,621	₱509,417	₱4,953,882
Additions	-	7,120	832,970	840,090
Transfers to property and equipment (see Note 13)	-	-	(723,547)	(723,547)
Depreciation (see Note 21)	-	(136,225)	-	(136,225)
At December 31, 2013, net of accumulated depreciation	₱1,870,844	₱2,444,516	₱618,840	₱4,934,200



December 31, 2013				
	Land	Buildings and Improvements	Investment Properties in Progress	Total
At January 1, 2013:				
Cost	₱1,870,844	₱4,026,305	₱509,417	₱6,406,566
Accumulated depreciation	-	(1,452,684)	-	(1,452,684)
Net carrying amount	₱1,870,844	₱2,573,621	₱509,417	₱4,953,882
At December 31, 2013:				
Cost	₱1,870,844	4,033,425	₱618,840	6,523,109
Accumulated depreciation	-	(1,588,909)	-	(1,588,909)
Net carrying amount	₱1,870,844	₱2,444,516	₱618,840	₱4,934,200
December 31, 2012				
	Land	Buildings and Improvements	Investment Properties in Progress	Total
At January 1, 2012, net of accumulated depreciation				
	₱1,870,844	₱2,712,316	₱148,008	₱4,731,168
Additions	-	5,015	361,409	366,424
Transfers to land and development costs (see Note 8)	-	(6,368)	-	(6,368)
Depreciation (see Note 21)	-	(137,342)	-	(137,342)
At December 31, 2012, net of accumulated depreciation	₱1,870,844	₱2,573,621	₱509,417	₱4,953,882
At January 1, 2012:				
Cost	₱1,870,844	₱4,027,658	₱148,008	₱6,046,510
Accumulated depreciation	-	(1,315,342)	-	(1,315,342)
Net carrying amount	₱1,870,844	₱2,712,316	₱148,008	₱4,731,168
At December 31, 2012:				
Cost	₱1,870,844	₱4,026,305	₱509,417	₱6,406,566
Accumulated depreciation	-	(1,452,684)	-	(1,452,684)
Net carrying amount	₱1,870,844	₱2,573,621	₱509,417	₱4,953,882

Investment properties are valued at cost. Investment properties consist of the “Power Plant” Mall (₱3.0 billion as at December 31, 2013 and ₱3.2 billion as at December 31, 2012), other investment properties held for lease within the Rockwell Center (₱1.1 billion as at December 31, 2013 and ₱901.5 million as at December 31, 2012) and land held for appreciation (₱852.5 million as at December 31, 2013 and 2012).

Investment properties in progress represent costs incurred for the construction of Lopez Tower. Specific borrowing costs capitalized as part of investment properties amounted to ₱21.4 million and ₱0.1 million in 2013 and 2012, respectively (see Note 14). Capitalization rates used are 3.9% and 4.0% in 2013 and 2012, respectively. As at December 31, 2013 and 2012, unamortized borrowing costs capitalized as part of investment properties amounted to ₱264.0 million and ₱243.2 million, respectively.

As at December 31, 2012, land with a carrying value of ₱332.2 million and the “Power Plant” Mall were pledged as collaterals for the interest-bearing loans (see Note 14).



Lease income earned from investment properties amounted to ₱727.0 million, ₱688.2 million and ₱657.9 million in 2013, 2012 and 2011, respectively. Direct operating expenses incurred amounted to ₱288.6 million, ₱245.6 million and ₱287.5 million in 2013, 2012 and 2011, respectively.

The aggregate fair value of the Company's mall amounted to ₱7.2 billion and ₱6.8 billion as of December 31, 2013 and 2012, respectively. The aggregate fair value of other investment properties held for lease within the Rockwell Center and land held for appreciation amounted to ₱3.7 billion and ₱3.3 billion as at December 31, 2013 and 2012, respectively.

The fair value was determined by independent professionally qualified appraisers. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation.

The value of the mall was arrived at through the use of the "Income Approach," particularly the "Discounted Cash Flow Analysis" which is a financial modelling technique based on explicit assumptions regarding the prospective cash flow to a property. This analysis involves the projection of a series of periodic cash flows to an operating property. To this projected cash flow series, an appropriate discount rate is applied to establish an indication of the present value of the income stream associated with the property being valued. In an operating property, periodic cash flow is typically estimated as gross revenue less operating expenses and other outgoings. The series of periodic net operating incomes, along with an estimate of the terminal value, anticipated at the end of the projection period, is then discounted at the discount rate, being a cost of capital or a rate of return used to convert a monetary sum, payable or receivable in the future, into present value.

The value of other investment properties held for lease within the Rockwell Center and land held for appreciation was arrived at through the use of the "Market Data Approach." "Market Data Approach" is based on the assumption that no prudent purchaser will buy more than what it will cost him to acquire an equally desirable substitute parcel or site. This approach is primarily based on sales and listings, which are adjusted for time of sale, location, and general characteristics of comparable lots in the neighborhood where the subject lot is situated.

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## 12. Investment in Joint Venture

### JV Agreement

On March 25, 2008, the Parent Company entered into a 25-year JV Agreement with Meralco to form an unincorporated and registered JV (70% for the Parent Company and 30% for Meralco), referred to as "unincorporated JV." Under the JV Agreement, the parties agreed to pool their allocated areas in the first two towers of the BPO Building, including the right to use the land, and to operate and manage the combined properties for lease or any similar arrangements to third parties under a common property management and administration. Consequently, the Parent Company's contribution to the unincorporated JV is presented as "Investment in joint venture" account in the consolidated statements of financial position. The unincorporated JV started commercial operations in July 2009.

In accordance with the terms of the JV Agreement, the Parent Company acts as the Property Manager of the unincorporated JV. Management fees recognized by the Parent Company, which is shown as part of "Others" account in the consolidated statements of comprehensive income, amounted to ₱1.2 million, ₱1.1 million and ₱0.9 million in 2013, 2012 and 2011, respectively. The unincorporated JV will be managed and operated in accordance with the terms of the JV



Agreement and with the Property Management Plan provided for in the JV Agreement. The principal place of business of the unincorporated JV is at Meralco Compound, Ortigas Center, Pasig City.

On November 25, 2009, Meralco and the Parent Company agreed to revise the sharing of earnings before depreciation and amortization to 80% for the Parent Company and 20% for Meralco until 2014 or until certain operational indicators are reached, whichever comes first. Sharing of depreciation and amortization is proportionate to their contribution.

On December 6, 2013, Meralco and the Parent Company entered into a Supplemental Agreement to the JV Agreement to include their respective additional rights and obligations, including the development and construction of the third tower of the BPO Building. Under the Supplemental Agreement, Meralco shall contribute the corresponding use of the land where the third BPO Building will be constructed while the Parent Company shall provide the additional funds necessary to cover the construction costs.

The joint venture's statement of financial position includes the following:

	<b>December 31, 2013</b>	December 31, 2012
Current assets	<b>₱786,854</b>	₱618,512
Noncurrent assets	<b>2,595,671</b>	2,579,159
Current liabilities	<b>115,417</b>	51,289
Noncurrent liabilities	<b>108,840</b>	92,198
Cash and cash equivalents	<b>467,862</b>	412,383
Current financial liabilities (excluding trade and other payables and provisions)	<b>5,935</b>	5,370
Noncurrent financial liabilities (excluding trade and other payables and provisions)	<b>74,916</b>	69,809

The joint venture's statement of comprehensive income includes the following:

	<b>2013</b>	2012	2011
Revenue	<b>₱295,334</b>	₱289,735	₱258,146
General and administrative expenses	<b>76,383</b>	63,895	55,567
Depreciation and amortization expense	<b>117,431</b>	117,431	117,431
Interest income	<b>6,471</b>	11,194	6,144
Interest expense	<b>2,116</b>	3,691	2,597
Provision for income tax	<b>56,805</b>	58,837	50,753
Total comprehensive income	<b>101,520</b>	108,408	85,148

The carrying value of the Parent Company's investment in joint venture consists of:

	<b>December 31, 2013</b>	December 31, 2012
Investment cost	<b>₱2,062,043</b>	₱2,062,043
Accumulated share in net income:		
Balance at beginning of year	<b>126,848</b>	41,059
Share in net income	<b>93,261</b>	98,470
Dividends received	-	(12,681)
Balance at end of year	<b>220,109</b>	126,848
Carrying value	<b>₱2,282,152</b>	₱2,188,891



Below is the reconciliation of the summarized financial information of the unincorporated JV to the carrying amount of the Parent Company's investment therein:

	December 31, 2013	December 31, 2012
Net asset of the unincorporated JV	₱3,158,268	₱3,054,184
Interest of the Parent Company in the net asset of the unincorporated JV	70%	70%
	<b>2,210,788</b>	2,137,929
Effect of difference between the Parent Company's percentage share in net income as previously discussed	71,364	50,962
Carrying amount of the investment in joint venture	<b>₱2,282,152</b>	₱2,188,891

### 13. Property and Equipment

The rollforward analysis of this account follows:

	December 31, 2013					Total
	Land	Buildings and Improvements	Office Furniture and Other Equipment	Transportation Equipment	Construction in Progress	
<b>Cost</b>						
At January 1	₱20,852	₱770,152	₱962,854	₱134,352	₱-	₱1,888,210
Additions	-	33,627	123,140	26,596	-	183,363
Reclassifications from land and development costs (see Note 8)	-	-	-	-	179,631	179,631
Reclassifications from investment properties (see Note 11)	-	-	-	-	723,547	723,547
Disposals	-	-	-	(19,080)	-	(19,080)
At December 31	20,852	803,779	1,085,994	141,868	903,178	2,955,671
<b>Accumulated Depreciation and Amortization</b>						
At January 1	-	287,682	725,169	100,047	-	₱1,112,898
Depreciation and amortization (see Note 21)	-	22,488	92,293	14,200	-	128,981
Disposals	-	-	-	(9,353)	-	(9,353)
At December 31	-	310,170	817,462	104,894	-	1,232,526
<b>Net Book Value at December 31</b>	<b>₱20,852</b>	<b>₱493,609</b>	<b>₱268,532</b>	<b>₱36,974</b>	<b>₱903,178</b>	<b>₱1,723,145</b>

	December 31, 2012 (As restated – see Note 3)					Total
	Land	Buildings and Improvements	Office Furniture and Other Equipment	Transportation Equipment	Construction in Progress	
<b>Cost</b>						
At January 1		₱20,852	₱666,895	₱894,295	₱117,807	₱1,699,849
Additions		-	11,337	76,926	20,553	108,816
Reclassifications from land and development costs (see Note 8)		-	94,531	-	-	94,531
Reclassifications		-	8,367	(8,367)	-	-
Disposals		-	(10,978)	-	(4,008)	(14,986)
At December 31		20,852	770,152	962,854	134,352	1,888,210

(Forward)



December 31, 2012 (As restated – see Note 3)					
	Land	Buildings and Improvements	Office Furniture and Other Equipment	Transportation Equipment	Total
<b>Accumulated Depreciation and Amortization</b>					
At January 1	₱–	₱265,662	₱639,062	₱88,454	₱993,178
Depreciation and amortization (see Note 21)	–	24,495	86,107	12,490	123,092
Disposals	–	(2,475)	–	(897)	(3,372)
At December 31	–	287,682	725,169	100,047	1,112,898
<b>Net Book Value at December 31</b>	<b>₱20,852</b>	<b>₱482,470</b>	<b>₱237,685</b>	<b>₱34,305</b>	<b>₱775,312</b>

On June 6, 2013, the Board of Investments approved the Parent Company's registration as new operator of Tourist Accommodation Facility for its Edades Serviced Apartments in accordance with the provisions of Omnibus Investments Code of 1987 with entitlement to Income Tax Holiday of six years from commencement of commercial operations. On June 20, 2013, the Parent Company incorporated Rockwell Hotels & Leisure Management Corp. for the Parent Company's future hotel operations. Accordingly, the Company reclassified the costs related to the development of the Edades and The Grove Serviced Apartments that will be used for their hotel business, from investment properties and land and development cost accounts to property and equipment.

Borrowing costs capitalized as part of investment properties that was transferred to construction in progress account amounted to ₱25.8 million in 2013 (see Note 14). Capitalization rate used is 4.9% in 2013.

#### 14. Interest-bearing Loans and Borrowings

This account consists of:

	Effective Interest Rate	December 31, 2013	December 31, 2012
<b>Current</b>			
Corporate notes	4.9%, 4.6%, 4.5% fixed	₱412,000	₱–
Peso-denominated loans from various local banks and financial institutions	7.5%, 4.5% and 4.0% fixed	–	404,572
		<b>412,000</b>	404,572
Less unamortized loan transaction costs (see Note 21)		<b>7,950</b>	–
		<b>₱404,050</b>	₱404,572
<b>Noncurrent</b>			
Corporate notes	4.9%, 4.6%, 4.5% fixed	₱9,588,000	₱4,000,000
Bonds payable	5.0932% fixed	5,000,000	–
Peso-denominated loans from various local banks and financial institutions	7.5% fixed	–	54,382
		<b>14,588,000</b>	4,054,382
Less unamortized loan transaction costs (see Note 21)		<b>124,942</b>	26,966
		<b>₱14,463,058</b>	₱4,027,416



Corporate Notes

- a. In April 2011, the Parent Company entered into a new Fixed Rate Corporate Notes Facility Agreement with First Metro Investment Corporation (FMIC), PNB Capital and Investment Corporation (Joint Lead Arrangers), MBTC - Trust Banking Group (Facility Agent and Collateral Trustee), and Philippine National Bank - Trust Banking Group (Paying Agent) for a ₱4.0 billion fixed rate corporate notes (“the Notes”) for the purpose of financing the acquisition of properties for development and to refinance certain obligations of the Parent Company. The Notes are comprised of Tranche 1 and Tranche 2, amounting to ₱2.5 billion and ₱1.5 billion, respectively. Tranche 1 has been availed of in April 2011. Tranche 2 was availed in April 2012. The Notes is payable in 22 quarterly payments starting January 2013 until April 2018. Under the terms of the Notes, the Parent Company may, at its option and without premium and penalty, redeem the Notes in whole or in part, subject to the conditions stipulated in the agreement. The embedded early redemption and prepayment options are clearly and closely related to the host debt contract; thus, do not require to be bifurcated and accounted for separately in the host contract.

Interest is fixed up to maturity at a rate per annum equal to the Benchmark Rate plus 0.65% plus Gross Receipts Tax (GRT).

As at December 31, 2012, the Parent Company negotiated for the pre-termination of the Corporate Notes. On January 7, 2013, the Parent Company pre-terminated the entire outstanding principal amount of the Corporate Notes which was then financed by the new corporate note discussed below.

- b. On November 27, 2012, the Parent Company entered into a Fixed Rate Corporate Notes Facility Agreement (“the Agreement”) with the same creditors for the ₱10.0 billion Notes for the purpose of refinancing the existing ₱4.0 billion fixed rate corporate notes and to finance the Parent Company’s capital expenditures and land acquisitions. The Notes are comprised of Tranche 1, Tranche 2 and Tranche 3, amounting to ₱4.0 billion, ₱2.0 billion and ₱4.0 billion, respectively. Tranches 1 and 2 were availed on January 7, 2013 and March 7, 2013, respectively. Tranche 3 was availed in three drawdowns amounting to ₱1.0 billion, ₱1.5 billion and ₱1.5 billion on May 27, 2013, July 26, 2013 and August 27, 2013, respectively. Tranches 1, 2 and 3 amounting to ₱8.8 billion is payable in 22 quarterly payments starting October 2014. A portion of Tranche 2 amounting to ₱1.2 billion will be paid annually at 1% of the principal amount from the issue date for six (6) years while the remaining 94% of the principal amount is payable in 2020.

As at December 31, 2012, the ₱4.0 billion Notes are secured by a parcel of land and Mortgage Participation Certificates amounting to ₱4.0 billion on a Mortgage Trust Indenture (MTI) and its amendments and supplements over the Power Plant Mall (see Note 11). As at December 31, 2012, the MTI collateral has increased from ₱3.0 billion to ₱4.4 billion. However, the MTI collateral was subsequently released on January 7, 2013 as the ₱10.0 billion Corporate Notes are only secured by a negative pledge.

Interest is fixed up to maturity at 75 to 90 bps over the seven-year PDST-F, grossed-up for GRT.



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

2014	₱412,000
2015	1,612,000
2016	1,612,000
2017 and onwards	6,364,000
	<u>₱10,000,000</u>

*Covenants.* The loan contains, among others, covenants regarding incurring additional debt and dividend, to the extent that such will result in a breach of the required debt-to-equity ratio and current ratio. As at December 31, 2013, the Parent Company has complied with these covenants (see Note 28).

#### Bonds Payable

On November 15, 2013, the Parent Company issued ₱5.0 billion unsecured fixed-rate retail peso bonds. The bonds have a term of seven (7) years and one (1) quarter from the issue date, with fixed interest rate equivalent to 5.0932% per annum. Interest on the bonds will be payable quarterly in arrears commencing on February 15, 2014.

The bonds were offered to the public at face value and were issued in scripless form, with the Philippine Depository & Trust Corporation maintaining the Electronic Registry of Bondholders, as the Registrar of the Bonds. On issue date, the bonds were listed in Philippine Dealing & Exchange Corporation to facilitate secondary trading.

The bonds shall be redeemed at par (or 100% of face value) on February 15, 2021, its maturity date, unless the Parent Company exercises its early redemption option in accordance with certain conditions. The embedded early redemption is clearly and closely related to the host debt contract; thus, does not require to be bifurcated and accounted for separately from the host contract.

*Covenants.* The loan contains, among others, covenants regarding incurring additional long-term debt and paying-out dividends, to the extent that such will result in a breach of the required debt-to-equity ratio and current ratio. As at December 31, 2013, the Parent Company has complied with these covenants (see Note 28).

#### Peso-Denominated Loans from Various Local Banks and Financial Institutions

In 2012, the Parent Company obtained bridge facilities totaling ₱400.0 million. These loans earn interest fixed at 4.5% per annum. These loans have been fully settled as at December 31, 2013.

Interest expense on interest-bearing loans and borrowings amounted to ₱298.1 million, ₱232.5 million and ₱171.3 million in 2013, 2012 and 2011, respectively (see Note 21). Interest expense capitalized as part of land and development costs amounted to ₱90.8 million and ₱18.3 million in 2013 and 2012, respectively (see Note 8). Interest expense capitalized as part of investment properties amounted to ₱21.4 million and ₱0.1 million in 2013 and 2012, respectively (see Note 11). Interest expense capitalized as part of property and equipment ₱25.8 million and nil in 2013 and 2012, respectively (see Note 13).

*Loan Transaction Costs.* As at December 31, 2013 and 2012, loan transaction costs consisting of documentary stamp tax and underwriting fees on the corporate notes and bonds were capitalized and presented as a deduction from the related loan balance.



The movements in the balance of the capitalized loan transaction costs are as follows:

	<b>December 31, 2013</b>	December 31, 2012
Balance at beginning of year	<b>₱26,966</b>	₱20,716
Additions during the year	<b>138,193</b>	14,682
Amortization during the year (see Note 21)	<b>(32,267)</b>	(8,432)
Balance at end of year	<b>₱132,892</b>	₱26,966

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#### 15. Installment Payable

In November 2011, the Parent Company entered into a Deed of Sale with Futura Realty, Inc. for the purchase of land for development adjacent to the Rockwell Center. This will house the latest condominium project of the Parent Company called “Proscenium” Project (see Note 8).

Under the Deed of Sale, the Parent Company will pay for the cost of the property in installment until year 2015 and a one-time payment in year 2020. Schedule of payments of the remaining installment payable based on undiscounted amounts are as follows:

June 2014	₱799,755
June 2015	799,755
June 2020	655,799
	<b>₱2,255,309</b>

The installment payable and the corresponding land held for development were recorded at present value using the discount rate of 8%. Accretion of interest expense amounted to ₱152.7 million and ₱195.4 million in 2013 and 2012, respectively, and was capitalized as part of land and development costs (see Note 8).

As at December 31, 2013 and 2012, the carrying value of the installment payable amounted to ₱1.9 billion and ₱2.5 billion, respectively.

Installment payable is secured by Stand-By Letters of Credit (SBLC) from MBTC and FMIC totaling ₱2.4 billion. These SBLC provides for a cross default provision wherein the SBLC shall automatically be due and payable in the event the Parent Company’s other obligation (see Note 14) is not paid when due or a default in any other agreement shall have occurred, entitling the holder of the obligation to cause such obligation to become due prior to its stated maturity. Unamortized prepaid premium on the SBLC as at December 31, 2013 and 2012 amounting to ₱7.0 million and ₱7.2 million, respectively, is presented as part of “Prepaid costs” under “Other current assets” account in the consolidated statements of financial position (see Note 9).

The related deferred input VAT amounting to ₱156.0 million and ₱241.6 million, net of current portion of ₱85.7 million, in 2013 and 2012, respectively (see Note 9), is recognized as part of “Other noncurrent assets” account in the consolidated statements of financial position. This deferred input VAT will be claimed against output VAT upon payment of the related installment payable.



**16. Trade and Other Payables**

This account consists of:

	<b>December 31, 2013</b>	December 31, 2012 (As restated – see Note 3)
Trade	<b>₱111,630</b>	₱138,053
Accrued expenses:		
Project costs	<b>1,996,667</b>	1,660,581
Taxes and licenses	<b>241,127</b>	202,082
Interest	<b>145,993</b>	65,659
Utilities	<b>23,644</b>	20,223
Producers' share	<b>18,596</b>	10,755
Marketing and promotions	<b>9,048</b>	7,533
Repairs and maintenance	<b>7,672</b>	8,443
Others (see Notes 17 and 23)	<b>169,873</b>	131,349
Deferred output VAT	<b>515,101</b>	337,815
Due to related parties (see Note 25)	<b>138,155</b>	120,000
Current portions of:		
Deposits from pre-selling of condominium units (see Notes 8 and 17)	<b>994,624</b>	3,170
Retention payable (see Note 17)	<b>234,359</b>	221,218
Security deposits (see Note 17)	<b>182,283</b>	188,050
Deferred lease income (see Note 17)	<b>58,695</b>	65,413
Excess collections over recognized receivables (see Note 4)	–	28,984
Advance payments from members and customers	<b>8,683</b>	7,854
Others	<b>16,726</b>	4,019
	<b>₱4,872,876</b>	₱3,221,201

Trade payables and accrued project costs are noninterest-bearing and are normally settled on a 30-day term.

Accrued taxes mainly consist of transfer fees payable and taxes payable other than income tax.

Accrued expenses are normally settled within 12 months.

Deposits from pre-selling of condominium units represent cash received from buyers of “Proscenium” and “53 Benitez” in 2013, and “The Grove Phase 2” in 2012 pending recognition of revenue expected to be applied against receivable from sale of condominium units the following year (see Note 8).

Excess collections over recognized receivables pertain to “Edades” and “The Grove” projects.

Advance payments from members and customers mainly include membership dues received but are not yet due as of reporting date.



## 17. Deposits and Other Liabilities

This account consists of:

	<b>December 31, 2013</b>	December 31, 2012
Deposits from pre-selling of condominium units - net of current portion of ₱994.6 million in 2013 (see Notes 8 and 16)	<b>₱511,754</b>	₱-
Retention payable - net of current portion of ₱234.4 million in 2013 and ₱221.2 million in 2012 (see Note 16)	<b>283,902</b>	121,743
Security deposits - net of current portion of ₱182.3 million in 2013 and ₱188.1 million in 2012 (see Note 16)	<b>79,665</b>	54,353
Deferred lease income - net of current portion of ₱58.7 million in 2013 and ₱65.4 million in 2012 (see Note 16)	<b>31,755</b>	21,405
Others (see Notes 16 and 23)	<b>48,397</b>	28,067
	<b>₱955,473</b>	₱225,568

Deposits from pre-selling of condominium units represent cash received from buyers of “Proscenium” in 2013 pending recognition of revenue expected to be applied against receivable from sale of condominium units beyond 2014 (see Note 8).

Retention payable is the portion of the amount billed by contractors that is being withheld as security in case the Parent Company incurs costs during the defects and liability period, which is one year after a project’s completion. This is subsequently released to the contractors after the said period.

As discussed in Note 4, the Company uses discounted cash flow analysis to measure the fair value of retention payable. The resulting difference between the transaction price and fair value at initial recognition is recognized in the consolidated statement of financial position as a reduction from “Land and development costs”. The retention payable is carried at amortized cost using effective interest method. The amortization of discount on retention payable is capitalized as part of land and development costs while the related project’s construction is in progress (see Note 8).

The following table shows a reconciliation of unamortized discount on retention payable as of year-end.

	<b>December 31, 2013</b>	December 31, 2012
Balance at beginning of year	<b>₱19,683</b>	₱12,987
Additions during the year (see Note 8)	<b>12,248</b>	14,559
Amortization during the year (see Note 8)	<b>(14,678)</b>	(7,863)
Balance at end of year	<b>₱17,253</b>	₱19,683

Security deposits mainly consist of the four months deposits paid by mall tenants at the beginning of the lease term, to be refunded at the end of the contract.

Deferred lease income pertains to two months advance rent included in the initial billing to mall tenants, which shall be applied to the monthly rental at the end of the lease term.



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## 18. Share-based Payment Plans

The Parent Company has an Employee Stock Option Plan (ESOP) that was approved by the BOD and stockholders on May 2, 2012 and August 3, 2012, respectively. The ESOP is offered to all regular employees of the Parent Company including employees seconded to other affiliates or other individuals that the Board of Administrators may decide to include. The aggregate number of ESOP shares that may be issued shall not at any time exceed 3% of the issued capital stock or 192,630,881 common shares of the Company on a fully diluted basis and may be issued upon the exercise by the eligible participants of the stock option plans. The maximum numbers of shares a participant is entitled to shall be determined as a multiple of the gross basic monthly salary based on rank and performance for the year preceding the award. The option is exercisable anytime within the Option Term once vested. The ESOP was approved by the SEC on December 6, 2012 and was communicated to the employees on January 3, 2013.

The terms of the ESOP include, among others, a limit as to the number of shares a qualified regular employee Parent Company including employees seconded to other affiliates or other individuals that the Board of Administrators may decide to include may purchase. Options are expected to be granted annually over a period of 5 years. Options granted are vested after one year. All qualified participants are given until 10th year of the grant date to exercise the stock option.

The primary terms of the grants follow:

Grant date	January 3, 2013
Number of options granted	63,740,000
Offer price per share	1.46
Option value per share	1.43

The fair value of equity-settled share options granted is estimated as at the date of grant using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the option grants:

Expected volatility (%)	36.94
Exercise price (₱)	1.46
Spot price (₱)	2.52
Risk-free interest rate (%)	4.19
Term to maturity (years)	10.0
Dividend yield (%)	1.91

The expected volatility reflects the average historical volatility of peer companies based on a lookback period consistent with the term to maturity of the option. This may likewise not necessarily be the actual volatility outcome. The effects of expected early exercise, including the impact of the vesting period and blackout periods, are captured in the binomial model. No other features of the options grant were incorporated into the measurement of the fair value of the options.

In 2013, there were 63.7 million stock options granted and 15.0 million stock options exercised. Total share-based payment expense recognized amounting to ₱91.1 million is presented as part of "Personnel expenses" under "General and Administrative Expenses" account in the consolidated statement of comprehensive income for the year ended December 31, 2013 (see Note 21).



The following table shows the movements in share options in 2013:

Outstanding at beginning of year	–
Granted during the year	63,740,000
Exercised during the year	(15,000,000)
Outstanding at end of year	<u>48,740,000</u>

As at December 31, 2013, total share-based payment transactions, net of applicable tax, amounting to ₱69.7 million are presented as “Share-based payments” account under the equity section of the consolidated statement of financial position.

## 19. Equity

### a. Capital Stock

	2013		2012	
	Number of Shares	Amount	Number of Shares	Amount
Authorized				
Common - ₱1 par value	<b>8,890,000,000</b>	<b>₱8,890,000</b>	8,890,000,000	₱8,890,000
Preferred - ₱0.01 par value	<b>11,000,000,000</b>	<b>110,000</b>	11,000,000,000	110,000
	<b>19,890,000,000</b>	<b>₱9,000,000</b>	19,890,000,000	₱9,000,000
Issued				
Common - ₱1 par value	<b>6,243,382,344</b>	<b>₱6,243,382</b>	6,228,382,344	₱6,228,382
Preferred - ₱0.01 par value	<b>2,750,000,000</b>	<b>27,500</b>	2,750,000,000	27,500
	<b>8,993,382,344</b>	<b>₱6,270,882</b>	8,978,382,344	₱6,255,882

The preferred shares are of equal rank, preference and priority with the common shares and are identical in all respects regardless of series, except as to the issue value which may be specified by the BOD from time to time. It has voting rights and are non-participating in any other or further dividends beyond that specifically on such preferred shares. Each preferred share shall not be convertible to common shares. Other features of the preferred shares shall be at the discretion of the BOD at the time of such issuance. All preferred shares currently outstanding earn 6% cumulative dividend per annum. On January 31, 2012, the Parent Company fully redeemed these preferred shares at par value, including dividends in arrears of ₱4.1 million. On February 28, 2012, the BOD authorized the reissuance of these preferred shares at a later date. On April 10, 2012, the Parent Company issued to FPHC all preferred shares at par value.

Below is the movement of the common stock of the Parent Company:

Date of SEC Approval	Authorized Capital Stock	New Subscriptions/ Issuances	Issue/ Offer Price
May 2012, listing by way of introduction	8,890,000,000	6,228,382,344	₱1.46
Exercise of ESOP shares (see Note 18)	–	15,000,000	
	<u>8,890,000,000</u>	<u>6,243,382,344</u>	



b. Dividends

On July 4, 2013, the BOD of the Parent Company approved the declaration of regular cash dividends of ₱0.0368 per share to all common stockholders of record as of July 25, 2013. Payments were made on August 20, 2013.

On January 16, 2012, the BOD approved the declaration of dividends for preferred shares at 6% cumulative per annum amounting to ₱4.1 million or ₱0.0015 per share. Payments were made on January 26, 2012. As at December 31, 2013, unpaid cumulative dividends on preferred shares amounted to ₱3.0 million.

c. Other Equity Adjustments

This account represents the difference between the consideration received from the sale of the proprietary shares and the carrying value of the related interest. In 2013 and 2012, the Parent Company sold proprietary shares, equivalent to 0.3% and 0.5% interest in Rockwell Club, respectively.

	<b>December 31, 2013</b>	December 31, 2012 (As restated – see Note 3)
Balance at beginning of year	<b>₱286,850</b>	₱284,111
Acquisition by the non-controlling interests:		
Carrying value	<b>642</b>	1,101
Consideration received	<b>2,451</b>	3,840
	<b>1,809</b>	2,739
Balance at end of year	<b>₱288,659</b>	₱286,850

d. Treasury Shares

On May 11, 2012, the Parent Company acquired 126,620,146 own shares at ₱1.4637 per share (see Note 1).

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**20. Interest Income**

This account consists of:

	<b>2013</b>	2012 (As restated – see Note 3)	2011 (As restated – see Note 3)
Interest income from:			
Amortization of unearned interest on trade receivables (see Note 7)	<b>₱931,805</b>	₱614,347	₱491,789
Cash and cash equivalents (see Note 6)	<b>40,382</b>	12,441	11,250
Interest and penalty charges	<b>8,474</b>	12,622	12,317
In-house financing	<b>2,743</b>	2,416	3,479
	<b>₱983,404</b>	₱641,826	₱518,835



## 21. Expenses

Depreciation and amortization expense included in the consolidated statements of comprehensive income is as follows:

	2013	2012 (As restated – see Note 3)	2011 (As restated – see Note 3)
Included in:			
Cost of real estate (see Note 11)	<b>₱136,225</b>	₱137,342	₱134,539
General and administrative expenses (see Note 13)	<b>128,981</b>	123,092	109,291
	<b>₱265,206</b>	₱260,434	₱243,830

General and administrative expenses pertain to the following businesses:

	2013	2012 (As restated – see Note 3)	2011 (As restated – see Note 3)
Real estate	<b>₱863,791</b>	₱708,712	₱579,292
Cinema	<b>177,090</b>	163,012	160,079
	<b>₱1,040,881</b>	₱871,724	₱739,371

### Real Estate

	2013	2012 (As restated – see Note 3)	2011 (As restated – see Note 3)
Personnel (see Notes 18, 22 and 23)	<b>₱314,160</b>	₱197,276	₱143,417
Taxes and licenses	<b>158,828</b>	159,669	107,068
Depreciation and amortization (see Note 13)	<b>118,296</b>	115,092	102,908
Utilities (see Note 25)	<b>41,296</b>	36,499	36,271
Professional fees	<b>40,590</b>	12,869	14,403
Entertainment, amusement and recreation	<b>34,686</b>	33,318	25,887
Contracted services	<b>27,668</b>	25,368	10,949
Marketing and promotions	<b>25,833</b>	23,450	32,914
Dues and subscriptions	<b>18,911</b>	13,701	6,759
Fuel and oil	<b>12,015</b>	8,289	7,183
Insurance	<b>9,279</b>	9,762	9,256
Security services	<b>7,081</b>	4,458	5,609
Transportation and travel	<b>3,612</b>	1,174	2,520
Provision for doubtful accounts (see Note 7)	<b>70</b>	379	4,312
Others	<b>51,466</b>	67,408	69,836
	<b>₱863,791</b>	₱708,712	₱579,292



Cinema

	2013	2012	2011
Producers' share	₱89,221	₱81,181	₱84,611
Utilities (see Note 25)	26,306	25,758	24,446
Amusement tax	15,652	14,610	14,905
Snack bar	15,396	13,728	11,033
Contracted services	11,401	4,618	4,530
Depreciation and amortization (see Note 13)	10,685	8,000	6,383
Personnel (see Notes 22 and 23)	2,126	8,129	7,465
Advertising	2,451	2,654	2,751
Others	3,852	4,334	3,955
	<b>₱177,090</b>	<b>₱163,012</b>	<b>₱160,079</b>

Selling expenses are comprised of:

	2013	2012	2011
Commissions and amortization of prepaid costs (see Notes 4 and 10)	₱218,752	₱168,506	₱209,800
Marketing and promotions	73,243	30,175	49,253
Personnel (see Notes 22 and 23)	58,619	44,095	31,506
Utilities (see Note 25)	8,287	11,162	–
Contracted services	2,629	8,465	–
Entertainment, amusement and recreation	614	2,448	1,711
Others	10,752	5,089	757
	<b>₱372,896</b>	<b>₱269,940</b>	<b>₱293,027</b>

Interest expense is comprised of:

	2013	2012	2011
Interest expense on loans (see Note 14)	₱298,116	₱232,513	₱171,355
Amortization of loan transaction costs (see Note 14)	32,267	8,432	4,213
Bank charges	14,840	25,269	11,018
Write-off of loan transaction costs on pre-terminated loans (see Note 14)	–	–	6,991
	<b>₱345,223</b>	<b>₱266,214</b>	<b>₱193,577</b>

**22. Personnel Expenses**

Personnel expenses included in general and administrative expenses and selling expenses are comprised of:

	2013	2012 (As restated – see Note 3)	2011 (As restated – see Note 3)
Salaries and wages (see Note 21)	₱348,078	₱221,312	₱166,861
Pension costs (see Note 23)	26,827	28,188	15,527
	<b>₱374,905</b>	<b>₱249,500</b>	<b>₱182,388</b>



## 23. Pension Costs and Other Employee Benefits

### a. Pension Costs

The Company has a funded, noncontributory defined benefit pension plan covering all regular and permanent employees based on the final salary.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following tables summarize the components of the net pension costs and other employee benefits recognized in the consolidated statements of comprehensive income and the fund status and amounts recognized in the consolidated statements of financial position for the plan:

	<b>December 31, 2013</b>	December 31, 2012 (As restated – see Note 3)	January 1, 2012 (As restated – see Note 3)
Current service cost	<b>₱27,435</b>	₱26,629	₱18,527
Net interest cost	<b>(608)</b>	1,559	(3,000)
Net pension cost	<b>₱26,827</b>	₱28,188	₱15,527
Actual return on plan assets	<b>(₱27,805)</b>	(₱45,984)	(₱10,006)

Pension asset (liability) as at end of year follows:

	<b>December 31, 2013</b>	December 31, 2012 (As restated – see Note 3)
Present value of benefit obligation	<b>₱310,663</b>	₱259,838
Fair value of plan assets	<b>(222,501)</b>	(258,394)
	<b>₱88,162</b>	₱1,444
Pension asset (liability) recognized by the Parent Company	<b>(₱72,071)</b>	₱16,721
Pension liability recognized by the subsidiaries	<b>(₱16,091)</b>	(₱18,165)

The changes in the present value of benefit obligation are as follows:

	<b>December 31, 2013</b>	December 31, 2012 (As restated – see Note 3)
Defined benefit obligation at beginning of year	<b>₱259,838</b>	₱231,766
Current service cost	<b>27,435</b>	26,629
Interest cost	<b>13,476</b>	14,368
Actuarial loss (gains) due to:		

(Forward)



	<b>December 31, 2013</b>	December 31, 2012 (As restated – see Note 3)
Change in assumptions	<b>₱9,793</b>	₱9,084
Experience adjustments	<b>8,209</b>	(22,009)
Benefits paid	<b>(8,088)</b>	–
<b>Defined benefit obligation at end of year</b>	<b>₱310,663</b>	₱259,838

The changes in the fair values of plan assets of the Company are as follows:

	<b>December 31, 2013</b>	December 31, 2012 (As restated – see Note 3)
Fair values of plan assets at beginning of year	<b>₱258,394</b>	₱212,410
Interest income included in net interest cost	<b>14,084</b>	12,809
Actual return excluding amount included in net interest cost	<b>(41,889)</b>	33,175
Benefits paid	<b>(8,088)</b>	–
<b>Fair values of plan assets at end of year</b>	<b>₱222,501</b>	₱258,394

The Company expects to contribute ₱51.0 million to its pension plan in 2014.

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

	<b>2013</b>	2012
Investments in:		
Government securities	<b>24.53%</b>	19.75%
Loans and debt instruments	<b>10.42%</b>	9.15%
Other securities	<b>65.05%</b>	71.10%
	<b>100.00%</b>	100.00%

The principal assumptions used as of January 1, 2013 and 2012 in determining pension cost obligation for the Company's plans are as follows:

	<b>2013</b>	2012
Discount rate	<b>5-7%</b>	6-7%
Future salary rate increases	<b>10.00%</b>	10.00%

Discount rate prevailing as at December 31, 2013 ranges from 5% to 7%.

The plan assets of the Company are maintained by the trustee banks, BDO Unibank, Inc. (BDO) and MBTC, under the supervision of the Board of Trustees of the plan. The Board of Trustees is responsible for investment strategy of the plan.



The fair values of plan assets are as follows:

	December 31, 2013	December 31, 2012
Cash in banks		
MBTC	<b>₱6,561</b>	₱1,687
BDO	<b>1,628</b>	5,332
Receivables - net of payables		
MBTC	<b>637</b>	633
BDO	<b>688</b>	2,068
Investments held for trading		
MBTC	<b>112,912</b>	130,154
BDO	<b>100,075</b>	118,520
	<b>₱222,501</b>	₱258,394

Cash in banks are composed of current account, savings deposits and special savings deposits.

Receivables - net of payables are composed of loans receivables, interest receivables and accrued trust fees.

Investments held for trading are investments in government securities, corporate bonds and stocks.

- i. Government securities' maturities range from 5 to 25 years with interest rates ranging from 5.68% to 7.89%.
- ii. The Corporate bonds are certificates of indebtedness issued by top and usually listed corporations exhibiting sound financial performance and enjoying good credit from reputable/accredited agencies. Maturity dates range from 5 to 7 years with interest rates ranging from 7.75% to 8.85%.
- iii. Investment in stocks represents equity securities of companies listed in the PSE.

The Retirement Plan has investment in shares of stock of the Parent Company amounting to ₱59.6 million, ₱97.2 million and nil as at December 31, 2013 and 2012 and January 1, 2012, respectively. The Company has also investment in ABS-CBN Philippine Depositary Receipts amounting to ₱0.1 million as at December 31, 2013.

The Company's retirement fund is exposed to a short term risk since 50% of it is in equities. On the long term, should there be any major corrections in the local equities market, the correction should have a positive impact of the fund since historically the equities market have always out-performed the fixed income market in the long term.

There are no outstanding balances arising from transactions between the Retirement Plan and the Company as at December 31, 2013 and 2012. Except as stated above, there were no other transactions entered into during the year by the Retirement Plan relating to the Company.



In 2013, the sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation
Discount rate	+100	(₱270,962)
	-100	322,627
Future salary increases	+100	272,519
	-100	(320,025)
Turnover rate	+100	290,455
	-100	298,978

The Company does not currently employ any asset-liability matching.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31:

Year	2013	2012
Less than 1 year	₱-	₱490
More than 1 year to 5 years	<b>160,079</b>	162,109
More than 5 years to 10 years	<b>44,178</b>	56,442
More than 10 years to 15 years	<b>171,331</b>	167,503
More than 15 years to 20 years	<b>168,927</b>	225,268
More than 20 years	<b>587,024</b>	484,929

b. Other Employee Benefits

Other employee benefits consists of accumulated employee sick and vacation leave entitlement amounting to ₱10.6 million, ₱2.7 million and ₱7.3 million for the years ended December 31, 2013, 2012 and 2011, respectively (see Notes 21 and 22). The present value of the defined benefit obligation of other employee benefits amounted to ₱50.1 million and ₱25.9 million as at December 31, 2013 and 2012, respectively (see Notes 16 and 17).

In 2013, the sensitivity analysis below has been determined based on reasonably possible changes of salary increase rate on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation
Future salary increases	+200	₱31,982
	-300	22,705

## 24. Income Taxes

The components of provision for income tax for the years ended December 31 follow:

	2013	2012 (As restated – see Note 3)	2011 (As restated – see Note 3)
Current income tax	<b>₱371,294</b>	₱326,809	₱431,013
Deferred income tax	<b>210,862</b>	110,826	(139,968)
	<b>₱582,156</b>	₱437,635	₱291,045



The current provision for income tax represents the regular corporate income tax (RCIT) of the Parent Company and certain subsidiaries and minimum corporate income tax (MCIT) of Rockwell Club.

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

The components of the Company's deferred tax assets and liabilities shown in the consolidated statements of financial position are as follows:

	<b>December 31, 2013</b>	December 31, 2012 (As restated – see Note 3)	January 1, 2012 (As restated – see Note 3)
<b>Deferred tax liabilities:</b>			
Unrealized gain on real estate	<b>₱395,857</b>	₱147,902	₱25,228
Capitalized interest	<b>75,646</b>	78,902	82,084
Unrealized gain on available-for-sale investments	<b>527</b>	527	67
Unrealized foreign exchange gain	–	454	1,661
Overfunded pension costs	–	5,016	–
	<b>472,030</b>	232,801	109,040
<b>Deferred tax assets:</b>			
Deferred lease income	<b>26,803</b>	25,657	24,156
Share-based payment expense	<b>22,574</b>	–	–
Unfunded pension costs	<b>21,621</b>	–	1,728
Other employee benefits	<b>15,031</b>	7,768	6,953
Unamortized past service cost	<b>10,755</b>	13,543	16,332
Allowance for doubtful accounts and others	<b>4,165</b>	4,208	4,164
NOLCO	<b>3,729</b>	845	–
Unrealized foreign exchange loss	<b>224</b>	–	–
	<b>104,902</b>	52,021	53,333
	<b>₱367,128</b>	₱180,780	₱55,707

The details of the subsidiaries' deductible temporary differences, NOLCO and MCIT for which no deferred tax assets are recognized since management believes that there are no sufficient taxable profits against which the deferred tax assets can be utilized are as follows:

	<b>December 31, 2013</b>	December 31, 2012 (As restated – see Note 3)	January 1, 2012 (As restated – see Note 3)
NOLCO	<b>₱35,107</b>	₱65,485	₱83,606
Unfunded pension obligation	<b>16,092</b>	22,671	2,743
Allowance for doubtful accounts	<b>2,274</b>	2,474	3,508
MCIT	<b>2,173</b>	808	690
Unearned service fees	–	2,169	–
	<b>₱55,646</b>	₱93,607	₱90,547



As at December 31, 2013, MCIT of a subsidiary which can be claimed as deduction from regular taxable income due as follows:

Date Paid	Expiry Date	Amount
December 31, 2011	December 31, 2014	₱298
December 31, 2012	December 31, 2015	335
December 31, 2013	December 31, 2016	1,540
		<b>₱2,173</b>

MCIT amounting to ₱0.2 million expired in 2013 and 2012 and ₱0.1 million in 2011.

As at December 31, 2013, NOLCO of a subsidiary can be carried forward and claimed as deduction against regular taxable income as follows:

Date Incurred	Expiry Date	Amount
December 31, 2011	December 31, 2014	₱27,216
December 31, 2012	December 31, 2015	7,891
		<b>₱35,107</b>

Amount of NOLCO applied in 2013 as deduction against normal taxable income amounted to ₱8.82 million. NOLCO amounting to ₱21.56 million, ₱26.01 million and ₱28.02 million expired in 2013, 2012 and 2011, respectively.

The reconciliation of the statutory income tax rate to effective income tax rate as shown in the consolidated statements of comprehensive income is summarized as follows:

	<b>December 31, 2013</b>	December 31, 2012 (As restated – see Note 3)	January 1, 2012 (As restated – see Note 3)
Statutory income tax rate	<b>30.0%</b>	30.0%	30.0%
Additions to (deductions from) income tax resulting from:			
Share in net income of joint venture	<b>(1.4)</b>	(1.9)	(2.0)
Nondeductible expenses	<b>0.7</b>	1.8	0.1
Nontaxable income and others	–	(1.9)	(3.8)
<b>Effective income tax rate</b>	<b>29.3%</b>	28.0%	24.3%

Revenue Memorandum Circular (RMC) No. 35-2012

On August 3, 2012, RMC No. 35-2012 was issued to clarify the taxability of clubs organized and operated exclusively for pleasure, creation and non-profit purposes.

In accordance with this RMC, Rockwell Club pays output VAT under protest starting August 3, 2012 and income tax effective January 1, 2013.



## 25. Related Party Transactions

Parties are considered to be related if one party has the ability to control, directly or indirectly, 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.

The following table summarizes these significant transactions with related parties:

Related Parties	Relationship	Nature of Transaction	Period	Transaction Amount	Amounts Owed (to) from Related Parties (see Notes 7 and 16)		Terms	Conditions
					2013	2012		
Rockwell-Meralco BPO	Joint venture	Advances (see Note 16)	2013	₱-	(₱120,000)		90-day; non-interest bearing	Unsecured
			2012	120,000	(120,000)			
			2011	-	-			
		Advances (see Note 9)	2013	39,098	39,098		90-day; non-interest bearing	Unsecured; no impairment
			2012	3,150	3,150			
			2011	-	-			
		Dividend income	2013	-	-			
			2012	12,681	-			
			2011	-	-			
Advances to officers and employees		Advances (see Note 7)	2013	49,910	20,127		30-day; non-interest bearing	Unsecured; no impairment
			2012	65,775	12,448			
			2011	25,241	9,730			
FPHC	Parent	Charges for construction of Lopez Tower (see Note 16)	2013	18,155	(18,155)		On demand; non-interest bearing	Unsecured
			2012	-	-			
			2011	-	-			
Meralco	Parent company until May 2012; JV Partner	Utilities	2013	-	-		30-day; non-interest bearing	Unsecured
			2012	86,781	-			
			2011	324,750	(18,733)			

Other transactions with related parties pertain to the Project Development and JV Agreement with Meralco (see Note 12).

### Terms and Conditions of Transactions with Related Parties

Purchases from related parties are made at normal market prices. Outstanding balances at year-end are unsecured, interest-free, settlement occurs in cash and collectible/payable on demand. There have been no guarantees provided for or received for any related party receivables or payables. For the years ended December 31, 2013, 2012 and 2011, the Company has not made any provision for doubtful accounts relating to amounts owed by related parties. This assessment is undertaken at each financial year through examination of the financial position of the related party and the market in which the related party operates.

### Compensation of Key Management Personnel of the Company

	2013	2012 (As restated – see Note 3)	2011 (As restated – see Note 3)
Short-term employee benefits	₱63,984	₱62,249	₱47,913
Post-employment pension and other benefits	15,836	12,202	10,237
Total compensation attributable to key management personnel	₱79,820	₱74,451	₱58,150



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## 26. Derivative Financial Instruments

The Company entered into deliverable currency forward contracts to manage its foreign currency exposure arising from its US\$ denominated receivables. As at December 31, 2010, the Company has outstanding currency forward contracts to sell US\$ with an aggregate notional amount of US\$0.9 million and US\$2.4 million, respectively, and weighted average contracted forward rate of ₱43.88 to US\$1.00 and ₱46.21 to US\$1.00, respectively. Outstanding derivatives matured in 2011.

### Fair Value Changes on Derivatives

In 2011, the movement in fair value changes of all derivative instruments follows:

Balance at January 1, 2011 (presented in “Others” under “Other current assets”)	₱699
Mark-to-market loss	(304)
Fair value of settled instruments	(395)
<u>Asset (liability) at December 31, 2011</u>	<u>₱-</u>

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## 27. Commitments and Contingencies

### Operating Lease Commitments

The Company has entered into commercial property leases on its investment property portfolio. These noncancellable leases have remaining terms of between two and five years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. Future minimum lease revenue is as follows:

2014	405,711
2015	108,025
2016	47,372
2017	39,280
2018 and after	38,001
	<u>₱638,389</u>

### Capital Commitments

- The Parent Company entered into a contract with Hilmarc’s Construction Corporation in 2011 covering superstructure works related to “Edades” Project. The contract amounted to a fixed fee of ₱1.9 billion, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of the works. Superstructure works commenced in 2011 and is currently nearing completion. As at December 31, 2013, ₱1.4 billion has been incurred and paid.
- The Parent Company entered into contract covering superstructure works related to “The Grove Phase 1” project with Hilmarc’s Construction Corporation. The contract sum for the work amounted to ₱1.9 billion, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of the work. Superstructure works commenced in 2010 and is completed as at December 31, 2013. As at December 31, 2013, total amount paid related to this contract amounted to ₱1.8 billion.



- c. The Parent Company entered into contract covering substructure works related to “The Grove Phases 2 and 3” with Hilmarc’s Construction Corporation. The contract sum for the work is ₱249.0 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Superstructure works commenced in 2012 and is currently ongoing. As at December 31, 2013, ₱234.1 million has been incurred and paid.
- d. The Parent Company entered into various contracts covering superstructure works related to “205 Santolan” project with Pacific Summit Construction Group Inc., Omicron Construction, Hi Integra Incorporated and Interfield Construction Corporation. The contract sum for the work amounted to ₱450.0 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of the work. Superstructure works commenced in July 2012 and is currently nearing completion. As of December 31, 2013, total amount paid related to this contract amounted to ₱331.9 million.
- e. The Parent Company entered into various contracts covering superstructure works related to “Alvendia” project with Pacific Summit Construction Group Inc. The contract sum for the work amounted to ₱125.0 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of the work. Superstructure works commenced in July 2013 and is currently ongoing. As at December 31, 2013, total amount paid related to this contract amounted to ₱49.5 million.
- f. Primaries Development Corporation entered into contracts covering labor supply works related to “53 Benitez” project with HM Sanchez Builders and Hi Integra Incorporated. The contract sum for the work amounted to ₱190.3 million, inclusive of all pertinent local and national taxes and all cost necessary for the proper execution of the work. Labor supply works commenced in September 2013 and is currently ongoing. As at December 31, 2013, total amount paid related to this contract amounted to ₱5.3 million.
- g. The Parent Company entered into contract covering superstructure works related to “Lopez Tower” with Hilmarc’s Construction Corporation. The contract sum awarded for the work amounted to ₱655.4 million, inclusive of all pertinent local and national taxes, overhead and cost labor and materials and all cost necessary for the proper execution of the work. Superstructure works commenced in January 2013. As of December 31, 2013, ₱258.9 million has been incurred and paid.
- h. The Parent Company entered into contracts covering substructure works related to “Proscenium” with IPM Construction and Development Corp. and Advanced Foundation Construction Systems Corp. The contract sum awarded for the work amounted to ₱235.0 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all costs necessary for the proper execution of works. Substructure works commenced in June 2013. As of December 31, 2013, ₱99.8 million has been incurred and paid.

#### Contingencies

The Company is contingently liable for lawsuits or claims filed by third parties, which are either pending decision by the courts or under negotiations, the outcomes of which are not presently determinable. It is the opinion of management and its outside legal counsel that it is possible, but not probable that the lawsuits and claims will be settled. Accordingly, no provision for any liability has been made in the consolidated financial statements.



## 28. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash and cash equivalents, available-for-sale investments, and interest-bearing loans and borrowings. The main purpose of these financial instruments is to finance the Company's operations. The Company has various other financial assets and liabilities such as trade and other receivables, refundable deposits, trade and other payables, installment payable, retention payable and security deposits which arise directly from its operations.

The Company also occasionally enters into derivative transactions, specifically foreign currency forward contracts to sell US\$. The primary purpose was to manage currency risks arising from its foreign currency-denominated receivables from sale of condominium units.

The main risks arising from the Company's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The BOD reviews and approves the policies for managing each of these risks and they are summarized below.

### Cash Flow Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of financial instruments will fluctuate because of the changes in market interest rates. The Company's exposure to the risk for changes in market interest rates relates primarily to the Company's interest-bearing loans and borrowings with floating interest rates.

The Company's policy is to manage its interest cost using a mix of fixed and variable rate debts. As at December 31, 2013 and 2012, approximately 100% of the Company's borrowings are at a fixed rate of interest.

The following tables set out the principal amounts, by maturity, of the Company's interest-bearing financial instruments.

	December 31, 2013				Total
	Within 1 Year	1-2 Years	2-3 Years	More than 3 Years	
<b>Fixed Rate</b>					
Interest-bearing loans and borrowings	₱412,000	₱1,612,000	₱1,612,000	₱11,364,000	₱15,000,000
Short-term investments	8,716,726	–	–	–	8,716,726
	December 31, 2012 (As restated – see Note 3)				
	Within 1 Year	1-2 Years	2-3 Years	More than 3 Years	Total
<b>Fixed Rate</b>					
Interest-bearing loans and borrowings	₱404,572	₱236,200	₱727,273	₱3,090,909	₱4,458,954
Short-term investments	359,450	–	–	–	359,450

Interest on financial instruments is fixed until the maturity of the instrument. The other financial instruments of the Company that are not included in the above tables are noninterest-bearing and are therefore not subject to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's December 31, 2011 income before income tax (through the impact on floating rate borrowings). There is no impact on the



Company's equity other than those already affecting the income. The Company has no floating rate loans as at December 31, 2013 and 2012.

	Increase/Decrease in Basis Points	Effect on Income Before Income Tax
Floating rate loans from various local banks in 2011	+100	(₱5.22 million)
	-100	5.22 million

Interest expense on floating rate borrowings is computed for the year, taking into account actual principal movements during the year, based on management's best estimate of a +/-100 basis points change in interest rates. There has been no change in the methods and assumptions used by management in the above analyses.

#### Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future value of the financial instruments will fluctuate because of changes in foreign exchange rates. As a result of the Company's significant marketing operations in the United States in the past, the Company's consolidated statement of financial position can be affected significantly by movements in the US\$ exchange rates.

#### Foreign Currency-Denominated Asset

	December 31, 2013		December 31, 2012		January 1, 2012	
	US\$	Peso	US\$	Peso	US\$	Peso
Cash and cash equivalents	<b>US\$138</b>	<b>₱6,227</b>	US\$499	₱20,480	US\$70	₱3,067

As at December 31, 2013 and 2012, the exchange rate was ₱44.40 to US\$1.00 and ₱41.05 to US\$1.00, respectively. Net foreign exchange gain amounted to ₱2.7 million, ₱4.0 million and ₱3.8 million in 2013, 2012 and 2011, respectively.

The following tables demonstrate the sensitivity to a reasonably possible change in the US\$ exchange rate with respect to Peso, with all other variables held constant, of the Company's December 31, 2013 and 2012 income before income tax (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Company's equity other than those already affecting the income.

<b>December 31, 2013</b>		
	Increase/Decrease in US\$ Rate (in %)	Effect on Income Before Income Tax
Foreign currency-denominated financial assets	+5%	<b>₱0.31 million</b>
	-5%	<b>(₱0.31 million)</b>
December 31, 2012		
	Increase/Decrease in US\$ Rate (in %)	Effect on Income Before Income Tax
Foreign currency-denominated financial assets	+5%	₱1.02 million
	-5%	(₱1.02 million)



Foreign exchange gain or loss is computed for the year based on management's best estimate that the Peso-US\$ conversion rate may strengthen (+5 percent) or weaken (-5 percent) using the year end balances of dollar-denominated cash and cash equivalents, trade receivables, trade and other payables, interest-bearing loans and borrowings, and forward contracts. An increase in the US\$ rate means a weaker peso while a decrease in the US\$ rate means a stronger peso. There has been no change in the methods and assumptions used by management in the above analyses.

Credit Risk

Credit risk is the risk that a counterparty will meet its obligation under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risks from its operating activities (primarily from trade receivables and loan notes) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Default or delinquency on the part of buyers of condominium units are being monitored on an ongoing basis to enable the Company to determine the appropriate action - usually, cancelling the sale and holding the units open for sale. Lease receivables are closely monitored based on aging of the accounts. Accounts determined to be uncollectible are recommended for write off. With regard to the other financial assets of the Company, these are also monitored regularly with the result that the Company's exposure to bad debts is not significant.

Trade receivables from sale of condominium units are secured with pre-completed condominium units. The legal title and ownership of these units will only be transferred to the customers upon full payment of the contract price. Receivables from lease are guaranteed by security deposits. For other receivables, since the Company trades only with recognized third parties, there is no requirement for collateral.

The table below summarizes the maximum exposure to credit risk of each class of financial assets.

	<b>December 31, 2013</b>		
	<b>Gross Maximum Exposure</b>	<b>Net Exposure</b>	<b>Financial Effect of Collateral or Credit Enhancement</b>
Cash and cash equivalents*	<b>₱8,971,621</b>	<b>₱8,944,566</b>	<b>₱27,055</b>
Trade receivables from:			
Sale of condominium units	<b>5,935,286</b>	<b>59,432</b>	<b>5,875,854</b>
Lease	<b>106,110</b>	<b>16,331</b>	<b>89,779</b>
Advances to officers and employees	<b>20,127</b>	-	<b>20,127</b>
Other receivables**	<b>102,042</b>	<b>102,042</b>	-
Available-for-sale investments:			
Quoted	<b>12,000</b>	<b>12,000</b>	-
Unquoted	<b>3,308</b>	<b>3,308</b>	-
Refundable deposits***	<b>33,428</b>	<b>33,428</b>	-
Restricted cash	<b>14,693</b>	<b>14,693</b>	-
	<b>₱15,198,615</b>	<b>₱9,185,800</b>	<b>₱6,012,815</b>



December 31, 2012 (As restated – see Note 3)			
	Gross Maximum Exposure	Net Exposure	Financial Effect of Collateral or Credit Enhancement
Cash and cash equivalents*	₱532,841	₱526,841	₱6,000
Trade receivables from:			
Sale of condominium units	3,320,980	63,086	3,257,894
Lease	106,146	6,812	99,334
Advances to officers and employees	12,448	–	12,448
Other receivables**	78,726	78,726	–
Available-for-sale investments:			
Quoted	12,000	12,000	–
Unquoted	3,308	3,308	–
Refundable deposits***	25,228	25,228	–
Restricted cash	2,897	2,897	–
	<b>₱4,094,574</b>	<b>₱718,898</b>	<b>₱3,375,676</b>

\*Excluding cash on hand amounting to ₱394 and ₱313 as at December 31, 2013 and 2012, respectively.

\*\*Excluding other receivables, which are nonfinancial assets, amounting to ₱9,614 and ₱3,755 as at December 31, 2013 and 2012, respectively.

\*\*\* Presented as part of "Other current assets" account in the consolidated statements of financial position.

Excluding other deposits, which are nonfinancial assets, amounting to ₱65 as of December 31, 2013 and 2012.

There are no significant concentrations of credit risk because the Company trades with various third parties.

The tables below show the credit quality by class of financial asset based on the Company's credit rating system.

December 31, 2013			
	A Rating	B Rating	Total
Cash and cash equivalents	<b>₱8,971,621</b>	<b>₱–</b>	<b>₱8,971,621</b>
Trade receivables from:			
Sale of condominium units	<b>4,756,177</b>	<b>1,141,931</b>	<b>5,898,108</b>
Lease	<b>55,136</b>	<b>50,974</b>	<b>106,110</b>
Advances to officers and employees	<b>20,127</b>	<b>–</b>	<b>20,127</b>
Other receivables	<b>102,042</b>	<b>–</b>	<b>102,042</b>
Available-for-sale investments:			
Quoted	<b>12,000</b>	<b>–</b>	<b>12,000</b>
Unquoted	<b>3,308</b>	<b>–</b>	<b>3,308</b>
Restricted cash	<b>14,693</b>	<b>–</b>	<b>14,693</b>
Refundable deposits	<b>–</b>	<b>33,428</b>	<b>33,428</b>
	<b>₱13,935,104</b>	<b>₱1,226,333</b>	<b>₱15,161,437</b>

December 31, 2012 (As restated – see Note 3)			
	A Rating	B Rating	Total
Cash and cash equivalents	₱532,841	₱–	₱532,841
Trade receivables from:			
Sale of condominium units	2,538,320	686,499	3,224,819
Lease	62,432	38,979	101,411
Advances to officers and employees	12,448	–	12,448
Other receivables	76,005	809	76,814

(Forward)



	December 31, 2012 (As restated – see Note 3)		
	A Rating	B Rating	Total
Available-for-sale investments:			
Quoted	₱12,000	₱–	₱12,000
Unquoted	3,308	–	3,308
Restricted cash	2,897	–	2,897
Refundable deposits	–	25,228	25,228
	₱3,240,251	₱751,515	₱3,991,766

For trade receivables from sale of condominium units, customers who have no history of delayed payment are classified as having a credit rating of “A” while customers who have history of delayed payment but is currently updated are given a credit rating of “B”.

Trade receivables from lease are classified as having a credit rating of “A” when tenants pay within the discount period and “B” when tenants pay on or before due date.

As at December 31, 2013 and 2012, the analyses of the age of financial assets are as follows:

	December 31, 2013						Total
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired Financial Assets	
		Less than 30 Days	31 to 60 Days	61 to 90 Days	More than 90 Days		
Cash and cash equivalents	₱8,972,015	₱–	₱–	₱–	₱–	₱–	₱8,972,015
Trade receivables from:							
Sale of condominium units	5,898,108	33,560	579	216	2,823	–	5,935,286
Lease	103,004	2,484	580	42	–	–	106,110
Advances to officers and employees	20,127	–	–	–	–	–	20,127
Other receivables	102,042	–	–	–	–	5,181	107,223
Available-for-sale investments:							
Quoted	12,000	–	–	–	–	–	12,000
Unquoted	3,308	–	–	–	–	–	3,308
Refundable deposits	10,661	7,651	54	570	14,492	–	33,428
Restricted cash	14,693	–	–	–	–	–	14,693
	₱15,135,958	₱43,695	₱1,213	₱828	₱17,315	₱5,181	₱15,204,190

	December 31, 2012 (As restated – see Note 3)						Total
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired Financial Assets	
		Less than 30 Days	31 to 60 Days	61 to 90 Days	More than 90 Days		
Cash and cash equivalents	₱533,154	₱–	₱–	₱–	₱–	₱–	₱533,154
Trade receivables from:							
Sale of condominium units	3,224,819	36,302	39,212	4,804	15,843	–	3,320,980
Lease	101,411	2,809	1,926	–	–	–	106,146
Advances to officers and employees	12,448	–	–	–	–	–	12,448
Other receivables	75,261	463	320	268	–	2,414	78,726
Available-for-sale investments:							
Quoted	12,000	–	–	–	–	–	12,000
Unquoted	3,308	–	–	–	–	–	3,308
Refundable deposits	5,714	2,023	340	11	17,140	–	25,228
Restricted cash	2,897	–	–	–	–	–	2,897
	₱3,971,012	₱41,597	₱41,798	₱5,083	₱32,983	₱2,414	₱4,094,887

Financial assets are considered past due when collections are not received on due date.

Past due accounts which pertain to trade receivables from sale of condominium units and club shares are recoverable since the legal title and ownership of the condominium units and club shares will only be transferred to the customers upon full payment of the contract price. In case of cancellation, the condominium units and club shares become available for sale. The fair value of the condominium units amounted to ₱28.5 billion and ₱18.3 billion as at December 31, 2013 and



2012, respectively. The fair value of the club shares amounted to ₱6.3 million and ₱6.6 million as at December 31, 2013 and 2012, respectively.

Past due accounts pertaining to lease are recoverable because security deposits and advance rent paid by the tenants are sufficient to cover the balance in case of default or delinquency of tenants.

No provision for impairment was made for trade receivables from sale of condominium units and club shares which are subjected to collective assessment since these assets are secured with collateral.

#### Liquidity Risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. 3% and 9% of the Company's debt will mature in less than one year as of December 31, 2013 and 2012, respectively.

The liquidity risk of the Company arises from their financial liabilities. The tables below summarized the maturity profile of the Company's financial liabilities at December 31, 2013 and 2012 based on contractual undiscounted payments.

	December 31, 2013				
	On Demand	Due Within 3 Months	Due Between 3 and 12 Months	Due After 12 Months	Total
Trade and other payables	₱-	₱260,512	₱4,127,825	₱-	₱4,388,337
Interest-bearing loans and borrowings*	-	193,289	946,985	17,541,306	18,681,580
Installment payable	-	-	799,755	1,455,554	2,255,309
Retention payable**	-	7,002	227,357	283,902	518,261
Security deposits**	17,747	13,158	151,378	79,665	261,948
	<b>₱17,747</b>	<b>₱473,961</b>	<b>₱6,253,300</b>	<b>₱19,360,427</b>	<b>₱26,105,435</b>

	December 31, 2012 (As restated – see Note 3)				
	On Demand	Due Within 3 Months	Due Between 3 and 12 Months	Due After 12 Months	Total
Trade and other payables	₱-	₱252,716	₱2,096,902	₱-	₱2,349,618
Interest-bearing loans and borrowings*	-	453,818	192,875	4,767,152	5,413,845
Installment payable	-	-	799,755	2,255,308	3,055,063
Retention payable**	-	7,617	213,601	135,963	357,181
Security deposits**	8,213	66,029	113,808	54,353	242,403
	<b>₱8,213</b>	<b>₱780,180</b>	<b>₱3,416,941</b>	<b>₱7,212,776</b>	<b>₱11,418,110</b>

\*Principal plus interest payments.

\*\* Presented as part of "Trade and other payables" and "Deposits and other liabilities" accounts in the consolidated statements of financial position.

#### Maturity Profile of Financial Assets Held for Liquidity Purposes

The table below shows the maturity profile of the Company's financial assets based on contractual undiscounted cash flows as at December 31:

	December 31, 2013					
	On Demand	Within 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Cash and cash equivalents	₱372,909	₱8,437,418	₱161,688	₱-	₱-	₱8,972,015
Trade receivables from:						
Sale of condominium units	298,748	427,951	68,989	24,178	91,144	911,010
Lease	103,003	2,484	580	43	-	106,110
Available-for-sale investments	-	-	-	-	15,308	15,308
	<b>₱774,660</b>	<b>₱8,867,853</b>	<b>₱231,257</b>	<b>₱24,221</b>	<b>₱106,452</b>	<b>₱10,004,443</b>



	December 31, 2012 (As restated – see Note 3)					Total
	On Demand	Within 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	
Cash and cash equivalents	₱151,877	₱333,410	₱–	₱–	₱–	₱485,287
Trade receivables from:						
Sale of condominium units	1,670,629	348,196	39,340	57,424	92,600	2,208,189
Lease	101,411	2,809	1,926	–	–	106,146
Available-for-sale investments	–	–	–	–	15,308	15,308
	<b>₱1,923,917</b>	<b>₱684,415</b>	<b>₱41,266</b>	<b>₱57,424</b>	<b>₱107,908</b>	<b>₱2,814,930</b>

### Capital Management Policy

The primary objective of the Company's capital management is to maximize shareholder value by maintaining a healthy balance between debt and equity (capital) financing in support of its business requirements.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2013 and 2012.

The Company monitors its capital adequacy using the net debt-to-equity ratio, which is interest-bearing loans and borrowings less cash and cash equivalents divided by equity. The Company's policy is to limit the net debt-to-equity ratio to 1.0x.

The Company is required to maintain debt-to-equity ratio as set forth in the Fixed Rate Corporate Notes Facility Agreement and Bonds. The Agreement provides for a higher debt to equity ratio than the internal limit set by the Company (see Note 14).

	<b>December 31, 2013</b>	December 31, 2012
Interest-bearing loans and borrowings	<b>₱14,867,108</b>	₱4,431,988
Less cash and cash equivalents	<b>8,972,015</b>	533,154
Net	<b>5,895,093</b>	3,898,834
Equity	<b>11,366,081</b>	10,121,205
Net debt-to-equity ratio	<b>0.52</b>	0.39

## 29. Fair Value Measurement

Set out below is a comparison by class of carrying values and fair values of the Company's assets and liabilities that are carried in the consolidated financial statements as at December 31, 2013 and 2012.

	December 31, 2013				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
<b>Assets</b>					
Loans and receivables:					
Trade receivables from:					
Sale of condominium units (including noncurrent portion)	<b>₱5,935,286</b>	<b>₱9,228,782</b>	<b>₱–</b>	<b>₱9,228,782</b>	<b>₱–</b>
Investment properties	<b>4,934,200</b>	<b>10,853,100</b>	<b>–</b>	<b>1,817,000</b>	<b>9,036,100</b>
Available-for-sale financial assets	<b>12,000</b>	<b>12,000</b>	<b>12,000</b>	<b>–</b>	<b>–</b>
	<b>₱10,881,486</b>	<b>₱20,093,882</b>	<b>₱12,000</b>	<b>₱11,045,782</b>	<b>₱9,036,100</b>



December 31, 2013

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
<b>Liabilities</b>					
Other financial liabilities:					
Interest-bearing loans and borrowings (including noncurrent portion)	₱14,867,108	₱15,586,075	₱-	₱-	₱15,586,075
Installment payable	1,854,712	2,056,454	-	-	2,056,454
Retention payable (including noncurrent portion)	518,261	501,682	-	-	501,682
Security deposits (including noncurrent portion)	261,948	256,051	-	-	256,051
	<b>₱17,502,029</b>	<b>₱18,400,262</b>	<b>₱-</b>	<b>₱-</b>	<b>₱18,400,262</b>

December 31, 2012 (As restated – see Note 3)

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
<b>Assets</b>					
Loans and receivables:					
Trade receivables from:					
Sale of condominium units (including noncurrent portion)	₱3,320,980	₱7,542,292	₱-	₱7,542,292	₱-
Investment properties	4,953,882	10,111,426	-	1,726,780	8,384,646
Available-for-sale financial assets	12,000	12,000	12,000	-	-
	<b>₱8,286,862</b>	<b>₱17,665,718</b>	<b>₱12,000</b>	<b>₱9,269,072</b>	<b>₱8,384,646</b>
<b>Liabilities</b>					
Other financial liabilities:					
Interest-bearing loans and borrowings (including noncurrent portion)	₱4,431,988	₱4,587,569	₱-	₱-	₱4,587,569
Installment payable	2,501,797	2,737,173	-	-	2,737,173
Retention payable (including noncurrent portion)	342,961	332,512	-	-	332,512
Security deposits (including noncurrent portion)	242,403	248,174	-	-	248,174
	<b>₱7,519,149</b>	<b>₱7,905,428</b>	<b>₱-</b>	<b>₱-</b>	<b>₱7,905,428</b>

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

*Cash and Cash Equivalents, Trade Receivables from Lease, Advances to Officers and Employees, Other Receivables, Refundable Deposits and Trade and Other Payables.* Due to the short-term nature of transactions, the carrying values of these instruments approximate the fair values as of financial reporting date.

*Trade Receivables from Sale of Condominium Units.* The fair values of trade receivables from sale of condominium units were calculated by discounting the expected future cash flows at prevailing credit adjusted PDEX interest rates ranging from 0.3% to 4.6% as at December 31, 2013 and 1.8% to 4.9% as at December 31, 2012.

*Available-for-Sale Investments.* The fair values of quoted equity securities were determined by reference to published two-way quotes of brokers as of financial reporting date. The unquoted equity securities were valued at cost.

*Interest-bearing Loans and Borrowings.* The fair values of fixed rate loans were calculated by discounting the expected future cash flows at prevailing credit adjusted PDEX interest rates ranging from 4.2% to 5.3% as at December 31, 2013 and 1.9% to 6.9% as at December 31, 2012.



*Installment Payable.* The fair value of installment payable were calculated by discounting the expected cash flows at prevailing credit adjusted PDEX interest rates ranging from 1.2% to 4.4% as at December 31, 2013 and 1.6% to 4.9% as at December 31, 2012.

*Retention Payable and Security Deposits.* The fair values were calculated by discounting the expected future cash flows at prevailing credit adjusted PDEX interest rates ranging from 1.0% to 4.7% as at December 31, 2013 and 2.0% to 7.9% as at December 31, 2012.

For the years ended December 31, 2013 and 2012, 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.

### 30. Basic/Diluted Earnings Per Share Computation

	December 31, 2013	December 31, 2012 (As restated – see Note 3)	January 1, 2012 (As restated – see Note 3)
Net income attributable to the Parent Company	<b>₱1,402,138</b>	₱1,123,221	₱909,556
Dividends on preferred shares	<b>(1,650)</b>	(1,338)	(1,650)
Net income attributable to common shares (a)	<b>1,400,488</b>	1,121,883	907,906
Common shares at beginning of year	<b>6,101,762,198</b>	6,228,382,344	6,228,382,344
Weighted average of 126,620,146 treasury shares acquired on May 11, 2012	–	(81,175,655)	–
Weighted average of 15,000,000 stock options exercised in September 2013	<b>5,000,000</b>	–	–
Weighted average number of common shares – basic (b)	<b>6,106,762,198</b>	6,147,206,689	6,228,382,344
Dilutive potential common shares under the ESOP	<b>26,297,085</b>	–	–
Weighted average number of common shares – diluted (c)	<b>6,133,059,283</b>	6,147,206,689	6,228,382,344
Per share amounts:			
Basic (a/b)	<b>₱0.2293</b>	₱0.1825	₱0.1458
Diluted (a/c)	<b>₱0.2284</b>	₱0.1825	₱0.1458

### 31. Segment Information

PFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker.

For management purposes, the Company's operating segments is determined to be business segments as the risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.



The Company manages its operations under the following business segments:

- *Residential Development* is engaged in the development, selling, and property management of all residential projects of the Company. It also includes the operations of the Rockwell Club.
- *Commercial Leasing* is engaged in the leasing and other related operations in the course of the management of commercial buildings or spaces used for retail and office leasing, including cinema operations. Commercial buildings in its portfolio include the Power Plant Mall in Makati City and Rockwell Business Center in Ortigas, Pasig. Other retail spaces are found at several of the high-rise condominiums developed by the Company.

The Company does not have any customers which constitutes 10% or more of the Company's revenue.

Management monitors the operating results of each business unit separately for the purpose of making decisions about resource allocation and performance assessment. Performance is evaluated based on net income for the year and earnings before interest, taxes and depreciation and amortization, or *EBITDA*. Net income for the year is measured consistent with consolidated net income in the consolidated financial statements. *EBITDA* is measured as net income excluding depreciation and amortization, interest expense and provision for income tax. *EBITDA* is a non-GAAP measure.

The Company centrally manages cash and its financing requirements, income taxes and resource allocation. Resource allocation are measured against profitability among potential investments and made in view of the Company's existing business portfolio.

The President, the Company's chief operating decision maker, monitors operating results of its business segments separately for the purpose of performance assessment and making recommendations to the Board about resource allocation. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit and loss in the consolidated financial statements.

#### Business Segments

The following tables present information regarding the Company's residential development and commercial leasing business segments:

	<b>December 31, 2013</b>		
	<b>Residential Development</b>	<b>Commercial Leasing</b>	<b>Total</b>
Revenue	₱6,814,488	₱1,015,025	₱7,829,513
Costs and expenses	(5,053,611)	(277,784)	(5,331,395)
Share in net income of joint venture	-	93,261	93,261
Other income – net	5,162	-	5,162
EBITDA	1,766,039	830,502	2,596,541
Depreciation and amortization			(265,206)
Interest expense			(345,223)
Provision for income tax			(582,156)
Consolidated net income	₱1,766,039	₱830,502	₱1,403,956



	December 31, 2013		
	Residential Development	Commercial Leasing	Total
Assets and Liabilities			
Segment assets	₱24,901,128	₱579,782	₱25,480,910
Investment properties	1,600,380	3,333,820	4,934,200
Investment in joint venture	–	2,282,152	2,282,152
Property and equipment	1,595,290	127,855	1,723,145
Total assets	₱28,096,798	₱6,323,609	₱34,420,407
Segment liabilities	₱22,621,107	₱433,219	₱23,054,326

	December 31, 2012 (As restated – see Note 3)		
	Residential Development	Commercial Leasing	Total
Revenue	₱5,876,030	₱965,741	₱6,841,771
Costs and expenses	(4,614,449)	(253,466)	(4,867,915)
Share in net income of joint venture	–	98,470	98,470
Other income – net	15,238	–	15,238
EBITDA	1,276,819	810,745	2,087,564
Depreciation and amortization			(260,434)
Interest expense			(266,214)
Provision for income tax			(437,635)
Consolidated net income	₱1,276,819	₱810,745	₱1,123,281

Assets and Liabilities			
Segment assets	₱11,479,176	₱1,328,787	₱12,807,963
Investment properties	1,490,957	3,462,925	4,953,882
Investment in joint venture	–	2,188,891	2,188,891
Property and equipment	604,732	170,580	775,312
Total assets	₱13,574,865	₱7,151,183	₱20,726,048
Segment liabilities	₱9,793,048	₱811,795	₱10,604,843

	December 31, 2011 (As restated – see Note 3)		
	Residential Development	Commercial Leasing	Total
Revenue	₱5,310,189	₱941,545	₱6,251,734
Costs and expenses	(4,442,477)	(256,630)	(4,699,107)
Share in net income of joint venture	–	79,861	79,861
Other income - net	3,486	–	3,486
EBITDA	871,198	764,776	1,635,974
Depreciation and amortization			(243,830)
Interest expense			(193,577)
Provision for income tax			(291,045)
Consolidated net income	₱871,198	₱764,776	₱907,522

Assets and Liabilities			
Segment assets	₱9,124,675	₱1,344,425	₱10,469,100
Investment properties	1,129,548	3,601,620	4,731,168
Investment in joint venture	–	2,103,102	2,103,102
Property and equipment	510,576	196,095	706,671
Total assets	₱10,764,799	₱7,245,242	₱18,010,041
Segment liabilities	₱4,482,468	₱4,380,440	₱8,862,908



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**32. Supplemental Disclosure of Cash Flow Information**

In 2011, the Company's noncash financing activity pertains to the acquisition of land on installment basis. Installment payable amounted to ₱3.0 billion as of January 1, 2012 (see Note 15).



**ROCKWELL LAND CORPORATION**  
**INDEX TO SUPPLEMENTARY SCHEDULES**  
**Form 17-A, Item 7**

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## **INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
Rockwell Land Corporation  
Rockwell Information Center  
Rockwell Drive cor. Estrella St.  
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Rockwell Land Corporation and its Subsidiaries as at December 31, 2013 and 2012, and for the three years ended December 31, 2013, 2012 and 2011, and have issued our report thereon dated March 27, 2014. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Maria Vivian C. Ruiz

Partner

CPA Certificate No. 83687

SEC Accreditation No. 0073-AR-3 (Group A),

January 18, 2013, valid until January 17, 2016

Tax Identification No. 102-084-744

BIR Accreditation No. 08-001998-47-2012,

April 11, 2012, valid until April 10, 2015

PTR No. 4225211, January 2, 2014, Makati City

March 27, 2014



**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**  
**SCHEDULE A – FINANCIAL ASSETS**  
**As of December 31, 2013**

<b>Name of Issuing Entity and Association of Each Issue</b>	<b>Number of Share or Principal Amount</b>	<b>Amount in the Balance Sheet</b>	<b>Value based on Market Quotation at end of reporting period</b>	<b>Income Received and Accrued</b>
Not applicable				

**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**  
**SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS,**  
**EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN**  
**RELATED PARTIES)**  
**As of December 31, 2013**

Name	Beginning balance	Additions	Deductions	Ending balance		Total
				Current	Non-Current	
Accounts Receivable						
Officers & Directors	₱131,609,122	₱152,768,859	₱51,458,182	₱42,430,739	₱190,489,061	₱232,919,799
Employees	66,061,682	50,771,330	21,831,449	20,761,518	74,239,995	95,001,514
<b>TOTAL</b>	<b>₱197,670,804</b>	<b>₱203,540,189</b>	<b>₱73,289,680</b>	<b>₱63,192,257</b>	<b>₱264,729,056</b>	<b>₱327,921,313</b>

**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**  
**SCHEDULE C – ACCOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE**  
**ELIMINATED DURING THE CONSOLIDATION PERIOD**  
**As of December 31, 2013**

<b>Name and Designation of Debtor</b>	<b>Beginning balance</b>	<b>Additions</b>	<b>Amounts Collected</b>	<b>Amounts Written Off</b>	<b>Current</b>	<b>Not Current</b>	<b>Ending balance</b>
Rockwell Leisure Club Inc.	₱2,784,524	₱10,688,500	₱11,386,919	₱-	₱2,086,104	₱-	₱2,086,104
Rockwell Integrated Property Services, Inc.	₱9,548,293	₱29,901,842	₱36,736,592	₱-	₱2,713,543	₱-	₱2,713,543
Primaries Development Corporation	₱2,261,980	₱144,119,039	₱145,847,038	₱-	₱533,981	₱-	₱533,981
Stonewell Property Development Corporation	₱39,141,697	₱-	₱38,442,186	₱-	₱699,511	₱-	₱699,511
Primaries Properties Sales Specialists Inc.	₱39,440	₱1,331,493	₱1,370,933	₱-	₱-	₱-	₱-
Rockwell Hotels & Leisure Management Corp	₱-	₱12,287,422	₱1,028,646	₱-	₱11,258,776	₱-	₱11,258,776

**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**  
**SCHEDULE D – INTANGIBLE ASSETS – OTHER ASSETS**  
**As of December 31, 2013**

<b>Description</b>	<b>Beginning balance</b>	<b>Additions at Cost</b>	<b>Charged to Cost &amp; Expenses</b>	<b>Charged to Other Accts</b>	<b>Other Changes</b>	<b>Ending balance</b>
Not applicable						

**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**  
**SCHEDULE E – LONG TERM DEBT**  
**As of December 31, 2013**

<b>Title of Issue &amp; Type of Obligation</b>	<b>Amount Authorized by Indenture</b>	<b>Current Portion of Long-Term Debt</b>	<b>Long-Term Debt (net of Current Portion)</b>	<b>Average Interest Rate</b>	<b>No. of Periodic Installments</b>	<b>Maturity Date</b>
Philippine Peso, 7-Year FRCN due 2020	₱10,000,000,000	₱412,000,000	₱9,588,000,000	4.70%	23	1/7/2020
Philippine Peso, 7-year & 1 quarter fixed-rate retail peso bonds due on 2021	₱5,000,000,000	₱--	₱5,000,000,000	5.09%	1	2/15/2021

**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**  
**SCHEDULE F – INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM**  
**RELATED COMPANIES)**  
**As of December 31, 2013**

<b>Name of Related Party</b>	<b>Beginning balance</b>	<b>Ending balance</b>
Not applicable		

**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**  
**SCHEDULE G – GUARANTEES OF SECURITIES OF OTHER ISSUERS**  
**As of December 31, 2013**

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed & Outstanding	Amount owed by Person for which Statement is filed	Nature of Guarantee
Not Applicable				

**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**  
**SCHEDULE H – CAPITAL STOCK**  
**As of December 31, 2013**

<b>Title of Issue</b>	<b>Number of Shares Authorized</b>	<b>Number of Shares Issued and Outstanding</b>	<b>Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights</b>	<b>Number of Shares Held By</b>		
				<b>Related Parties</b>	<b>Directors, Officers and Employees</b>	<b>Others</b>
Common Shares	8,890,000,000	6,116,762,198	48,740,000	5,296,015,375	32,130,907	788,615,916
Preferred Shares	11,000,000,000	2,750,000,000	0	2,750,000,000	0	0

**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**  
**SCHEDULE I – LIST OF APPLICABLE STANDARDS AND INTERPRETATIONS**  
**As of December 31, 2013**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>				✓
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendment to PFRS 1: Meaning of Effective PFRSs	Not early adopted		
<b>PFRS 2</b>	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
	Amendment to PFRS 2: Definition of Vesting Condition	Not early adopted		
<b>PFRS 3 (Revised)</b>	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination	Not early adopted		
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements	Not early adopted		
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			✓
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7</b>	Financial Instruments: Disclosures	✓		

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
<b>PFRS 8</b>	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	Not early adopted		
<b>PFRS 9</b>	Financial Instruments	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
<b>PFRS 10</b>	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities	✓		
<b>PFRS 11</b>	Joint Arrangements	✓		
<b>PFRS 12</b>	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10: Investment Entities			3
<b>PFRS 13</b>	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	Not early adopted		
	Amendment to PFRS 13: Portfolio Exception	Not early adopted		
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
<b>PAS 2</b>	Inventories			✓
<b>PAS 7</b>	Statement of Cash Flows	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
<b>PAS 10</b>	Events after the Reporting Date	✓		
<b>PAS 11</b>	Construction Contracts	✓		
<b>PAS 12</b>	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
<b>PAS 16</b>	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation	Not early adopted		
<b>PAS 17</b>	Leases	✓		
<b>PAS 18</b>	Revenue	✓		
<b>PAS 19</b>	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
<b>PAS 19 (Amended)</b>	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	Not early adopted		
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance			✓
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
<b>PAS 23 (Revised)</b>	Borrowing Costs	✓		
<b>PAS 24 (Revised)</b>	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	Not early adopted		
<b>PAS 26</b>	Accounting and Reporting by Retirement Benefit Plans			✓
<b>PAS 27</b>	Consolidated and Separate Financial Statements	✓		
<b>PAS 27 (Amended)</b>	Separate Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities	Not early adopted		
<b>PAS 28</b>	Investments in Associates			✓
<b>PAS 28 (Amended)</b>	Investments in Associates and Joint Ventures	✓		
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PAS 31</b>	Interests in Joint Ventures			✓
<b>PAS 32</b>	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	Not early adopted		
<b>PAS 33</b>	Earnings per Share	✓		
<b>PAS 34</b>	Interim Financial Reporting			✓
<b>PAS 36</b>	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	Not early adopted		
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	Intangible Assets			✓
	Amendments to PAS 38: Revaluation Method – Proportionate Restatement of Accumulated Amortization	Not early adopted		
<b>PAS 39</b>	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	Not early adopted		
<b>PAS 40</b>	Investment Property	✓		
	Amendment to PAS 40: Investment Property	Not early adopted		

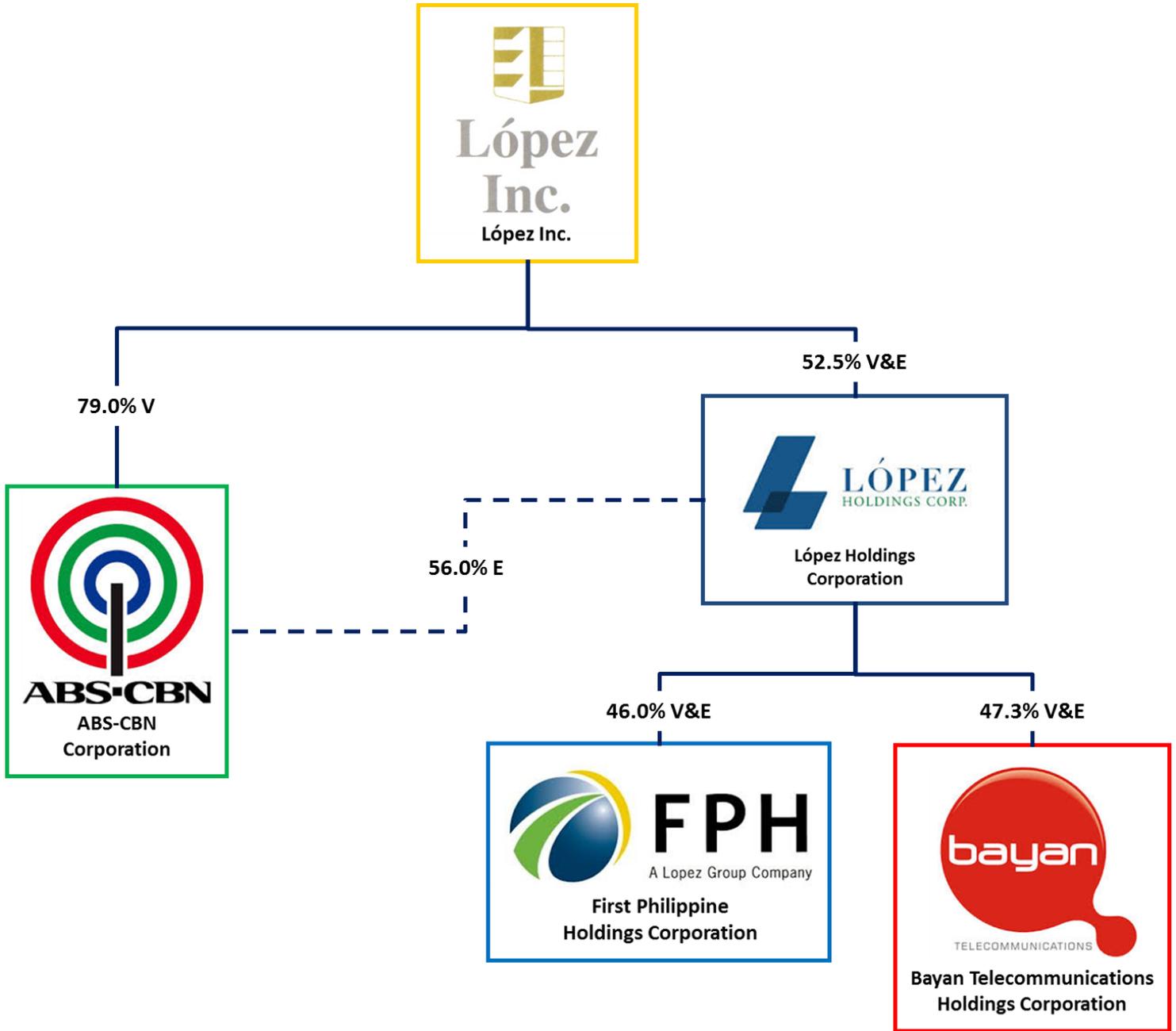
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 41	Agriculture			✓
<b>Philippine Interpretations</b>				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	Not early adopted		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>SIC-12</b>	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
<b>SIC-13</b>	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
<b>SIC-15</b>	Operating Leases - Incentives			✓
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
<b>SIC-29</b>	Service Concession Arrangements: Disclosures.			✓
<b>SIC-31</b>	Revenue - Barter Transactions Involving Advertising Services			✓
<b>SIC-32</b>	Intangible Assets - Web Site Costs			✓

**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**  
**SCHEDULE J – RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR**  
**DIVIDEND DECLARATION**  
**As of December 31, 2013**  
**Amount in thousands**

	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Unappropriated Retained Earnings, beginning</b>	₱3,892,234	₱2,808,720	₱2,002,585
<b>Adjustments:</b>			
Cumulative dividend on preferred shares	(1,650)	(1,338)	--
Effect of adoption of revised PAS 19 – remeasurement gain	(36,410)	--	-
<b>Unappropriated Retained Earnings, as adjusted, beginning</b>	3,854,174	2,807,382	2,002,585
<b>Net Income based on the face of AFS</b>	1,323,631	1,055,369	832,808
<b>Less: Non-actual/unrealized income net of tax</b>			
• Equity in net income of associate/joint venture	--	--	--
• Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents) Unrealized actuarial gain	--	--	--
• Fair value adjustment (M2M gains)	--	--	--
• Fair value adjustment of Investment Property resulting to gain	--	--	--
Adjustment due to deviation from PFRS/GAAP-gain			
• Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	--	--	--
<b>Add: Non-actual losses</b>			
• Depreciation on revaluation increment (after tax)	--	--	--
• Adjustment due to deviation from PFRS/GAAP – loss	--	--	--
Loss on fair value adjustment of investment property (after tax)	--	--	--
<b>Net Income Actual/Realized</b>	1,323,631	1,055,369	832,808
<b>Unappropriated Retained Earnings, as adjusted, ending</b>	<b>₱5,177,805</b>	<b>₱3,862,751</b>	<b>₱2,835,393</b>

**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**  
**SCHEDULE K – MAP OF RELATIONSHIPS OF COMPANIES WITHIN THE GROUP**  
 As of December 31, 2013



**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**  
**SCHEDULE K – MAP OF RELATIONSHIPS OF COMPANIES WITHIN THE GROUP**  
 As of December 31, 2013



**FPH** 46.01%  
 First Philippine Holdings  
 A Lopez Group Company

**Power Generation**

66.24%  
 First Gen Corporation

**Property**

86.58%  
 Rockwell Land Corporation

- 100% Rockwell Integrated Property Services, Inc.
- 100% Primaries Development Corporation
- 100% Stonewell Property Development Corporation
- 100% Primaries Properties Sales Specialist Inc.
- 68.6% Rockwell Leisure Club, Inc.
- 100% Rockwell Hotels and Leisure Management Corp.
- 70.00%  
 First Philippine Industrial Park, Inc.
- 100% FIP Property Developers and Management Corporation
- 100% FUI Utilities Incorporated
- 85.00% Grand Batangas Resort Development Incorporated
- 40.52% SARIN

First Batangas Hotel Corp.

**Manufacturing**

100%  
 First Philippine Electric Corporation

- 99.15% Philippine Electric Corporation
- 100% Fedcor First Electric Dynamic Corp.
- 100% FPPS FIRST PHILIPPINE POWER SYSTEMS
- 100% First Philec Manufacturing Technologies Corporation
- 74.50% First Philec Solar Corporation
- 100% Cleantech Energy Holdings PTE, Ltd.
- 100% First PV Ventures Corporation
- 70.00% First Philec Nexolon Corporation
- 100% First Philec Solar Solutions

25% MHE-Demag (P), Inc.

**Power Distribution**

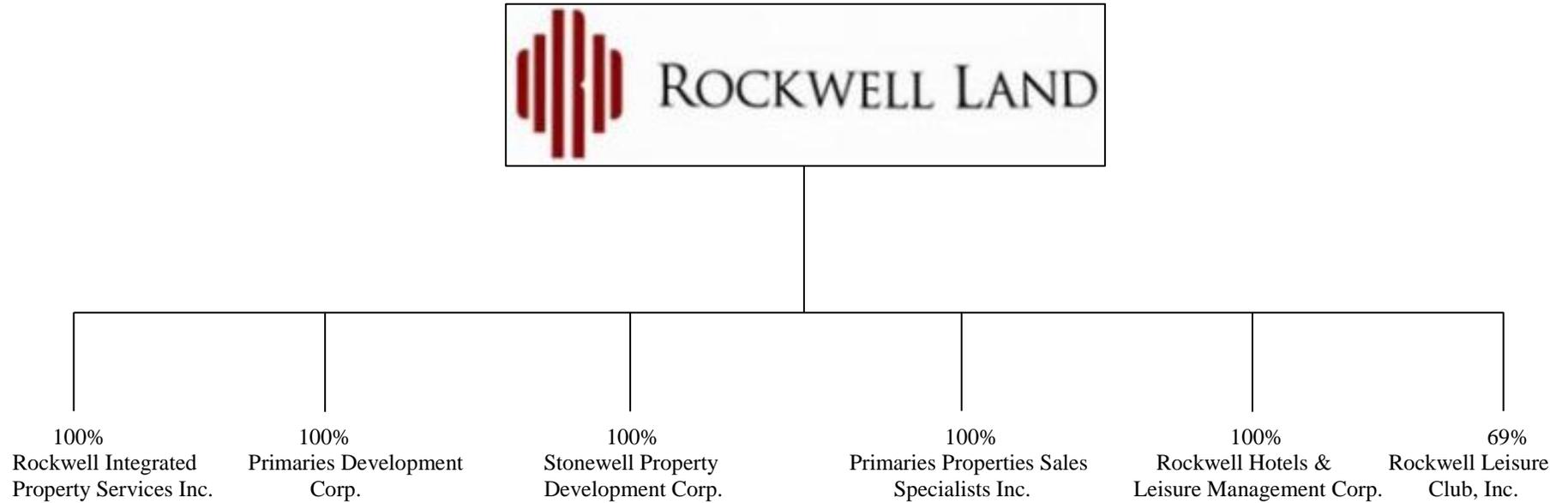
30.00%  
 Panay Electric Company

**Other Businesses**

100% First Balfour, Inc.

- 100% TerraPrime, Inc.
- 100% ThermaPrime Well Services, Inc.
- 60.00% First Philippine Industrial Corporation
- 100% Securities Transfer Services, Inc.
- 100% First Philippine Realty Corporation
- 98.00% FPHC Realty and Development Corporation
- 100% FPH Capital Resources Inc.
- 100% First Philippine Utilities Corporation
- 100% FGHC International
- 100% FPH Fund
- 100% First Philippine Properties Corp.
- 100% FPH Ventures
- 100% First Philippine Development Corp.
- 100% FPH Land Ventures Inc.
- 100% FWV Biofields Corp.
- 60% First Sumiden Realty, Inc.

**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**  
**SCHEDULE K – MAP OF RELATIONSHIPS OF COMPANIES WITHIN THE GROUP**  
**As of December 31, 2013**



**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**  
**SCHEDULE L – FINANCIAL RATIOS**  
**As of December 31, 2013**

<b>Key Performance Indicators</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
EBITDA (P)	2.6 billion	2.1 billion	1.6 billion
Current Ratio (x)	4.13	2.88	2.78
Net DE Ratio (x)	0.52	0.39	0.26
Asset to Equity Ratio (x)	3.03	2.05	1.97
Interest Coverage Ratio (x)	8.03	10.57	8.13
ROA	5.1%	5.8%	5.7%
ROE	13.1%	11.7%	10.4%
EPS (P)	0.23	0.18	0.15

**Notes:**

- (1) EBITDA [Net Income + (Interest Expense, Provision for Income Tax, Depreciation & Amortization)]  
(2) Current ratio [Current assets/Current liabilities]  
(3) Net debt to equity ratio [(Total Interest bearing debt)-(Cash and cash equivalents) / Total Equity]  
(4) Assets to Equity Ratio [Total Assets/Total Equity]  
(5) Interest coverage ratio [EBITDA/ Total interest payments]  
(6) ROA [Net Income/Average Total Assets]  
(7) ROE [Net Income/ Average Total Equity]  
(8) EPS [Net Income/number of common shares outstanding]