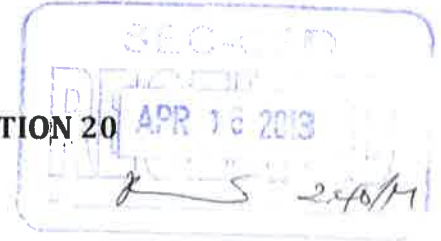


SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20



1. Check the appropriate box:

Preliminary Information Statement

Definitive Information Statement

2. Name of Registrant as specified in its charter:

ROCKWELL LAND CORPORATION

3. Province, country or other jurisdiction of incorporation or organization

MAKATI CITY, PHILIPPINES

4. SEC Identification Number: 62893

5. BIR Tax Identification Code: 004 710 062 000

6. Address of principal office:

THE GARAGE AT THE ROCKWELL CENTER
ESTRELLA STREET, MAKATI CITY 1200

7. Registrant's telephone number, including area code: (632) 793 0888

8. Date, time and place of the meeting of security holders:

Date : 29 May 2013

Time : 9:00 am

Place : The Rockwell Tent, Rockwell Center, Makati City, Metro Manila

9. Approximate date on which the Information Statement is first to be sent or given to security holders:

06 May 2013

10. Name of Person Filing the Statement: Rockwell Land Corporation
By: Enrique I. Quiason, Corporate Secretary

Address and Telephone No.: Garage at the Rockwell Center, Estrella Street, Makati City 1200, Metro Manila /793-0088

11. Securities registered pursuant to Section 8 and 12 of the Securities Regulation Code (SRC):

a. Authorized Capital Stock:

Php 9,000,000,000 divided into 8,890,000,000 Common Shares, each with a par value of Php1.00 and 11,000,000,000 Preferred Shares, with a par value of Php 0.01

b. Number of Shares Outstanding as of 31 March 2013:

6,101,762,198 Common Shares with a par value of Php 1.00 per share
2,750,000,000 Preferred Shares with a par value of Php 0.01 per share

c. Amount of Debt Outstanding as of 31 March 2013:

5,927,705,701 (Long-Term Debt)

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

Yes No

6,228,382,344 Common shares, including 126,620,146 Common Shares in treasury

ROCKWELL LAND CORPORATION

INFORMATION REQUIRED IN INFORMATION STATEMENT

This information statement is dated April 23, 2013 and is being furnished to the stockholders of record of Rockwell Land Corporation ("Rockwell Land" or the "Company") as of March 25, 2013 in connection with the Annual Stockholders Meeting.

WE ARE NOT ASKING FOR A PROXY

A. GENERAL INFORMATION

1. Date, time and place of meeting of security holder:

Date : 29 May 2013
Time : 9:00 am
Place : The Rockwell Tent, Rockwell Center, Makati City, Metro Manila

The principal office of the Company is at the Garage at the Rockwell Center, Estrella Street, Makati City 1200, Metro Manila.

Record Date:

25 March 2013

Approximate date of which the Information Statement is first to be sent to security holders:

06 May 2013

2. Right of Appraisal

A stockholder has a right to dissent and demand payment of the fair value of his share (i) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares or of authorizing preferences over the outstanding share or of extending or shortening the term of corporate existence; (ii) in case any sale, lease, mortgage or disposition of all or substantially all the corporate property or assets; (iii) in case of merger or consolidation; and (iv) Investing of funds in another business for the purposes other than the primary purpose.

If, at any time after this Information Statement has been sent out, an action which may give rise to the right of appraisal is proposed at the meeting, any stockholder who voted against the proposed action and who wishes to exercise such right must make a written demand, within thirty (30) days after the date of the meeting or when the vote was taken, for the payment of the fair market value of his shares. The value shall be determined as of the day prior to the date when the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action. Upon payment, he must surrender his certificate of stock. No payment shall be made to any dissenting stockholder unless the Corporation has unrestricted retained earnings in its books to cover such payment. Within ten (10) days after demanding payment for his shares, a dissenting stockholder shall submit to the Corporation the certificate(s) of stock representing his shares for notation that the shares are dissenting shares.

There are no matters or proposed corporate actions which may give rise to a possible exercise by security holders of their appraisal rights under the Title X of the Corporation Code of the Philippines.

RIGHT TO DIVIDENDS

In accordance with Article IX, Section 1 of the New By-Laws of the Corporation, the Board of Directors shall have power and authority to, among other things, fix and determine, and from time to time vary, the amount to be reserved, over and above its capital stock paid in, as working capital, to meet contingencies, to provide for the equalization of dividends and determine the use and disposition of the working capital and of any amounts so reserved, and to determine whether any what part of the net profits or surplus shall be declared and paid as dividends and fix the times for the declaration and payment of such dividends.

3. Interest of Certain Persons in or Opposition to Matters to be acted upon

- (a) No director, officer, or nominee for election as director or associate of any of the foregoing has any substantial interest in any matter to be acted upon, other than election to office.
- (b) No director has informed the Company that he intends to oppose any action to be taken at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

4. Voting Securities and Principal Holders Thereof

- (a) The Company has 6,101,762,198 Common Shares issued and outstanding as of 25 March 2013. The Company also has 2,750,000,000 voting Preferred Shares issued and outstanding as of 25 March 2013. Every stockholder shall be entitled to one vote for each share of stock held as of the established record date.
- (b) All stockholders of record as of 25 March 2013 are entitled to notice of and to vote at the Company's Stockholders' Meeting.
- (c) Section 6 of the Company's By-Laws provides that except as otherwise provided by law, each stockholder of record shall be entitled at every meeting of stockholders to one vote for each share of stock standing in his name on the stock books of the Company, which vote may be given personally or by attorney or authorized in writing. The instrument authorizing as attorney or proxy to act as such shall be exhibited to the Secretary if he shall so request. In the election of directors, each stockholder entitled to vote may cumulate and distribute his votes in accordance with the provisions of the Corporation Law.

Security Ownership of Certain Record and Beneficial Owners and Management

- (a) Security Ownership of Certain Record and Beneficial Owners as of 25 March 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	Filipino	5,296,015,375	86.8%

Common Shares	PCD Nominee Corporation 37/F Enterprise Tower I, Ayala Ave., cor. Paseo de Roxas, Makati City Stockholder	of the shares indicated PCD Nominee Corporation is the record owner but not the beneficial owner which are owned beneficially by the investing public	Filipino	587,119,721	9.6%
TOTAL OUTSTANDING COMMON SHARES				6,101,762,198	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%
TOTAL OUTSTANDING PREFERRED SHARES				2,750,000,000	100.0%

(b) Security Ownership of Management as of 25 March 2013.

To the best of the 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	7,689,467 (direct/indirect)	Filipino	0.1260%
Common Shares	Oscar M. Lopez Director	174,898 (direct/indirect)	Filipino	0.0029%
Common Shares	Federico R. Lopez Vice-Chairman	1 (direct)	Filipino	0.0000%
Common Shares	Eugenio L. Lopez III Director	1 (direct)	Filipino	0.0000%
Common Shares	Nestor J. Padilla Director and President	1 (direct)	Filipino	0.0000%
Common Shares	Elpidio L. Ibañez Director	742 (direct)	Filipino	0.0000%
Common Shares	Benjamin R. Lopez Director	1 (direct)	Filipino	0.0000%
Common Shares	Miguel Ernesto L. Lopez Director, Treasurer and Senior Vice- President	68,694 (direct)	Filipino	0.0011%
Common Shares	Manuel L. Lopez, Jr. Director	1 (direct)	Filipino	0.0000%
Common Shares	Manuel N. Tordesillas Independent Director	1 (direct)	Filipino	0.0000%
Common Shares	Vicente R. Ayllón Independent Director	1 (direct)	Filipino	0.0000%
Common Shares	Enrique I. Quiason Corporate Secretary	3,575 (direct)	Filipino	0.0000%
Common Shares	Rodolfo R. Waga, Jr. Asst. Corporate Secretary	1,116 (direct)	Filipino	0.0000%
N.A.	Valerie Jane Lopez-Soliven Senior Vice-President Sales and Marketing	None	Filipino	0.0000%
Common Shares	Maria Lourdes Lacson-Pineda Senior Vice-President, New Business	81,272 (direct/indirect)	Filipino	0.0013%
Common Shares	Estela Y. Dasmariñas Vice-President, Human Resources	1,882 (direct)	Filipino	0.0000%
N.A.	Ellen V. Almodiel Vice-President, Finance	None	Filipino	0.0000%
N.A.	Engr. Julius A. Marzoña Vice-President, Project Development	None	Filipino	0.0000%
N.A.	Abel L. Roxas Vice-President, Construction	None	Filipino	0.0000%

N.A.	Davy T. Tan Vice-President, Business Development	None	Filipino	0.0000%
N.A.	Belen C. Nones Vice-President, Operations	None	Filipino	0.0000%

Voting Trust

As of the date of this Information Statement, there are no persons holding more than 5% of the Common Shares of the Company under a voting trust or similar agreement. The original shareholders of Rockwell Land agreed that certain board resolutions of the Company shall be reached by consensus and mutual consent.

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 the Manila Electric Company ("Meralco"), Lopez Holdings Corporation (formerly "Benpres Holdings Corporation"; "Lopez Holdings"), First Philippine Holdings Corporation ("FPH"), or any of their affiliates. The Preferred Shares constitute 30.6% of the Company's outstanding capital stock. As of 25 March 2013, FPH's combined ownership of the Company's Preferred Shares and Common Shares was 90.9% of the total outstanding voting capital stock.

5. DIRECTORS AND EXECUTIVE OFFICERS AS OF 25 MARCH 2013

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 August 3, 2012, 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
Elpidio L. Ibañez
Benjamin R. Lopez
Miguel Ernesto L. Lopez
Manuel L. Lopez, Jr.
Manuel N. Tordesillas (Independent Director)
Vicente R. Ayllón (Independent Director).

The Company's key executive officers as of March 25, 2013 are as follows:

Nestor J. Padilla

President & Chief Executive Officer

Miguel Ernesto L. Lopez	Senior Vice-President & Treasurer
Valerie Jane Lopez-Soliven	Senior Vice-President - Sales and Marketing
Maria Lourdes Lacson-Pineda	Senior Vice-President - New Business
Estela Y. Dasmaringas	Vice-President - Human Resources
Ellen V. Almodiel	Vice-President - Finance & Accounting
Engr. Julius A. Marzona	Vice-President - Project Development
Abel L. Roxas	Vice-President - Construction
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 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 - 70, 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 Bayan Telecommunications, Inc., Bayan Telecommunications Holdings Corp., 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 - 83, Filipino

Mr. Lopez has served as Vice-Chairman of Rockwell Land from 1995 to 2012. He is currently the Chairman Emeritus of FPH and Chief Strategic Officer. Prior to this, he was the Chairman of the Corporation 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 - 51, 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 and Energy Development Corporation. He is likewise Chairman of First Balfour, Inc., First Gas Power Corp., First Phil. Dev't. Corp., First Phil Electric 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 - 60, 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 a Director and Treasurer 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 - 58, 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 FPH and Rockwell Club, among others, and he 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.

Elpidio L. Ibañez - 62, Filipino

Mr. Ibanez has been a Director at Rockwell Land since 1999. He is the current President and Chief Operating Officer of FPH. He is the President of First Phil. Utilities Corp., and FPH Capital Resources, Inc. He is also a Director of various FPH subsidiaries and affiliates such as First Gen Corp., and Energy Development Corporation. He has also served as a Director in Energy Development Corporation, First Gen Renewables Inc., First Private Power Corporation, First Gas Holdings Corporation, and First Batangas Hotel Corporation, among others. Mr. Ibanez holds a Bachelor of Arts degree in Economics from the Ateneo de Manila University and a Master's degree in Business Administration from the University of the Philippines.

Benjamin R. Lopez - 43, Filipino

Mr. Lopez has been a Director at Rockwell Land since 2001. He is presently serving as the Vice President and Head of Corporate Communications of FPH. He is a member of the Board of Directors of First Balfour, Inc., First Philec and First Philippine Utilities Corp. He has also served as a Vice President for Project Development of Rockwell Land. Mr. Lopez holds a Bachelor of Arts degree in International Affairs from George Washington University and an Executive Masters in Business Administration from the Asian Institute of Management.

Miguel Ernesto L. Lopez - 44, 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 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. - 45, Filipino

Mr. Lopez has been a Director at Rockwell Land since 2011. He has also served as a Director in 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.

Manuel N. Tordesillas - 59, Filipino

Mr. Tordesillas was elected as an Independent Director of Rockwell Land in May of 2012. He also 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 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 - 81, 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 Asian Hospital, Inc., Insular Investment Corporation, Insular Health Care, Insular Foundation, Insular Management and Development Corporation, Home Credit Mutual Building and Loan Association, 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 Lopez-Soliven - 44, Filipino

Ms. Soliven served the Company for 17.2 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.

Maria Lourdes Lacson-Pineda - 43, Filipino

Ms. Pineda has been with the Company for 13.6 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.

Estela Y. Dasmariñas - 52, Filipino

Ms. Dasmariñas is currently Vice-President for Human Resources of the Company and its subsidiary. 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.

Ellen V. Almodiel - 39, 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*.

Julius A. Marzona - 51, 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 - 49, Filipino

Mr. Roxas has been with Rockwell Land for 4.9 years and is currently Vice President for Construction. 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.

Davy T. Tan - 39, Filipino

Mr. Tan joined Rockwell Land in 2007 as Financial Analyst and Budget Manager and in 2010 became Assistant 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 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 - 49, 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 - 52, 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. - 53, 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 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.

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.

Family Relationships

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.

Involvement in Certain 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.

Certain Relationships and Related Transactions

The Company, in the ordinary course of business, engages in transactions with Meralco and its subsidiaries, FPHC, its subsidiaries and affiliates, and directors and officers and their close family members.

Except as disclosed in Note 24 of the Company's audited consolidated financial statements, there is no material transaction or proposed transaction to which the Company was or is to be a party, in which any of its directors or executive officers, or any individual owning, directly or indirectly, significant voting power of the Company, or any close family members or individuals, had or is to have a direct or indirect material interest.

Resignation of Directors Arising from Disagreement

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual meeting of security holders of the Company because of disagreement with the Company on matters relating to the Company's operations, policies and practices.

Nominees for Election of Directors

The Company received nominations for the following as members of the Board of Directors for the ensuing year (2013-2014):

Manuel M. Lopez
Oscar M. Lopez
Federico R. Lopez
Eugenio L. Lopez III
Nestor J. Padilla
Ferdinand Edwin S. CoSeteng
Miguel Ernesto L. Lopez

Manuel L. Lopez, Jr.
Francis Giles B. Puno
Manuel N. Tordesillas (Independent Director)
Vicente R. Ayllón (Independent Director)

Ferdinand Edwin S. CoSeteng – 50, Filipino

Ferdinand Edwin S. CoSeteng is a Senior Vice-President of FPH 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.

Francis Giles B. Puno – 48, Filipino

Mr. Francis Giles B. Puno is a Director of FPH since 2011. He was appointed Chief Finance Officer and Treasurer of FPH 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 and officer of First Gen, its subsidiaries and affiliates, and of First Balfour, Inc., First Phil. Electric Corp., First Phil. Industrial Park, Inc., First Phil. Realty Corp., First Phil. Realty & Development Corporation, First Phil Utilities Corp. and Energy Development Corp. He is also President of First Phil. Development Corporation. Before joining FPH, 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.

Independent Directors of the Board

Messrs. Ayllón and Tordesillas are independent directors. The Company's two independent directors have one (1) share of the stock of the Company each in their respective names, are both college graduates and possess integrity, probity and assiduousness. They are persons who, apart from their fees as directors of the Company, are independent of management and free from any business or other relationship which could, or could reasonably, be perceived to materially interfere with their exercise of independent judgment in carrying out their responsibilities as directors of the Company. Messrs. Ayllón and Tordesillas: (i) are not directors or officers or substantial stockholders of the Company or its related companies or any of its substantial shareholders (other than as independent directors of any of the foregoing); (ii) are not relatives of any director, officer or substantial shareholder of the Company, or any of its related companies or any of its substantial shareholders; (iii) are not acting as nominees or representatives of a substantial shareholder of the Company, or any of its related companies or any of its substantial shareholders; (iv) have not been employed in any executive capacity by the Company, or any of its related companies or by any of its substantial shareholders within the last five (5) years; (v) are not retained as professional advisers by the Company, any of its related companies or any of its substantial shareholders within the last five (5) years, either personally or through their firms; and (vi) have not engaged and do not engage in any transaction with the Company or with any of its related companies or with any of its substantial shareholders, whether by themselves or with other persons or through a firm of which they are partners or companies of which they are directors or substantial shareholders, other than transactions which are conducted at arm's length and are immaterial or insignificant. They do not

possess any of the disqualifications enumerated under Article 3E of the Revised Code of Corporate Governance and SEC Memorandum Circular No. 6, Series of 2009.

All the directors, excluding the independent directors, were nominated by FPH. The independent directors were nominated by Mr. Teodoro T. Distrajo, who has no relationship with the nominees nor the Company.

The independent directors are independent of management and free from any business or other relationship with Lopez, Inc.

Nomination and Election Committee

The Board created a Nomination and Election Committee who reviews the qualifications of all persons nominated to the Board and other appointments that require Board approval and assesses the effectiveness of the Board's processes and procedures in the election or replacement of directors. The Chairman of the Nominations and Elections Committee is Mr. Manuel M. Lopez, and its other members are Messrs. Oscar M. Lopez, Mr. Eugenio Lopez III and Mr. Vicente R. Ayllón. The Nominations and Elections Committee passed upon the qualifications of the directors.

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual meeting of the stockholders of the Company because of a disagreement with the Company on matters relating to the Company's operations, policies and practices.

6. 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 in the aggregate as follows: Lopez, Miguel Ernesto L. (<i>Treasurer</i>) Masakayan, Jose Patricio S. (<i>Vice-President & Gen. Manager, Rockwell Club</i>) Padilla, Nestor J. (<i>President & CEO</i>). Pineda, Ma. Lourdes L. (<i>Vice-President, Retail & General Manager, Power Plant Mall</i>) Soliven, Valerie Jane L. (<i>Vice-President, Sales & Marketing</i>)	2011	P30.7 million	P2.7 million	P20.5 thousand
All other Officers and Directors	2011	P7.8 million	P0.7 million	P0.2 million
CEO + 4 most highly compensated executive officers Almodiel, Ellen V. (<i>Vice-President, Finance</i>)	2012	P42.7 million	P3.6 million	P77.5 thousand

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)				
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) 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 (estimate)	P47.0 million	P4.0 million	P180.0 thousand
All other Officers and Directors	2013 (estimate)	P9.9 million	P0.9 million	P1.3 million

**Alphabetically arranged*

Employment Contracts between the Company and Executive Officers

There are no existing employment contracts with executive officers. There are no arrangements for compensation to be received from the Company in the event of a resignation, retirement or termination of the executive officer's employment or a change of control of the Company.

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 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 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. On December 6, 2012, the SEC authorized the ESOP. The ESOP was implemented in January 3, 2013.

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) 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	47,127,000	various	P1.46	various

Business) Soliven, Valerie Jane L. (Senior Vice-President - Sales and Marketing)				
All Other Officers & directors	10,597,000	various	P1.46	various
Total	57,724,000			

**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.

7. Independent Public Accountants

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 and 2012. The Company has complied with SRC Rule 68, paragraph 3(b)(iv) re: five year rotation requirement for the signing partner.

SGV & Co. is being recommended for re-election at the scheduled Annual Stockholders' Meeting on 29 May 2013.

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.

Year ended 31 December	2011	2012
Audit and Audit-related fees	Php 1.9 million	Php 2.3 million

The Audit Committee is composed of Mr. Vicente R. Ayllón as Chairman and Mr. Elpidio L. Ibañez and Mr. Benjamin R. Lopez as members.

8. Compensation Plans

There are no matters or actions to be taken up in the meeting with respect to any compensation plan..

C. ISSUANCE AND EXCHANGE OF SECURITIES

9. Authorization or Issuance of Securities other than for Exchange

No action is to be taken with respect to the authorization or issuance of securities

10. Modification or Exchange of Securities

No action is to be taken with respect to the modification or exchange of the Company's securities

11. Financial and other information

The Company's consolidated financial statements were prepared in accordance with the Philippine Financial Reporting Standards and were audited by SGV & Co., in accordance with Philippine Standards on Auditing.

The Management Discussion and Analysis of the Financial Condition and Results of Operation for the last three fiscal years required under Part IV (c) of Rule 48 are attached hereto as Annex A.

The Statement of Management's Responsibility for Financial Statements as of 31 December 2012 as well as the Audited Financial Statements prepared in accordance with SRC rule 68, as amended, and Rule 68.1 are attached hereto as Annex B.

12. Mergers, Consolidations, Acquisitions and Similar Measures

No action is to be taken with respect to the acquisition or disposition of any property.

13. Acquisition or Disposition of Property

No action is to be taken with respect to the acquisition or disposition of any property

14. Restatement of Accounts

No action is to be taken with respect to the restatement of any asset, capital or surplus account of the Company.

D. Other Matters

15. Action with Respect to Reports

The following will be submitted for approval by the stockholders:

- (a) The approval of the Annual Report of Management and the Audited Financial Statements for the year ending 31 December 2012.
- (b) Approval of the Minutes of the Annual Meeting of the Stockholders held on 3 August 2012

16. Matters not required to be submitted

No action is to be taken with respect to any matter that is not required to be submitted to a vote of security holders.

17. Amendment of Charter, Bylaws or Other Documents

No action will be taken with respect to an amendment of the articles of incorporation, by-laws or other documents.

18. Other Proposed Action

- (a) Ratification of all Resolutions of the Board and the Executive Committee, as well as the acts of the Management after the annual stockholders' meeting on August 3, 2012 until the annual stockholders' meeting on May 29, 2013.

The resolutions of the Board was duly adopted in the normal course of trade or business and involve –

- i) Approval of contracts, projects, investments, and other acts which have been covered by disclosures to the PSE and the SEC;
- ii) Treasury matters, including borrowings, opening of accounts and bank transactions; and
- iii) Housekeeping matters, including the appointment of signatories and amendments thereof.

- (b) Election of the members of the Board, including the independent directors, for the ensuing year.

- (c) Election of the external auditor and fixing its remuneration.

19. Voting Procedures

A quorum for any meeting of stockholders shall consist of the majority of the outstanding capital stock of the Corporation, and a majority of such quorum shall decide any question in the meeting except those matters which the Corporation Code requires a greater proportion of affirmative vote.

At each meeting of the stockholders, every stockholder entitled to vote on a particular question or matter involved shall be entitled to vote for each share of stock standing in his name in the books of the Company at the time of the closing of the stock and transfer books for such meeting.

Regarding the election of members of the Board of Directors, nominees who receive the highest number of votes shall be declared elected pursuant to Section 24 of the Corporation Code of the Philippines. Likewise, the nominee – for the Company's external auditor – who receives the highest number of votes shall be declared elected.

The manner of voting is non-cumulative, except as to the election of directors and each stockholder shall have one vote for each share entitled to vote and registered in his name. Unless a motion is duly made and seconded, voting shall be made viva voce and counted manually by the Corporate Secretary. Voting shall be done by balloting upon motion duly made and seconded and the transfer agent shall count and canvass the ballots.

In accordance with Section 23 of the Corporation Code, at each election of directors, every stockholder entitled to vote at such election have the right to vote, in person or by proxy, the number of shares owned by him as of the relevant record date for as many persons as there are directors to be elected and for whose election he has a right to vote, or to cumulate his votes by giving one candidate the number of votes equal to the number of directors to be elected multiplied by the number of his shares shall be equal or by distributing such votes on the same principle among any number of candidates as the stockholder shall see fit.

In the election of directors, the top eleven (11) nominees with the most number of votes will be elected as directors. If the number of nominees does not exceed the number of directors to be elected all the shares present or represented at the meeting will be cast in favor of the nominees.

Unless a motion is duly made and seconded, voting shall be made viva voce and counted manually by the Corporate Secretary. Voting shall be done by balloting upon motion duly made and seconded and the transfer agent shall count and canvass the ballots.

Other than the nominees' election as directors, no director, executive officer, nominee or associate of the nominees has any substantial interest, direct or indirect by security holdings or otherwise in any way of the matters to be taken upon during the meeting.

20. Corporate Governance

Rockwell Land 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 Land 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 Land 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 Land 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 Land'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 Land 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 Land 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 Land 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.

CERTIFICATION

Upon written request of a stockholder, the Company undertakes to furnish said stockholder with a copy of the Company's Annual Report or Prospectus free of charge. Any written request for a copy shall be addressed to the following:

Ellen V. Almodiel, Chief Finance Officer
Rockwell Land Corporation
Rockwell Information Center
Rockwell Center, Makati City 1200

At the discretion of management, a charge may be made for exhibits, provided that such charge is limited to reasonable expenses incurred by the Company in furnishing such exhibits.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 16 April 2013.

By:



Enrique I. Quiason
Corporate Secretary

ANNEX A – MANAGEMENT’S 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 2012 amounted to ₱1.1 billion. The Company’s net income grew by 19% compounded annually since 2010. As a percentage to revenues, this year’s net income was slightly higher at 17% compared to the last two years. This was mainly due to higher margins on residential projects.

Total revenues grew to ₱6.7 billion in 2012, growing at a compounded annual rate of 17% since 2010. Residential development accounts for 86% of the total revenues in 2012 from its 82% share in 2010 due to having more projects simultaneously developed over the year. Three new residential projects started revenue recognition in 2012 namely: 205 Santolan (June 2012), Grove Phase 2 (November 2012) and Grove Phase 3 (also November 2012). Grove Phase 1, however, was substantially completed by December 2012.

EBITDA in 2012 amounted to ₱2.1 billion representing 31% of total revenues, same as 2010. 2011 had a lower EBITDA ratio to total revenues at 26% because The Grove project in Pasig City, which had higher costs of real estate and selling. EBITDA is derived by adding interest expense, depreciation and amortization and provision for income tax to Net Income. EBITDA has grown annually by 19% since 2010, where the Residential Development grew faster at a rate of 23% vs. the growth reported for Commercial Leasing. Last year’s EBITDA growth mainly resulted from higher occupancy of RBC. Residential Development now accounts for 61% of 2012’s total EBITDA, up from previous years.

The ratio of cost of real estate and selling to total revenues registered at 63% vs. the previous year’s ratio of 68% as new projects have lower cost ratios.

Other comprehensive income represents the fair value changes of the Company’s available for sale investments and is directly charged to equity.

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 2012, Net debt level was at ₱3.9 billion and stands at 0.39 of total equity. Majority of the debt carried by the end of 2012 was a P4.0 billion fixed-interest term loan drawn in April 2011 and 2012. As a result of higher margins from residential & commercial projects in 2012, ROE increased to 11.7% compared to previous year’s 10.5%. Below is a table showing the key performance indicators of the Company for 2010-2012.

KPI	2012	2011	2010
EBITDA (P)	2.1 billion	1.6 billion	1.5 billion
Current Ratio (x)	2.87	2.79	1.36

KPI	2012	2011	2010
Net DE Ratio (x)	0.39	0.26	0.33
Asset to Equity Ratio (x)	2.05	1.97	1.69
Interest coverage ratio (x)	7.11	6.97	5.80
ROA	5.8%	5.7%	6.2%
ROE	11.7%	10.5%	10.2%
EPS (P)	0.18	0.15	0.13

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 2010-2012.

Revenues

The following table shows the breakdown of the revenues by business segment for the periods 2010-2012.

	2012	% to Total	2011	% to Total	2010	% to Total
Residential Development ⁽¹⁾	5,772	86%	5,211	85%	4,018	82%
Commercial Leasing ⁽²⁾	966	14%	942	15%	867	18%
Total Consolidated Revenues	6,738	100%	6,153	100%	4,885	100%
Share in Net Income (Losses) in JV ⁽³⁾	98		80		(1)	

Note:

1. Revenues from this segment consist of the following projects in the years indicated: One Rockwell (2010 to 2011), The Grove Phase 1 (2010 to 2012), Edades (2011 to 2012), 205 Santolan (2012), The Grove Phases 2 & 3(2012).
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 2010-201 2.

	2012	% to Total	2011	% to Total	2010	% to Total
Residential Sales ⁽¹⁾	5,626	83%	5,080	82%	3,925	80%
Leasing	690	11%	658	11%	604	13%
Others ⁽²⁾	422	6%	415	7%	356	7%
Total Consolidated Revenues	6,738	100%	6,153	100%	4,885	100%

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 2012 versus 2011

Total revenues amounting to ₱6.7 billion grew by 10% vs. last year's ₱6.2 billion. About 83% 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 27% 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 17% 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 ₱5.8 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 ₱764.1 million and accounts for 11% of Total revenues. About 90% comes from retail leasing amounting to ₱688.1 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 P201.2 million and accounting for 3% of the total revenues. It slightly grew by 1% from last year's ₱199.9 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 63%, down from last year's 68% 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 ₱765.8 million and represents 11% of the total revenues, an increase from last year's ratio of 10%. The level of expenses grew by 21% vs. last year's ₱633.7 million (adjusted in 2012). Previously, G&A amounted to ₱644.7 million, the difference representing the charges related to the fees for the Standby Letters of Credit (SBLC) issued to secure the purchase of the previous Colgate-Palmolive 3.6-hectare property in Makati City. The difference of ₱11.0 million was reclassified as Interest Expense in 2012. 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 (previously reported as ₱182.6 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 2nd 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 ₱98.5 million. 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 ₱438.0 million, which is 51% higher than last year's provision of ₱290.3 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 ₱20.6 billion, which increased by ₱2.6 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 2.87x from 2.79x 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.

23% 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.

18% decrease in Comprehensive Loss

Mainly due to decrease in fair market value of club shares held by the company.

Balance Sheet items – 2012 vs. 2011

8% 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.

17% 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.

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.

5% decrease in Available for Sale Investments

Due to decline in the market value per share of Rockwell Club.

5% increase in Investment Properties

Mainly due to costs incurred for the serviced apartments in Edades and the Lopez Tower.

19% decrease in Other Noncurrent Assets

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

100% increase in Pension Liability

Mainly due to pension liability of subsidiary.

24% 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.

163% increase in Deferred Tax Liabilities

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

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.

21% 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.

39% increase in Retained Earnings

Due to net income after tax of ₱1.12 billion, net of dividends paid to preferred shares of ₱4.1 million.

Review of 2011 versus 2010

RESULTS OF OPERATIONS

Total revenues amounting to ₱6.2 billion grew by 26% vs. last year's ₱4.9 billion. About 83% of the revenues came from sale of condominium units, including accretion of interest income, amounting to ₱5.1 billion. Sales take up was still strong in 2011, although slightly lower than last year due to fewer higher-valued products available for sale in the market. Due to the continued strong take up of the Company's products in the market, the Company will launch two new projects in 2012.

Total EBITDA amounted to ₱1.6 billion, which is 11% higher than last year's ₱1.5 billion. This year's growth was driven by Commercial Leasing's office segment. The EBITDA margin registered at 26% of total revenues in 2011, which is lower compared to last year's 30% because higher costs of real estate and selling were recognized for The Grove due to higher construction completion in 2011 vs. same period last year. 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 53% and 47%, respectively.

Resulting net income after tax amounts to ₱914.9 million, up by 14% from previous year's net income of ₱801.3 million.

The margin of net income after tax is at 15% of total revenues vs. previous year's 16%. 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 was lower in 2011 because the Company's share in the income of RBC 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 contributes bulk of the total revenues of 2011. Total revenues reported from the sale of condominium units, including accretion of interest income, amount to ₱5.1 billion. This accounts for 83% of the total revenues of the company. The 30% growth in segment revenue was primarily attributable to higher sales and percentage of completion of The Grove and the start of recognition in April 2011 of revenues from Edades, despite the significant drop from One Rockwell's completion in October 2011. Revenues recognized for any given period is a function of both the percentage of completion of construction works and the incremental sales recorded for the period.

Sales take up declined to ₱4.9 billion from last year's ₱6.4 billion as a result of having fewer inventories of higher-valued units by the start of the year. In terms of units sold, take up was only slightly lower by

8%. The Company expects to have significant growth in sales take up with the new projects from the recently acquired lots in Makati and Quezon City, which are both due for launch in 2012.

EBITDA from this segment amount to ₱863.7 million and contributes 53% to the total EBITDA of ₱ 1.6 billion. Despite high revenue growth, EBITDA grew at a slower pace of 2% due mainly from higher costs of real estate and selling expenses. Higher construction accomplishment for The Grove and Edades have increased both the cost of real estate and selling expenses, with the latter's amortization of prepaid commissions and marketing costs. The said amortization of prepaid costs and higher sales commissions grew in line with revenue growth, while marketing expenses grew faster to support the introduction in August 2011 of phase three or Towers E & F of The Grove.

Commercial Leasing revenues amount to ₱941.5 million, which is 9% higher than last year's revenues of ₱866.8 million. This segment contributes 15% 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:

- Retail Operations amount to ₱741.3 million and accounts for 12% of total revenues. About 89% comes from retail leasing amounting to ₱657.9 million. Retail leasing accounts for 11% of the total revenues of the company, which grew by 9% vs. last year's revenues of ₱603.6 million. This mainly resulted from rental escalation. Revenues from exhibits grew faster at 26%, generating full year revenue of ₱43 million. Same stores growth was at 5% in 2011.
- Cinema Operations amount to ₱200.0 million and it accounts for 3% of the total revenues. This grew by 11% from last year's ₱180.7 million. This was driven by higher occupancy of 3D and 2D tickets compared to the same period last year.
- Office Leasing, operated by the Rockwell-Meralco BPO Venture, generated gross revenues of ₱258.1 million, which is 73% higher than last year's ₱149.0 million due to higher occupancy of the buildings. At its 80% share, the Company generated revenues of ₱206.5 million and share in net income of ₱79.9 million. To reiterate, only the ₱79.9 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 ₱764.8 million accounting for 47% of the total EBITDA of ₱1.6 billion. EBITDA grew by 22% from last year's EBITDA of ₱628.0 million. Margin to total segment revenues improved to 81% from last year's 72% 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 2011, the Company reported for the first time a positive share in net income from the operations of the RBC. The improvement resulted from both higher average rental rates booked for new tenants and in the significant improvement of the level of occupancy from last year's 79% to this year's 95%. Share in net income in the joint venture contributes 5% to the Company's total EBITDA amounting to ₱1.6 billion.

Costs and Expenses

Cost of real estate and selling amounts to ₱4.2 billion in 2011. The percentage to total revenues is at 68%, up from last year's 62% ratio. This increase was due to higher construction completion of Towers

A & B of The Grove whose margins are slightly lower compared to projects sold in Makati City. Selling expenses increased by 38% due to increased amortization of prepaid costs using the same percentage of construction completion and continued strong sales take-up performance which increased by 16% over same period last year.

General and administrative expenses (G&A) amount to ₱644.7 million and represents 10% of the total revenues, an improvement from the previous two years' ratio of 12%. The level of expenses grew only by 11% vs. last year's ₱582.2 million. Higher expenses were reported for manpower costs and taxes and licenses. Manpower costs increased due to a 15% increase in headcount from last year's 134 to this year's 154. Taxes and Licenses grew by 39% due to business permit and payment of transfer and registration fees required in transferring titles of land to condominium corporations of fully sold projects.

Interest Expense amounted to ₱182.6 million, which is 19% higher than last year's ₱153.9 million. The increase was mainly due to additional ₱1.0 billion debt secured to partially fund land acquisition. Average interest rate, however, improved significantly with the refinancing of the ₱1.5 billion corporate notes of the RBC in April 2011 with fixed rate of 7.3% p.a. from the previous rate of 8.8% p.a.

By the end of 2011, total debt amounting to ₱2.9 billion has an average interest rate of 7.1% p.a., lower than last year's 7.8% p.a.

Share in Net Losses (Income) of JV recorded positive income of ₱79.9 million from last year's loss of ₱1.0 million. The improvement was mainly due to the level of occupancy which increased from 79% to 95% in 2011. 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 ₱290.3 million, which is 2% lower than last year's provision of ₱297.2 million. The decrease in effective tax rate is primarily attributable to the share in net income of RBC which is not subject to income tax.

Project and capital expenditures

The Company spent a total of ₱4.4 billion for project and capital expenditures in 2011, which is 13% higher than same period last year. The expenditures for 2011 consist of 46% land acquisition, 49% residential development cost, and 6% property and equipment costs.

Decreases in residential development cost came mostly from One Rockwell with the completion of the construction of the West Tower in October 2011. The significant increases were investments recorded for the Edades and The Grove projects.

FINANCIAL CONDITION

Total Assets as of December 31, 2011 amounted to ₱18.0 billion, which increased by ₱4.1 billion from last year's amount of ₱13.9 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 throughout the year to fund development costs for The Grove. Other funding requirements were funded internally by revenue collections from commercial leasing.

Current ratio as of December 31, 2011 is healthy at 2.79x from 1.36x the previous year. Likewise, Net debt to equity ratio improved to 0.26x in 2011 from 0.33x in 2010.

Other Matters

The Company acquired a 1.8 hectare property along Santolan Road in Quezon City and a 3.6 hectare property at the corner of J.P. Rizal Avenue and Estrella Street in June 2011 and November 2011, respectively. These projects will be launched in the first quarter and second half of 2012, respectively. The first property will become the company's first townhouse development and the second property, dubbed as the "Greater Rockwell" project, is meant to expand the Rockwell Center in Makati City with another mixed-used development.

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

Statement of Comprehensive Income Items – 2011 vs. 2010

36% increase in Sale of Condominium Units

Mainly due from higher value of bookings and construction completion of Edades Tower and Garden Villas in Makati City and The Grove by Rockwell in Pasig City.

9% increase in Lease Income

Mainly due to rental escalation from leasing operations which grew by 9%. In addition, exhibit rental posted higher growth of 26% vs. same period last year. Same stores growth was at 5%.

9% decrease in Interest Income

Mainly due to lower interest income accretion arising from lower level of One Rockwell receivables

11% increase in Cinema Revenues

Mainly due to higher occupancy level and higher average ticket price. By April 2010, the Company has two theaters converted with 2D and 3D, which increased the average ticket price by 6%.

23% increase in Other Revenue

Mainly due to higher assignment fees from completed units of One Rockwell project, increase in parking revenue, and increase in rental revenues from the plaza tent.

38% increase in Cost of Real Estate

Due to both higher booking of sales and construction completion of The Grove and Edades. Significant increases were recorded for Edades as the project only started to recognize related costs in April 2011. Growth rate is consistent with the 36% growth in revenues recognized from the sale in condominium units vs. same period last year.

11% increase in General and Administrative Expenses

Mainly due to increased manpower expenses and taxes and licenses from costs to transfer titles of land to the respective condominium corporations of fully sold projects

38% increase in Selling Expenses

Mainly due to higher amortization of prepaid marketing and commission expenses, as a result of higher percentage of completion recognized for the period for both Edades and The Grove Phase 1 projects.

19% increase in Interest Expense

Primarily due to additional loans availed in April 2011 to partially fund P1.1 billion land acquisitions made starting June 2011.

8,623% increase in Share in Net Income of Joint Venture

Mainly due to positive operating results from RBC, arising from higher occupancy level which increased from 79% to 95% in 2011 and higher rental rates negotiated for new tenants in 2011.

120% 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.

103% increase in Mark-to-market Gain from Derivative Instruments

Mainly due to the lower outstanding derivative instruments within the year, \$ 900,000 vs. \$ 2.4 million in 2010.

147% increase in Comprehensive Loss

Mainly due to decrease in fair market value of club shares held by the company.

Balance Sheet items – 2011 vs. 2010

40% increase in Cash and Cash Equivalents

Primarily because of substantial collection of final payment from the completed One Rockwell project.

10% increase in Trade and Other Receivable

Mainly due to additional receivables recognized from phase 1 of The Grove, partially offset by the substantial collection from One Rockwell project.

113% increase in Land and Development Cost

Mostly due to land acquisition of the Greater Rockwell property (3.6 hectares) and Santolan property (1.8 hectare) having an aggregate amount of P 4.0 billion.

377% increase in Condominium Units for Sale

Reclassification of completed units of One Rockwell from Land and Development Cost account due to its completion in October 2011.

18% decrease in Other Current Assets

Mainly due to reclassification to Other Noncurrent Assets of Input VAT amounting to P126.6 million which is expected to be recovered through a refund claim.

14% increase in Noncurrent Trade Receivables

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

6% decrease in Available for Sale Investments

Mostly because of decline in the market value per share of Rockwell Club.

6% increase in Investment Properties

Mainly due to reclassification of the corresponding land and development costs of certain areas of The Grove (including Land), One Rockwell and Edades intended for leasing from Land and Development Cost account.

4% increase in Investment in Joint Venture

Due to the ₱79.9 million reported share in the income of RBC for 2011

33% decrease in Pension Asset

Mainly due to higher provision of retirement benefits expense. No additional contribution was made on the pension fund since 2010 as this was still overfunded.

₱450.6 million increase in Other Noncurrent Assets

Mainly due to the recognition of the Deferred input vat from the acquisition of the Greater Rockwell property amounting to ₱327.3 million, net of current portion, and the reclassification of input vat from Other Current Assets as previously discussed.

70% increase in Trade and Other Payables

Due to accrual of development costs of The Grove, increase in liability arising from excess collection over recognized receivables of Edades and higher retention payable of One Rockwell. Retention fees are withheld as security and will be released to the contractors after one (1) year from completion of the construction.

90% decrease in Current Portion of Interest Bearing Loan

Mainly due to the classification in last year's financial statements of the corporate notes amounting to ₱1.6 billion, where the balance was entirely reported as current in view of its refinancing in February 2011. A bridge loan was drawn in February 2011 to prepay the old corporate note and was repaid once the new corporate notes facility was entered into in April 2011.

100% increase in Current portion of installment payable

The amount represents the present value of the installment payable due in 2012 relating to the acquisition of the Greater Rockwell property.

62% decrease in Deposits from Pre-selling of Condominium Units

Mainly from the recognition of revenues from the Edades project using the percentage of completion method in April 2011.

814% increase in Non-current Portion of Interest Bearing Loan

Primarily because of the new ₱2.5 billion corporate notes drawn by the Company in April 2011 used to refinance existing obligations of ₱1.5 billion and with the balance used to partially finance land acquisitions.

67% decrease in Deferred Tax Liabilities

Due to the substantial collection of final payment from the completion of One Rockwell project (East and West Towers)

18% decrease in Deposits and Other Liabilities

Mainly due to reclassification of retention fees payable related to One Rockwell project under current liabilities (under Trade and other payables). Retention fees are payable to the contractors normally after the expiration of the defect liability period of one year from the project's completion date.

47% increase in Retained Earnings

Due to net income after tax of ₱914.9M



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, 2012 and 2011, and for each of the three years in the period ended December 31, 2012, 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 11th day of March 2013



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, 2012 and 2011, and for each of the three years in the period ended December 31, 2012, 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

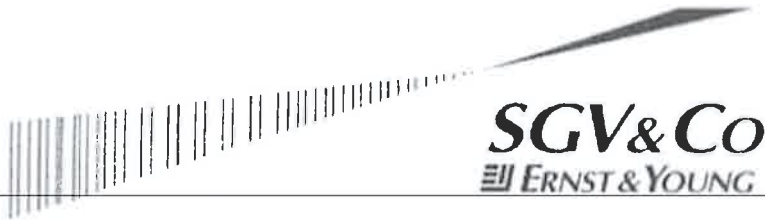
Nestor J. Padilla
Chief Executive Officer

Ellen V. Almodiel
Chief Financial Officer

Signed this 11th day of March 2013

DOC. NO. 395
PAGE NO. 60
BOOK NO. 77
SERIES OF 2013

ATTY. DELFINO ASCADI, JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2013
PTR NO. 0285334 / 2012-2013 MLA.
IBP NO. 873692 / 2013 MLA.
ROLL NO. 24655 / TIN -144-519-066
MCLE III-C013521
Com. No. 2013 - 023



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6760 Ayala Avenue
1226 Makati City
Philippines

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-PR-3 (Group A),
November 15, 2012, valid until November 16, 2015

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, 2012 and 2011, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

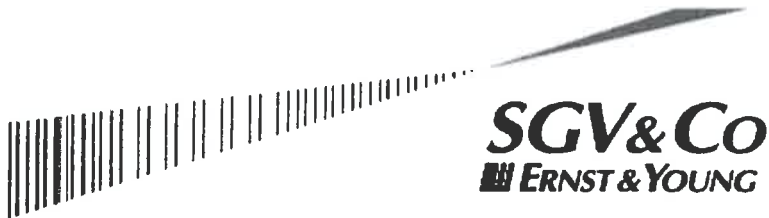
Auditors' Responsibility

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

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

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





- 2 -

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, 2012 and 2011, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Maria Vivian C. Ruiz

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,

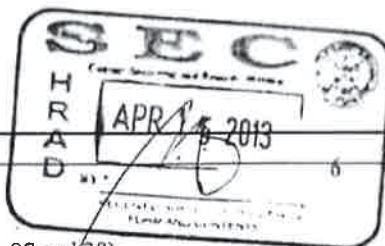
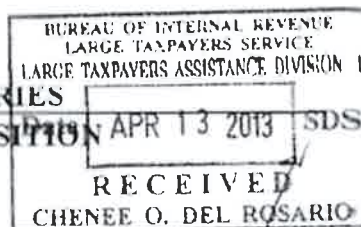
April 11, 2012, valid until April 10, 2015

PTR No. 3670018, January 2, 2013, Makati City

March 11, 2013



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



	December 31	
	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 27 and 28)	P485,287	P447,935
Trade and other receivables (Notes 7, 14, 27 and 28)	3,465,215	2,550,816
Land and development costs (Notes 8, 11, 15, 17 and 26)	6,752,411	5,584,593
Advances to contractors (Note 8)	1,055,398	822,888
Condominium units for sale	32,101	63,504
Other current assets (Notes 10, 15, 27 and 28)	509,597	447,296
Total Current Assets	12,300,009	9,917,032
Noncurrent Assets		
Noncurrent trade receivables (Notes 7, 14, 27 and 28)	44,592	44,377
Available-for-sale investments (Notes 9, 27 and 28)	248,408	262,228
Investment properties (Notes 11, 12 and 14)	4,953,882	4,731,168
Investment in joint venture (Note 12)	2,188,891	2,103,102
Property and equipment (Note 13)	521,731	444,399
Pension asset (Note 22)	-	33,482
Other noncurrent assets (Note 15)	364,974	450,662
Total Noncurrent Assets	8,322,478	8,069,418
	P20,622,487	P17,986,450
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 4, 16, 17, 24, 27 and 28)	P3,209,289	P2,596,629
Current portion of interest-bearing loans and borrowings (Notes 7, 11, 14, 27 and 28)	404,572	278,418
Current portion of installment payable (Note 15)	647,085	651,736
Income tax payable	25,344	32,687
Total Current Liabilities	4,286,290	3,559,470
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Notes 7, 11, 14, 27 and 28)	4,027,416	2,588,238
Installment payable - net of current portion (Note 15)	1,854,712	2,370,688
Deferred tax liabilities - net (Note 23)	181,092	68,876
Pension liability (Note 22)	1,907	-
Deposits and other liabilities (Notes 16, 17, 27 and 28)	199,675	251,439
Total Noncurrent Liabilities	6,264,802	5,279,241
Total Liabilities	10,551,092	8,838,711
Equity		
Capital stock (Note 18)	6,255,882	6,255,882
Unrealized gain on available-for-sale investments (Note 9)	1,437	13,171
Retained earnings (Note 18)	3,999,410	2,878,686
	10,256,729	9,147,739
Less cost of treasury shares (Notes 1 and 18)	(185,334)	-
Total Equity	10,071,395	9,147,739
	P20,622,487	P17,986,450

See accompanying Notes to Consolidated Financial Statements.



ROCKWELL LAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2012	2011	2010
REVENUE			
Sale of condominium units	₱5,011,156	₱4,588,106	₱3,374,641
Lease income (Note 11)	689,649	657,947	603,602
Interest income (Note 19)	640,202	517,089	570,954
Cinema revenue	201,178	199,906	180,708
Others (Note 12)	195,348	189,649	154,486
	6,737,533	6,152,697	4,884,391
EXPENSES (INCOME)			
Cost of real estate (Notes 8, 11, 20 and 24)	3,986,685	3,910,539	2,827,913
General and administrative expenses (Notes 7, 13, 20, 21, 22 and 24)	765,817	633,721	580,639
Selling expenses (Notes 20, 21 and 22)	269,940	293,027	212,090
Interest expense (Notes 14 and 20)	266,214	193,577	155,379
Share in net losses (income) of joint venture (Note 12)	(98,470)	(79,861)	937
Gain on sale of:			
Property and equipment (Note 13)	(11,189)	-	(119)
Available-for-sale investments (Note 9)	(240)	-	-
Foreign exchange loss (gain) - net (Note 27)	(4,049)	(3,790)	19,379
Mark-to-market loss (gain) from derivative instruments (Note 25)	-	304	(10,354)
	5,174,708	4,947,517	3,785,864
INCOME BEFORE INCOME TAX	1,562,825	1,205,180	1,098,527
PROVISION FOR INCOME TAX (Note 23)	437,976	290,277	297,220
NET INCOME	1,124,849	914,903	801,307
OTHER COMPREHENSIVE INCOME (LOSS) - Net (Note 9)	(11,734)	(14,238)	30,095
TOTAL COMPREHENSIVE INCOME	₱1,113,115	₱900,665	₱831,402
Basic/Diluted Earnings Per Share (Note 29)	₱0.18	₱0.15	₱0.13

See accompanying Notes to Consolidated Financial Statements.



ROCKWELL LAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010
(Amounts in Thousands)

	Capital Stock (Note 18)	Unrealized Gain (Loss) on Available- for-Sale Investments (Note 9)	Retained Earnings (Note 18)	Treasury Shares (Notes 1 and 18)	Total
At December 31, 2011	P6,255,882	P13,171	P2,878,686	P-	P9,147,739
Acquisition of treasury shares (Notes 1 and 18)	-	-	-	(185,334)	(185,334)
Net income	-	-	1,124,849	-	1,124,849
Other comprehensive loss	-	(11,734)	-	-	(11,734)
Total comprehensive income (loss) for the year	-	(11,734)	1,124,849	-	1,113,115
Cash dividends (Note 18)	-	-	(4,125)	-	(4,125)
At December 31, 2012	P6,255,882	P1,437	P3,999,410	(P185,334)	P10,071,395
At December 31, 2010	P6,255,882	P27,409	P1,963,783	P-	P8,247,074
Net income	-	-	914,903	-	914,903
Other comprehensive loss	-	(14,238)	-	-	(14,238)
Total comprehensive income (loss) for the year	-	(14,238)	914,903	-	900,665
At December 31, 2011	P6,255,882	P13,171	P2,878,686	P-	P9,147,739
At December 31, 2009	P6,255,882	(P2,686)	P1,162,476	P-	P7,415,672
Net income	-	-	801,307	-	801,307
Other comprehensive income	-	30,095	-	-	30,095
Total comprehensive income for the year	-	30,095	801,307	-	831,402
At December 31, 2010	P6,255,882	P27,409	P1,963,783	P-	P8,247,074

See accompanying Notes to Consolidated Financial Statements.



ROCKWELL LAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P1,562,825	P1,205,180	P1,098,527
Adjustments for:			
Interest income (Note 19)	(640,202)	(517,089)	(570,954)
Depreciation and amortization (Note 20)	246,895	229,729	219,057
Interest expense (Note 20)	266,214	193,577	155,379
Share in net losses (income) of joint venture (Note 12)	(98,470)	(79,861)	937
Pension costs (Note 22)	24,536	16,370	15,738
Gain on sale of:			
Property and equipment (Note 13)	(11,189)	-	(119)
Available-for-sale investments (Note 9)	(240)	-	-
Unrealized foreign exchange gain - net	(1,512)	(5,535)	(13,158)
Mark-to-market loss (gain) from derivative instruments (Note 25)	-	304	(10,354)
Operating income before working capital changes	1,348,857	1,042,675	895,053
Decrease (increase) in:			
Trade and other receivables	(341,666)	258,517	(1,255,776)
Land and development costs	(1,255,981)	(692,712)	(517,509)
Advances to contractors	(232,510)	(25,664)	388,166
Other current assets	(500)	(22,761)	(80,795)
Condominium units for sale	31,403	(50,185)	42,628
Increase (decrease) in:			
Trade and other payables	542,827	515,999	902,417
Installment payable	(434,939)	-	-
Net cash generated from (used for) operations	(342,509)	1,025,869	374,184
Income taxes paid	(333,817)	(431,159)	(263,160)
Interest paid	(197,454)	(201,241)	(158,149)
Net cash provided by (used in) operating activities	(873,780)	393,469	(47,125)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Investment properties (Note 11)	(366,424)	(19,890)	(83,810)
Property and equipment (Note 13)	(103,968)	(63,109)	(135,149)
Proceeds from sale of:			
Property and equipment	22,803	-	5,465
Available-for-sale investments	3,040	-	-
Interest received	25,811	25,257	23,546
Dividends received (Note 12)	12,681	-	-
Net cash used in investing activities	(406,057)	(57,742)	(189,948)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of bank loans (Note 14)	1,885,318	4,225,531	794,519
Payments of bank loans (Note 14)	(328,418)	(4,386,296)	(690,653)
Acquisition of treasury shares (Note 18)	(185,334)	-	-
Increase (decrease) in deposits and other liabilities	(51,764)	(53,661)	52,673
Dividends paid (Note 18)	(4,125)	-	-
Net cash provided by (used in) financing activities	1,315,677	(214,426)	156,539
(Carried Forward)			

(Forward)



	Years Ended December 31		
	2012	2011	2010
Net cash provided by (used in) financing activities (Brought Forward)	₱1,315,677	(₱214,426)	₱156,539
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,512	5,928	8,716
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	37,352	127,229	(71,818)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	447,935	320,706	392,524
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	₱485,287	₱447,935	₱320,706

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 of 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 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 of December 31, 2012, FPHC (ultimate parent company) owns 86.8% of the Parent Company.

The accompanying consolidated financial statements were approved and authorized for issue by the BOD on March 11, 2013.

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 Company's functional and presentation currency and all values are rounded to the nearest thousands, except when otherwise indicated.

Statement of Compliance

The Company's consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (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.

<u>Subsidiaries</u>	<u>Nature of Business</u>
Rockwell Integrated Property Services, Inc.	Service provider
Rockwell Homes, Inc.	Real estate development
Stonewell Property Development Corporation	Real estate development
Primaries Properties Sales Specialists Inc.	Marketing

All subsidiaries are wholly-owned and 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.

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the Company’s 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), Philippine Financial Reporting Standards (PFRSs) and Philippine Interpretations which were adopted as at January 1, 2012. The adoption of the following amendments and interpretations did not have material effect on the accounting policies, financial position or performance of the Company, except for additional disclosure.

- PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets* (Amendments) (effective for annual periods beginning on or after July 1, 2011) (see Notes 7 and 14)
- PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets* (Amendments) (effective for annual periods beginning on or after January 1, 2012)

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 December 31, 2012. 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.

Effective in 2013

- 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.
- 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 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The application of this revised standard will impact the financial position 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, the Company will retrospectively consolidate Rockwell Leisure Club, Inc. (RLCI) effective January 1, 2013. The impact of PFRS 10 on the current period (which will be the comparative period in the consolidated financial statements as of December 31, 2013) is not significant which is estimated to be an increase in assets, liabilities and equity amounting to ₱122.1 million, ₱52.3 million and ₱69.8 million, respectively. The consolidated statement of comprehensive income for the year ended December 31, 2012 is estimated to increase by ₱0.6 million (which will be the comparative period in the consolidated financial statements for the year ended December 31, 2013) as a result of the revised PFRS 10.

- 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. No change in accounting policies since the Company uses the equity method in accounting for its investment in joint venture.



- 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. A number of new disclosures are also required.

- 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.

- 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 affect presentation only and have no impact on the Company's financial position or performance. The amendments will be applied retrospectively and will result to the modification of the presentation of items of OCI.

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

Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. Once effective, the Company has to apply the amendments retroactively to the earliest period presented.

The Company reviewed its existing employee benefits and determined that the amended standard has impact on its accounting for retirement 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 effects are detailed below:

	As at December 31, 2012	As at January 1, 2012
Increase (decrease) in:		
<u>Consolidated statements of financial position</u>		
Pension liability	(P103)	P10,853
Deferred tax liability	1,383	-
Other comprehensive income (loss)	2,351	(39,242)
Retained earnings	3,631	(39,242)



For the Year Ended
December 31, 2012

<u>Consolidated statements of comprehensive income</u>	
Net pension costs	P103
Income tax expense	1,383
Net income	1,280

- 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. No change in accounting policies since the Company uses the equity method in accounting for its investment in joint venture.

- 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 affect disclosures only and have 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 Company reflects the revised disclosure requirements in Note 13.

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*

Effective Subsequent to 2013

- 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. The Company is currently assessing impact of the amendments to PAS 32.

- PFRS 9, *Financial Instruments: Classification and Measurement* (effective for annual periods beginning on or after January 1, 2015)

PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the



principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The 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 classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive assessment of the impact of the standard.

▪ *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.

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.

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 embedded derivatives as of December 31, 2012 and 2011.

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 10).

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 of December 31, 2012 and 2011.

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 RLCI shares and Manila Polo Club shares (see Note 9).

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).

Determination of Fair Value. The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business at the financial reporting date. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using reference to a similar instrument for which market observable prices exist, discounted cash flow analysis and other relevant valuation models. The Company uses discounted cash flow analysis using an imputed rate of interest in determining the fair value of the trade receivables from sale of condominium units. Differences may arise between the fair value at initial recognition and the amount determined at initial recognition using the discounted cash flow technique. Any such differences are amortized over the term of the instrument using the effective interest method and taken into profit or loss for the period.

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).

Offsetting of Financial Instruments

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

The Parent Company has an interest in a joint venture which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The agreement requires unanimous agreement for financial and operating decisions among the venturers. The Parent Company recognizes its interest in the joint venture 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. 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	15–35 years
Office furniture and other equipment	5–10 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.

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" account in the consolidated statement of financial position (see Note 16).

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 10). 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.

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

Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

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.

Pension Costs

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. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.

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



The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized reduced by past service cost not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative (defined benefit asset), the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

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. As the Company has no dilutive potential common shares outstanding, basic and diluted earnings per share are stated at the same amount.

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 30.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's 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 ₱688.2 million, ₱657.9 million and ₱603.6 million in 2012, 2011 and 2010, 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 to (from) investment properties amounted to (P6.4 million) and P392.3 million in 2012 and 2011, respectively (see Note 11).

Interest in a Joint Venture. Management has assessed that it has joint control in its joint venture agreement (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 28.

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 26).

No provision for contingencies was recognized in 2012, 2011 and 2010.

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 collectibility 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 nil, P2.0 million and P21.0 million in 2012, 2011 and 2010, respectively (see Note 20). Trade and other receivables, net of allowance for doubtful accounts, amounted to P3.5 billion and P2.6 billion as of December 31, 2012 and 2011, 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 P248.4 million and P262.2 million as of December 31, 2012 and 2011, respectively (see Note 9). No impairment loss was recognized in 2012, 2011 and 2010.

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 P32.1 million and P63.5 million as of December 31, 2012 and 2011, 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 2012, 2011 and 2010.

Investment properties, net of accumulated depreciation, amounted to P5.0 billion and P4.7 billion as of December 31, 2012 and 2011, respectively (see Note 11).

Property and equipment, net of accumulated depreciation and amortization, amounted to P521.7 million and P444.4 million as of December 31, 2012 and 2011, 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:

	2012	2011
Investment properties - net (see Note 11)	P4,953,882	P4,731,168
Investment in joint venture (see Note 12)	2,188,891	2,103,102
Property and equipment - net (see Note 13)	521,731	444,399

The fair value of the investment properties amounted to P10.1 billion and P8.9 billion as of December 31, 2012 and 2011, respectively (see Note 11).

No impairment loss was recognized in 2012, 2011 and 2010.

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.

Deferred tax assets amounted to P52.0 million and P51.6 million as of December 31, 2012 and 2011, respectively (see Note 23).

Pension Costs. The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates on government bonds that are denominated



in the currency in which the benefits will be paid, and that have terms of maturity approximating the terms of the related pension liability.

Actual results that differ from the Company's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Company's pension costs.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information are disclosed in Note 22.

The amount recognized as defined benefit liability is the aggregate of the present value of the defined benefit obligation at the financial reporting date, and any actuarial gains and losses not recognized reduced by past service cost not yet recognized and the fair value at the financial reporting date of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits availed in the form of refund from the Plan or reductions in the future contributions to the Plan.

As of December 31, 2012 and 2011, pension liability amounted to ₱1.9 million and pension asset amounted to ₱33.5 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. Net cumulative unrecognized past service cost amounted to ₱11.0 million and ₱17.2 million as of December 31, 2012 and 2011, respectively. Net cumulative unrecognized actuarial gain (loss) amounted to ₱11.2 million and (₱22.1 million) as of December 31, 2012 and 2011, respectively (see Note 22).

6. Cash and Cash Equivalents

This account consists of:

	2012	2011
Cash on hand and in banks	₱151,877	₱119,822
Short-term investments	333,410	328,113
	<u>₱485,287</u>	<u>₱447,935</u>

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 ₱11.6 million, ₱10.6 million and ₱1.5 million in 2012, 2011 and 2010, respectively (see Note 19).



7. Trade and Other Receivables

This account consists of:

	2012	2011
Trade receivables from:		
Sale of condominium units - net of noncurrent portion of ₱44.6 million in 2012 and ₱44.4 million in 2011	₱3,276,388	₱2,381,645
Lease	106,146	92,134
Advances to officers and employees (see Note 24)	11,451	9,450
Others - net of allowance for doubtful accounts of ₱3.5 million in 2012 and 2011	71,230	67,587
	₱3,465,215	₱2,550,816

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 ₱21.5 million and ₱25.2 million as of December 31, 2012 and 2011, respectively.

As of December 31, 2011, the gross undiscounted trade receivables (both recognized and future receivables) from sale of “The Grove” condominium projects amounting to ₱0.2 billion (with carrying amount of receivables determined based on percentage of completion as of December 31, 2011 of ₱0.1 billion) have been assigned as security for certain interest-bearing loans and borrowings (see Note 14). Under the terms of the assignment, the Company will deliver all Contracts to Sell and customers’ copies of the Condominium Certificates of Title covered by these receivables to be held in custody by the counterparty until the receivables are paid and/or repurchased by the Company. In order to enforce the provisions, the Company irrevocably appoints the counterparty as its attorney-in-fact with powers of substitution to, among others, sell, assign, transfer, set over, pledge, compromise or discharge the receivables in whole or in part.

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 settled within one year.

Other receivables mainly consist of claims from contractors and advances to suppliers.

The movement in the allowance for doubtful accounts of trade and other receivables in 2011 is as follows:

	Lease	Others	Total
Balance at January 1, 2011	₱-	₱1,431	₱1,431
Provision (see Note 20)	-	2,041	2,041
Balance at December 31, 2011	₱-	₱3,472	₱3,472

No provision for doubtful accounts was recognized in 2012.



8. Land and Development Costs

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

	2012	2011
Proscenium (see Note 15)	₱3,955,035	₱3,538,994
The Grove	1,214,491	1,204,392
205 Santolan	454,661	577,623
Edades	185,746	250,233
Others	942,478	13,351
	₱6,752,411	₱5,584,593

Estimated costs to complete these projects are as follows:

	2012	2011
Proscenium	₱16,680,696	₱17,096,737
The Grove	6,171,551	4,086,532
Edades	1,642,745	3,595,256
205 Santolan	571,013	1,002,239
	₱25,066,005	₱25,780,764

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

	2012	2011
Balance at beginning of year	₱5,584,593	₱2,619,268
Construction/development costs incurred	4,007,847	3,659,194
Cost of real estate sold (shown as part of cost of real estate)	(3,817,940)	(3,805,560)
Land acquired during the year	859,099	3,444,811
Reclassifications to property and equipment (see Note 13)	(94,531)	(30,171)
Borrowing costs capitalized (see Notes 14, 15 and 17)	206,975	89,363
Transfers (to) from investment properties (see Note 11)	6,368	(392,312)
Balance at end of year	₱6,752,411	₱5,584,593

“Proscenium” is the Company’s newest condominium project. The project is located along J. P. Rizal, Makati City, just adjacent to Rockwell Center and was launched in November 2012 (see Note 15).

“The Grove” by Rockwell, located in Pasig City, is a condominium community project.

“205 Santolan” is an exclusive residential townhouse community in Quezon City launched in April 2012.

“Edades” is a condominium project within the Rockwell Center in Makati City.

In 2012, other land and development costs mainly pertain to land acquisitions in San Juan City, Quezon City, Cebu City and Sto. Tomas, Batangas for future residential development projects. The Company expects to launch these projects in 2013.



Advances to contractors, shown separately in the consolidated statements of financial position, mainly pertain to advances related to the development of “The Grove”, “205 Santolan” and “Edades” projects.

Specific and general borrowing costs capitalized as part of development costs amounted to P291.0 million, P209.3 million and P135.2 million in 2012, 2011 and 2010, respectively. Capitalization rates used are 6.3%, 7.9% and 7.8% in 2012, 2011 and 2010, respectively. Amortization of discount on retention payable capitalized as part of development costs amounted to P7.9 million, P31.9 million and P2.8 million in 2012, 2011 and 2010, respectively (see Note 17).

Total cash received from pre-selling activities amounted to P3.2 million as of December 31, 2012 for “Proscenium” project and P283.8 million as of December 31, 2011 for “The Grove” project. These are shown as “Deposits from pre-selling of condominium units” account under “Trade and other payables” account in the consolidated statements of financial position (see Note 16).

9. Available-for-Sale Investments

This account consists of:

	2012	2011
Shares - quoted	P245,100	P258,920
Shares - unquoted	3,308	3,308
	P248,408	P262,228

Available-for-Sale Quoted Equity Shares

These consist of investments in RLCI shares (proprietary and ordinary - P233.1 million as of December 31, 2012 and P251.5 million as of December 31, 2011) and Manila Polo Club shares (P12.0 million as of December 31, 2012 and P7.4 million as of December 31, 2011). The investment in RLCI substantially consists of proprietary Class A and Class B shares.

On May 12, 1999, the Parent Company entered into an agreement with RLCI for the assignment of the facilities and the related condominium certificates of title on the premises amounting to P400.0 million, in exchange for advances to be settled by issuance of 1,000 Class A and 500 Class B common shares of stock of RLCI with a par value of P1,000 per share. As of December 31, 2012 and 2011, a portion of the advances have been converted to 655 Class A and 200 Class B common shares. The remaining advances, that will be settled by issuance of fixed number of equity shares, are already treated as available-for-sale financial assets since PAS 32 requires that financial instruments be classified in accordance with their substance and not their legal form. The Parent Company will subscribe to the remaining common shares in 2013.

The movements in the unrealized gain on available-for-sale investments are as follows:

	2012	2011
Unrealized gain at beginning of year	P13,171	P27,409
Fair value change of available-for-sale investments		
recognized in equity - net of tax effect of P0.7 million in 2012, P1.5 million in 2011 and P3.0 million in 2010	(11,494)	(14,238)
Realized gain on sale of AFS financial assets recognized to profit or loss	(240)	-
Unrealized gain at end of year	P1,437	P13,171



Available-for-Sale Investments - 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.

10. Other Current Assets

This account consists of:

	2012	2011
Prepaid costs (see Notes 4, 15 and 20)	P352,597	P279,584
Input VAT (see Note 15)	92,870	119,900
Refundable deposits	24,949	17,388
Creditable withholding tax	9,474	8,215
Supplies	6,757	5,334
Restricted cash	2,897	-
Others	20,053	16,875
	P509,597	P447,296

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

In 2012, restricted cash represents funds with an escrow agent, Metropolitan Bank and Trust Company (MBTC), 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 units of the Project, 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. As of March 11, 2013, the restricted cash is still unreleased.

11. Investment Properties

The rollforward analysis of this account follows:

	2012			Total
	Land	Buildings and Improvements	Investment Properties in Progress	
At January 1, 2012, net of accumulated depreciation	P1,870,844	P2,712,316	P148,008	P4,731,168
Additions	-	5,015	361,409	366,424
Transfers to land and development costs (see Note 8)	-	(6,368)	-	(6,368)
Depreciation (see Note 20)	-	(137,342)	-	(137,342)
At December 31, 2012, net of accumulated depreciation	P1,870,844	P2,573,621	P509,417	P4,953,882



2012				
	Land	Buildings and Improvements	Investment Properties in Progress	Total
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
2011				
	Land	Buildings and Improvements	Investment Properties in Progress	Total
At January 1, 2011, net of accumulated depreciation				
	₱1,741,816	₱2,711,689	₱-	₱4,453,505
Additions	-	19,890	-	19,890
Transfers from land and development costs (see Note 8)	129,028	115,276	148,008	392,312
Depreciation (see Note 20)	-	(134,539)	-	(134,539)
At December 31, 2011, net of accumulated depreciation	₱1,870,844	₱2,712,316	₱148,008	₱4,731,168
At January 1, 2011:				
Cost	₱1,741,816	₱3,892,492	₱-	₱5,634,308
Accumulated depreciation	-	(1,180,803)	-	(1,180,803)
Net carrying amount	₱1,741,816	₱2,711,689	₱-	₱4,453,505
At December 31, 2011:				
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

Investment properties are valued at cost. Investment properties consist of the "Power Plant" Mall (₱3.2 billion as of December 31, 2012 and ₱3.4 billion as of December 31, 2011), other investment properties held for lease within the Rockwell Center (₱901.5 million as of December 31, 2012 and ₱520.1 million as of December 31, 2011) and land held for appreciation (₱852.5 million as of December 31, 2012 and 2011).

Investment properties in progress represent costs incurred for the construction of Lopez Tower and Edades Service Apartments. Specific borrowing costs capitalized as part of investment properties amounted to ₱0.1 million in 2012. Capitalization rate used is 0.02% in 2012. As of December 31, 2012 and 2011, unamortized borrowing costs capitalized as part of investment properties amounted to ₱243.2 million and ₱252.1 million, respectively.

As of December 31, 2012 and 2011, 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 P688.2 million, P657.9 million and P603.6 million in 2012, 2011 and 2010, respectively. Direct operating expenses incurred amounted to P245.6 million, P287.5 million and P243.9 million in 2012, 2011 and 2010, respectively.

The aggregate fair value of the Company's mall amounted to P6.8 billion and P6.3 billion as of December 31, 2012 and 2011, respectively. The aggregate fair value of other investment properties held for lease within the Rockwell Center and land held for appreciation amounted to P3.3 billion and P2.6 billion as of December 31, 2012 and 2011, 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." The "Income Approach or Income Capitalization Approach" considers income and expense data relating to the property being valued and estimates it through a capitalization process. Capitalization relates income (usually a net income figure) and a defined value type by converting an income into a value estimate. This process may consider direct relationships (known as capitalization rates), yield or discount rates (reflecting measures of return on investment), or both.

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.

The useful lives of the buildings and improvements are 5-35 years.

12. Investment in Joint Venture

Project Development Agreement

On March 18, 2008, the Parent Company entered into a Project Development Agreement with Meralco, a shareholder, to construct a Business Process Outsourcing (BPO) Building at the Meralco Compound in Ortigas Center. Meralco, the landowner, agreed to contribute the use of the land and P3.0 million which in aggregate shall be equivalent to 30% of the project contribution while the Parent Company agreed to shoulder the construction cost and to contribute P7.0 million which in aggregate shall be equivalent to 70% of the project contribution. Upon completion of the construction, Meralco and the Parent Company divided and allocated ownership of the BPO Building in proportion to their respective contribution.

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 BPO Building, including the right to use the land (described in the Project Development Agreement), 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 P1.1 million, P0.9 million and P0.8 million in 2012, 2011 and 2010, 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.

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.

Share in the joint venture’s statement of financial position:

	2012	2011
Current assets	₱493,345	₱323,802
Noncurrent assets	1,809,871	1,898,669
Current liabilities	41,031	50,223
Noncurrent liabilities	73,294	69,146
Equity	₱2,188,891	₱2,103,102

Share in the joint venture’s revenue and expenses:

	2012	2011	2010
Revenue	₱231,788	₱206,517	₱119,199
General and administrative expenses	51,116	44,454	37,934
Depreciation expense	82,202	82,202	82,202
Share in net income (loss)	₱98,470	₱79,861	(₱937)

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

	2012	2011
Investment cost	₱2,062,043	₱2,062,043
Accumulated share in net income (losses):		
Balance at beginning of year	41,059	(38,802)
Share in net income	98,470	79,861
Dividends received	(12,681)	-
Balance at end of year	126,848	41,059
Carrying value	₱2,188,891	₱2,103,102



13. Property and Equipment

The rollforward analysis of this account follows:

	2012				
	Land	Buildings and Improvements	Office Furniture and Other Equipment	Transportation Equipment	Total
Cost					
At January 1	₱20,852	₱317,931	₱800,229	₱117,647	₱1,256,659
Additions	-	10,948	72,467	20,553	103,968
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	420,799	864,329	134,192	1,440,172
Accumulated Depreciation and Amortization					
At January 1	-	168,741	555,110	88,409	812,260
Depreciation and amortization (see Note 20)	-	15,577	81,518	12,458	109,553
Disposals	-	(2,475)	-	(897)	(3,372)
At December 31	-	181,843	636,628	99,970	918,441
Net Book Value at December 31	₱20,852	₱238,956	₱227,701	₱34,222	₱521,731

	2011				
	Land	Buildings and Improvements	Office Furniture and Other Equipment	Transportation Equipment	Total
Cost					
At January 1	₱20,852	₱277,132	₱813,309	₱104,491	₱1,215,784
Additions	-	10,628	39,325	13,156	63,109
Reclassifications from land and development costs (see Note 8)	-	30,171	-	-	30,171
Disposals	-	-	(52,405)	-	(52,405)
At December 31	20,852	317,931	800,229	117,647	1,256,659
Accumulated Depreciation and Amortization					
At January 1	-	159,336	533,120	77,019	769,475
Depreciation and amortization (see Note 20)	-	9,405	74,395	11,390	95,190
Disposals	-	-	(52,405)	-	(52,405)
At December 31	-	168,741	555,110	88,409	812,260
Net Book Value at December 31	₱20,852	₱149,190	₱245,119	₱29,238	₱444,399



14. Interest-bearing Loans and Borrowings

This account consists of:

	Effective Interest Rate	2012	2011
Current			
Peso-denominated loans from various local banks and financial institutions	2012: 7.5%, 4.5% and 4.0% fixed, 2011: 7.5% fixed, 4.5% floating and 1-yr PDST-F plus 2%	₱404,572	₱278,418
Noncurrent			
Corporate notes	2012: 7.3% fixed, 7.26% fixed, 2011: 7.3% fixed	₱4,000,000	₱2,500,000
Peso-denominated loans from various local banks and financial institutions	7.5% fixed	54,382	108,954
		4,054,382	2,608,954
Less unamortized loan transaction costs (see Note 20)		26,966	20,716
		₱4,027,416	₱2,588,238

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 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 of 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. Tranche 1 has been availed of on January 7, 2013. Tranche 2 was availed on March 7, 2013. Tranche 3 will be availed of no earlier than March 1, 2013. The Notes amounting to ₱10.0 billion is payable in 22 quarterly payments starting October 2014.



As of December 31, 2012 and 2011, the P4.0 billion Notes are secured by a parcel of land and Mortgage Participation Certificates amounting to P4.0 billion on a Mortgage Trust Indenture (MTI) and its amendments and supplements over the Power Plant Mall (see Note 11). As of December 31, 2012, the MTI collateral has increased from P3.0 billion to P4.4 billion. However, the MTI collateral was subsequently released on January 7, 2013 as the P10.0 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:

2013	P-
2014	454,545
2015	1,818,182
2016	1,818,182
2017 and onwards	5,909,091
	<u>P10,000,000</u>

Based on this schedule of payment, the entire amount of the outstanding balances of corporate notes as of December 31, 2012 was classified as noncurrent.

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 of December 31, 2012, the Parent Company has complied with these covenants (see Note 27).

Peso-Denominated Loans from Various Local Banks and Financial Institutions

As of December 31, 2011, peso-denominated loans from various local banks and financial institutions consist of bridge facilities mostly payable by the end of 2012 and a term loan payable by December 2014 amounting to P227.8 million and P159.9 million, respectively. In 2012, the Parent Company obtained bridge facilities totaling P400.0 million to be settled on a 90-day term.

Certain peso-denominated loans from various local banks and financial institutions outstanding as of December 31, 2011 amounting to P127.5 million (excluding unsecured loans of P259.9 million as of December 31, 2011) are secured by assignment of "The Grove" receivables with gross undiscounted amount of P0.2 billion (see Note 7). In February 2012, the Parent Company fully paid the said interest-bearing loans and borrowings. Thus, "The Grove" receivables were released from encumbrance.

Interest expense on interest-bearing loans and borrowings amounted to P232.5 million, P171.3 million and P150.9 million in 2012, 2011 and 2010, respectively (see Note 20). Interest expense capitalized as part of land and development costs amounted to P18.3 million and P34.3 million in 2012 and 2011, respectively (see Note 8).

Loan Transaction Costs. As of December 31, 2012 and 2011, loan transaction costs consisting of documentary stamp tax and underwriting fees on the corporate notes 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:

	2012	2011
Balance at beginning of year	P20,716	P7,451
Additions during the year	14,682	24,469
Amortization during the year (see Note 20)	(8,432)	(4,213)
Write-off of loan transaction costs on pre-terminated loans (see Note 20)	-	(6,991)
Balance at end of year	P26,966	P20,716

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 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 2013	P799,755
June 2014	799,755
June 2015	799,755
June 2020	655,799
	P3,055,064

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 P195.4 million and P33.8 million in 2012 and 2011, respectively, and was capitalized as part of land and development costs (see Note 8).

As of December 31, 2012 and 2011, the carrying value of the installment payable amounted to P2.5 billion and P3.0 billion, respectively.

Installment payable is secured by Stand-By Letters of Credit (SBLC) from MBTC and FMIC totaling P2.4 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 of December 31, 2012 and 2011 amounting to P7.2 million and P20.1 million, respectively, is presented as part of "Prepaid costs" under "Other current assets" account in the consolidated statements of financial position (see Note 10).

The related deferred input VAT amounting to P241.6 million and P327.3 million, net of current portion of P85.7 million and P83.5 million, respectively (see Note 10), 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:

	2012	2011
Trade	₱129,079	₱132,042
Accrued expenses:		
Project costs	1,660,581	640,654
Taxes and licenses	202,082	251,481
Interest	65,659	68,631
Utilities	18,669	24,914
Producers' share	10,755	10,356
Marketing and promotions	7,533	13,798
Repairs and maintenance	7,322	10,288
Others	151,172	129,764
Deferred output VAT	337,815	207,216
Due to related party (see Note 24)	120,000	18,733
Excess collections over recognized receivables (see Note 4)	28,984	418,815
Deposits from pre-selling of condominium units (see Note 8)	3,170	283,835
Current portions of:		
Retention payable (see Note 17)	221,218	228,432
Security deposits (see Note 17)	179,837	108,126
Deferred lease income (see Note 17)	65,413	49,544
	₱3,209,289	₱2,596,629

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.

Excess collections over recognized receivables pertain to "Edades" and "The Grove" projects.

Deposits from pre-selling of condominium units represent cash received from buyers pending recognition of sale.

17. Deposits and Other Liabilities

This account consists of:

	2012	2011
Retention payable - net of current portion of ₱221.2 million in 2012 and ₱228.4 million in 2011 (see Note 16)	₱121,743	₱93,273
Security deposits - net of current portion of ₱179.8 million in 2012 and ₱108.1 million in 2011 (see Note 16)	54,353	110,533

(Forward)



	2012	2011
Deferred lease income - net of current portion of ₱65.4 million in 2012 and ₱49.5 million in 2011 (see Note 16)	₱21,405	₱31,334
Others	2,174	16,299
	₱199,675	₱251,439

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 December 31, 2012 and 2011.

	2012	2011
Balance at beginning of year	₱12,987	₱34,269
Additions during the year (see Note 8)	14,559	10,569
Amortization during the year (see Note 8)	(7,863)	(31,851)
Balance at end of year	₱19,683	₱12,987

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.

18. Equity

a. Capital Stock

	Number of Shares	Amount
Authorized		
Common - ₱1 par value	8,890,000,000	₱8,890,000
Preferred - ₱0.01 par value	11,000,000,000	110,000
	19,890,000,000	₱9,000,000
Issued		
Common - ₱1 par value	6,228,382,344	₱6,228,382
Preferred - ₱0.01 par value	2,750,000,000	27,500
	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.

b. Dividends

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.

c. Treasury Shares

On May 11, 2012, the Parent Company acquired 126,620,146 own shares at ₱1.4637 per share (see Note 1).

d. Employee Stock Option Plan (ESOP)

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 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 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 exercise price per share subject to an award granted shall be fixed at ₱1.46, which is the initial listing price of the Company. The ESOP was approved by the SEC on December 6, 2012 and was communicated to the employees on January 3, 2013.

19. Interest Income

This account consists of:

	2012	2011	2010
Interest income from:			
Amortization of unearned interest on trade receivables (see Note 7)	₱614,347	₱491,789	₱549,882
Interest and penalty charges	11,810	11,247	15,097
Cash and cash equivalents (see Note 6)	11,629	10,574	1,540
In-house financing	2,416	3,479	4,435
	<u>₱640,202</u>	<u>₱517,089</u>	<u>₱570,954</u>



20. Expenses

Depreciation and amortization expense included in the consolidated statements of comprehensive income is as follows:

	2012	2011	2010
Included in:			
Cost of real estate (see Note 11)	₱137,342	₱134,539	₱131,857
General and administrative expenses (see Note 13)	109,553	95,190	87,200
	₱246,895	₱229,729	₱219,057

General and administrative expenses pertain to the following businesses:

	2012	2011	2010
Real estate	₱602,805	₱473,642	₱430,628
Cinema	163,012	160,079	150,011
	₱765,817	₱633,721	₱580,639

Real Estate

	2012	2011	2010
Taxes and licenses	₱154,595	₱102,105	₱73,611
Personnel (see Notes 21 and 22)	174,420	125,867	93,305
Depreciation and amortization (see Note 13)	101,553	88,807	81,917
Entertainment, amusement and recreation	32,239	25,887	23,630
Marketing and promotions	23,450	32,914	23,006
Utilities (see Note 24)	20,690	14,937	14,806
Professional fees	11,019	12,676	8,813
Contracted services	8,677	4,969	6,397
Insurance	8,510	9,256	6,606
Fuel and oil	8,289	7,183	4,209
Dues and subscriptions	7,551	6,759	9,281
Security services	1,257	1,951	1,970
Transportation and travel	1,174	2,520	607
Provision for doubtful accounts (see Note 7)	—	2,041	—
Write-off of other receivables	—	—	21,029
Others	49,381	35,770	61,441
	₱602,805	₱473,642	₱430,628

Cinema

	2012	2011	2010
Producers' share	₱81,181	₱84,611	₱80,640
Utilities (see Note 24)	25,758	24,446	22,231
Amusement tax	14,610	14,905	13,008

(Forward)



	2012	2011	2010
Snack bar	₱13,728	₱11,033	₱9,010
Personnel (see Notes 21 and 22)	8,129	7,465	7,766
Depreciation and amortization (see Note 13)	8,000	6,383	5,283
Contracted services	4,618	4,530	4,549
Advertising	2,654	2,751	2,852
Others	4,334	3,955	4,672
	₱163,012	₱160,079	₱150,011

Selling expenses are comprised of:

	2012	2011	2010
Commissions and amortization of prepaid costs (see Notes 4 and 10)	₱168,506	₱209,800	₱155,291
Personnel (see Notes 21 and 22)	44,095	31,506	29,400
Marketing and promotions	30,175	49,253	25,739
Utilities	11,162	—	—
Contracted services	8,465	—	—
Entertainment, amusement and recreation	2,448	1,711	1,234
Others	5,089	757	426
	₱269,940	₱293,027	₱212,090

Interest expense is comprised of:

	2012	2011	2010
Interest expense on loans (see Note 14)	₱232,513	₱171,355	₱150,935
Bank charges	25,269	11,018	1,511
Amortization of loan transaction costs (see Note 14)	8,432	4,213	2,933
Write-off of loan transaction costs on pre-terminated loans (see Note 14)	—	6,991	—
	₱266,214	₱193,577	₱155,379

21. Personnel Expenses

Personnel expenses included in general and administrative expenses and selling expenses are comprised of:

	2012	2011	2010
Salaries and wages (see Note 20)	₱191,295	₱148,468	₱114,733
Pension costs (see Note 22)	35,349	16,370	15,738
	₱226,644	₱164,838	₱130,471



22. Pension Costs

The Company has a funded, noncontributory defined benefit pension plan covering all regular and permanent employees.

The following tables summarize the components of the net pension costs 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:

Net Pension Costs

	2012	2011	2010
Current service cost	P 36,485	P17,966	P14,386
Interest cost	13,921	13,134	11,643
Amortization of past service cost	6,134	6,134	6,134
Expected return on plan assets	(21,241)	(20,864)	(16,425)
Actuarial loss recognized during the year	50	-	-
Net pension cost	P35,349	P16,370	P15,738
Actual return on plan assets	P 45,984	P10,006	P44,387

Pension Liability (Asset)

	2012	2011
Present value of benefit obligation	P 260,158	P218,170
Fair value of plan assets	(258,394)	(212,410)
Unrecognized past service cost	(11,039)	(17,173)
Unrecognized net actuarial gain (loss)	11,182	(22,069)
Pension liability (asset)	P1,907	(P33,482)

The changes in the present value of benefit obligation are as follows:

	2012	2011
Defined benefit obligation at beginning of year	P 218,170	P168,164
Current service cost	36,485	17,966
Interest cost	13,921	13,134
Actuarial loss due to:		
Change in assumptions	12,164	27,367
Experience adjustments	(20,582)	(2,228)
Benefits paid	-	(6,233)
Defined benefit obligation at end of year	P260,158	P218,170

The changes in the fair values of plan assets of the Company are as follows:

	2012	2011
Fair values of plan assets at beginning of year	P 212,410	P208,637
Unrecognized net actuarial gain (loss)	24,743	(10,858)
Expected return on plan assets	21,241	20,864
Benefits paid	-	(6,233)
Fair values of plan assets at end of year	P258,394	P212,410



Movements in unrecognized actuarial gain (loss) are as follows:

	2012	2011
Net cumulative unrecognized actuarial gain (loss) at beginning of year	(P22,069)	P13,928
Actuarial gain (loss) due to:		
Change in assumptions	(12,164)	(27,367)
Experience adjustments	20,582	2,228
Net actuarial loss recognized	50	-
Actuarial gain (loss) on plan assets	24,783	(10,858)
Net cumulative unrecognized actuarial gain (loss) at end of year	P11,182	(P22,069)

The Company does not expect to contribute to its pension plan in 2013.

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

	2012	2011
Investments in:		
Government securities	19.75%	37.15%
Loans and debt instruments	9.15%	10.93%
Other securities	71.10%	51.92%
	100.00%	100.00%

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The principal assumptions used as of January 1, 2012 and 2011 in determining pension cost obligation for the Company's plans are as follows:

	2012	2011
Discount rate	7.81%	6.03%
Future salary rate increases	10.00%	10.00%
Expected rate of return on plan assets	10.00%	10.00%

Discount rate prevailing as of December 31, 2012 is 5.51%.

The amounts for the current and previous four periods are as follows:

	2012	2011	2010	2009	2008
Defined benefit obligation	P260,158	P218,170	P168,164	P126,010	P50,154
Plan assets	258,394	212,410	208,637	164,250	82,295
Experience adjustment on defined benefit obligation	(20,582)	(2,228)	993	6,687	(2,156)
Experience adjustment on plan assets	24,783	(10,858)	27,692	16,518	(9,911)

The plan assets of the Company are maintained by the trustee banks, BDO Unibank, Inc. (BDO) and MBTC.



As of December 31, 2012, the carrying values and fair values of the plan are as follows:

	Carrying Value	Fair Value
Cash in banks		
MBTC	₱1,687	₱1,687
BDO	5,332	5,332
Receivables - net of payables		
MBTC	633	633
BDO	2,068	2,068
Investments held for trading		
MBTC	130,154	130,154
BDO	118,520	118,520
	₱258,394	₱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 ₱97.2 million as of December 31, 2012.

There are no outstanding balances arising from transactions between the Retirement Plan and the Company as at December 31, 2012. Except as stated above, there were no other transactions entered into during the year by the Retirement Plan relating to the Company.

23. Income Taxes

The components of provision for income tax for the years ended December 31 follow:

	2012	2011	2010
Current income tax	₱326,474	₱430,715	₱272,467
Deferred income tax	111,502	(140,438)	24,753
	₱437,976	₱290,277	₱297,220

The current provision for income tax represents the regular corporate income tax.

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 as of December 31, 2012 and 2011 shown in the consolidated statements of financial position are as follows:

	2012	2011
Deferred tax liabilities:		
Unrealized gain on real estate	P147,902	P25,228
Capitalized interest	78,902	82,084
Overfunded pension costs	3,634	10,045
Unrealized gain on available-for-sale investments	2,177	1,463
Unrealized foreign exchange gain	454	1,661
	233,069	120,481
Deferred tax assets:		
Deferred lease income	25,657	24,156
Unamortized past service cost	13,543	16,332
Other employee benefits	7,768	6,953
Allowance for doubtful accounts and others	5,009	4,164
	51,977	51,605
	P181,092	P68,876

As of December 31, 2012, the subsidiaries of the Parent Company recognized NOLCO totaling P845 which will expire in 2015.

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:

	2012	2011	2010
Statutory income tax rate	30.0%	30.0%	30.0%
Additions to income tax resulting from:			
Share in net (income) losses of joint venture	(1.9)	(2.0)	-
Nondeductible expenses	1.8	0.1	0.6
Nontaxable income and others	(1.9)	(4.0)	(3.5)
Effective income tax rate	28.0%	24.1%	27.1%

24. 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 for the years ended December 31, 2012 and 2011:

Related Parties	Relationship	Nature of Transaction	Period	Transaction Amount	Amounts Owed (to) from Related Parties (see Notes 7 and 16)	Terms	Conditions
Rockwell-Meralco BPO	Joint venture	Advances	2012	P120,000	(P120,000)	90-day, non-interest bearing	Unsecured; no impairment
		Dividend income	2012	12,681	-		

(Forward)



Related Parties	Relationship	Nature of Transaction	Period	Transaction Amount	Amounts Owed (to) from Related Parties (see Notes 7 and 16)		
					Terms	Conditions	
Advances to officers and employees		Advances	2012	₱64,036	₱11,451	30-day; non-interest bearing	Unsecured; no impairment
Meralco	Parent company until May 2012	Utilities	2011	86,781	9,450	30-day; non-interest bearing	Unsecured; no impairment
			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, 2012, 2011 and 2010, 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

	2012	2011	2010
Short-term employee benefits	₱56,061	₱41,790	₱42,191
Post-employment pension and other benefits	11,432	9,767	9,970
Total compensation attributable to key management personnel	₱67,493	₱51,557	₱52,161

25. Derivative Financial Instruments

The Company entered into deliverable currency forward contracts to manage its foreign currency exposure arising from its US\$ denominated receivables. As of 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 are as follows:

Balance at beginning of year	₱699
Mark-to-market loss	(304)
Fair value of settled instruments	(395)
Asset (liability) at end of year	₱—



26. 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:

2013	P536,236
2014	135,100
2015	70,731
2016	39,506
2017 and after	37,601
	<u>P819,174</u>

Capital Commitments

- a. The 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 ongoing. As of December 31, 2012, ₱927.6 million has been incurred and paid.
- b. The Company entered into contract covering superstructure works related to "The Grove" 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 currently nearing its completion. As of December 31, 2012, total amount paid related to this contract amounted to ₱1.8 billion.
- c. The 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. Substructure works commenced in May 2012. As of December 31, 2012, ₱173.8 million has been incurred and paid.
- d. The 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 ongoing. As of December 31, 2012, total amount paid related to this contract amounted to ₱88.8 million.
- e. The Company entered into contract covering excavation works related to "Lopez Tower" with WE Enterprises & Contractors, Inc. The contract sum awarded for the work amounted to ₱26.0 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. Excavation works commenced in June 2012. As of December 31, 2012, ₱9.0 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.

27. 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 of December 31, 2012 and 2011, approximately 100% and 92%, respectively, 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.

	2012				Total
	Within 1 Year	1-2 Years	2-3 Years	More than 3 Years	
Fixed Rate					
Interest-bearing loans and borrowings	₱404,572	₱236,200	₱727,273	₱3,090,909	₱4,458,954
Short-term investments	333,410	-	-	-	333,410
	2011				
	Within 1 Year	1-2 Years	2-3 Years	More than 3 Years	Total
Fixed Rate					
Interest-bearing loans and borrowings	₱50,942	₱509,118	₱508,927	₱1,590,909	₱2,659,896
Short-term investments	328,113	-	-	-	328,113



	2011				Total
	Within 1 Year	1-2 Years	2-3 Years	More than 3 Years	
Floating Rate					
Interest-bearing loans and borrowings	P227,476	P-	P-	P-	P227,476

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate 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 of December 31, 2012.

	Increase/Decrease in Basis Points	Effect on Income Before Income Tax
Floating rate loans from various local banks	+100	(P5.22 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

	2012		2011	
	US\$	Peso	US\$	Peso
Foreign currency-denominated cash and cash equivalents	US\$499	P20,480	US\$70	P3,067

As of December 31, 2012 and 2011, the exchange rate was P41.05 to US\$1.00 and P43.84 to US\$1.00, respectively. Net foreign exchange loss (gain) amounted to (P4.0 million), (P3.8 million) and P19.4 million in 2012, 2011 and 2010, 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, 2012 and 2011 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.

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)
2011		
	Increase/Decrease in US\$ Rate (in %)	Effect on Income Before Income Tax
Foreign currency-denominated financial assets	+5%	₱0.15 million
	-5%	(₱0.15 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 and club shares are being monitored on an ongoing basis to enable the Company to determine the appropriate action - usually, cancelling the sale and holding the units and club shares 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 without taking into account any collateral held or other credit enhancements.

	2012		
	Gross Maximum Exposure	Net Exposure	Financial Effect of Collateral or Credit Enhancement
Cash and cash equivalents*	₱485,017	₱481,017	₱4,000
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	11,451	-	11,451
Other receivables**	68,416	68,416	-
Available-for-sale investments:			
Quoted	245,100	245,100	-
Unquoted	3,308	3,308	-
Refundable deposits***	24,884	24,884	-
Restricted cash	2,897	2,897	-
	₱4,268,199	₱895,520	₱3,372,679
	2011		
	Gross Maximum Exposure	Net Exposure	Financial Effect of Collateral or Credit Enhancement
Cash and cash equivalents*	₱447,709	₱443,709	₱4,000
Trade receivables from:			
Sale of condominium units	2,426,022	38,856	2,387,166
Lease	92,134	5,558	86,576
Advances to officers and employees	9,450	-	9,450
Other receivables**	64,917	64,917	-
Available-for-sale investments:			
Quoted	258,920	258,920	-
Unquoted	3,308	3,308	-
Refundable deposits***	17,323	17,323	-
	₱3,319,783	₱832,591	₱2,487,192

*Excluding cash on hand amounting to ₱270 and ₱226 as of December 31, 2012 and 2011, respectively.

**Excluding other receivables, which are nonfinancial assets, amounting to ₱2,814 and ₱2,670 as of December 31, 2012 and 2011, respectively.

***Presented as part of "Other current assets" account in the consolidated statements of financial position.

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.

	2012		
	A Rating	B Rating	Total
Cash and cash equivalents	₱485,017	₱-	₱485,017
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	11,451	-	11,451
Other receivables	68,416	-	68,416
Available-for-sale investments:			
Quoted	245,100	-	245,100
Unquoted	3,308	-	3,308
Restricted cash	2,897	-	2,897
	₱3,416,941	₱725,478	₱4,142,419

	2011		
	A Rating	B Rating	Total
Cash and cash equivalents	₱447,709	₱-	₱447,709
Trade receivables from:			
Sale of condominium units	1,251,979	675,199	1,927,178
Lease	61,614	28,435	90,049
Advances to officers and employees	9,119	331	9,450
Other receivables	64,917	-	64,917
Available-for-sale investments:			
Quoted	258,920	-	258,920
Unquoted	3,308	-	3,308
	₱2,097,566	₱703,965	₱2,801,531

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 of December 31, 2012 and 2011, the analyses of the age of financial assets are as follows:

	2012					Total
	Neither Past Due nor Impaired	Past Due but not Impaired			More than 90 Days	
		Less than 30 Days	31 to 60 Days	61 to 90 Days		
Cash and cash equivalents	₱485,287	₱-	₱-	₱-	₱-	₱485,287
Trade receivables from:						
Sale of condominium units	3,224,819	36,302	39,212	4,804	15,843	3,320,988
Lease	101,411	2,809	1,926	-	-	106,146
Advances to officers and employees	11,451	-	-	-	-	11,451
Other receivables	68,416	-	-	-	-	68,416
Available-for-sale investments:						
Quoted	245,100	-	-	-	-	245,100
Unquoted	3,308	-	-	-	-	3,308
Refundable deposits	5,370	2,023	340	11	17,140	24,884
Restricted cash	2,897	-	-	-	-	2,897
	₱4,148,059	₱41,134	₱41,478	₱4,815	₱32,983	₱4,268,469



	2011					Total
	Neither Past Due nor Impaired	Past Due but not Impaired			More than 90 Days	
		Less than 30 Days	31 to 60 Days	61 to 90 Days		
Cash and cash equivalents	P447,935	P-	P-	P-	P-	P447,935
Trade receivables from:						
Sale of condominium units	1,927,178	436,813	3,774	6,569	51,688	2,426,022
Lease	90,049	1,499	586	-	-	92,134
Advances to officers and employees	9,450	-	-	-	-	9,450
Other receivables	64,917	-	-	-	-	64,917
Available-for-sale investments:						
Quoted	258,920	-	-	-	-	258,920
Unquoted	3,308	-	-	-	-	3,308
Refundable deposits	-	-	-	-	17,323	17,323
	P2,801,757	P438,312	P4,360	P6,569	P69,011	P3,320,009

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 ₱18.3 billion and ₱15.5 billion as of December 31, 2012 and 2011, respectively. The fair value of the club shares amounted to ₱6.6 million and ₱4.2 million as of December 31, 2012 and 2011, 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.

As of December 31, 2011, trade receivables from lease amounting to ₱0.2 million were subjected to specific and collective impairment testing. As a result, no provision for impairment was made for trade receivables from lease 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. 10% and 90% of the Company's debt will mature in less than one year as of December 31, 2012 and 2011, 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, 2012 and 2011 based on contractual undiscounted payments.

	2012			
	Due Within 3 Months	Due Between 3 and 12 Months	Due After 12 Months	Total
Trade and other payables	₱234,514	₱2,096,902	₱-	₱2,331,416
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**	66,029	113,808	54,353	234,190
	₱761,978	₱3,416,941	₱7,212,776	₱11,391,695



2011				
	Due Within 3 Months	Due Between 3 and 12 Months	Due After 12 Months	Total
Trade and other payables	₱239,510	₱1,043,029	₱-	₱1,282,539
Interest-bearing loans and borrowings*	184,387	290,125	3,137,621	3,612,133
Installment payable	-	792,130	3,055,063	3,847,193
Retention payable**	18,429	210,003	106,259	334,691
Security deposits**	32,729	75,397	110,533	218,659
	₱475,055	₱2,410,684	₱6,409,476	₱9,295,215

* 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 of December 31, 2012 and 2011:

2012						
	On Demand	Within 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
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	-	-	-	-	248,408	248,408
	₱1,923,917	₱684,415	₱41,266	₱57,424	₱341,008	₱3,048,030

2011						
	On Demand	Within 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Cash and cash equivalents	₱119,822	₱328,113	₱-	₱-	₱-	₱447,935
Trade receivables from:						
Sale of condominium units	1,068,783	680,367	111,980	68,551	318,847	2,248,528
Lease	92,134	-	-	-	-	92,134
Available-for-sale investments	-	-	-	-	262,228	262,228
	₱1,280,739	₱1,008,480	₱111,980	₱68,551	₱581,075	₱3,050,825

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, 2012 and 2011.

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 0.40.



The Company is required to maintain debt-to-equity ratio as set forth in the Fixed Rate Corporate Notes Facility Agreement. The Agreement provides for a higher debt to equity ratio than the internal limit set by the Company (see Note 14).

	2012	2011	2010
Interest-bearing loans and borrowings	₱4,431,988	₱2,866,656	₱3,016,217
Less cash and cash equivalents	485,287	447,935	320,706
Net	3,946,701	2,418,721	2,695,511
Equity	10,071,395	9,147,739	8,247,074
Net debt-to-equity ratio	0.39	0.26	0.33

28. Financial Instruments

Fair Values

Set out below is a comparison by class of carrying values and fair values of all the Company's financial instruments that are carried in the consolidated financial statements as of December 31, 2012 and 2011. There are no material unrecognized financial assets and liabilities as of December 31, 2012 and 2011.

	Carrying Value		Fair Value	
	2012	2011	2012	2011
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	₱485,287	₱447,935	₱485,287	₱447,935
Trade receivables from:				
Sale of condominium units (including noncurrent portion)	3,320,980	2,426,022	7,542,292	6,191,110
Lease	106,146	92,134	106,146	92,134
Advances to officers and employees	11,451	9,450	11,451	9,450
Other receivables*	68,416	64,917	68,416	64,917
Refundable deposits**	24,884	17,323	24,884	17,323
Restricted cash	2,897	—	2,897	—
Available-for-sale investments:				
Quoted	245,100	258,920	245,100	258,920
Unquoted	3,308	3,308	3,308	3,308
	₱4,268,469	₱3,320,009	₱8,489,781	₱7,085,097

* Carrying amounts exclude other receivables, which are nonfinancial assets, amounting to ₱2,814 and ₱2,670 as of December 31, 2012 and 2011, respectively.

** Carrying amounts exclude other deposits, which are nonfinancial assets, amounting to ₱65 as of December 31, 2012 and 2011.

	Carrying Value		Fair Value	
	2012	2011	2012	2011
Financial Liabilities				
Other financial liabilities:				
Trade and other payables*	₱2,331,416	₱1,282,539	₱2,331,416	₱1,282,539
Interest-bearing loans and borrowings (including noncurrent portion)	4,431,988	2,866,656	4,587,569	3,097,784
Installment payable	2,501,797	3,022,424	2,737,173	3,227,554

(Forward)



Retention payable (including noncurrent portion)	₱342,961	₱321,705	₱332,512	₱310,193
Security deposits (including noncurrent portion)	234,190	218,659	239,961	213,482
	₱9,842,352	₱7,711,983	₱10,228,631	₱8,131,552

* Carrying amounts exclude statutory payables and other nonfinancial liabilities, totaling to ₱411,405 and ₱927,988 as of December 31, 2012 and 2011, respectively.

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 1.8% to 4.9% as of December 31, 2012 and 3.7% to 7.3% as of December 31, 2011.

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

- Fixed Rate

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 1.9% to 6.9% as of December 31, 2012 and 3.7% to 7.2% as of December 31, 2011.

- Floating Rate

The fair values of floating rate loans approximate the carrying values as of financial reporting date due to the monthly and quarterly repricing of interest rates.

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 1.6% to 4.9% as of December 31, 2012 and 3.7% to 7.4% as of December 31, 2011.

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 2.0% to 7.9% as of December 31, 2012 and 4.0% to 6.8% as of December 31, 2011.



Fair Value Hierarchy

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

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

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

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

	2012	Level 1	Level 2	Level 3
Assets measured at fair value				
Available-for-sale financial assets	₱245,100	₱245,100	₱-	₱-

	2011	Level 1	Level 2	Level 3
Assets measured at fair value				
Available-for-sale financial assets	₱258,920	₱258,920	₱-	₱-

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

29. Basic/Diluted Earnings Per Share Computation

	2012	2011	2010
Net income	₱1,124,849	₱914,903	₱801,307
Dividends on preferred shares	(1,338)	(1,650)	(1,650)
Net income attributable to common shares (a)	1,123,511	913,253	799,657
Common shares at beginning of year	6,228,382,344	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 number of common shares (b)	6,147,206,689	6,228,382,344	6,228,382,344
Basic/diluted earnings per share (a/b)	₱0.18	₱0.15	₱0.13

30. 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.
- *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.

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 in 2012, 2011 and 2010:

	2012		Total
	Residential Development	Commercial Leasing	
Revenue	₱5,771,792	₱965,741	₱6,737,533
Costs and expenses	(4,522,081)	(253,466)	(4,775,547)
Share in net income of joint venture	—	98,470	98,470
Other income - net	15,478	—	15,478
EBITDA	1,265,189	810,745	2,075,934
Depreciation and amortization			(246,895)
Interest expense			(266,214)
Provision for income tax			(437,976)
Consolidated net income	₱1,265,189	₱810,745	₱1,124,849



	2012		
	Residential Development	Commercial Leasing	Total
Assets and Liabilities			
Segment assets	₱11,629,196	₱1,328,787	₱12,957,983
Investment properties	1,490,957	3,462,925	4,953,882
Investment in joint venture	—	2,188,891	2,188,891
Property and equipment	351,151	170,580	521,731
Total assets	₱13,471,304	₱7,151,183	₱20,622,487
Segment liabilities	₱9,739,297	₱811,795	₱10,551,092
	2011		
	Residential Development	Commercial Leasing	Total
Revenue	₱5,211,152	₱941,545	₱6,152,697
Costs and expenses	(4,350,928)	(256,630)	(4,607,558)
Share in net income of joint venture	—	79,861	79,861
Other income - net	3,486	—	3,486
EBITDA	863,710	764,776	1,628,486
Depreciation and amortization			(229,729)
Interest expense			(193,577)
Provision for income tax			(290,277)
Consolidated net income	₱863,710	₱764,776	₱1,428,486
Assets and Liabilities			
Segment assets	₱9,363,356	₱1,344,425	₱10,707,781
Investment properties	1,129,548	3,601,620	4,731,168
Investment in joint venture	—	2,103,102	2,103,102
Property and equipment	248,304	196,095	444,399
Total assets	₱10,741,208	₱7,245,242	₱17,986,450
Segment liabilities	₱4,458,271	₱4,380,440	₱8,838,711
	2010		
	Residential Development	Commercial Leasing	Total
Revenue	₱4,017,700	₱866,810	₱4,884,510
Costs and expenses	(3,163,718)	(237,867)	(3,401,585)
Share in net losses of joint venture	—	(937)	(937)
Other expenses - net	(9,025)	—	(9,025)
EBITDA	844,957	628,006	1,472,963
Depreciation and amortization			(219,057)
Interest expense			(155,379)
Provision for income tax			(297,220)
Consolidated net income	₱844,957	₱628,006	₱1,472,963



31. 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 December 31, 2011 (see Note 15).

