



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:

ROCKWELL INFORMATION CENTER,  
ROCKWELL CENTER, 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 : 3 August 2012

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:

13 July 2012

**10. 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 May 2012:**

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 May 2012:**

4,106,571,746.76 (Short-Term and Long-Term Debt)

**11. 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 July 13, 2012 and is being furnished to the stockholders of record of Rockwell Land Corporation ("Rockwell Land" or the "Company") as of June 14, 2012 in connection with the Annual Stockholders Meeting.

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### WE ARE NOT ASKING FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND A PROXY

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#### A. General Information

##### **Date, time and place of meeting of security holder:**

Date : 3 August 2012  
Time : 9:00 am  
Place : The Rockwell Tent, Rockwell Center, Makati City, Metro Manila

##### **Record Date:**

14 June 2012

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

13 July 2012

##### **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; and (iii) in case of merger or consolidation.

The appraisal right may be exercised by a stockholder who has voted against the proposed corporate action, by making a written demand on the Company within 30 days after the date on which the vote was taken for the payment of the fair market value of his 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.

##### **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

### Voting Securities and Principal Holders Thereof

- (a) The Company has 6,101,762,198 Common Shares issued and outstanding as of 14 June 2012. The Company also has 2,750,000,000 voting Preferred Shares issued and outstanding as of 14 June 2012. 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 14 June 2012 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 and Management as of 31 May 2012.

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	% of Total Outstanding Shares
Common Shares	First Philippine Holdings Corporation 4th Floor Benpres Bldg., Exchange Road, Ortigas Center, Pasig City Stockholder	First Philippine Holdings Corporation is the beneficial and record owner of the shares indicated	Filipino	3,176,986,354	51.0%
Common Shares	Beacon Electric Asset Holdings, Inc. 10/F MGO Building, Legazpi corner dela Rosa Sts., Legazpi Village, Makati City Stockholder	Beacon Electric Assets Holdings, Inc. is the beneficial and record owner of the shares indicated	Filipino	1,437,382,190	23.1%
Common Shares	San Miguel Corporation No. 40 San Miguel Avenue, Mandaluyong City Stockholder	San Miguel Corporation is the beneficial and record owner of the shares indicated	Filipino	681,646,831	10.9%
Common Shares	PCD Nominee Corporation 37/F Enterprise Tower I, Ayala Ave., cor. Paseo de Roxas, Makati City Stockholder	PCD Nominee Corporation is the record owner but not the beneficial owner which are	Filipino	186,089,180	3.0%

		owned beneficially by the investing public			
	TOTAL OUTSTANDING COMMON SHARES			6,228,382,334	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 Certain Record of Directors and Management as of 11 May 2012.

Title of Class	Name and Position	Name of Beneficial Owner and Nature Relationship with Record Owner	Citizenship	No. of Shares Held	% of Total Outstanding Shares
Common Shares	Manuel M. Lopez Chairman	Held in trust for the beneficial owner First Philippine Holdings Corporation	Filipino	1	NIL
	Manuel M. Lopez Chairman	Same record and beneficial owner	Filipino	2,245,552	NIL
	Manuel M. Lopez and/or Maria Teresa L. Lopez	Same record and beneficial owner	Filipino	4,084,411	NIL
Common Shares	Oscar M. Lopez Vice-Chairman	Held in trust for the beneficial owner First Philippine Holdings Corporation	Filipino	1	NIL
	Oscar M. Lopez Vice-Chairman	Same record and beneficial owner	Filipino	119,376	NIL
	Oscar M. Lopez of Consuelo R. Lopez	Same record and beneficial owner	Filipino	55,521	NIL
Common Shares	Nestor J. Padilla Director and President	Held in trust for the beneficial owner First Philippine Holdings Corporation	Filipino	1	NIL
Common Shares	Miguel Ernesto L. Lopez Director and Treasurer	Held in trust for the beneficial owner First Philippine Holdings Corporation	Filipino	1	NIL
Common Shares	Eugenio L. Lopez III Director	Held in trust for the beneficial owner First	Filipino	1	NIL

		Philippine Holdings Corporation			
Common Shares	Manuel L. Lopez, Jr. Director	Held in trust for the beneficial owner First Philippine Holdings Corporation	Filipino	1	NIL
Common Shares	Elpidio L. Ibañez Director	Held in trust for the beneficial owner First Philippine Holdings Corporation	Filipino	1	NIL
Common Shares	Elpidio L. Ibañez Director	Same record and beneficial owner	Filipino	741	NIL
Common Shares	Jose Guingona Director	Held in trust for the beneficial owner First Philippine Holdings Corporation	Filipino	1	NIL
Common Shares	Jose Guingona Director	Same record and beneficial owner	Filipino	44,155	NIL
Common Shares	Benjamin R. Lopez Director	Held in trust for the beneficial owner First Philippine Holdings Corporation	Filipino	1	NIL
Common Shares	Manuel N. Tordesillas Independent Director	Held in trust for the beneficial owner First Philippine Holdings Corporation	Filipino	1	NIL
Common Shares	Vicente R. Ayllón Independent Director	Held in trust for the beneficial owner First Philippine Holdings Corporation	Filipino	1	NIL
Common Shares	Enrique I. Quiason Corporate Secretary	Same record and beneficial owner	Filipino	3,575	NIL
Common Shares	Rodolfo R. Waga, Jr. Asst. Corporate Secretary	Same record and beneficial owner	Filipino	1,116	N.A.
N.A.	Valerie Jane Lopez-Soliven Vice-President Sales and Marketing	N.A.	Filipino	None	N.A.
N.A.	Maria Lourdes Lacson-Pineda Vice-President Retail and General Manager of the Power Plant Mall	N.A.	Filipino	None	N.A.
Common Shares	Estela Y. Dasmariñas Vice-President Human Resources	Same record and beneficial owner	Filipino	1,882	NIL
N.A.	Ellen V. Almodiel Vice-President Finance	N.A.	Filipino	None	N.A.
N.A.	Engr. Julius A. Marzoña Vice-President Project Development	N.A.	Filipino	None	N.A.
N.A.	Ma. Victoria Ortega-Pollisco Assistant Vice-President Legal	N.A.	Filipino	None	N.A.

N.A.	Jose Patricio S. Masakayan Vice-President and General Manager of Rockwell Club	N.A.	Filipino	None	N.A.
N.A.	Davy T. Tan Assistant Vice-President Business Development	N.A.	Filipino	None	N.A.

### **Voting Trust**

As of the date of this Prospectus, 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**

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. However, upon the Dividend Distribution and Listing, FPHC is expected to remain the sole holder of the Preferred Shares. Under the Company's amended articles of incorporation and amended by-laws, holders of Preferred Shares are entitled to full voting rights. Further, Preferred shares can only be transferred to (a) Philippine citizens and (b) to a corporation of which at least 60% of the total outstanding equity capital is beneficially owned by Philippine citizens and which is not in competition with Meralco, Benpres Holdings Corporation (now "Lopez Holdings Corporation"), FPHC, or any of their affiliates. It is expected that upon completion of the Dividend Distribution and Listing, the Preferred Shares will constitute 30.6% of the Company's outstanding capital stock. As of 31 May 2012, FPHC's combined ownership of the Company's Preferred Shares and Common Shares will be [52%] of the total outstanding voting capital stock.

### **Directors and Executive Officers as of 31 May 2012**

The overall management and supervision of the Company is undertaken by the Board of Directors. There are 11 members of the Board of Directors. The regular directors were elected during the annual meeting of the stockholders held on May 31, 2011, 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  
Nestor J. Padilla  
Miguel Ernesto L. Lopez  
Eugenio L. Lopez III  
Manuel L. Lopez, Jr.  
Elpidio L. Ibanez  
Jose T. Guingona  
Benjamin R. Lopez  
Manuel N. Tordesillas (Independent Director)  
Vicente R. Ayllon (Independent Director)

The Company's key executive officers as of May 31, 2011 are as follows:

Nestor J. Padilla	President
Miguel Ernesto L. Lopez	Treasurer
Valerie Jane Lopez-Soliven	Vice-President Sales and Marketing
Maria Lourdes Lacson-Pineda	Vice-President Retail and



Estela Y. Dasmarinas	General Manager of the Power Plant Mall
Ellen V. Almodiel	Vice-President Human Resources
Engr. Julius A. Marzona	Vice-President Finance
Ma. Victoria Ortega-Pollisco	Vice-President Project Development
Jose Patricio S. Masakayan	Assistant Vice-President
	Vice-President and
	General Manager of Rockwell Club
Davy T. Tan	Assistant Vice-President Business Development
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:

***Manuel M. Lopez*** - 69, Filipino

Mr. Lopez has served as the Chairman of Rockwell Land since 1995. He is also currently the Chairman of the Board of Directors of Meralco. He has also served as a Director in Lopez Holdings Corporation, Meralco, Bayan Telecommunications, Inc., ABS-CBN Broadcasting Corporation, and Sky Cable Corporation, among others. He is currently the Philippine Ambassador to Japan. 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*** - 81, Filipino

Mr. Lopez has served as Vice-Chairman of Rockwell Land since 1995. He has also served as a Director in Lopez, Inc., FPHC, Bayan Telecommunications, Inc., Sky Cable Corporation, and ABS-CBN Broadcasting Corporation, among others. He is currently the Chairman Emeritus of First Philippine Holdings. Mr. Lopez holds a Bachelor of Arts degree from Harvard College and a Master's degree in Public Administration from Harvard University.

***Nestor J. Padilla*** - 57, 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 FPHC and Rockwell Club, among others, and he has served as a Trustee of the Rockwell Land Condominium Corporation. During a stint in Indonesia, he held the position of Chief Executive Officer in Lippo Land and was the Executive Director of Indo Ayala Leasing. Mr. Padilla holds a Bachelor of Science degree in Business Management from the Ateneo de Manila University.

***Miguel Ernesto L. Lopez*** - 42, Filipino

Mr. Lopez has been a Director at Rockwell Land since 2009 and was also elected as Treasurer since 2009. 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. He is currently the Vice President and Head of Corporate Affairs of Lopez Holdings Corporation. 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.

***Eugenio L. Lopez III*** - 59, Filipino

Mr. Lopez has been a Director at Rockwell Land since 1995. He has also served as a Director in ABS-CBN Broadcasting Corporation, Sky Cable Corporation, Lopez Holdings Corporation, First

Gen Corporation, and FPHC, among others. 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.

***Manuel L. Lopez, Jr.*** - 44, 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.

***Elpidio L. Ibañez*** - 61, Filipino

Mr. Ibanez has been a Director at Rockwell Land since 1999. 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. He is the current President and Chief Operating Officer of First Philippine Holdings. 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.

***Jose T. Guingona*** - 77, Filipino

Mr. Guingona has been a Director at Rockwell Land since 2005. He has also served as a Director in VENTAJA Corporation, Philippine Commercial Capital, Inc., PCCI Insurance Brokerage Corporation, Bauang Private Power Company, and First Power Private Corporation, among others. Mr. Guingona holds a Bachelor of Science degree in Journalism from Universidad Central de Madrid.

***Benjamin R. Lopez*** - 42, Filipino

Mr. Lopez has been a Director at Rockwell Land since 2001. He has also served as a Director in First Philippine Electric Corporation, First Balfour, Inc., and various other subsidiaries of the Lopez Group. He is presently serving as the Vice President for Corporate Communications of First Philippine Holdings. 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.

***Vicente R. Ayllón*** - 80, Filipino

Mr. Ayllón was elected as an Independent Director of Rockwell Land in May of 2012. He has also served as a Director in Insular General Insurance Co. Inc., The Insular Life Assurance Company, Ltd., Asian Hospital, Inc., UnionBank of the Philippines, and Pilipinas Shell Petroleum Corporation, among others. Mr. Ayllón holds a Bachelor of Science degree in Commerce from the University of the East.

***Manuel N. Tordesillas*** - 58, Filipino

Mr. Tordesillas was elected as an Independent Director of Rockwell Land in May of 2012. He has also served as a Director in ATR KimEng Financial Corporation, ATR KimEng Capital Partners, Inc., AsianLife Financial Assurance Corporation, Tullett Prebon Philippines, Inc., and Sucat Land Corporation, 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.

**Valerie Jane Lopez-Soliven** – 43, Filipino

Ms. Soliven served the Company for 15 years and is currently 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** - 42, Filipino

Ms. Pineda has been with the Company for 12 years and is currently Vice-President for Retail, and General Manager of the Power Plant Mall and other retail developments of Rockwell. 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** – 51, 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** - 38, Filipino

Ms. Almodiel has been Vice-President for Finance since 2010. She started as Finance Manager in 1994 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** – 50, Filipino

Mr. Marzona has been with the company for six 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.

**Ma. Victoria Ortega-Pollisco** - 48, Filipino

Atty. Pollisco joined Rockwell Land as Assistant Vice-President for Legal Services in 2007. Before joining Rockwell Land, she spent 13 years with the KUOK Group, as Corporate Secretary and Legal Counsel of KPPI Land Corporation. She was also Corporate Secretary and Vice-President for Legal of San Lorenzo Development Corporation. Atty. Pollisco, a member of the Integrated Bar of the Philippines, holds a Bachelor of Science degree in Legal Management and Bachelor of Laws degree both from the Ateneo de Manila University. She is a licensed real estate broker since 1990 and is a

holder of a Post Baccalaureate Diploma in Real Estate Management from De La Salle College of St. Benilde.

***Jose Patricio S. Masakayan*** – 52, Filipino

Mr. Masakayan has been Vice-President and General Manager of Rockwell Club since 2009. In 2004, he was Vice-President for Retail of Rockwell Land. Prior to joining Rockwell Land, he was Managing Director of Streetlife Fun Dining Gallery, Vice-President for Marketing of Angelino's Group of Restaurants, Vice-President for Marketing of TalkBack Philippines and much earlier on was a Creative Staff for USA Today, a major daily based in Virginia, USA. Mr. Masakayan holds a Bachelor of Science degree in Business Administration, Major in Marketing from George Washington University. He also completed a full course in Advertising Commercial Art from Northern Virginia Community College.

***Davy T. Tan*** – 38, 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.

***Enrique I. Quiason*** - 51, Filipino

Mr. Quiason has been the Corporate Secretary at Rockwell Land since 1995. He has also served as a Corporate Secretary to Lopez Holdings Corporation, ABS-CBN Broadcasting Corporation, FPHC, Maynilad Water Services, Inc., and Sky Vision Corporation, among others. He is a Senior Partner at the Law Firm of Quiason Makalintal Barot Torres Ibarra & Sison. Mr. Quiason, a Member of the Integrated Bar of the Philippines, holds a Bachelor of Science degree in Business Economics and a Bachelor of Laws degree from the University of the Philippines, and a Master of Laws degree in Securities Regulation from Georgetown University.

***Rodolfo R. Waga, Jr.*** - 52, Filipino

Mr. Waga has been the Assistant Corporate Secretary at Rockwell Land since 2010. He is the Vice President and Head of the Legal Group of FPHC, and serves as either the Corporate Secretary or Assistant Corporate Secretary of FPHC and its subsidiaries/affiliates. Mr. Waga, a member of the Integrated Bar of the Philippines, holds a Bachelor of Arts degree in Economics from Xavier University, and a Bachelor of Laws degree from the University of the Philippines.

**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 Vice-Chairman 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 Vice-Chairman Oscar M. Lopez.
- Benjamin R. Lopez is the son of Vice-Chairman Oscar M. Lopez and the nephew Chairman, Manuel M. Lopez.
- Eugenio Lopez III is the nephew of the Chairman, Manuel L. Lopez and Vice-Chairman, Oscar M. Lopez.
- Eugenio Lopez III and Benjamin R. Lopez are cousins of Miguel Ernesto Lopez and Manuel L. Lopez Jr.

### **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 Prospectus 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**

As of June [29], 2012, the Company received nominations for the following as members of the Board of Directors for the ensuing year (2012-2013):

Manuel M. Lopez  
Oscar M. Lopez  
Nestor J. Padilla  
Miguel Ernesto L. Lopez  
Eugenio L. Lopez III  
Manuel L. Lopez, Jr.  
Elpidio L. Ibanez  
Jose T. Guingona  
Benjamin R. Lopez  
Manuel N. Tordesillas (Independent Director)  
Vicente R. Ayllon (Independent Director)

### **Independent Directors of the Board**

Messrs. Ayllon 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. Ayllon 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 arms 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 First Philippine Holdings Corporation. Inc. A stockholder, Mr. [] nominated the independent directors. The independent directors are independent of management and free from any business or other relationship with Lopez, Inc. The Nominations and Elections Committee passed upon the qualifications of the 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 Ayllon.

### 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 P2,500.00 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

	Year	Salary	Bonus	Other annual compensation
CEO + 4 most highly compensated executive officers in the aggregate as follows: Granados, Adolfo O. Masakayan, Jose Patricio S. Padilla, Nestor J. Pineda, Ma. Lourdes L. Soliven, Valerie Jane L.	2010	P28.9 million	P2.5 million	P26.4 thousand
All other Officers and Directors	2010	P10.0 million	P0.9 million	P0.3 million
CEO + 4 most highly compensated executive officers in the aggregate as follows: Lopez, Miguel Ernesto L. Masakayan, Jose Patricio S. Padilla, Nestor J. Pineda, Ma. Lourdes L. Soliven, Valerie Jane L.	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	2012 (estimate)	P33.5 million	P3.0 million	P35.3 thousand
All other Officers and Directors	2012 (estimate)	P8.5 million	P0.8 million	P0.4 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.

### **Warrants and Opinions held by Directors and Executive Officers**

There are no outstanding warrants or stock options held by any of the Company's directors and executives.

### **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.

### **Independent Public Accountants**

The external auditors 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 2010 and 2011. The Company has complied with SRC Rule 68, paragraph 3(b)(iv) re: five year rotation requirement for the external auditor.

SGV & Co. is being recommended for re-election at the scheduled Annual Stockholders' Meeting on 3 August 2012.

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

### **Audit and Audit-Related Fees**

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

<b>Year ended 31 December</b>	<b>2010</b>	<b>2011</b>
Audit and Audit-related fees	Php 2.8 million	Php 1.9 million

### **Legal Proceedings**

The Company and its subsidiary, RIPS I are subject to various civil and criminal lawsuits and legal actions arising in the ordinary course of business. However, the Company and its subsidiary do not consider any of these as material as they will not affect the daily operations of its business, nor will they exceed 10% of the current assets of the Company and its subsidiary or have any material effect on the financial position of the Company and its subsidiary.

### **Dividend and Dividend Policy**

Under Philippine law, dividends may be declared out of a corporation's unrestricted retained earnings which shall be payable in cash, in property, or in stock to all stockholders on the basis of outstanding stock held by them. The amount of retained earnings available for declaration as



dividends may be determined pursuant to regulations issued by the SEC. The approval of the Board of Directors is generally sufficient to approve the distribution of dividends, except in the case of stock dividends which requires the approval of stockholders representing not less than 2/3 of the outstanding capital stock at a regular or special meeting duly called for the purpose.

### **Record Date**

The Company's amended by-laws provide that dividends shall be declared and paid out of the unrestricted retained earnings which shall be payable in cash, property or stock to all shareholders on the basis of outstanding stock held by them, as often and at such times as the Board of Directors may determine and in accordance with law and applicable rules and regulations. No fractional shares shall be issued from any declaration of stock dividends.

### **Dividend Policy**

Subject to the preferential dividend right of the Preferred Shares, each holder of a Common Share is entitled to such dividends. Aside from what is stated in the Company's amended by-laws and as provided in existing laws, the Company does not have a specific dividend policy. The Company's amended by-laws provide that the Board of Directors shall have the power and authority to fix and determine and from time to time vary, the amount to be reserved as working capital, to meet contingencies, to provide for the utilization of dividends and/or for other purposes, to such extent, in such manner and upon such terms as the Board of Directors shall deem expedient in order to determine the part of the net profits or surplus which shall be declared and paid as dividends; and generally to fix and determine the use and disposition of any net profits or surplus.

The Preferred Shares currently outstanding will earn a cumulative dividend of 6% per annum. The Preferred Shares do not participate in dividends declared in relation to Common Shares.

### **Notes Facility Agreement**

Under the Notes Facility Agreement, the Company, without the written consent of the Majority Noteholders (as this term is defined in the Notes Facility Agreement), shall not declare, pay or distribute dividends to its stockholders (other than dividends payable solely in shares of its capital stock) if payment of any sum due is in arrears or such declaration, payment or distribution shall result in a violation of the Current Ratio (as this term is defined in the Notes Facility Agreement) of 1:1 and the consolidated Debt-to-Equity Ratio (as this term is defined in the NFA) not exceeding 2.0x.

### **Dividend History**

As of today, the Company does not have an established dividend policy. However, it has declared dividends in the past, the last of which was in 2009. The Company declared a ₱0.032 cash dividend per Common Share in July 31, 2009 to stockholders of record as of the same date. This was paid in two (2) tranches, in September 30 and November 30, 2009.

The Board of Directors declares cash dividends primarily on the basis of the following factors:

- The Company's results of operations for the previous year and its current financial condition including but not limited to its cash level, debt level and available retained earnings
- The Company's investment plans and/or projected capital expenditure level for the ensuing year or other relevant periods
- Covenants on dividend payments which the Company is required to meet relating to any of its financing arrangements

## Market Price and Dividends on Common Equity and Related Stockholder Matters

### Market Information

As of 31 May 2012, the Company has an authorized capital stock of ₱9.0 billion consisting of 8,890,000,000 Common Shares, each with a par value of ₱1.00 and 11,000,000,000 Preferred Shares, with a par value of ₱0.01, and its issued share capital is at ₱6,255,882,344 consisting of 6,228,382,344 Common Shares (including 126,620,146 Common Shares in treasury) and 2,750,000,000 Preferred Shares.

### Listing by way of Introduction; No Public Offering

Rockwell Land's shares were listed on 11 May 2012 on the PSE under Section 1(b) of the PSE's Amended Rules on Listing by Way of Introduction, which provides that listing may be appropriate where the securities of an unlisted issuer are distributed by way of property dividend by a listed issuer to shareholders of such listed issuer. No public offering was involved.

### Principal Shareholders

The top stockholders and directors of the Company as of 11 May 2012, their respective number of Common Shares and the corresponding percentage of these Common Shares, are as follows:

Name of Stockholder	Relationship	Shareholding	
		No. of Common Shares	Percentage (%)
1. First Philippine Holdings Corp.	Stockholder	3,176,986,354	51.0%
2. Beacon Electric Asset Holdings, Inc.	Shareholder	1,437,382,190	23.1%
3. San Miguel Corporation	Shareholder	681,646,831	10.9%
4. PCD Nominee Corporation	Shareholder	186,089,180	3.0%
5. Social Security System	Shareholder	177,520,579	2.9%
6. San Miguel Purefoods Company, Inc.	Shareholder	166,530,579	2.7%
7. Rockwell Land Corporation	Held as Treasury	126,620,146	2.0%
8. Government Service Insurance System	Shareholder	87,953,853	1.4%
9. Board of Administrator - ESOP	Shareholder	39,241,331	0.6%
10. SMC Global Power Holdings	Shareholder	17,103,433	0.3%
11. Manuel M. Lopez &/or Ma. Teresa L. Lopez	Director	6,327,585	0.1%
12. Lubrica, Josefina S.	Shareholder	3,953,243	0.1%
13. Concepcion, Raul Joseph, &/OR Raul Anthony Concepcion &/OR Raul Patrick Concepcion &/OR Raul Stephen Concepcion	Shareholder	2,182,018	0.0%
14. Yan, Lucio W.	Shareholder	1,136,324	0.0%
15. Cheng, Charlotte	Shareholder	886,422	0.0%
16. Avesco Marketing Corporation	Shareholder	801,574	0.0%
17. B. P. Insurance Agency, Inc.	Shareholder	792,139	0.0%
18. Makati Supermarket Corporation	Shareholder	677,238	0.0%
19. Francisco, Jesus P.	Shareholder	676,370	0.0%
20. Tan, Simeon Y.	Shareholder	458,804	0.0%
21. Others (Aggregate)	Shareholder	113,416,151	1.8%
<b>Total Outstanding</b>		<b>6,228,382,344</b>	<b>100.0%</b>

FPHC owns 2,750,000 Preferred Shares representing 100% of the Company's issued and outstanding Preferred Shares.

### Corporate Governance

As part of the Company's commitment to institutionalize good corporate governance principles, the Company formulated and executed the Company's Manual of Corporate Governance ("Corporate Governance Manual") which was adopted by the Board of Directors on May 2, 2012.

The Corporate Governance Manual provides for, among others, the following:

- Appointment of a compliance officer, who shall directly report to the Chairman of the Board of Directors, and monitor compliance with the provisions and requirements of the Corporate Governance Manual. Subject to the further review and approval of the Board of Directors, the compliance officer shall also determine violations of the Corporate Governance Manual and recommend to the Chairman of the Board of Directors the appropriate actions for such violations;
- Identification of the general duties and responsibilities of the Board of Directors who shall be responsible for the Company's compliance with all relevant laws, regulations and codes of best business practices in order to sustain the Company's competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders and other stakeholders. The Corporate Governance Manual also directs the Board of Directors to adopt a system of internal checks and balances, identify and monitor key risk areas and key performance indicators with due diligence, and also monitor the effectiveness of management policies and decisions;
- Creation of Board Committees, such as the Audit Committee, the Nomination and Election Committee, Risk Management Committee, and Compensation and Remuneration Committee;
- Appointment of an External Auditor and Internal Auditor. The External Auditor shall ensure the independence of the audit of the Company in order to provide an objective assurance on the manner by which the financial statements of the Company will be prepared and presented to the stockholders. The Internal Auditor, on the other hand, shall have in place an independent audit system which shall provide with reasonable assurance that key organizational and procedural controls are effective, appropriate and complied with, taking into account the nature and complexity of the Company's business and the business culture, the volume, size and complexity of the transactions, the degree of risks, the degree of centralization and delegation of authority, the extent and effectiveness of information technology and the extent of regulatory compliance;
- Conduct of a training process for the purpose of conducting an orientation program to operationalize the Corporate Governance Manual;
- Procedures for monitoring and assessing compliance with the Corporate Governance Manual; and
- Penalties for non-compliance with the Corporate Governance Manual.

The Corporate Governance Manual provides for the detailed qualifications and disqualifications, duties, functions and responsibilities of the Board of Directors and each member thereof, the Chairman, the Corporate Secretary and Assistant Corporate Secretary and the Compliance Officer. It also prescribes the creation of specific board committees in aid of good corporate governance, to wit, an Audit Committee, a Nomination and Election Committee, a Risk Management Committee, and a Compensation and Remuneration Committee and requires the Board to commit itself to the protection of the rights of the stockholders.

- To fully comply with the leading practices in good governance, the Board of Directors establishes the vision, strategic objectives, key policies, and procedures for the management of the Company, as well as the mechanism for monitoring and evaluating Management's performance. The Board shall also ensure the presence and adequacy of sufficient internal control mechanisms for good governance.

- The Company is prepared to take further steps to enhance adherence to principles and practices of good corporate governance.

**C. Issuance and Exchange of Securities**

**Authorization or Issuance of Securities other than for Exchange**

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

**Modification or Exchange of Securities**

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

**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 2011 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.

**Mergers, Consolidations, Acquisitions and Similar Measures**

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

**Acquisition or Disposition of Property**

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

**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**

**Action with Respect to Reports**

- (a) The approval of the Annual Report of Management and the Audited Financial Statements for the year ending 31 December 2011.
- (b) Approval of the Minutes of the Annual Meeting of the Stockholders held on May 2, 2011, covering the following matters:

(c) The Company's audited financial statements as of 31 December 2011.

#### **Matters not required to be submitted**

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

#### **Amendment of Charter, Bylaws or Other Documents**

The adoption of New By-laws will be presented to the stockholders for their approval at the Annual General Meeting. Attached to this Information Statement is the draft of the New By-laws.

#### **Other Proposed Action**

The Employee Stock Purchase Plan will be presented to the stockholders for their approval at the annual General Meeting. Attached to this Information Statement are the proposed terms of the Employee Stock Purchase Plan.

#### **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.

### CERTIFICATION

Upon written request of a stockholder, the Company undertakes to furnish said stockholder with a copy of the Company's Annual Report on SEC Form 17-A free of charge. Any written request for copy of the Annual Report 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 13 July 2012.

By



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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 as of December 31, 2011 and 2010 and January 1, 2010, and for three (3) consecutive years ended December 31, 2011, including the related notes thereto, annexed to this Prospectus. The Company's actual results going forward may differ materially from those presented in the Prospectus as a result of various factors including, but not limited to, those set out in the "Risk Factors" discussion. In evaluating the Company's business, investors should carefully consider all of the information contained in the Prospectus.*

### INTRODUCTION

Rockwell Land's net income in 2011 amounted to ₱914.9 million. The Company's net income grew by 20% compounded annually since 2009. As a percentage to revenues, 2011 was slightly lower at 15% compared to the 2010 and 2009's 16%. This drop was due to higher cost of real estate and selling.

Total revenues grew faster at 24% compounded annually from 2009's ₱4.0 billion to ₱6.2 billion in 2011. Residential development accounts for 85% of the total revenues of the Company in 2011 from 2009's 81% share. The Company launched one (1) project every year since 2009, beginning with Edades.

EBITDA in 2011 amounted to ₱1.6 billion representing 26% of total revenues, down from 2010's 30%. EBITDA is derived by adding interest expense, depreciation and amortization and provision for income tax to Net Income. EBITDA has grown annually by 17% since 2009, where the Commercial Leasing segment grew faster at a rate of 23%. Commercial Leasing accounts for 47% of the total EBITDA of the Company as of end of 2011 resulting from significant improvements in office leasing segment's occupancy and rental rate coming from the office market's recovery in 2010. Retail leasing plays an important role to the Company's EBITDA as this continues to grow supported by the rising domestic consumption in the country.

The cost of real estate and selling ratio to revenues registered at 68% of total revenues vs. the 2010's ratio of 62%. The growth in costs of real estate was driven by The Grove and Edades projects, whose revenue recognition only started in July 2010 and April 2011, respectively. General and administrative expenses ("G&A") amounting to ₱644.7 million in 2011 grew annually by 13% since 2009. It remained at 12% of total revenues from 2009-2010 until it reached 10% in 2011 due to operational cost cutting measures.

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 Prospectus.

By the end of 2011, net debt level was valued at ₱2.4 billion and stands at 0.26x of total equity. Majority of the debt carried by the end of 2011 was a fixed-interest term loan drawn in April 2011 which has a principal amount of ₱2.5 billion. As a result of higher share in net income after tax of RBC in 2011, ROE increased to 10.5% compared to 2010's 10.2%. Below is a table showing the key performance indicators of the Company for 2009-2011.

<i>Amounts as indicated</i>	<b>For the years ended December 31</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
EPS (₱)	0.15	0.13	0.10
ROA	5.7%	6.2%	5.2%
ROE	10.5%	10.2%	8.8%
	<b>December 31, 2011</b>	<b>December 31, 2010</b>	<b>January 1, 2010</b>
Current Ratio (x)	2.79	1.36	2.36
Net debt to equity ratio(x)	0.26	0.33	0.34



*Notes:*

1. *EPS [Net Income attributable to common shares/number of common shares issued and outstanding]*
2. *ROA [Net Income/Average Total Assets]*
3. *ROE [Net Income/ Average Total Equity]*
4. *Current ratio [Current assets/Current liabilities]*
5. *Net debt to equity ratio [(Total interest bearing debt)-(Cash and cash equivalents) / Total Equity]*

**BUSINESS SEGMENTS**

The Company manages its operations under the following business units/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 (RBC) in Ortigas, Pasig. Other retail spaces are found at several of the high-rise condominiums developed by the Company.

**RESULTS OF OPERATIONS**

The following section provides information on the results of operations and financial condition of the Company for the periods 2009-2011.

**Revenues**

The following table shows the breakdown of the revenues by business segment for the periods 2009-2011.

	<b>2011</b>	<b>% to Total</b>	<b>2010</b>	<b>% to Total</b>	<b>2009</b>	<b>% to Total</b>
Residential Development <sup>(1)</sup>	5,211	85%	4,018	82%	3,281	81%
Commercial Leasing <sup>(2)</sup>	942	15%	867	18%	752	19%
Total Consolidated Revenues	<b>6,153</b>	<b>100%</b>	<b>4,885</b>	<b>100%</b>	<b>4,033</b>	<b>100%</b>
Share in Net Income (Losses) in JV <sup>(3)</sup>	80		(1)		(38)	

*Notes:*

1. *Revenues include sale of condominium units, accretion of interest income and other income. Sale from condominium units are composed of the following projects in the years indicated: One Rockwell (2011, 2010 and 2009), The Grove (2011 and 2010) and Edades (2011).*
2. *Amounts exclude revenues from RBC. Under the Accounting policy for a jointly controlled entity, results of operations of RBC are 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 2009-2011.

	<b>2011</b>	<b>% to Total</b>	<b>2010</b>	<b>% to Total</b>	<b>2009</b>	<b>% to Total</b>
Residential Sales <sup>(1)</sup>	5,080	82%	3,925	80%	3,170	79%
Leasing	658	11%	604	12%	560	14%
Others <sup>(2)</sup>	415	7%	356	8%	303	7%
Total Consolidated Revenues	<b>6,153</b>	<b>100%</b>	<b>4,885</b>	<b>100%</b>	<b>4,033</b>	<b>100%</b>

*Notes:*

1. *Pertains only to sale of condominium units (at present value) and accretion of interest income.*



2. *Includes income from Cinema, parking and other income.*

### **Review of 2011 versus 2010**

Total revenues amounting to ₱6.2 billion grew by 26% vs. 2010's ₱4.9 billion. About 82% of the revenues amounting to ₱5.1 billion came from sale of condominium units, including accretion of interest income. Sales take up was still strong in 2011, although slightly lower than 2010 due to fewer higher-valued products available for sale. Due to the continued strong take up of the Company's products in the market, the Company will launch two (2) new projects in 2012.

Total EBITDA amounted to ₱1.6 billion, which is 10% higher than 2010's ₱1.5 billion. This year's growth was driven by Commercial Leasing segment. The EBITDA margin registered at 26% of total revenues in 2011, which is lower compared to last year's 30% due to higher cost of real estate and selling were recognized for The Grove due to higher construction completion in 2011. EBITDA margin is derived by dividing EBITDA amount by 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 2010's net income of ₱801.3 million.

The margin of net income after tax is at 15% of total revenues vs. 2010's 16%. The net impact of higher cost of real estate and selling ratio in 2011 was reduced by a lower provision for income tax in 2011. The effective income tax rate was lower in 2011 due to 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 82% 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 of revenues from Edades in April 2011, despite the significant drop in revenue from One Rockwell's completion in November 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 2010'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 ₱852.7 million and contributes 53% to the total EBITDA of ₱1.6 billion. Despite high revenue growth, EBITDA grew at a slower pace of 1% due mainly from higher cost 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, particularly 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 2010'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 Income (Losses) in 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. Retail operations include retail leasing, interest income and other mall revenues. About 89% of retail operations come 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. 2010'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. The growth of the same stores was at 5% in 2011.
- Cinema Operations amount to ₱200.3 million and it accounts for 3% of the total revenues. Revenues reported under cinema operations include interest income. This grew by 11% from 2010's ₱180.8 million due to higher occupancy of 3D and 2D titles.
- Office Leasing, operated by the Rockwell-Meralco BPO Venture, generated gross revenues of ₱258.1 million, which is 73% higher than 2010'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 Income (Losses) in 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 2010's EBITDA of ₱628.0 million. Margin to total segment revenues improved to 81% from 2010'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 Income (Losses) in 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 the significant improvement of the level of occupancy from 2010'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 2010'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 2010 and 2009's ratio of 12%. The level of expenses grew only by 11% vs. 2010'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 2010's 134 to 2011'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 2010'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 Income (Losses) in JV* recorded positive income of ₱79.9 million from 2010'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 2010'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 ₱3.5 billion for project and capital expenditures in 2011, which is 13% higher than same period in 2010. 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 its West Tower in November 2011. The significant increases were investments recorded for Edades and The Grove.

#### **Financial Condition**

Total Assets as of December 31, 2011 amounted to ₱18.0 billion, which increased by ₱4.1 billion from 2010'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, known 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 and The Grove.

###### ***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 in 2010. 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 Revenue***

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

*23% increase in Other Revenue*

Mainly due to increase in parking revenue and 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 ₱1.1 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 2010'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.

Statement of Financial Position 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 ₱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 ₱126.6 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*

This is mostly because of decline in the market value per share of Rockwell Club. In accordance with PAS 39, Financial Instruments, fair value of available-for-sale investments is determined by reference to market bid quotes as of financial reporting date. Market prices used are published quotes of brokers which represent actual and regularly occurring transactions on an arm's length basis. A financial instrument is regarded as quoted in an "active" market if prices are readily and regularly available from an exchange, dealer, and broker, industry group, pricing service or regulatory agency.

*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.

*Increase of ₱450.7 million 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 collections 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 Loans and Borrowings*

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 collections 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 ₱914.9 million

**Review of 2010 versus 2009**

Rockwell Land's reported net income after tax of ₱801.3 million, which is 26% higher than 2009's net income of ₱633.5 million.

Total revenues amounting to ₱4.9 billion grew by 21% vs. 2009's ₱4.0 billion. About 80% of the total revenues came from sale of condominium units, including accretion of the related interest income. Sales take up more than doubled compared to same period last year due to strong sales take-up of The Grove and Edades. The Company launched Towers C & D of The Grove in June 2010, adding about 950 units more for pre-selling, to take advantage of the strong property market in 2010, mainly due to lower interest rates and increased market liquidity.

Total EBITDA amounted to ₱1.5 billion, which is 24% higher than 2009's ₱1.2 billion. EBITDA margin was slightly higher at 30% to total revenues compared to 2009's 29%. EBITDA from residential development and commercial leasing account for 57% and 43%, respectively. Operations from RBC showed recovery from 2009's net loss of ₱37.9 million to net loss of ₱1.0 million by 2010. This was driven by the recovery in the office market in 2010 where rental rates and demand began to pick up.

Net income after tax margin was kept at 16% of revenue, same with 2009. Interest expense increased in 2010 as a result of the full-year recognition of the interest expense on RBC's corporate notes, since this was capitalized until July 2009. Despite the increase in interest expense, the Share in Net Losses in JV improved significantly in 2010.

**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 consolidated revenues for 2010. Total revenues reported from the sale of condominium units, including accretion of interest income, amount to ₱3.9 billion. This accounts for 80% of the total revenues of the Company. The segment's revenue growth of 22% vs. same period in 2009 was mainly due to higher value of bookings and construction completion of The Grove, which accounts for 70% to the total increase in revenues compared to same period last year. Revenue recognition of The Grove started in July 2010.

Sales take up doubled in 2010 to ₱6.4 billion due to a very strong market experienced by most of the property developers in the Philippines.

EBITDA of residential development amounted to ₱843.4 million, which grew by 24% from 2009's ₱681.9 million. This accounts for 57% of the total ₱1.5 billion EBITDA of the Company in 2010. EBITDA margin was kept at 21% of the segment's revenues as cost of real estate and selling was kept at 62%. EBITDA growth was in line with the revenue growth of the segment.

**Commercial Leasing** revenues amount to ₱866.8 million, which is 15% higher than 2009's revenues of ₱751.9 million. This segment contributes 18% to total revenues. This excludes the share in net losses of joint venture (RBC) as this is reported as part of the "Share in Net Income (Losses) in 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 ₱686.0 million and accounts for 14% of total revenues. Retail operations include retail leasing, interest income and other mall revenues. About 88% of retail operations come from retail leasing amounting to ₱603.6 million. Retail leasing accounts for 12% of the total revenues of the Company, which grew by 8% vs. 2009's revenues of ₱560.3 million. This growth in retail leasing resulted mainly from rental escalation. Same stores growth registered at 7% in 2010. In addition, revenues from exhibits grew significantly at 27%, generating full year revenue of ₱32.0 million in 2010.
- Cinema Operations amounting to ₱180.8 million account for 4% of the total revenues. Revenues reported under cinema operations include interest income. This segment grew by 34% from 2009's ₱135.4 million due mainly from increase in ticket rates and higher occupancy from two (2) cinema theaters newly equipped in 2010 with 3D and 2D technology.
- Office Leasing, operated by the Rockwell-Meralco BPO Venture, generated gross revenues of ₱149.0 million, which is 9x higher than 2009's ₱15.8 million. 2010 marked the first full year of RBC since it only started commercial operations in July 2009. At 80%, the Company generated revenues of ₱119.2 million and share in net loss of ₱0.9 million. RBC reached occupancy of 79% vs. last year's 19%. Recovery in the office market started to create positive impact to both demand rental rates.

The segment's EBITDA amounted to ₱628.0 million and account for 43% of the total EBITDA of ₱1.5 billion. The segment's EBITDA grew by 24% from 2009. Overall margin to segment revenues improved from 68% to 72% in 2010 as a result of both retail and office leasing operations which grew earnings by 8% and 99%, respectively.

#### **Costs and Expenses**

**Cost of real estate and selling** amounted to ₱3.0 billion and accounts for 67% of total revenues, similar to 2009. Cost of real estate grew in the same manner as sale of condominium units. Faster growth was recorded for sales commission due to strong sales performance. Sales personnel increased by 13% to support the strong demand for the product and the launch of additional units of Towers C & D of The Grove in June 2010.

**General and administrative expenses ("G&A")** amount to ₱582.1 million and accounts for 12% of total revenues. The level of expenses grew by 16% vs. 2009's ₱502.9 million. The level of G&A expenses was kept at 12% of total revenues since 2009. Higher expenses were reported for cinema operations due to higher producer's share. In addition, other increases in G&A expenses resulted from higher depreciation charges from asset retirements as well as from a one-time write-off of other receivables.

**Interest Expense** amounted to ₱153.9 million, up 95% from 2009's ₱79.0 million due to the full year recognition of interest expense on loans relating to RBC. Interest payments on these loans were capitalized until July 2009. Debt level was at ₱3.0 billion from last year's ₱2.9 billion. Bridge financing was availed over the year to facilitate construction completion of One Rockwell and initial development costs for The Grove. Average interest rate of the total debt was 7.8% p.a., which was lower than the 2009's 8.2% p.a.

**Share in Net Income (Losses) in JV** recorded losses of ₱937 thousand from 2009's losses of ₱37.9 million. The improvement was mainly due to the level of occupancy which increased from 19% to 79% in 2010. The share in net income is reported net of taxes and represents the Company's share in the operations generated by RBC.

**Foreign Exchange Gain (Loss) - net** amounted to ₱19.4 million, higher by 38% compared to the same period last year. The Philippine peso sharply appreciated from ₱46.20/USD1 as of end of 2009 to ₱43.84/USD1 by December 31, 2010 therefore resulting to higher foreign exchange losses in its dollar-denominated receivables.

## **Provision for Income Tax**

Provision for income taxes increased 7% year-on-year resulting from increased income from operations in 2010.

## **Project and capital expenditure**

The Company spent a total of ₱3.1 billion for project and capital expenditures in 2010, which is 59% higher than same period in 2009. The expenditures for 2010 consist of 92% for residential project development costs and the remaining 8% for property and equipment costs.

Significant increases in residential development mostly came from One Rockwell project as it completed the East Tower in December 2010 and The Grove. Construction for the "Garage" office along Estrella Street and major renovations in the Power Plant Mall drove the increase in property and equipment costs in 2010.

## **Financial Condition**

Total Assets as of December 31, 2010 amounted to ₱13.9 billion, which increased by ₱1.9 billion from the 2009's ₱12.0 billion level. Assets mainly grew from recognition of receivables from ongoing projects, especially from One Rockwell's completion of its East Tower, and increased development costs for The Grove and Edades.

Current ratio declined to 1.36x as of end- 2010 from 2.36x in 2009. However, this was mainly due to the reclassification to Current liabilities of the ₱1.58 billion Corporate Notes by year-end 2010 in view of the planned refinancing in February 2011. Without this reclassification, current ratio as of December 31, 2010 would have been at 2.01x. On the other hand, Net debt to equity ratio only slightly improved to 0.33x from 0.34x in 2009.

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

### **Statement of Comprehensive Income Items -- 2010 vs. 2009**

#### *17% increase in Sale of Condominium Units*

Mainly arising from higher sales booking and construction completion of The Grove, which started to recognize income for Towers A & B in July 2010. Units booked doubled in 2010 due to strong market conditions.

#### *8% increase in Lease Income*

Primarily due to rental escalation from leasing operations which grew by 8%. Exhibit rental posted a higher growth of 27% vs. same period in 2009. Same stores sales performance growth was at 7%.

#### *77% increase in Interest Income*

Edades project was launched in August 2009. The increase in interest income was the full-year realization of interest income accretion from the said project, in addition to strong sales performance in 2010. In addition, phase 2 (Tower C & D) of The Grove was launched in June 2010, which further increased interest income.

#### *34% increase in Cinema Revenue*

By April 2010, the Company has two (2) theaters converted with 2D and 3D. This increased occupancy and the average ticket price by 6%.

#### *12% increase in Other Revenue*

Mainly due from reversal of accruals which will no longer be paid.

#### *21% increase in Cost of Real Estate*

Mostly arising from The Grove project's start of revenue recognition in July 2010.

#### *16% increase in General and Administrative Expenses*



Mainly due from higher producer's share, depreciation expense and write-off of bad debts.

*32% increase in Selling Expenses*

Due to the amortization of prepaid costs of The Grove, which started to recognize revenues and expenses in July 2010. Sales commissions and manpower costs also increased due to strong sales take-up performance compared to 2009.

*95% increase in Interest Expenses*

Starting July 2009, interest expense on interest-bearing loans and borrowings whose proceeds were used to finance the construction of RBC building were taken up as period costs. Prior to the completion of the construction of the RBC building in July 2009, related interest expense was capitalized. In 2010, these interests were expensed out for the full year resulting to the increase in Interest expense.

*98% decrease in Share in Net Losses of Joint Venture*

Primarily due to the full year operation of Rockwell Business Center vs. 6 months of operations in 2009. Occupancy also increased from 19% to 79% by end of 2009 and 2010, respectively.

*7% increase in Provision for Income Tax*

Mainly due to increase in income before tax vs. 2009.

*38% increase in Foreign Exchange Gain or Loss*

Mainly due to the substantial peso appreciation in 2010 with the ₱ to USD exchange rate at ₱43.84/USD1 in December 31, 2010 vs. ₱46.30/USD1 in December 31, 2009.

*2,215% increase in Comprehensive Income*

Mainly due to increase in fair market value of all available for shares held by the Company. Fair market values increased by 14% compared to same period last year.

Statement of Financial Position items - 2010 vs. 2009

*18% decrease in Cash and Cash Equivalents*

Mainly due to payments for project-related expenses.

*367% increase in Trade and Other Receivable*

Mainly due to the higher One Rockwell receivables recognition as it already neared completion of East Tower in February 2011.

*25% increase in Land and Development Cost*

Arising from higher development cost of existing projects.

*33% decrease in Advances to Contractors*

Due to recoupment of advances to contracts from the One Rockwell East Tower project which is almost complete by December 2010.

*76% decrease in Condominium Units for Sale*

Due to the sale of units from completed projects, Joya Lofts and Towers and Manansala.

*17% increase in Other Current Assets*

Mainly due to increase in prepaid marketing cost of Edades and The Grove and input VAT.

*27% decrease in Noncurrent Trade Receivables*

Mostly due to reclassification of One Rockwell receivables as it neared the end of the payment terms.

*14% increase in Available-for-Sale Investments*

Mainly due to increase in market value of Rockwell Club Shares. In accordance with PAS 39, Financial Instruments, fair value of available-for-sale investments is determined by reference to market bid quotes as of financial reporting date. Market price used are published quotes of brokers which represent actual and regularly occurring transactions on an arm's length basis. A financial instrument is regarded as

quoted in an "active" market if prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency.

*11% increase in Property and Equipment*

Due to increase in machineries and equipment.

*24% decrease in Pension Asset*

Mainly due to higher unrecognized net actuarial gains.

*58% increase in Trade and Other Payables*

Mainly due to increase in One Rockwell development cost accrual, higher Deferred output VAT and higher excess collections over recognized receivables related to the Grove Project.

*259% increase in Current Portion of Interest Bearing Loans and Borrowings and 87% decrease in Noncurrent Portion of Interest Bearing Loans and Borrowings*

Mostly due to the reclassification of the corporate notes to a current maturing liability, in view of the refinancing scheduled by February of 2011.

*116% increase in Deposit from Pre-selling of Condominium Units*

Mainly due to substantial collection from pre-selling of the Edades project.

*15% increase in Deferred Tax Liabilities - net*

Due to the increase in sale of condominium units of The Grove that is not yet subject to income tax.

*21% increase in Deposits and Other Liabilities*

Mainly due to the set-up of retention payables related to the ongoing projects.

*69% increase in Retained Earnings*

Due to income realized in 2010 of ₱801.3 million.



# ROCKWELL LAND

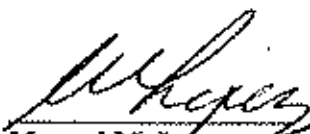
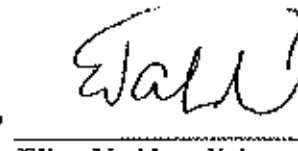
## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **ROCKWELL LAND CORPORATION** is responsible for the preparation and fair presentation of the consolidated financial statements as of December 31, 2011 and 2010, and January 1, 2010, and for each of the three years in the period ended December 31, 2011, 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

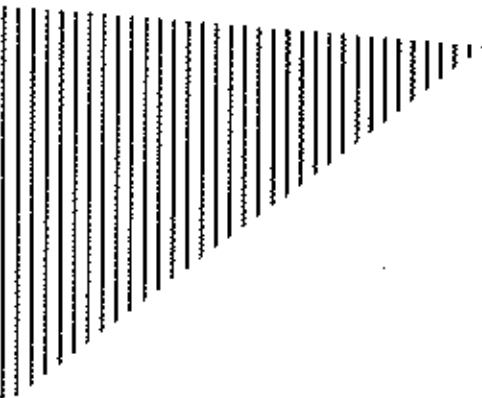
Signed this 28<sup>th</sup> day of March 2012

SUBSCRIBED AND SWORN to before me this 28<sup>th</sup> day of March 2012 at Pasig City, affiants who are personally known to me, exhibiting to me their Community Tax Certificate Nos. and Competent evidence of identity as follows:

Name	CTC # and/or Competent Evidence of Identity	Place/Date of Issued
Ellen V. Almodiel	Passport # EB0353983 SSS # 3320908025	Expires on 6/6/15; DFA Manila
Nestor J. Padilla	Passport # XX3751497 SSS # 0336664576	Expires on 5/19/14 DFA Manila
Manuel M. Lopez	03153976 SSS # 031029720	1/10/12 ; Quezon City

Doc. No. 382  
Page No. 79  
Book No. I  
Series of 2012.

  
**CARA MARTHA R. DE GUZMAN**  
NOTARY PUBLIC  
FOR AND IN THE CITY OF PASIG, TAGUIG AND  
SAN JUAN AND IN THE MUNICIPALITY OF PATEROS  
UNTIL DECEMBER 31, 2012  
PTR NO. 7545445; 1/4/12; PASIG CITY  
IBP NO. 874224; 1/2/12; RSM  
ROLL OF ATTORNEYS NO. 58821  
APPOINTMENT NO. 168 (2011-2012)  
21/F Robinsons-Equitable Tower  
4 ADB Ave. cor. Poveda St.  
1605 Ortigas Center, Pasig City



**Rockwell Land Corporation and Subsidiary**

**Consolidated Financial Statements  
December 31, 2011 and 2010, and January 1, 2010  
And Years Ended December 31, 2011, 2010 and 2009**

and

**Independent Auditors' Report**

SyCip Gorres Velayo & Co.

**SGV&Co**  
**ERNST & YOUNG**





- 2 -

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Rockwell Land Corporation and Subsidiary as at December 31, 2011 and 2010, and January 1, 2010, and their financial performance and their cash flows for the three years ended December 31, 2011 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-2 (Group A),

February 4, 2010, valid until February 3, 2013

Tax Identification No. 102-084-744

BIR Accreditation No. 08-001998-47-2009,

June 1, 2009, valid until May 31, 2012

PTR No. 3174823, January 2, 2012, Makati City

February 28, 2012



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

	December 31, 2011	December 31, 2010	January 1, 2010 (Note 32)*
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents (Notes 6, 27 and 28)	P447,935	P120,706	P392,524
Trade and other receivables (Notes 7, 14, 27 and 28)	2,550,816	2,325,339	497,563
Land and development costs (Notes 8, 11, 15, 17 and 26)	5,584,593	2,619,268	2,101,759
Advances to contractors (Note 8)	822,888	797,224	1,185,390
Condominium units for sale	63,504	13,319	55,947
Derivative assets (Notes 25, 27 and 28)	-	699	-
Other current assets (Notes 10, 15, 27 and 28)	447,296	547,869	467,074
<b>Total Current Assets</b>	<b>9,917,032</b>	<b>6,624,424</b>	<b>4,700,257</b>
<b>Noncurrent Assets</b>			
Noncurrent trade receivables (Notes 7, 14, 27 and 28)	44,377	38,973	53,723
Available-for-sale investments (Notes 9, 27 and 28)	262,228	278,048	244,908
Investment properties (Notes 11, 12 and 14)	4,731,168	4,453,505	4,501,552
Investment in joint venture (Note 12)	2,103,102	2,023,241	2,024,178
Property and equipment (Note 13)	444,399	446,309	403,706
Pension asset (Note 22)	33,482	49,852	65,590
Other noncurrent assets (Note 15)	450,662	-	-
<b>Total Noncurrent Assets</b>	<b>8,069,418</b>	<b>7,289,928</b>	<b>7,293,657</b>
	<b>P17,986,450</b>	<b>P13,914,352</b>	<b>P11,993,914</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables (Notes 16, 17, 24, 27 and 28)	P2,312,794	P1,360,943	P862,024
Current portion of interest-bearing loans and borrowings (Notes 7, 11, 14, 27 and 28)	278,418	2,732,977	760,903
Current portion of installment payable (Note 15)	651,736	-	-
Deposits from pre-selling of condominium units (Note 8)	283,835	740,991	343,196
Income tax payable	32,687	33,131	23,824
Derivative liabilities (Notes 25, 27 and 28)	-	-	4,256
<b>Total Current Liabilities</b>	<b>3,559,470</b>	<b>4,868,042</b>	<b>1,994,203</b>
<b>Noncurrent Liabilities</b>			
Interest-bearing loans and borrowings - net of current portion (Notes 7, 11, 14, 27 and 28)	2,588,238	283,240	2,148,515
Installment payable - net of current portion (Note 15)	2,370,688	-	-
Deferred tax liabilities - net (Note 23)	68,876	210,896	183,097
Deposits and other liabilities (Notes 16, 17, 27 and 28)	251,439	305,100	252,427
<b>Total Noncurrent Liabilities</b>	<b>5,279,241</b>	<b>799,236</b>	<b>2,584,039</b>
<b>Total Liabilities</b>	<b>8,838,711</b>	<b>5,667,278</b>	<b>4,578,242</b>
<b>Equity</b>			
Capital stock (Note 18)	6,255,882	6,255,882	6,255,882
Unrealized gain (loss) on available-for-sale investments (Note 9)	13,171	27,409	(2,686)
Retained earnings (Note 18)	2,878,686	1,963,783	1,162,476
<b>Total Equity</b>	<b>9,147,739</b>	<b>8,247,074</b>	<b>7,415,672</b>
	<b>P17,986,450</b>	<b>P13,914,352</b>	<b>P11,993,914</b>

\*Amounts presented as of January 1, 2010 are the same restated amounts as of December 31, 2009.

See accompanying Notes to Consolidated Financial Statements





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

	Years Ended December 31		
	2011	2010	2009
<b>REVENUE</b>			
Sale of condominium units	P4,588,106	P3,374,641	P2,876,724
Lease income (Note 11)	657,947	603,602	560,318
Interest income (Note 19)	517,089	570,954	322,319
Cinema revenue	199,906	180,708	135,227
Others (Note 12)	189,649	154,605	138,616
	<u>6,152,697</u>	<u>4,884,510</u>	<u>4,033,204</u>
<b>EXPENSES (INCOME)</b>			
Cost of real estate (Notes 11, 20 and 24)	3,910,539	2,827,913	2,337,261
General and administrative expenses (Notes 7, 13, 20, 21, 22 and 24)	644,739	582,150	502,924
Selling expenses (Notes 20, 21 and 22)	293,027	212,090	161,164
Interest expense (Notes 14 and 20)	182,559	153,868	79,082
Share in net losses (income) of joint venture (Note 12)	(79,861)	937	37,865
Foreign exchange loss (gain) - net (Note 27)	(3,790)	19,379	14,025
Mark-to-market loss (gain) from derivative instruments (Note 25)	304	(10,354)	(10,372)
	<u>4,947,517</u>	<u>3,785,983</u>	<u>3,121,949</u>
<b>INCOME BEFORE INCOME TAX</b>	<b>1,205,180</b>	<b>1,098,527</b>	<b>911,255</b>
<b>PROVISION FOR INCOME TAX (Note 23)</b>	<b>290,277</b>	<b>297,220</b>	<b>277,742</b>
<b>NET INCOME</b>	<b>914,903</b>	<b>801,307</b>	<b>633,513</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS) - Net (Note 9)</b>	<b>(14,238)</b>	<b>30,095</b>	<b>1,300</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>P900,665</b>	<b>P831,402</b>	<b>P634,813</b>
<b>Earnings Per Share (Note 29)</b>	<b>P0.15</b>	<b>P0.13</b>	<b>P0.10</b>

See accompanying Notes to Consolidated Financial Statements.



**ROCKWELL LAND CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Amounts in Thousands)

	Capital Stock (Note 18)	Unrealized Gain (Loss) on Available- for-Sale Investments (Note 9)	Retained Earnings (Note 18)	Total
At December 31, 2010	P6,255,882	P27,409	P1,963,783	P8,247,074
Net income	--	--	914,903	914,903
Other comprehensive loss	--	(14,238)	--	(14,238)
Total comprehensive income for the year	--	(14,238)	914,903	900,665
At December 31, 2011	P6,255,882	P13,171	P2,878,686	P9,147,739
At December 31, 2009	P6,255,882	(P2,686)	P1,162,476	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	P8,247,074
At December 31, 2008	P6,255,882	(P3,986)	P730,613	P6,982,509
Net income	--	--	633,513	633,513
Other comprehensive income	--	1,300	--	1,300
Total comprehensive income for the year	--	1,300	633,513	634,813
Cash dividends	--	--	(201,650)	(201,650)
At December 31, 2009	P6,255,882	(P2,686)	P1,162,476	P7,415,672

*See accompanying Notes to Consolidated Financial Statements.*



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

	Years Ended December 31		
	2011	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	P1,205,180	P1,098,527	P911,255
Adjustments for:			
Interest income (Note 19)	(517,089)	(570,954)	(322,319)
Depreciation and amortization (Notes 11, 13 and 20)	229,729	219,057	199,110
Interest expense (Note 20)	171,355	150,935	76,612
Share in net losses (income) of joint venture (Note 12)	(79,861)	937	37,865
Pension costs (Note 22)	16,370	15,738	24,540
Amortization and write-off of loan transaction costs (Note 20)	11,204	2,933	2,470
Unrealized foreign exchange gain - net	(5,535)	(13,158)	(8,647)
Mark-to-market loss (gain) from derivative instruments (Note 25)	304	(10,354)	(10,372)
Write-off of other receivables (Note 20)	--	21,029	--
Gain on sale of property and equipment	--	(119)	(74)
Operating income before working capital changes	1,031,657	914,571	910,440
Decrease (increase) in:			
Trade and other receivables	258,517	(1,276,805)	633,447
Land and development costs	(692,712)	(517,509)	493,199
Advances to contractors	(25,664)	388,166	(254,650)
Other current assets	(22,761)	(80,795)	(39,068)
Condominium units for sale	(50,185)	42,628	28,786
Increase (decrease) in:			
Trade and other payables	973,155	504,622	(1,408,358)
Deposits from pre-selling of condominium units	(457,156)	397,795	306,988
Contributions to plan assets (Note 22)	--	--	(61,322)
Net cash generated from operations	1,014,851	372,673	609,462
Income taxes paid	(431,159)	(263,160)	(163,597)
Interest paid	(190,223)	(156,638)	(77,997)
Net cash provided by (used in) operating activities	393,469	(47,125)	367,868
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of:			
Property and equipment (Note 13)	(63,109)	(135,149)	(63,834)
Investment properties (Note 11)	(19,890)	(83,810)	(661,882)
Interest received	25,257	23,546	24,107
Proceeds from sale of property and equipment	--	5,465	3,433
Net cash used in investing activities	(57,742)	(189,948)	(698,176)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from availments of bank loans (Note 14)	4,225,531	794,519	1,183,219
Payments of bank loans (Note 14)	(4,386,296)	(690,653)	(752,176)
Increase (decrease) in deposits and other liabilities	(53,661)	52,673	27,713
Dividends paid (Note 18)	--	--	(201,650)
Net cash provided by (used in) financing activities	(214,426)	156,539	257,106
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	5,928	8,716	9,390
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	127,229	(71,818)	(63,812)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	320,706	392,524	456,336
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)</b>	P447,935	P320,706	P392,524

See accompanying Notes to Consolidated Financial Statements.



**ROCKWELL LAND CORPORATION AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in Thousands, Except Number of Shares, Earnings Per Share Value  
and Unless Otherwise Specified)

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**1. Corporate Information**

Rockwell Land Corporation (the Parent Company) is incorporated in the Philippines and is engaged in real estate development and sale or lease of residential and commercial units and lots. The registered office and principal place of business of the Parent Company is 1011 J. P. Rizal Street, Makati City.

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

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

On February 28, 2012, the BOD of the Parent Company approved the Parent Company's plan to list by way of introduction. As of February 28, 2012, the Parent Company still has to file the necessary requirements with the Securities and Exchange Commission and the Philippine Stock Exchange.

The accompanying consolidated financial statements were approved and authorized for issue by the BOD on February 28, 2012.

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

Basis of Preparation

The accompanying consolidated financial statements of the Parent Company and RIPSI (collectively referred to as "the Company") have been prepared on a historical cost basis, except for available-for-sale investments and derivative instruments 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. 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). PFRS includes statements named PFRS and Philippine Accounting Standards (PAS), including Interpretations issued by the Financial Reporting Standards Council (FRSC).



Basis of Consolidation

The consolidated financial statements comprise of the Parent Company and RIPSJ.

The subsidiary is 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 subsidiary 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.

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**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 PAS, PFRSs and Philippine Interpretations which were adopted as at January 1, 2011. 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 disclosures.

- PAS 24, *Related Party Disclosures* (Amendment) (effective for annual periods beginning on or after January 1, 2011)

PAS 24 clarifies the definitions of a related party. The new definitions emphasize a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity.

- PAS 32, *Financial Instruments: Presentation* (Amendment) - *Classification of Rights Issues* (effective for annual periods beginning on or after February 1, 2010)

The amendment alters the definition of a financial liability in PAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

- Philippine Interpretation IFRIC 14 (Amendment), *Prepayments of a Minimum Funding Requirement* (effective for annual periods beginning on or after January 1, 2011, with retrospective application)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognized as a pension asset. The Company is not subject to minimum funding requirements in the Philippines.



*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.

- PFRS 3, *Business Combinations*: The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

The amendments to PFRS 3 are effective for annual periods beginning on or after 1 July 2011.

- PFRS 7, *Financial Instruments - Disclosures*: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The Company reflects the revised disclosure requirements in Notes 27 and 28.
- PAS 1, *Presentation of Financial Statements*: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the consolidated statement of changes in equity or in the notes to the consolidated financial statements. The Company provides this analysis in the consolidated statement of changes in equity.

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 3, *Business Combinations* [contingent consideration arising from business combination prior to adoption of PFRS 3 (as revised in 2008)]
- PFRS 3, *Business Combinations* (un-replaced and voluntarily replaced share-based payment awards)
- PAS 27, *Consolidated and Separate Financial Statements*
- PAS 34, *Interim Financial Statements*

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Company:

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes* (determining the fair value of award credits)
- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*



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, 2011. 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 2012*

- PAS 12, *Income Taxes - Recovery of Underlying Assets* (effective for annual periods beginning on or after January 1, 2012)

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16 always be measured on a sale basis of the asset.

- PFRS 7, *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements* (effective for annual periods beginning on or after July 1, 2011)

The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Company's consolidated financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment affects disclosures only and has no impact on the Company's financial position or performance.

*Effective Subsequent to 2012*

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

The amendments to PAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the Company's financial position or performance.

- PAS 19, *Employee Benefits (Amendment)* (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 Company is currently assessing the impact of the amendment to PAS 19.



- 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 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 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 new PFRS 11, *Joint Arrangements*, and PFRS 12, 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.

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

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 consolidated statement of financial position
- (c) The net amounts presented in the consolidated 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
  - ii. Amounts related to financial collateral (including cash collateral)
- (e) The net amount after deducting the amounts in (d) from the amounts in (c) above

The amendment affects disclosures only and has no impact on the Company’s financial position or performance.

- 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.

- 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 application of this new standard will have no impact on the financial position of the Company.

- PFRS 12, *Disclosure of Involvement with 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. 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. The Company is currently assessing the impact that this standard will have on the financial position and performance.

- 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 that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (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. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. 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 picture

- 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 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 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, 2011. Additional disclosures required by these amendments will be included in the consolidated financial statements when these are adopted.

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#### 4. Summary of Significant Accounting Policies

##### Cash and Cash Equivalents

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

##### Financial Assets and Financial Liabilities

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

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



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

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

#### 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.* The Company enters into forward currency contracts to hedge its currency exposure. 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.



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 Company's investment in Rockwell Leisure Club, Inc. (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.

The Company's derivative liabilities as of January 1, 2010 are classified under this category (see Note 25).

*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).

#### 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 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

Subdivided land is stated at the lower of cost and net realizable value. Expenditures for development such as construction materials, labor and overhead costs are capitalized as part of the cost of the land. Borrowing costs are capitalized while development is in progress. This account includes condominium projects which are not yet complete. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs to complete and sell.

#### Condominium Units for Sale

Condominium units which are completed and are for sale are stated at the lower of cost and net realizable value. Cost includes the cost of the land, expenditures for the construction of the condominium units and borrowing costs incurred during construction of the units. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. As of year-end, condominium units for sale are stated at cost.

#### 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 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 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 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 Company's share in net assets of the joint venture, less any impairment in value. The consolidated statement of comprehensive income reflects the 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 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 Company, using consistent accounting policies.

Upon loss of joint control, the 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

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. Collectibility 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. Collectibility is also assessed by considering factors such as the credit standing of the buyer, age and location of the property.

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine 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 as "Deposits from pre-selling of condominium units" account in the liability section of the consolidated statement of financial position.

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 project is determined based on actual costs and project estimates of building contractors and technical staff.

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.

*Dividends.* Revenue is recognized when the Company's right to receive the payment is established.

#### 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 rental 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.

#### 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.



#### Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. 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.

#### 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 Date

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.

#### 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.



### 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.

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## 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 ₱657.9 million, ₱603.6 million and ₱560.3 million in 2011, 2010 and 2009, 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 ₱392.3 million, nil and (₱32.1 million) in 2011, 2010 and 2009, 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 2011, 2010 and 2009.

#### 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 ₱2.0 million, ₱21.0 million and ₱0.3 million in 2011, 2010 and 2009, respectively (see Note 20). Trade and other receivables, net of allowance for doubtful accounts, amounted to ₱2.6 billion, ₱2.4 billion and ₱0.6 billion as of December 31, 2011 and 2010, and January 1, 2010, 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 six 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 ₱262.2 million, ₱278.0 million and ₱244.9 million as of December 31, 2011 and 2010, and January 1, 2010, respectively (see Note 9). No impairment loss was recognized in 2011, 2010 and 2009.

*Net Realizable Value of Condominium Units for Sale.* Condominium units for sale are carried at the lower of cost or net realizable value. Condominium units for sale, stated at cost, amounted to ₱63.5 million, ₱13.3 million and ₱55.9 million as of December 31, 2011 and 2010, and January 1, 2010, 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 at each financial year-end 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.

Investment properties, net of accumulated depreciation, amounted to ₱4.7 billion as of December 31, 2011 and ₱4.5 billion as of December 31, 2010 and January 1, 2010 (see Note 11).

Property and equipment, net of accumulated depreciation, amounted to ₱444.4 million, ₱446.3 million and ₱403.7 million as of December 31, 2011 and 2010, and January 1, 2010, 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 long-lived assets, 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 long-lived assets 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:

	December 31, 2011	December 31, 2010	January 1, 2010
Investment properties - net (see Note 11)	P4,731,168	P4,453,505	P4,501,552
Investment in joint venture (see Note 12)	2,103,102	2,023,241	2,024,178
Property and equipment - net (see Note 13)	444,399	446,309	403,706

The fair value of the investment properties amounted to P8.9 billion, P8.0 billion and P7.0 billion as of December 31, 2011 and 2010, and January 1, 2010, respectively (see Note 11).

No impairment loss was recognized in 2011, 2010 and 2009.

*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 P51.6 million, P51.4 million and P55.6 million as of December 31, 2011 and 2010, and January 1, 2010, 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.

As of December 31, 2011 and 2010, and January 1, 2010, total pension asset amounted to P33.5 million, P49.9 million and P65.6 million, respectively. Since there is no minimum funding requirement, the resulting net asset 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 P17.2 million, P23.3 million and P29.4 million as of December 31, 2011 and 2010, and January 1, 2010, respectively. Net cumulative unrecognized actuarial gain (loss) amounted to (P22.1) million, P13.9 million and P2.1 million as of December 31, 2011 and 2010, and January 1, 2010, respectively (see Note 22).





## 6. Cash and Cash Equivalents

This account consists of:

	December 31, 2011	December 31, 2010	January 1, 2010
Cash on hand and in banks	P119,822	P61,981	P178,015
Short-term investments	328,113	258,725	214,509
	<b>P447,935</b>	<b>P320,706</b>	<b>P392,524</b>

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 P10.6 million, P1.5 million and P5.0 million in 2011, 2010 and 2009, respectively (see Note 19).

## 7. Trade and Other Receivables

This account consists of:

	December 31, 2011	December 31, 2010	January 1, 2010
Trade receivables from:			
Sale of condominium units - net of noncurrent portion of P44.4 million in 2011, P39.0 million in 2010 and P53.7 million in 2009	P2,378,247	P2,183,249	P367,180
Lease	92,134	73,599	75,271
Sale of club shares	3,398	3,875	4,232
Advances to officers and employees	9,450	7,458	8,933
Others - net of allowance for doubtful accounts of P3.5 million in 2011, P1.4 million in 2010 and P2.9 million in 2009	67,587	57,158	41,947
	<b>P2,550,816</b>	<b>P2,325,339</b>	<b>P497,563</b>

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 P25.2 million, P22.3 million and P25.7 million as of December 31, 2011 and 2010, and January 1, 2010, respectively.

As of December 31, 2011 and 2010, and January 1, 2010, the gross undiscounted trade receivables (both recognized and future receivables) from sale of the "No. One Rockwell" (One Rockwell) and "The Grove" condominium projects amounting to P0.2 billion, P1.1 billion and P0.8 billion, respectively, have been assigned as security for 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.

Trade receivables from sale of club shares are receivables arising from the sale of RLCI shares.

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

	Lease	Others	Total
Balance at January 1, 2011	P-	P1,431	P1,431
Provision (see Note 20)	-	2,041	2,041
Balance at December 31, 2011	P-	P3,472	P3,472
Balance at January 1, 2010	P-	P2,896	P2,896
Reversals of previous year's provision	-	(1,465)	(1,465)
Balance at December 31, 2010	P-	P1,431	P1,431
Balance at January 1, 2009	P173	P2,601	P2,774
Provision for the year (see Note 20)	-	295	295
Reversals of previous year's provision	(173)	-	(173)
Balance at January 1, 2010	P-	P2,896	P2,896

## 8. Land and Development Costs

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

	December 31, 2011	December 31, 2010	January 1, 2010
Greater Rockwell (see Note 15)	P3,538,994	P3,001	P-
The Grove	1,204,392	1,591,757	1,445,268
Edades	250,233	838,630	577,660
One Rockwell	-	172,884	64,911
Others	590,974	12,996	13,920
	P5,584,593	P2,619,268	P2,101,759

Estimated costs to complete these projects follow:

	December 31, 2011	December 31, 2010	January 1, 2010
Greater Rockwell	P17,096,737	P20,632,730	P-
The Grove	4,086,532	9,727,998	10,184,018
Edades	3,595,256	4,088,833	4,349,804
One Rockwell	-	784,820	3,173,382
	P24,778,525	P35,234,381	P17,707,204



“Greater Rockwell” is the Company’s newest residential condominium project. This project will be constructed along J. P. Rizal, Makati City, just adjacent to Rockwell Center and will be launched in 2012 (see Note 15).

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

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

In 2011, other land and other development cost mainly pertains to a residential project in Quezon City, which the Company plans to launch in 2012.

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

Specific borrowing costs capitalized as part of development costs amounted to ₱175.1 million, ₱135.2 million and ₱35.3 million in 2011, 2010 and 2009, respectively. Capitalization rates used are 7.9%, 7.8% and 7.5% in 2011, 2010 and 2009, respectively. Amortization of discount on retention payable capitalized as part of development costs amounted to ₱31.9 million, ₱2.8 million and ₱24.8 million in 2011, 2010 and 2009, respectively (see Note 17).

Total cash received from pre-selling activities for “The Grove Phase 2 and Phase 3” and “Edades” projects amounted to ₱283.8 million, ₱741.0 million and ₱343.2 million as of December 31, 2011 and 2010, and January 1, 2010, respectively. These are shown under “Deposits from pre-selling of condominium units” account in the consolidated statements of financial position.

In 2011, development costs amounting to ₱392.3 million and ₱30.2 million were reclassified to investment property and property and equipment accounts, respectively (see Notes 11 and 13).

## 9. Available-for-Sale Investments

This account consists of:

	December 31, 2011	December 31, 2010	January 1, 2010
Shares - quoted	₱258,920	₱274,740	₱241,600
Shares - unquoted	3,308	3,308	3,308
	<b>₱262,228</b>	<b>₱278,048</b>	<b>₱244,908</b>

### Available-for-sale quoted equity shares

These consist of investments in RLCI shares (proprietary and ordinary - ₱251.5 million as of December 31, 2011, ₱267.2 million as of December 31, 2010 and ₱235.8 million as of January 1, 2010) and Manila Polo Club shares (₱7.4 million as of December 31, 2011, ₱7.5 million as of December 31, 2010 and ₱5.8 million as of January 1, 2010). The investment in RLCI substantially consists of proprietary Class A and Class B shares. The fair value of these quoted debt securities and equity shares is determined by reference to published price quotations in an active market.

On May 12, 1999, the 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 ₱400.0 million, in exchange for advances convertible into 1,000 Class A and 500 Class B common shares of stock of RLCI with a par value of ₱1,000 per share. As of December 31, 2011 and 2010,



and January 1, 2010, a portion of the advances have been converted to 655 Class A and 200 Class B common shares. The remaining advances, which were convertible into 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 movement in the unrealized gain (loss) on available-for-sale investments is as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Unrealized gain (loss) at beginning of year	P27,409	(P2,686)	(P3,986)
Fair value change of available-for-sale investments recognized in other comprehensive income - net of tax effect of P1.5 million in 2011, P3.0 million in 2010 and nil in 2009	(14,238)	30,095	1,300
Unrealized gain (loss) at end of year	P13,171	P27,409	(P2,686)

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:

	December 31, 2011	December 31, 2010	January 1, 2010
Prepaid costs (see Notes 4, 15 and 20)	P279,584	P279,645	P252,596
Input value-added tax (VAT) (see Note 15)	119,900	206,033	142,166
Refundable deposits	17,388	15,792	19,737
Others	30,424	46,399	52,575
	P447,296	P547,869	P467,074

**11. Investment Properties**

This account consists of:

	December 31, 2011		Total
	Land	Buildings and Improvements	
At January 1, 2011, net of accumulated depreciation	P1,741,816	P2,711,689	P4,453,505
Additions	-	19,890	19,890
Reclassification from land and development costs (see Note 8)	129,028	263,284	392,312
Depreciation (see Note 20)	-	(134,539)	(134,539)
At December 31, 2011, net of accumulated depreciation	P1,870,844	P2,860,324	P4,731,168



December 31, 2011			
	Land	Buildings and Improvements	Total
At January 1, 2011:			
Cost	P1,741,816	P3,892,492	P5,634,308
Accumulated depreciation	-	(1,180,803)	(1,180,803)
Net carrying amount	P1,741,816	P2,711,689	P4,453,505
At December 31, 2011:			
Cost	P1,870,844	P4,175,666	P6,046,510
Accumulated depreciation	-	(1,315,342)	(1,315,342)
Net carrying amount	P1,870,844	P2,860,324	P4,731,168
December 31, 2010			
	Land	Buildings and Improvements	Total
At January 1, 2010, net of accumulated depreciation			
	P1,741,816	P2,759,736	P4,501,552
Additions	-	83,810	83,810
Depreciation (see Note 20)	-	(131,857)	(131,857)
At December 31, 2010, net of accumulated depreciation	P1,741,816	P2,711,689	P4,453,505
At January 1, 2010:			
Cost	P1,741,816	P3,808,682	P5,550,498
Accumulated depreciation	-	(1,048,946)	(1,048,946)
Net carrying amount	P1,741,816	P2,759,736	P4,501,552
At December 31, 2010:			
Cost	P1,741,816	P3,892,492	P5,634,308
Accumulated depreciation	-	(1,180,803)	(1,180,803)
Net carrying amount	P1,741,816	P2,711,689	P4,453,505
January 1, 2010			
	Land	Buildings and Improvements	Total
At January 1, 2009, net of accumulated depreciation			
	P1,741,816	P2,864,742	P4,606,558
Additions (see Note 12)	-	661,882	661,882
Reclassification from construction in progress (see Note 12)	-	1,444,764	1,444,764
Reclassification to investment in joint venture (see Note 12)	-	(2,055,043)	(2,055,043)
Reclassification to property and equipment (see Note 13)	-	(27,422)	(27,422)
Reclassification to land and development costs (see Note 8)	-	(4,660)	(4,660)
Depreciation (see Note 20)	-	(124,527)	(124,527)
At January 1, 2010, net of accumulated depreciation	P1,741,816	P2,759,736	P4,501,552
At January 1, 2009:			
Cost	P1,741,816	P3,789,160	P5,530,976
Accumulated depreciation	-	(924,418)	(924,418)
Net carrying amount	P1,741,816	P2,864,742	P4,606,558



	January 1, 2010		Total
	Land	Buildings and Improvements	
At January 1, 2010:			
Cost	₱1,741,816	₱3,808,682	₱5,550,498
Accumulated depreciation	—	(1,048,946)	(1,048,946)
Net carrying amount	₱1,741,816	₱2,759,736	₱4,501,552

Investment properties are valued at cost. Investment properties consist of the “Power Plant” Mall (₱3.4 billion as of December 31, 2011 and ₱3.5 billion as of December 31, 2010 and January 1, 2010), other investment properties held for lease within the Rockwell Center (₱520.1 million as of December 31, 2011, ₱135.6 million as of December 31, 2010 and ₱111.0 million as of January 1, 2010) and land held for appreciation (₱852.5 million as of December 31, 2011 and 2010, and January 1, 2010). As of December 31, 2011 and 2010, and January 1, 2010, unamortized borrowing costs capitalized as part of investment properties amounted to ₱252.1 million, ₱261.1 million and ₱270.1 million, respectively. No borrowing costs were capitalized starting 2001.

As of December 31, 2011 and 2010, and January 1, 2010, land with a carrying value of ₱332.2 million is pledged as one of the collaterals for the interest-bearing loans (see Note 14).

As of December 31, 2011 and 2010, and January 1, 2010, investment in the “Power Plant” Mall was partially used as collateral for interest-bearing loans and borrowings (see Note 14).

Lease income earned from investment properties amounted to ₱657.9 million, ₱603.6 million and ₱560.3 million in 2011, 2010 and 2009, respectively. Direct operating expenses incurred amounted to ₱287.5 million, ₱243.9 million and ₱267.1 million in 2011, 2010 and 2009, respectively.

The aggregate fair value of the Company’s mall amounted to ₱6.3 billion, ₱5.9 billion and ₱5.2 billion as of December 31, 2011 and 2010, and January 1, 2010, respectively. The aggregate fair value of other investment properties held for lease within the Rockwell Center and land held for appreciation amounted to ₱2.6 billion, ₱2.1 billion and ₱1.8 billion as of December 31, 2011 and 2010, and January 1, 2010, 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.

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## 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 ₱3.0 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 ₱7.0 million which in aggregate shall be equivalent to 70% of the project contribution. Upon completion of the construction, Meralco and the Parent Company shall divide and allocate ownership of the BPO Building in proportion to their respective contribution.

Prior to the completion of the BPO Building, cost incurred related to the construction of the BPO Building was recorded as "Construction in progress" and then eventually reclassified to investment properties upon completion in July 2009. On the same date, by virtue of the Joint Venture (JV) Agreement, the investment property was then eventually reclassified to Investment in joint venture. Accordingly, the ownership of the BPO Building was allocated and distributed to the Parent Company and Meralco 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 the above BPO Building upon completion of the 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.

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 ₱0.9 million, ₱0.8 million and ₱0.5 million in 2011, 2010 and 2009, 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.



The unincorporated JV started commercial operations in July 2009.

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

	December 31, 2011	December 31, 2010	January 1, 2010
Current assets	P323,802	P173,452	P49,143
Noncurrent assets	1,898,669	1,990,461	2,027,252
Current liabilities	50,223	83,977	29,791
Noncurrent liabilities	69,146	56,695	22,426
Equity	<b>P2,103,102</b>	<b>P2,023,241</b>	<b>P2,024,178</b>

Share in the joint venture's revenue and expenses:

	2011 (One Year)	2010 (One Year)	2009 (Six Months)
Revenue	P206,517	P119,199	P12,651
General and administrative expenses	44,454	37,934	16,065
Depreciation expense	82,202	82,202	34,451
Share in net income (loss)	<b>P79,861</b>	<b>(P937)</b>	<b>(P37,865)</b>

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

	December 31, 2011	December 31, 2010	January 1, 2010
Investment cost	P2,062,043	P2,062,043	P2,062,043
Accumulated share in net income (losses):			
Balance at beginning of the year	(38,802)	(37,865)	-
Share in net income (losses)	79,861	(937)	(37,865)
Balance at end of year	41,059	(38,802)	(37,865)
Carrying value	<b>P2,103,102</b>	<b>P2,023,241</b>	<b>P2,024,178</b>

### 13. Property and Equipment

This account consists of:

	December 31, 2011				Total
	Land	Buildings and Improvements	Office Furniture and Other Equipment	Transportation Equipment	
<b>Cost</b>					
At January 1	P20,852	P277,132	P813,309	P104,491	P1,215,784
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
<b>Accumulated Depreciation and Amortization</b>					
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
<b>Net Book Value at December 31</b>	<b>P20,852</b>	<b>P149,190</b>	<b>P245,119</b>	<b>P29,238</b>	<b>P444,399</b>





December 31, 2010					
	Land	Buildings and Improvements	Office Furniture and Other Equipment	Transportation Equipment	Total
<b>Cost</b>					
At January 1	P20,852	P253,940	P711,087	P101,655	P1,087,534
Additions	-	23,192	102,222	9,735	135,149
Disposals	-	-	-	(6,899)	(6,899)
At December 31	20,852	277,132	813,309	104,491	1,215,784
<b>Accumulated Depreciation and Amortization</b>					
At January 1	-	152,235	462,072	69,521	683,828
Depreciation and amortization (see Note 20)	-	7,101	71,048	9,051	87,200
Disposals	-	-	-	(1,553)	(1,553)
At December 31	-	159,336	533,120	77,019	769,475
<b>Net Book Value at December 31</b>	<b>P20,852</b>	<b>P117,796</b>	<b>P280,189</b>	<b>P27,472</b>	<b>P446,309</b>

January 1, 2010					
	Land	Buildings and Improvements	Office Furniture and Other Equipment	Transportation Equipment	Total
<b>Cost</b>					
At January 1, 2009	P20,852	P226,340	P665,564	P89,018	P1,001,774
Reclassification from investment properties (see Note 11)	-	27,422	-	-	27,422
Additions	-	178	45,530	18,126	63,834
Disposals	-	-	(7)	(5,489)	(5,496)
At January 1, 2010	20,852	253,940	711,087	101,655	1,087,534
<b>Accumulated Depreciation and Amortization</b>					
At January 1, 2009	-	146,978	402,841	61,563	611,382
Depreciation and amortization (see Note 20)	-	5,257	59,232	10,094	74,583
Disposals	-	-	(1)	(2,136)	(2,137)
At January 1, 2010	-	152,235	462,072	69,521	683,828
<b>Net Book Value at January 1, 2010</b>	<b>P20,852</b>	<b>P101,705</b>	<b>P249,015</b>	<b>P32,134</b>	<b>P403,706</b>

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

This account consists of:

	Effective Interest Rate	December 31, 2011	December 31, 2010	January 1, 2010
<b>Current</b>				
Corporate notes	8.8% fixed in 2010 and 2009	P-	P1,580,000	P280,000
Peso-denominated loans from various local banks and financial institutions	2011: 7.5% fixed, 4.5% floating and 1-yr PDST-F plus 2%, 2010 and 2009: 8.5% fixed, 1-yr PDST-F plus 1.5%, 3-month PDST-F plus 2%; 1-yr PDST-F plus 2%	278,418	1,152,977	480,903
		<b>P278,418</b>	<b>P2,732,977</b>	<b>P760,903</b>



	Effective Interest Rate	December 31, 2011	December 31, 2010	January 1, 2010
<b>Noncurrent</b>				
Corporate notes	7.3% fixed in 2011 and 8.8% fixed in 2009	<b>₱2,500,000</b>	₱-	₱1,580,000
Peso-denominated loans from various local banks and financial institutions	2011: 7.5% fixed, 2010: 8.5% fixed, 1-yr PDST-F plus 2%, 2009: 8.5% fixed, 1-yr PDST-F plus 1.5%, 3-month PDST-F plus 2%; 1-yr PDST-F plus 2%	<b>108,954</b>	290,691	578,899
		<b>2,608,954</b>	290,691	2,158,899
Less unamortized loan transaction costs (see Note 20)		<b>20,716</b>	7,451	10,384
		<b>₱2,588,238</b>	₱283,240	₱2,148,515

#### Corporate Notes

On July 19, 2007, the Parent Company entered into a Fixed Rate Corporate Notes Facility Agreement ("the Agreement") with First Metro Investment Corporation and Philippine Commercial Capital, Inc. (Joint Issue Managers and Lead Underwriters), Metropolitan Bank and Trust Company - Trust Banking Group (Facility Agent and Collateral Trustee), and Philippine Commercial Capital, Inc. - Trust and Investment Group (Paying Agent) for a ₱2.0 billion fixed rate corporate notes ("the Notes") for the purpose of financing the development of the BPO Building located in the Meralco compound (see Note 12). The Notes are comprised of Tranche 1 and Tranche 2, each amounting to ₱1.0 billion. Tranche 1 has been fully availed in August 2007. Tranche 2 was availed of on February 28, 2008 and July 30, 2008, each amounting to ₱0.5 billion. The Corporate Note amounting to ₱1.4 billion is payable in 20 quarterly payments starting August 2009 and the ₱0.6 billion balance is payable lumpsum at maturity in August 2014.

Interest is fixed up to maturity at 75 bps over the seven-year PDST-F, grossed-up for Gross Receipts Tax (GRT).

As of December 31, 2010, the Parent Company was in the process of negotiating for the pre-termination of the Corporate Notes. In February 2011, the Parent Company pre-terminated the entire outstanding principal amount of the Corporate Notes. Accordingly, such loan was classified as a current liability in the 2010 consolidated statement of financial position. The pre-termination was then financed by a bridge loan.

In April 2011, the Parent Company entered into a new Fixed Rate Corporate Notes Facility Agreement with First Metro Investment Corporation, PNB Capital and Investment Corporation (Joint Lead Arrangers), Metropolitan Bank and Trust Company - 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 will be availed in April 2012. The Corporate Note is payable in 22 quarterly payments starting January 2013 until April 2018. Under the terms of the Corporate Notes, the Parent Company may, at its option and without premium and penalty, redeem the Corporate 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 GRT.

*Covenants.* The new Agreement 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, 2011, the Parent Company has complied with these covenants (see Note 27).

Loans from Various Local Banks and Financial Institutions

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.

All interest-bearing loans and borrowings outstanding as of December 31, 2011 and 2010, and January 1, 2010 (excluding unsecured loans of P100.0 million as of December 31, 2011) are secured by assignment of One Rockwell and The Grove receivables with gross undiscounted amounts of P0.2 billion, P1.1 billion and P0.8 billion, respectively (see Note 7), a parcel of land and Mortgage Participation Certificates amounting to P2.5 billion, P1.6 billion and P1.9 billion, respectively, on a Mortgage Trust Indenture (MTI) and its amendments and supplements over the Power Plant Mall (see Note 11). As of February 28, 2012, the Parent Company is in the process of increasing the collateral value of the MTI from P3.0 billion to P4.3 billion.

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

2012	P278,418
2013	509,118
2014	508,927
2015	454,545
2016 onwards	1,136,364
	<u>P2,887,372</u>

*Loan Transaction Costs.* As of December 31, 2011 and 2010, and January 1, 2010, 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:

	December 31, 2011	December 31, 2010	January 1, 2010
Balance at beginning of year	P7,451	P10,384	P12,854
Addition during the year	24,469	-	-
Write-off of loan transaction costs on pre-terminated loans (see Note 20)	(6,991)	-	-
Amortization during the year (see Note 20)	(4,213)	(2,933)	(2,470)
Balance at end of year	<u>P20,716</u>	<u>P7,451</u>	<u>P10,384</u>





## 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 residential condominium project of the Company called "Greater Rockwell" Project (see Note 8).

Under the Deed of Sale, the Parent Company will pay for the cost of the land 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 2012	P792,130
June 2013	799,755
June 2014	799,755
June 2015	799,755
June 2020	655,799
<b>Total</b>	<b>P3,847,194</b>

The installment payable and the corresponding land held for development were recorded at present value using the discount rate of 8%. Accretion of interest expense for the year ended December 31, 2011 amounted to P33.8 million and was capitalized as part of land and development costs (see Note 8).

As of December 31, 2011, the carrying value of the installment payable amounted to P3.0 billion.

Installment payable is secured by Stand-By Letters of Credit (SBLC) from Metropolitan Bank and Trust Company and First Metro Investment Corporation 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, 2011 amounting to P20.1 million is presented as part of "Prepaid costs" under "Other current assets" account in the 2011 consolidated statement of financial condition (see Note 10).

The related deferred input VAT amounting to P327.3 million, net of current portion of P83.5 million (see Note 10), is recognized as part of "Other noncurrent assets" account in the 2011 consolidated statement 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:

	December 31, 2011	December 31, 2010	January 1, 2010
Trade	P132,042	P106,642	P84,715
Accrued project costs	640,654	340,297	88,882
Accrued taxes	251,481	134,092	247,330
Deferred output VAT	207,216	218,337	7,630
Accrued expenses	164,966	93,933	117,309

(Forward)



	December 31, 2011	December 31, 2010	January 1, 2010
Accrued interest	P68,631	P51,212	P28,487
Due to related party (see Note 24)	18,733	14,281	21,145
Accrued marketing and promotions	13,798	11,452	13,408
Accrued producers' share	10,356	13,329	7,736
Excess collections over recognized receivables (see Note 4)	418,815	185,499	-
Current portions of:			
Retention payable (see Note 17)	228,432	17,928	96,119
Security deposits (see Note 17)	108,126	146,557	123,251
Deferred lease income (see Note 17)	49,544	27,384	26,012
	<b>P2,312,794</b>	<b>P1,360,943</b>	<b>P862,024</b>

Trade payables and accrued project costs are noninterest-bearing and are normally settled on a 30-day term.

Accrued taxes mainly consist of transfer fees payable and taxes payable other than income tax.

Accrued expenses mainly consist of accruals for general and administrative expenses.

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

#### 17. Deposits and Other Liabilities

This account consists of:

	December 31, 2011	December 31, 2010	January 1, 2010
Security deposits - net of current portion of P108.1 million in 2011, P146.6 million in 2010 and P123.3 million in 2009 (see Note 16)	P110,533	P57,402	P72,525
Retention payable - net of current portion of P228.4 million in 2011, P17.9 million in 2010 and P96.1 million in 2009 (see Note 16)	93,273	183,887	111,391
Deferred lease income - net of current portion of P49.5 million in 2011, P27.4 million in 2010 and P26.0 million in 2009 (see Note 16)	31,334	49,581	45,881
Customers' deposits	13,298	11,231	13,336
Others	3,001	2,999	9,294
	<b>P251,439</b>	<b>P305,100</b>	<b>P252,427</b>

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.

Retention payable is the portion of the amount billed by contractors that is being withheld as security in case the 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 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, 2011 and 2010, and January 1, 2010.

	December 31, 2011	December 31, 2010	January 1, 2010
Balance at beginning of year	P34,269	P21,768	P18,346
Additions	10,569	15,316	28,182
Amortization during the year (see Note 8)	(31,851)	(2,815)	(24,760)
Balance at end of year	P12,987	P34,269	P21,768

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.

Customers' deposits represent nonrefundable reservation fees paid to the Company by prospective buyers which are to be applied against the receivable upon recognition of revenue.

## 18. Equity

### a. Capital Stock

	Number of Shares	Amount
<b>Authorized</b>		
Common - P1 par value	8,890,000,000	P8,890,000
Preferred - P0.01 par value	11,000,000,000	110,000
	19,890,000,000	P9,000,000
<b>Issued</b>		
Common - P1 par value	6,228,382,344	P6,228,382
Preferred - P0.01 par value	2,750,000,000	27,500
	8,978,382,344	P6,255,882

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 Company fully redeemed these preferred shares at par value, including dividends in arrears of P4.1 million. On February 28, 2012, the BOD authorized the reissuance of these preferred shares at a later date.





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.

On July 31, 2009, during the regular meeting, the BOD approved the declaration of dividends for preferred shares at 6% cumulative per annum amounting to ₱1.65 million. In addition, the BOD approved the declaration of cash dividend for common shares amounting to ₱200.0 million (₱0.032 per share) to the stockholders of record based on their subscription as of July 31, 2009. Payments were made in two equal tranches on September 30, 2009 and November 30, 2009.

**19. Interest Income**

This account consists of:

	2011	2010	2009
Interest income from:			
Amortization of unearned interest on trade receivables (see Note 7)	₱491,789	₱549,882	₱293,313
Interest and penalty charges	11,247	15,097	18,968
In-house financing	3,479	4,435	5,063
Cash in banks and short-term investments (see Note 6)	10,574	1,540	4,975
	<b>₱517,089</b>	<b>₱570,954</b>	<b>₱322,319</b>

**20. Expenses**

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

	2011	2010	2009
Included in:			
Cost of real estate (see Note 11)	₱134,539	₱131,857	₱124,527
General and administrative expenses (see Note 13)	95,190	87,200	74,583
	<b>₱229,729</b>	<b>₱219,057</b>	<b>₱199,110</b>

General and administrative expenses pertain to the following businesses:

	2011	2010	2009
Real estate	₱484,660	₱432,139	₱381,979
Cinema	160,079	150,011	120,945
	<b>₱644,739</b>	<b>₱582,150</b>	<b>₱502,924</b>



Real Estate

	2011	2010	2009
Personnel (see Notes 21 and 22)	<b>P125,867</b>	P93,305	P107,719
Taxes and licenses	<b>102,105</b>	73,611	76,651
Depreciation and amortization (see Note 13)	<b>88,807</b>	81,917	70,788
Entertainment, amusement and recreation	<b>25,887</b>	23,630	21,403
Marketing and promotions	<b>18,503</b>	13,365	18,452
Utilities (see Note 24)	<b>14,937</b>	14,806	11,195
Professional fees	<b>12,676</b>	8,813	12,454
Insurance	<b>9,256</b>	6,606	5,266
Fuel and oil	<b>7,183</b>	4,209	3,199
Dues and subscriptions	<b>6,759</b>	9,281	9,272
Contracted services	<b>4,969</b>	6,397	5,174
Materials and supplies	<b>2,389</b>	2,279	2,127
Provision for doubtful accounts (see Note 7)	<b>2,041</b>	-	295
Security services	<b>1,951</b>	1,970	1,894
Write-off of other receivables	-	21,029	-
Others	<b>61,330</b>	70,921	36,090
	<b>P484,660</b>	P432,139	P381,979

Cinema

	2011	2010	2009
Producers' share	<b>P84,611</b>	P80,640	P48,406
Utilities (see Note 24)	<b>24,446</b>	22,231	19,758
Amusement tax	<b>14,905</b>	13,008	22,372
Snack bar	<b>11,033</b>	9,010	8,766
Personnel (see Notes 21 and 22)	<b>7,465</b>	7,766	7,313
Depreciation and amortization (see Note 13)	<b>6,383</b>	5,283	3,795
Contracted services	<b>4,530</b>	4,549	3,795
Advertising	<b>2,751</b>	2,852	2,919
Others	<b>3,955</b>	4,672	3,821
	<b>P160,079</b>	P150,011	P120,945

Selling expenses are comprised of:

	2011	2010	2009
Commissions and amortization of prepaid costs (see Notes 4 and 10)	<b>P209,800</b>	P155,291	P114,322
Marketing and promotions	<b>49,253</b>	25,739	25,846
Personnel (see Notes 21 and 22)	<b>31,506</b>	29,400	19,589
Entertainment, amusement and recreation	<b>1,711</b>	1,234	803
Others	<b>757</b>	426	604
	<b>P293,027</b>	P212,090	P161,164





Interest expense is comprised of:

	2011	2010	2009
Interest expense on loans (see Note 14)	<b>₱171,355</b>	₱150,935	₱76,612
Write-off of loan transaction costs on pre-terminated loans (see Note 14)	<b>6,991</b>	-	-
Amortization of loan transaction costs (see Note 14)	<b>4,213</b>	2,933	2,470
	<b>₱182,559</b>	₱153,868	₱79,082

## 21. Personnel Expenses

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

	2011	2010	2009
Salaries and wages (see Note 20)	<b>₱148,468</b>	₱114,733	₱110,081
Pension costs (see Note 22)	<b>16,370</b>	15,738	24,540
	<b>₱164,838</b>	₱130,471	₱134,621

## 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

	2011	2010	2009
Current service cost	<b>₱17,966</b>	₱14,386	₱5,621
Interest cost	<b>13,134</b>	11,643	5,833
Amortization of past service cost	<b>6,134</b>	6,134	17,611
Expected return on plan assets	<b>(20,864)</b>	(16,425)	(4,115)
Net actuarial gain recognized	-	-	(410)
Net pension cost	<b>₱16,370</b>	₱15,738	₱24,540
Actual return on plan assets	<b>₱10,006</b>	₱44,387	₱20,633

### Pension Asset

	December 31, 2011	December 31, 2010	January 1, 2010
Present value of benefit obligation	<b>₱218,170</b>	₱168,164	₱126,010
Fair value of plan assets	<b>(212,410)</b>	(208,637)	(164,250)
Unrecognized past service cost	<b>(17,173)</b>	(23,307)	(29,441)
Unrecognized net actuarial gain (loss)	<b>(22,069)</b>	13,928	2,091
Pension asset	<b>(₱33,482)</b>	(₱49,852)	(₱65,590)



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

	December 31, 2011	December 31, 2010	January 1, 2010
Defined benefit obligation at beginning of year	P168,164	P126,010	P50,154
Current service cost	17,966	14,386	5,621
Interest cost	13,134	11,643	5,833
Past service cost	-	-	39,693
Actuarial loss due to:			
Change in assumptions	27,367	15,132	18,022
Experience adjustments	(2,228)	993	6,687
Benefits paid	(6,233)	-	-
<b>Defined benefit obligation at end of year</b>	<b>P218,170</b>	<b>P168,164</b>	<b>P126,010</b>

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

	December 31, 2011	December 31, 2010	January 1, 2010
Fair values of plan assets at beginning of year	P208,637	P164,250	P82,295
Expected return on plan assets	20,864	16,425	4,115
Actual contributions	-	-	61,322
Unrecognized net actuarial gain (loss)	(10,858)	27,962	16,518
Benefits paid	(6,233)	-	-
<b>Fair values of plan assets at end of year</b>	<b>P212,410</b>	<b>P208,637</b>	<b>P164,250</b>

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

	December 31, 2011	December 31, 2010	January 1, 2010
Net cumulative unrecognized actuarial gain (loss) at beginning of year	P13,928	P2,091	P10,692
Actuarial gain (loss) due to:			
Change in assumptions	(27,367)	(15,132)	(18,022)
Experience adjustments	2,228	(993)	(6,687)
Net actuarial gain recognized	-	-	(410)
Actuarial gain (loss) on plan assets	(10,858)	27,962	16,518
<b>Net cumulative unrecognized actuarial gain (loss) at end of year</b>	<b>(P22,069)</b>	<b>P13,928</b>	<b>P2,091</b>

The Company does not expect to contribute to its pension plan in 2012 as it is still overfunded.

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

	December 31, 2011	December 31, 2010	January 1, 2010
Investments in:			
Government securities	37.15%	33.24%	37.53%
Loans and debt instruments	10.93%	12.75%	9.33%
Other securities	51.92%	54.01%	53.14%
	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>



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, 2011, 2010 and 2009 in determining pension cost obligation for the Company's plans are as follows:

	2011	2010	2009
Discount rate	6.03%	9.24%	11.63%
Future salary rate increases	10.00%	10.00%	10.00%
Expected rate of return on plan assets	10.00%	10.00%	10.00%

Discount rate prevailing as of December 31, 2011 is 7.81%.

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

	2011	2010	2009	2008	2007
Defined benefit obligation	P218,170	P168,164	P126,010	P50,154	P56,772
Plan assets	212,410	208,637	164,250	82,295	47,437
Experience adjustment on defined benefit obligation	(2,228)	993	6,687	(2,156)	724
Experience adjustment on plan assets	(10,858)	27,692	16,518	(9,911)	2,697

### 23. Income Taxes

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

	2011	2010	2009
Current income tax	P430,715	P272,467	P200,740
Deferred income tax	(140,438)	24,753	77,002
	P290,277	P297,220	P277,742

The current provision for income tax represents the regular corporate income tax (RCIT).

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, 2011 and 2010, and January 1, 2010 shown in the consolidated statements of financial position are as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Deferred tax liabilities:			
Capitalized interest	P82,084	P85,201	P88,318
Unrealized gain on real estate	25,228	145,170	113,083
Overfunded pension costs	10,045	14,956	19,677
Unrealized foreign exchange gain	1,661	13,721	17,668
Unrealized gain on available-for-sale investments	1,463	3,045	-
Derivative assets	-	210	-
Total (Carried Forward)	120,481	262,303	238,746





	December 31, 2011	December 31, 2010	January 1, 2010
Total (Brought Forward)	<b>P120,481</b>	P262,303	P238,746
Deferred tax assets:			
Deferred lease income	24,156	22,978	21,190
Unamortized past service cost	16,332	19,121	21,909
Other employee benefits	6,953	6,259	7,784
Allowance for doubtful accounts and others	4,164	3,049	3,489
Derivative liabilities	-	-	1,277
	<b>51,605</b>	51,407	55,649
	<b>P68,876</b>	P210,896	P183,097

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:

	2011	2010	2009
Statutory income tax rate	<b>30.0%</b>	30.0%	30.0%
Additions to income tax resulting from:			
Share in net (income) losses of joint venture	(2.0)	-	1.3
Nondeductible expenses	0.1	0.6	0.5
Nontaxable income and others	(4.0)	(3.5)	(1.3)
Effective income tax rate	<b>24.1%</b>	27.1%	30.5%

#### 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 or common significant influence.

In addition to the transaction disclosed in Note 12, significant transactions with related parties are as follows:

- a. Gross utilities expense due to Meralco amounting to P326.7 million in 2011, P265.3 million in 2010 and P208.0 million in 2009 (see Note 20). Unpaid utilities expense as of December 31, 2011 and 2010, and January 1, 2010 amounted to P18.7 million, P14.3 million and P21.1 million, respectively (see Note 16); and,
- b. Advances to officers and employees amounting to P9.5 million, P7.5 million and P8.9 million as of December 31, 2011 and 2010, and January 1, 2010, respectively (see Note 7).

#### 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, 2011 and 2010, and January 1, 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

	2011	2010	2009
Short-term employee benefits	P41,790	P42,191	P34,603
Post-employment pension and other benefits	9,767	9,970	16,022
Total compensation attributable to key management personnel	P51,557	P52,161	P50,625

**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 and January 1, 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 P43.88 to US\$1.00 and P46.21 to US\$1.00, respectively. Outstanding derivatives matured in 2011. The net fair value gain on the outstanding currency forward contracts amounted to P10.4 million in 2010 and 2009.

Fair Value Changes on Derivatives

The net movements in fair value changes of all derivative instruments are as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Balance at beginning of year	P699	(P4,256)	(P21,706)
Mark-to-market gain (loss)	(304)	10,354	10,372
Fair value of settled instruments	(395)	(5,399)	7,078
Asset (liability) at end of year	P-	P699	(P4,256)

**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 six 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 follows:

2012	P447,731
2013	102,920
2014	71,598
2015	17,421
2016 and after	9,090
	<u>P648,760</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 P1.9 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, 2011, P165.7 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 P1.6 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 ongoing. As of December 31, 2011, total amount paid related to this contract amounted to P739.4 million.
- c. The Company entered into a contract with DATEM Incorporated in April 2008 for the superstructure works of the "One Rockwell" project. The contract amounted to a fixed fee of P2.5 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 2008 and was completed in December 2011. As of December 31, 2011, P2.3 billion has been 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.

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#### **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 entered 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, 2011 and 2010, and January 1, 2010, approximately 92%, 62% and 74%, 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.

December 31, 2011					
	Within 1 Year	1-2 Years	2-3 Years	More than 3 Years	Total
<b>Fixed Rate</b>					
Interest-bearing loans and borrowings	₱50,942	₱509,118	₱508,927	₱1,590,909	₱2,659,896
Short-term investments	328,113	-	-	-	328,113
<b>Floating Rate</b>					
Interest-bearing loans and borrowings	₱227,476	₱-	₱-	₱-	₱227,476
December 31, 2010					
	Within 1 Year	1-2 Years	2-3 Years	More than 3 Years	Total
<b>Fixed Rate</b>					
Interest-bearing loans and borrowings	₱1,626,444	₱50,549	₱55,017	₱54,694	₱1,786,704
Short-term investments	258,725	-	-	-	258,725
<b>Floating Rate</b>					
Interest-bearing loans and borrowings	1,106,533	130,431	-	-	1,236,964
January 1, 2010					
	Within 1 Year	1-2 Years	2-3 Years	More than 3 Years	Total
<b>Fixed Rate</b>					
Interest-bearing loans and borrowings	₱454,323	₱307,560	₱309,997	₱1,085,105	₱2,156,985
Short-term investments	214,509	-	-	-	214,509
<b>Floating Rate</b>					
Interest-bearing loans and borrowings	306,580	456,237	-	-	762,817

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 tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's December 31, 2011 and 2010, and January 1, 2010 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.

2011		
	Increase/Decrease in Basis Points	Effect on Income Before Income Tax
Floating rate loans from various local banks	+100	(₱5.22 million)
	-100	5.22 million



2010		
	Increase/Decrease in Basis Points	Effect on Income Before Income Tax
Floating rate loans from various local banks	+100	(₱9.01 million)
	-100	9.01 million
2009		
	Increase/Decrease in Basis Points	Effect on Income Before Tax
Floating rate loans from various local banks	+100	(₱3.40 million)
	-100	3.40 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 Assets and Liabilities

	December 31, 2011		December 31, 2010		January 1, 2010	
	US\$	Peso	US\$	Peso	US\$	Peso
<b>Assets</b>						
Cash and cash equivalents	US\$70	₱3,067	US\$672	₱29,449	US\$2,034	₱93,981
Trade and other receivables	-	-	1,714	75,137	2,706	125,025
Net foreign currency- denominated assets	US\$70	₱3,067	US\$2,386	₱104,586	US\$4,740	₱219,006

As of December 31, 2011 and 2010, and January 1, 2010, the exchange rate was ₱43.84 to US\$1.00, ₱43.84 to US\$1.00 and ₱46.20 to US\$1.00, respectively. Net foreign exchange loss (gain) amounted to (₱3.8) million, ₱19.4 million and ₱14.0 million in 2011, 2010 and 2009, respectively.

It is the Company's policy to limit its US\$-denominated receivables just to match the estimated US\$-denominated component of its development costs as well as its US\$-denominated borrowings. Also, the Company enters into deliverable currency forward contracts to manage its foreign currency exposure.





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, 2011 and 2010, and January 1, 2010 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.

2011		
	Increase/Decrease in US\$ Rate (in %)	Effect on Income Before Income Tax
Foreign currency-denominated financial assets	+5%	<b>₱0.15 million</b>
	-5%	<b>(₱0.15 million)</b>
2010		
	Increase/decrease in US\$ Rate (in %)	Effect on Income Before Income Tax
Foreign currency-denominated financial assets	+5%	₱5.23 million
	-5%	(₱5.23 million)
2009		
	Increase/decrease in US\$ Rate (in %)	Effect on Income Before Tax
Foreign currency-denominated financial assets and liabilities	+5%	₱10.95 million
	-5%	(₱10.95 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, while receivables from sale of club shares are secured by the shares held by the Company. 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.

	December 31, 2011	December 31, 2010	January 1, 2010
Cash and cash equivalents*	P447,709	P320,485	P392,313
Trade receivables from:			
Sale of condominium units	2,422,624	2,222,222	420,903
Lease	92,134	73,599	75,271
Sale of club shares	3,398	3,875	4,232
Advances to officers and employees	9,450	7,458	8,933
Other receivables	64,917	11,975	20,496
Derivative assets	—	699	—
Available-for-sale investments:			
Quoted	258,920	274,740	241,600
Unquoted	3,308	3,308	3,308
Deposits**	17,323	15,727	13,077
	<b>P3,319,783</b>	<b>P2,934,088</b>	<b>P1,180,133</b>

\* Excluding cash on hand amounting to P226, P221 and P211 as of December 31, 2011 and 2010, and January 1, 2010, 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.

	December 31, 2011		
	A Rating	B Rating	Total
Cash and cash equivalents	P447,709	P—	P447,709
Trade receivables from:			
Sale of condominium units	1,251,979	675,199	1,927,178
Lease	61,614	28,435	90,049
Sale of club shares	—	—	—
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
	<b>P2,097,566</b>	<b>P703,965</b>	<b>P2,801,531</b>



December 31, 2010			
	A Rating	B Rating	Total
Cash and cash equivalents	₱320,485	₱-	₱320,485
Trade receivables from:			
Sale of condominium units	918,613	466,697	1,385,310
Lease	43,464	28,976	72,440
Sale of club shares	-	-	-
Advances to officers and employees	7,458	-	7,458
Other receivables	5,568	-	5,568
Available-for-sale investments:			
Quoted	274,740	-	274,740
Unquoted	3,308	-	3,308
	₱1,573,636	₱495,673	₱2,069,309

January 1, 2010			
	A Rating	B Rating	Total
Cash and cash equivalents	₱392,313	₱-	₱392,313
Trade receivables from:			
Sale of condominium units	175,050	140,618	315,668
Lease	60,483	6,760	67,243
Sale of club shares	-	-	-
Advances to officers and employees	8,933	-	8,933
Other receivables	17,419	-	17,419
Available-for-sale investments:			
Quoted	241,600	-	241,600
Unquoted	3,308	-	3,308
	₱899,106	₱147,378	₱1,046,484

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, 2011 and 2010, and January 1, 2010, the analyses of the age of financial assets are as follows:

	Neither Past Due nor Impaired	December 31, 2011 Past Due but not Impaired				Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	More than 90 Days	
Cash and cash equivalents	₱447,935	₱-	₱-	₱-	₱-	₱447,935
Trade receivables from:						
Sale of condominium units	1,927,178	436,813	3,774	6,569	48,290	2,422,624
Lease	90,049	1,499	586	-	-	92,134
Sale of club shares	-	-	-	-	3,398	3,398
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
Deposits	-	-	-	-	17,323	17,323
	₱2,801,757	₱438,312	₱4,360	₱6,569	₱69,011	₱3,320,009



	December 31, 2010					
	Neither Past Due nor Impaired	Past Due but not Impaired				Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	More than 90 Days	
Cash and cash equivalents	₱320,706	₱-	₱-	₱-	₱-	₱320,706
Trade receivables from:						
Sale of condominium units	1,385,310	524,854	46,188	28,144	237,726	2,222,222
Lease	72,440	818	341	-	-	73,599
Sale of club shares	-	-	-	-	3,875	3,875
Advances to officers and employees	7,458	-	-	-	-	7,458
Other receivables	5,568	-	612	332	5,463	11,975
Available-for-sale investments:						
Quoted	274,740	-	-	-	-	274,740
Unquoted	3,308	-	-	-	-	3,308
Deposits	-	-	-	-	15,727	15,727
	₱2,069,530	₱525,672	₱47,141	₱28,476	₱262,791	₱2,933,610

	January 1, 2010					
	Neither Past Due nor Impaired	Past Due but not Impaired				Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	More than 90 Days	
Cash and cash equivalents	₱392,524	₱-	₱-	₱-	₱-	₱392,524
Trade receivables from:						
Sale of condominium units	315,668	61,660	14,782	10,985	17,808	420,903
Lease	67,243	6,596	1,011	59	361	75,271
Sale of club shares	-	-	-	-	4,232	4,232
Advances to officers and employees	8,933	-	-	-	-	8,933
Other receivables	17,419	1,910	1,107	60	-	20,496
Available-for-sale investments:						
Quoted	241,600	-	-	-	-	241,600
Unquoted	3,308	-	-	-	-	3,308
Refundable deposits	-	-	-	-	13,077	13,077
	₱1,046,695	₱70,166	₱16,900	₱11,104	₱35,478	₱1,180,344

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 ₱15.5 billion, ₱14.7 billion and ₱11.3 billion as of December 31, 2011 and 2010, and January 1, 2010, respectively. The fair value of the club shares amounted to ₱4.2 million, ₱5.4 million and ₱2.6 million as of December 31, 2011 and 2010, and January 1, 2010, 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. In 2010 and 2009, receivables from sale of club shares amounting to ₱2.2 million was assessed collectively for impairment. 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%, 90% and 26% of the Company's debt will mature in less than one year as of December 31, 2011 and 2010, and January 1, 2010, 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, 2011 and 2010, and January 1, 2010 based on contractual undiscounted payments.

December 31, 2011				
	Due Within 3 Months	Due Between 3 and 12 Months	Due after 12 Months	Total
Trade and other payables	P239,510	P1,043,029	P-	P1,282,539
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	93,273	321,705
Security deposits**	32,729	75,397	110,533	218,659
	<b>P475,055</b>	<b>P2,410,684</b>	<b>P6,396,490</b>	<b>P9,282,229</b>

December 31, 2010				
	Due Within 3 Months	Due Between 3 and 12 Months	Due after 12 Months	Total
Trade and other payables	P277,851	P470,555	P-	P748,406
Derivative financial instruments:				
Derivative payments	-	39,456	-	39,456
Derivative receipts	-	(39,489)	-	(39,489)
	-	(33)	-	(33)
Interest-bearing loans and borrowings*	1,799,660	1,058,933	316,651	3,175,244
Retention payable**	1,024	16,904	183,887	201,815
Security deposits**	20,981	125,576	57,402	203,959
	<b>P2,099,516</b>	<b>P1,671,935</b>	<b>P557,940</b>	<b>P4,329,391</b>

January 1, 2010				
	Due Within 3 Months	Due Between 3 and 12 Months	Due after 12 Months	Total
Trade and other payables	P309,009	P63,901	P31,750	P404,660
Derivative financial instruments:				
Derivative payments	-	110,880	-	110,880
Derivative receipts	-	(110,904)	-	(110,904)
	-	(24)	-	(24)
Interest-bearing loans and borrowings*	259,771	717,047	2,566,788	3,543,606
Retention payable	3,913	92,206	111,391	207,510
Security deposits	7,697	115,554	72,525	195,776
	<b>P580,390</b>	<b>P988,685</b>	<b>P2,782,454</b>	<b>P4,351,528</b>

\* Principal plus interest payments.

\*\* Presented as part of "Trade and other payables" and "Deposits and other liabilities" accounts in the consolidated statements of financial position.



Maturity Profile of Financial Assets Held for Liquidity Purposes

The table below shows the maturity profile of the Company's financial assets based on contractual undiscounted cash flows as of December 31, 2011 and 2010, and January 1, 2010:

December 31, 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	8,926,074	680,367	111,980	68,551	318,847	10,105,819
Lease	92,134	-	-	-	-	92,134
Available-for-sale investments	-	-	-	-	262,228	262,228
	<b>₱9,138,030</b>	<b>₱1,008,480</b>	<b>₱111,980</b>	<b>₱68,551</b>	<b>₱581,075</b>	<b>₱10,908,116</b>

December 31, 2010						
	On Demand	Within 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Cash and cash equivalents	₱61,981	₱258,725	₱-	₱-	₱-	₱320,706
Trade receivables from:						
Sale of condominium units	4,627,095	1,744,963	153,558	93,570	177,336	6,796,522
Lease	73,599	-	-	-	-	73,599
Available-for-sale investments	-	-	-	-	278,048	278,048
	<b>₱4,762,675</b>	<b>₱2,003,688</b>	<b>₱153,558</b>	<b>₱93,570</b>	<b>₱455,384</b>	<b>₱7,468,875</b>

January 1, 2010						
	On Demand	Within 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Cash and cash equivalents	₱178,015	₱214,509	₱-	₱-	₱-	₱392,524
Trade receivables from:						
Sale of condominium units	581,209	74,310	19,848	15,779	163,403	854,549
Lease	75,271	-	-	-	-	75,271
Available-for-sale investments	-	-	-	-	244,908	244,908
	<b>₱834,495</b>	<b>₱288,819</b>	<b>₱19,848</b>	<b>₱15,779</b>	<b>₱408,311</b>	<b>₱1,567,252</b>

Capital Management Policy

The primary objective of the Company's capital management is to maximize shareholder value by maintaining a healthy balance between debt and equity (capital) financing in support of its business requirements.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2011 and 2010, and January 1, 2010.

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).

	2011	2010	2009
Interest-bearing loans and borrowings	<b>₱2,866,656</b>	₱3,016,217	₱2,909,418
Less cash and cash equivalents	<b>447,935</b>	320,706	392,524
Net	<b>2,418,721</b>	2,695,511	2,516,894
Equity	<b>9,147,739</b>	8,247,074	7,415,672
Net debt-to-equity ratio	<b>0.26</b>	0.33	0.34





## 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, 2011 and 2010, and January 1, 2010. There are no material unrecognized financial assets and liabilities as of December 31, 2011 and 2010, and January 1, 2010.

	Carrying Value			Fair Value		
	December 31, 2011	December 31, 2010	January 1, 2010	December 31, 2011	December 31, 2010	January 1, 2010
<b>Financial Assets</b>						
Assets at FVPL -						
Derivative assets	P-	P699	P-	P-	P699	P-
Loans and receivables:						
Cash and cash equivalents	447,935	320,706	392,524	447,935	320,706	392,524
Trade receivables from:						
Sale of condominium units (including noncurrent portion)	2,422,624	2,222,222	420,903	6,187,712	3,914,263	436,544
Lease	92,134	73,599	75,271	92,134	73,599	75,271
Sale of club shares	3,398	3,875	4,232	3,398	3,875	4,232
Advances to officers and employees	9,450	7,458	8,933	9,450	7,458	8,933
Other receivables*	64,917	11,975	20,496	64,917	11,975	20,496
Refundable deposits**	17,323	15,727	13,077	17,323	15,727	13,077
Available-for-sale investments:						
Quoted	258,920	274,740	241,600	258,920	274,740	241,600
Unquoted	3,308	3,308	3,308	3,308	3,308	3,308
	<b>P3,320,009</b>	<b>P2,934,309</b>	<b>P1,180,344</b>	<b>P7,085,097</b>	<b>P4,626,350</b>	<b>P1,195,985</b>

	Carrying Value			Fair Value		
	December 31, 2011	December 31, 2010	January 1, 2010	December 31, 2011	December 31, 2010	January 1, 2010
<b>Financial Liabilities</b>						
Liabilities at FVPL -						
Derivative liabilities	P-	P-	P4,256	P-	P-	P4,256
Other Financial Liabilities						
Trade and other payables*	1,282,539	748,406	404,661	1,282,539	748,406	404,660
Interest-bearing loans and borrowings (including noncurrent portion)	2,866,656	3,016,217	2,909,418	3,097,784	3,097,784	2,978,715
Installment payable	3,022,424	-	-	3,227,554	-	-
Retention payable (including noncurrent portion)	321,705	201,815	207,510	310,193	125,774	185,741
Security deposits (including noncurrent portion)	218,659	203,959	195,776	213,482	192,219	176,489
	<b>P7,711,983</b>	<b>P4,170,397</b>	<b>P3,721,621</b>	<b>P8,131,552</b>	<b>P4,164,183</b>	<b>P3,749,862</b>

\* Carrying amounts are exclusive of statutory payables and other nonfinancial liabilities, totaling to P644,153, P420,668 and P204,352 as of December 31, 2011 and 2010, and January 1, 2010, 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 and Sale of Club Shares, 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 3.7% to 7.3% as of December 31, 2011, 3.3% to 6.5% as of December 31, 2010 and 6.5% to 8.3% as of January 1, 2010.

*Available-for-Sale Investments.* The fair values of quoted equity securities were determined by reference to market bid quotes as of financial reporting date. The unquoted equity securities were valued at cost.

*Derivative Assets and Derivative Liabilities.* The fair values were determined using forward exchange market rates as of financial reporting date.

*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 3.7% to 7.2% as of December 31, 2011, 2.8% to 6.0% as of December 31, 2010 and 6.3% to 8.4% as of January 1, 2010.

▪ 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 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 4.0% to 6.8% as of December 31, 2011, 5.6% to 7.8% as of December 31, 2010 and 6.3% to 7.4% as of January 1, 2010.

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.



	December 31, 2011	Level 1	Level 2	Level 3
<b>Assets measured at fair value</b>				
Available-for-sale financial assets	₱258,920	₱258,920	₱-	₱-
<b>December 31, 2010</b>				
		Level 1	Level 2	Level 3
<b>Assets measured at fair value</b>				
Available-for-sale financial assets	₱274,740	₱274,740	₱-	₱-
Foreign exchange forward contracts	699	-	699	-
	₱275,439	₱274,740	₱699	₱-
<b>January 1, 2010</b>				
		Level 1	Level 2	Level 3
<b>Assets measured at fair value</b>				
Available-for-sale financial assets	₱241,600	₱241,600	₱-	₱-
<b>Liabilities measured at fair value</b>				
Foreign exchange forward contracts	₱4,256	₱-	₱4,256	₱-

For the reporting years ended December 31, 2011 and 2010, and January 1, 2010, 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. Earnings Per Share Computation

	2011	2010	2009
Net income	₱914,903	₱801,307	₱633,513
Dividends on preferred shares	(1,650)	(1,650)	(1,650)
Net income attributable to common shares (a)	913,253	799,657	631,863
Weighted average number of common shares (b)	6,228,382,344	6,228,382,344	6,228,382,344
Earnings per share (a/b)	₱0.15	₱0.13	₱0.10

## 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.

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.

#### Business Segments

The following tables present revenue, and costs and expenses information regarding the Company's residential development and commercial leasing business segments in 2011, 2010 and 2009:

	2011		
	Residential Development	Commercial Leasing	Total
Revenue	₱5,211,152	₱941,545	₱6,152,697
Costs and expenses	(4,361,946)	(256,630)	(4,618,576)
Share in net income of joint venture	—	79,861	79,861
Other income – net	3,486	—	3,486
EBITDA	852,692	764,776	1,617,468
Depreciation and amortization			(229,729)
Interest expense			(182,559)
Provision for income tax			(290,277)
Consolidated net income	₱852,692	₱764,776	₱914,903

	2010		
	Residential Development	Commercial Leasing	Total
Revenue	₱4,017,700	₱866,810	₱4,884,510
Costs and expenses	(3,165,229)	(237,867)	(3,403,096)
Share in net losses of joint venture	—	(937)	(937)
Other expenses - net	(9,025)	—	(9,025)
EBITDA	843,446	628,006	1,471,452
Depreciation and amortization			(219,057)
Interest expense			(153,868)
Provision for income tax			(297,220)
Consolidated net income	₱843,446	₱629,880	₱801,307



	2009		Total
	Residential Development	Commercial Leasing	
Revenue	₱3,281,261	₱751,943	₱4,033,204
Costs and expenses	(2,595,742)	(206,497)	(2,802,239)
Share in net losses of joint venture	—	(37,865)	(37,865)
Other expenses - net	(3,653)	—	(3,653)
EBITDA	681,866	507,581	1,189,447
Depreciation and amortization			(199,110)
Interest expense			(79,082)
Provision for income tax			(277,742)
Consolidated net income	₱681,866	₱507,581	₱633,513

### 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).

### 32. Comparative Information

As of December 31, 2010 and 2009, certain reclassification and offsetting of balances in the consolidated statements of financial position were made to enhance inter-period comparability.

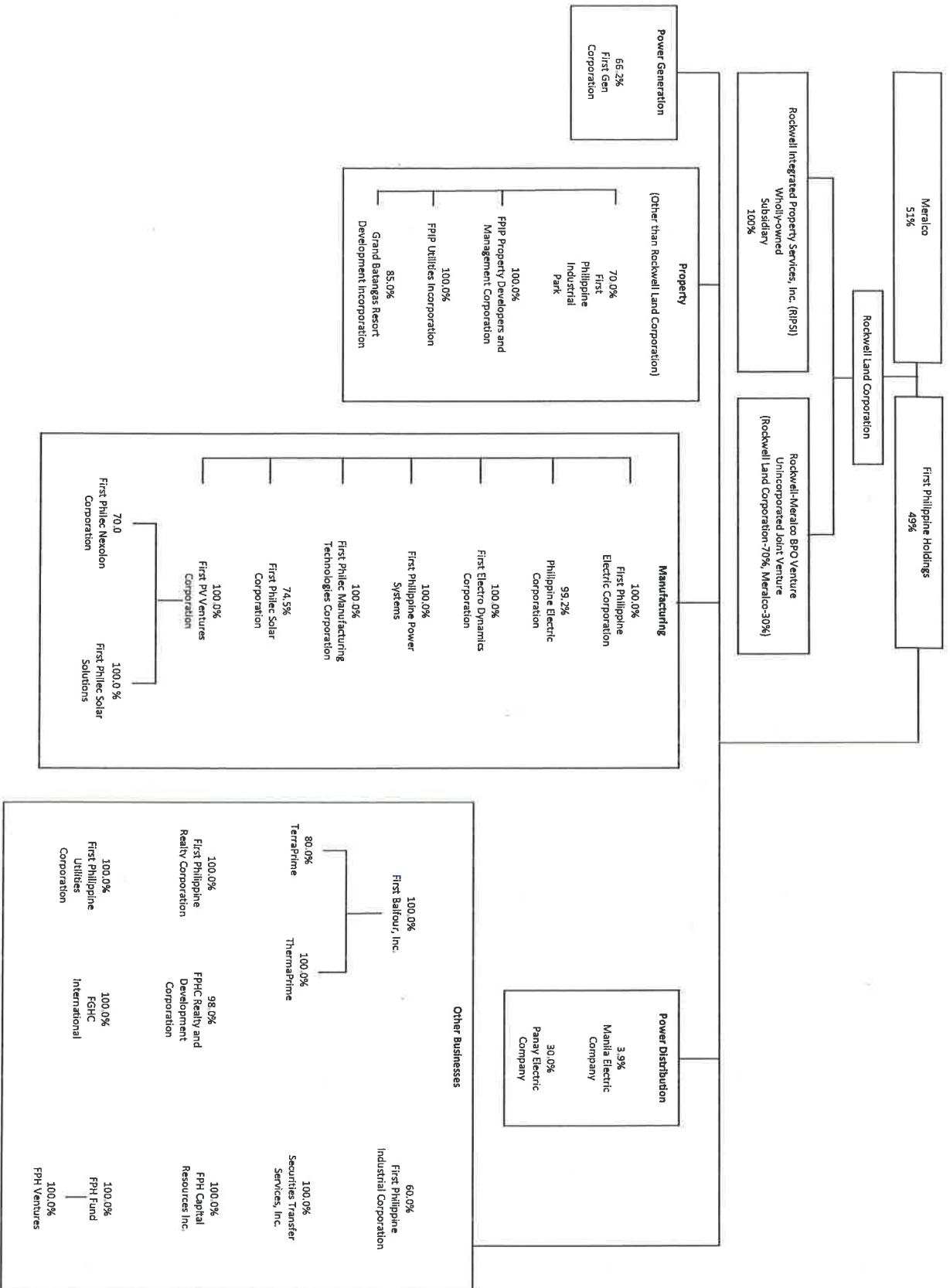
Details are summarized in the table below:

	December 31, 2010	January 1, 2010
Reclassification of "Deposits from pre-selling of condominium units" account from noncurrent liabilities to current liabilities	₱740,991	₱343,196
Offsetting of output VAT (presented under "Trade and other payables" account) against input VAT (presented under "Other current assets" account)	40,989	33,174

The amounts presented as of January 1, 2010 are the same restated amounts as of December 31, 2009.



# CONGLOMERATE MAP OF ROCKWELL LAND CORPORATION



**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**

For the years ended December 31

(in thousand pesos)

**ROCKWELL LAND CORPORATION**

Rockwell Information Center, Rockwell Center Makati City

	<u>2011</u>	<u>2010</u>
Retained earnings, beginning	Php1,963,783	Php1,162,476
Less: Accumulated share in net losses of joint venture as of end of previous year	38,802	37,865
Cumulative dividends on preferred shares as of end of previous year	(2,338)	(688)
	<u>36,465</u>	<u>37,178</u>
Net income actually earned for the year		
Net income during the year closed to retained earnings	913,465	801,307
Less: share in net loss (net income) of joint venture	(79,861)	937
	<u>833,604</u>	<u>802,244</u>
Less: Cumulative dividends on preferred shares	(1,650)	(1,650)
<b>Retained earnings available for dividend declaration to common shareholders as of December 31</b>	<b><u>Php2,832,202</u></b>	<b><u>Php2,000,248</u></b>



## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
Rockwell Land Corporation  
1011 J. P. Rizal Street  
Makati City

We have audited the accompanying consolidated financial statements of Rockwell Land Corporation and Subsidiary, which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, and January 1, 2010, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for the three years ended December 31, 2011, and a summary of significant accounting policies and other explanatory information.

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

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

### *Auditors' Responsibility*

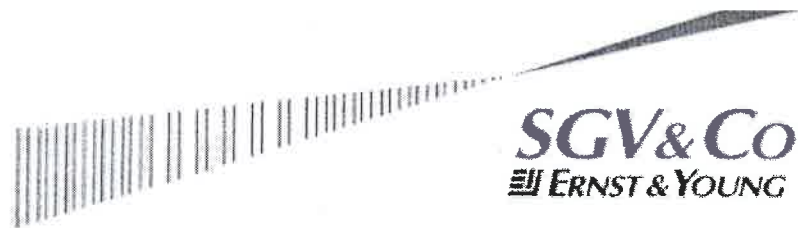
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable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

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

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







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BOA/PRC Reg. No. 0001,  
January 25, 2010, valid until December 31, 2012  
SEC Accreditation No. 0012-FR-2 (Group A),  
February 4, 2010, valid until February 3, 2013

April 25, 2012

**Mr. Nestor J. Padilla**  
Rockwell Land Corporation  
1011 J. P. Rizal Street  
Makati City

Dear Mr. Padilla,

We understand that we are requested by the Securities and Exchange Commission (SEC) to respond to one of their comments in their letter dated April 12, 2012, related to the audited financial statements of Rockwell Land Corporation (the Company) that was included in the Company's application for registration and listing by way of introduction of 6,228,382,344 common shares.

We present below our response:

**SEC Comment: Note 9 indicates Rockwell Leisure Club, Inc. and Manila Polo Club as "Available-for-sale quoted equity shares". It states that the fair value of said securities is determined by reference to published price quotations in an active market. However, said securities are not traded in an established exchange which could qualify the market as "active" (PAS 39).**

As disclosed under Note 28, Financial Instruments, of the audited financial statements, the fair value of the available-for-sale investments is determined by reference to market bid quotes as of financial reporting date. In accordance with **AG 71 of PAS 39**, a financial instrument is regarded as quoted in an "active" market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The fair values of these shares were based on published two-way quotes of brokers. On such basis, we concur that the disclosure made in the audited financial statements as stated above is appropriate and meets the definition and requirements of the related accounting standard.

We hope that the above meets your requirement.

Very truly yours,

**MARIA VIVIAN C. RUIZ**  
Partner