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## SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
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Company Information

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SEC Registration No. 0000062893

Company Name ROCKWELL LAND CORPORATION DOING BUSINESS UNDER-  
THE NAME AND STYLE OF POWERPLANT MALL; POWERPLANT C

Industry Classification

Company Type Stock Corporation

**Document Information**

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Department CFD

Remarks

# COVER SHEET

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(Company's Full Name)

|   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |  |  |  |  |
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(Business Address: No. Street City/Town/Province)

|                              |
|------------------------------|
| <b>Ms. Ellen V. Almodiel</b> |
|------------------------------|

(Contact Person)

|                 |
|-----------------|
| <b>793-0088</b> |
|-----------------|

(Company Telephone Number)

|           |           |
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| <b>09</b> | <b>30</b> |
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Month Day  
(Fiscal Year)

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Amended Articles Number/Section

|               |
|---------------|
| <b>48,898</b> |
|---------------|

Total No. of Stockholders

|                        |
|------------------------|
| <b>₱14,988 million</b> |
|------------------------|

Domestic

|          |
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| <b>-</b> |
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Foreign

To be accomplished by SEC Personnel concerned

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**SEC Number:**  
**File Number:**

**ROCKWELL LAND CORPORATION**

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(Company's Full Name)

**The Garage at Rockwell Center  
Estrella St. Makati City, 1200**

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(Company's Address)

**(632) 793-0088**

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(Telephone Number)

**September 30, 2014**

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(Quarter Ending)

**SEC Form 17-Q Quarterly Report**

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(Form Type)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

- For the quarterly period ended **September 30, 2014**
- Commission Identification Number **62893**
- BIR Tax Identification Number **004-710-062-000**
- Exact name of issuer as specified in its charter: **ROCKWELL LAND CORPORATION**
- Province, country or other jurisdiction of incorporation or organization: **Philippines**
- Industry Classification Code: \_\_\_\_\_ (SEC Use Only)
- Address of issuer's principal office and postal code:  
**The Garage at Rockwell Center, Estrella St. Makati City 1200**
- Issuer's telephone number, including area code: **(632) 793-0088**
- Former name, former address, former fiscal year, if changes since last report: **N/A.**
- Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

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

Amount of Debt Outstanding  
**PhP14,988,000,000**

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

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

- Indicate by check mark whether the registrant:  
(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [**X**]No [ ]

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

Yes [**X**]No [ ]

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## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements

#### ROCKWELL LAND CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Millions)

|  | September 30, 2014 | December 31, 2013 |
|--|--------------------|-------------------|
|  | Unaudited          | Audited           |
| <b>ASSETS</b>  |                    |                   |
| <b>Current Assets</b>  |                    |                   |
| Cash and cash equivalents                                      | ₱ 7,218            | ₱ 8,972           |
| Trade and other receivables - net                              | 8,425              | 6,122             |
| Land and development costs - net                               | 7,803              | 6,993             |
| Advances to contractors  | 1,862              | 1,697             |
| Condominium units for sale                                     | 131                | 40                |
| Other current assets   | 1,264              | 954               |
| <b>Total Current Assets</b>                                    | <b>26,702</b>      | <b>24,777</b>     |
| <b>Noncurrent Assets</b>                                       |                    |                   |
| Noncurrent trade receivables                                   | 17                 | 52                |
| Investment properties - net                                    | 5,488              | 4,934             |
| Investment in joint venture                                    | 2,651              | 2,282             |
| Property and equipment - net                                   | 2,117              | 1,723             |
| Available for sale investments                                 | 15                 | 15                |
| Land held for future development                               | 397                | 358               |
| Other noncurrent asset   | 202                | 279               |
| <b>Total Noncurrent Assets</b>                                 | <b>10,887</b>      | <b>9,644</b>      |
| <b>Total Assets</b>  | <b>₱37,589</b>     | <b>₱34,420</b>    |
| <b>LIABILITIES AND EQUITY</b>                                  |                    |                   |
| <b>Current Liabilities</b>                                     |                    |                   |
| Trade and other payables                                       | ₱ 7,136            | ₱ 4,873           |
| Current portion of interest-bearing loans and borrowings       | 1,590              | 404               |
| Current portion of installment payable                         | 711                | 677               |
| Income tax payable   | --                 | 49                |
| <b>Total Current Liabilities</b>                               | <b>9,437</b>       | <b>6,003</b>      |
| <b>Noncurrent Liabilities</b>                                  |                    |                   |
| Interest-bearing loans and borrowings - net of current portion | 13,300             | 14,463            |
| Noncurrent portion of installment payable                      | 440                | 1,178             |
| Deferred tax liabilities - net                                 | 517                | 367               |
| Pension Liability  | 95                 | 88                |
| Deposits and other liabilities                                 | 1,734              | 955               |
| <b>Total Noncurrent Liabilities</b>                            | <b>16,086</b>      | <b>17,051</b>     |
| <b>Equity</b>  |                    |                   |
| Capital stock  | 6,271              | 6,271             |
| Capital in excess of par value                                 | 28                 | 28                |
| Share Based Payment  | 70                 | 70                |
| Unrealized gain (loss) on available-for-sale investments       | 5                  | 5                 |
| Other equity adjustments                                       | 290                | 289               |
| Retained earnings  | 5,516              | 4,819             |
|  | 12,180             | 11,482            |
| Treasury stock   | (185)              | (185)             |
| <b>Total Equity</b>  | <b>11,995</b>      | <b>11,296</b>     |
| Attributable to Non-Controlling Interest                       | 71                 | 70                |
| <b>Total Liabilities &amp; Equity</b>                          | <b>₱37,589</b>     | <b>₱34,420</b>    |

See accompanying Notes to Financial Statements

# ROCKWELL LAND CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Millions, Except Earnings Per Share Value)

|  | <u>2014 Unaudited</u>         |                               | <u>2013 Unaudited</u>         |                               |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|  | <u>July 1 to<br/>Sept. 30</u> | <u>Jan. 1 to<br/>Sept. 30</u> | <u>July 1 to<br/>Sept. 30</u> | <u>Jan. 1 to<br/>Sept. 30</u> |
| <b>REVENUE</b>                                     |                               |                               |                               |                               |
| Sale of condominium units                          | ₱1,922                        | ₱4,346                        | 1,563                         | 3,807                         |
| Interest income                                    | 273                           | 811                           | 289                           | 679                           |
| Lease income                                       | 180                           | 537                           | 179                           | 536                           |
| Cinema revenue                                     | 41                            | 144                           | 52                            | 167                           |
| Others   | 84                            | 207                           | 57                            | 189                           |
|  | 2,499                         | 6,045                         | 2,141                         | 5,378                         |
| <b>EXPENSES (INCOME)</b>                           |                               |                               |                               |                               |
| Cost of real estate                                | 1,447                         | 3,259                         | 1,192                         | 2,923                         |
| General and administrative expenses                | 279                           | 783                           | 267                           | 757                           |
| Selling expenses                                   | 97                            | 256                           | 88                            | 250                           |
| Interest expense                                   | 146                           | 450                           | 103                           | 237                           |
| Share in net losses (income) of joint venture      | (23)                          | (70)                          | (25)                          | (76)                          |
| Foreign exchange loss (gain) - net                 | (2)                           | (3)                           | (2)                           | (3)                           |
|  | 1,943                         | 4,676                         | 1,624                         | 4,090                         |
| <b>INCOME BEFORE INCOME TAX</b>                    | 556                           | 1,369                         | 517                           | 1,288                         |
| <b>PROVISION FOR INCOME TAX</b>                    | 158                           | 383                           | 148                           | 365                           |
| <b>NET INCOME</b>                                  | 398                           | 986                           | 368                           | 923                           |
| <b>OTHER COMPREHENSIVE INCOME</b>                  | -                             | --                            | (1)                           | 1                             |
| <b>TOTAL COMPREHENSIVE INCOME</b>                  | 398                           | 986                           | 367                           | 925                           |
| <b>Net Income Attributable to:</b>                 |                               |                               |                               |                               |
| Equity holders of Rockwell Land Corporation        | 398                           | 986                           | 368                           | 923                           |
| Non-controlling Interests                          | -                             | -                             | -                             | -                             |
| <b>TOTAL</b>                                       | 398                           | 986                           | 368                           | 923                           |
| <b>Total Comprehensive Income Attributable to:</b> |                               |                               |                               |                               |
| Equity holders of Rockwell Land Corporation        | 398                           | 986                           | 367                           | 925                           |
| Non-controlling Interests                          | -                             | -                             | -                             | -                             |
| <b>TOTAL</b>                                       | 398                           | 986                           | 367                           | 925                           |
| <b>Basic/Diluted Earnings per Share (Note 8)</b>   | 0.06                          | 0.16                          | 0.06                          | 0.15                          |

See accompanying Notes to Financial Statements.

**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(Amounts in Millions)

|  | Equity Attributable to Equity Holders of the Parent Company |                               |  |                             |                              |                      |                    | Equity<br>Attributable to<br>Non-<br>Controlling<br>Interests | Total<br>Equity |                |
|--|---|-------------------------------|--|-----------------------------|------------------------------|----------------------|--------------------|---|-----------------|----------------|
|  | Capital Stock   | Additional<br>Paid-in Capital | Unrealized<br>Gain on<br>Available-<br>for-Sale<br>Investments | Other Equity<br>Adjustments | Share-based<br>Payments Plan | Retained<br>Earnings | Treasury<br>Shares |   |                 | Total          |
| <b>At December 31, 2013 (Audited)</b>      | <b>₱6,271</b>   | <b>₱28</b>                    | <b>₱5</b>  | <b>₱289</b>                 | <b>₱70</b>                   | <b>₱4,819</b>        | <b>(₱185)</b>      | <b>₱11,296</b>  | <b>₱70</b>      | <b>₱11,366</b> |
| Net income                                 | -   | -                             | -  | -                           | -                            | 986                  | -                  | 986   | -               | 986            |
| Other comprehensive income (loss)          | -   | -                             | -  | -                           | -                            | -                    | -                  | -   | -               | -              |
| Total comprehensive income<br>for the year | -   | -                             | -  | -                           | -                            | 986                  | -                  | 986   | -               | 986            |
| Cash Dividends                             | -   | -                             | -  | -                           | -                            | (284)                | -                  | (284)   | -               | (284)          |
| Sale to non-controlling interests          | -   | -                             | -  | 1                           | -                            | -                    | -                  | 1   | -               | 1              |
| Adjustment in Subsidiaries Equity          | -   | -                             | -  | -                           | -                            | (4)                  | -                  | (4)   | -               | (4)            |
| <b>At Sept. 30, 2014 (Unaudited)</b>       | <b>₱6,271</b>   | <b>₱28</b>                    | <b>₱5</b>  | <b>₱290</b>                 | <b>₱70</b>                   | <b>₱5,516</b>        | <b>(₱185)</b>      | <b>₱11,995</b>  | <b>₱71</b>      | <b>₱12,066</b> |
| <b>At December 31, 2012 (Audited)</b>      | <b>₱6,256</b>   | <b>-</b>                      | <b>₱5</b>  | <b>₱287</b>                 | <b>-</b>                     | <b>₱3,692</b>        | <b>₱(185)</b>      | <b>₱10,054</b>  | <b>₱67</b>      | <b>₱10,121</b> |
| Net income                                 | -   | -                             | -  | -                           | -                            | 923                  | -                  | 923   | -               | 923            |
| Other comprehensive income (loss)          | -   | -                             | 1  | -                           | -                            | -                    | -                  | 1   | -               | 1              |
| Total comprehensive income<br>for the year | -   | -                             | 1  | -                           | -                            | 923                  | -                  | 925   | -               | 925            |
| Cash Dividends                             | -   | -                             | -  | -                           | -                            | (225)                | -                  | (225)   | -               | (225)          |
| Share-based payments                       | -   | -                             | -  | -                           | 72                           | -                    | -                  | 72  | -               | 72             |
| Employee stock options exercised           | 15  | 23                            | -  | -                           | (16)                         | -                    | -                  | 22  | -               | 22             |
| Sale to non-controlling interests          | -   | -                             | -  | 1                           | -                            | -                    | -                  | 1   | 1               | 2              |
| <b>At September 30, 2013 (Unaudited)</b>   | <b>₱6,271</b>   | <b>₱23</b>                    | <b>₱5</b>  | <b>₱288</b>                 | <b>₱57</b>                   | <b>₱4,389</b>        | <b>(₱185)</b>      | <b>₱10,848</b>  | <b>₱68</b>      | <b>₱10,916</b> |



**ROCKWELL LAND CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF CASH FLOWS**

(Amounts in Millions)

|   | <b>January 1 to September 30</b> |                       |
|---|----------------------------------|-----------------------|
|   | <b>2014 Unaudited</b>            | <b>2013 Unaudited</b> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                         |                                  |                       |
| Income before income tax  | ₱ 1,369                          | ₱1,288                |
| Adjustments for:  |                                  |                       |
| Interest income   | (812)                            | (680)                 |
| Depreciation and amortization                                       | 216                              | 199                   |
| Interest expense  | 450                              | 237                   |
| Share Based Payment   | –                                | 73                    |
| Share in net losses (income) of joint venture                       | (70)                             | (76)                  |
| Pension costs   | 26                               | 20                    |
| Operating income before working capital changes                     | 1,178                            | 1,061                 |
| Decrease (increase) in:   |                                  |                       |
| Trade and other receivables   | (1,553)                          | (558)                 |
| Land and development costs  | (810)                            | (466)                 |
| Advances to contractors   | (165)                            | (540)                 |
| Restricted Cash & Other current assets                              | (320)                            | (393)                 |
| Condominium units for sale  | (91)                             | (7)                   |
| Increase in Trade and other payables                                | 2,379                            | 1,456                 |
| Net cash generated from operations                                  | 618                              | 552                   |
| Income taxes paid   | (281)                            | (275)                 |
| Interest paid   | (547)                            | (225)                 |
| Net cash provided by operating activities                           | (210)                            | 52                    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                         |                                  |                       |
| Acquisitions of:  |                                  |                       |
| Property and equipment  | (517)                            | (307)                 |
| Investment properties   | (647)                            | (455)                 |
| Land held for future development                                    | (39)                             | –                     |
| Increase in investment in Joint Venture                             | (299)                            | –                     |
| Contributions to plan assets  | (24)                             | –                     |
| Interest received   | 115                              | 33                    |
| Net cash used in investing activities                               | (1,410)                          | (729)                 |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                         |                                  |                       |
| Proceeds from availment of bank loans                               | –                                | 9,911                 |
| Payments of:  |                                  |                       |
| Bank loans  | (12)                             | (4,459)               |
| Installment Payable   | (618)                            | (596)                 |
| Dividends Paid  | (284)                            | (225)                 |
| Increase in deposits and other liabilities                          | 778                              | 122                   |
| Proceeds from exercise of ESOP                                      |                                  | 22                    |
| Net cash provided in financing activities                           | (135)                            | 4,778                 |
| <b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b> |                                  |                       |
|   | 1                                | 1                     |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                    | (1,754)                          | 4,101                 |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>               | 8,972                            | 533                   |
| <b>CASH AND CASH EQUIVALENTS AT END SEPTEMBER 30</b>                | ₱ 7,218                          | ₱ 4,634               |

*See accompanying Notes to Financial Statements*

# **ROCKWELL LAND CORPORATION AND SUBSIDIARIES**

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## **NOTES TO FINANCIAL STATEMENTS**

### **1. Corporate Information**

Rockwell Land Corporation (“Rockwell Land” or “The Company”) is incorporated in the Philippines and is primarily engaged in the development of high-rise residential condominiums as well as in retail and office leasing. The registered office and principal place of business is at The Garage at Rockwell Center, Estrella St. Makati City.

As of January 1, 2012, Rockwell Land was owned by Manila Electric Company (Meralco) (51%) and First Philippine Holdings Corporation (FPH) (49%). On February 27, 2012, the Board of Directors (BOD) of Meralco approved the declaration of its 51% ownership in the 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 Company became a public company having more than 200 shareholders. The property dividend was paid on May 11, 2012 wherein FPH received property dividends from Meralco in the form of 125,079,016 common shares of the Company. On the same date, the Company acquired 126,620,146 common shares from Meralco, representing the foreign shareholders’ entitlement from the property dividend distribution, at ₱1.4637 per share. The Company was listed in the Philippine Stock Exchange (PSE) on May 11, 2012.

On June 28, 2012 and July 27, 2012, FPH purchased additional shares of the Company from Beacon Electric Asset Holdings, Inc. and San Miguel Corporation, respectively. As of June 30, 2013, FPH owns 86.6% of the Company.

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

Rockwell Primaries Development Corporation (“Rockwell Primaries”, formerly Primaries Development Corporation) a wholly owned subsidiary of the Company, was incorporated last September 2012 to primarily cater to the broader market under a 2<sup>nd</sup> brand “Primaries”. The subsidiary envisions itself to be the preferred developer in terms of providing exceptional and quality living at a more affordable price. The Securities and Exchange Commission approved the change in name to Rockwell Primaries Development Corporation on July 3, 2014 and was subsequently registered in Bureau of Internal Revenue on July 15, 2014.

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

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

Rockwell Hotels & Leisure Management Corp., a wholly owned subsidiary of the Company, was incorporated on June 2013 to manage and engage in the general business of hotel, resort, club, recreational center, apartment and other allied businesses.

The Company also has ownership in Rockwell Leisure Club Inc. (RLCI), owning 1,491 ordinary shares and 767 proprietary shares. RLCI is a non-profit premier leisure club created to complement Rockwell Land’s exclusive

lifestyle concept. Opened in December 1999, RLCI offers its resident members and proprietary shareholders a first-class social, sports and recreational facility within the Rockwell Center.

## **2. Summary of Significant Accounting and Financial Reporting Policies**

### Basis of Preparation

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

### Statement of Compliance

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the Philippines as set forth in 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 financial statements of Rockwell Land and the following subsidiaries (collectively referred to as the "Company") that it controls.

| <u>Subsidiaries</u>                         | <u>Nature of Business</u>  |
|---|----------------------------|
| Rockwell Integrated Property Services, Inc. | Property management        |
| Rockwell Primaries Development Corporation  | Real estate development    |
| Stonewell Property Development Corporation  | Real estate development    |
| Primaries Properties Sales Specialists Inc. | Marketing                  |
| Rockwell Leisure Club Inc                   | Hotel & Leisure            |
| Rockwell Hotels & Leisure Management Corp   | Hotel & Leisure management |

All subsidiaries are wholly-owned and incorporated in the Philippines, except for RLCI of which the Company has 75% ownership.

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

Effective January 1, 2013, RLCI is now consolidated to the Company in compliance with PFRS 10 standard on consolidation of financial statements.

The financial statements of the subsidiaries are prepared for the same reporting year as the 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 accompanying consolidated financial statements are consistent with those of the previous financial year, including the adoption of the following new and amended

Philippine Accounting Standards (PAS), PFRSs and Philippine Interpretations for both 2013 and 2014. The adoption of the following amendments and interpretations did not have material effect on the accounting policies, financial position or performance of the Company, unless otherwise indicated.

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

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

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

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

Prior to adoption of the Revised PAS 19, the Company recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested.

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

Upon adoption of the Revised PAS 19, the Company changed its accounting policy to recognize all remeasurements in other comprehensive income, which will not be reclassified to profit or loss in subsequent periods, and all past service costs in profit or loss in the period they occur. Moving forward, the Company's remeasurements will be recognized in other comprehensive income and subsequently transferred to retained earnings.

Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period. Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination

benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### *Improvements to PFRS (Issued 2010)*

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

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

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

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

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

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

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

The Company adopted the following new and amended standards effective for annual periods beginning or after January 1, 2014. Except as otherwise indicated, the adoption of these amendments did not have a material impact on the consolidated financial statements.

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

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

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

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

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

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

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

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

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

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The Company does not expect that IFRIC 21 will have material financial impact in future financial statements.

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

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

- Annual Improvements to PFRSs (2010-2012 cycle)

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments’ assets to the entity’s assets if such amounts are regularly provided to the chief operating decision maker. The amendments affect disclosures only and have no impact on the Company’s financial position or performance.

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

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

- Annual Improvements to PFRSs (2011-2013 cycle)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company continues to assess the impact of the above new, amended and improved accounting standards and interpretations effective subsequent to September 30, 2014. Additional disclosures required by these amendments will be included in the consolidated financial statements when these are adopted.

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#### 4. Receivables / Payables

(Amounts in Millions)

Aging of Receivables as of September 30, 2014:

|                                       | Neither<br>Past Due<br>or<br>Impaired | Past Due but not Impaired |                  |                  |                      | Total         |
|---------------------------------------|---------------------------------------|---------------------------|------------------|------------------|----------------------|---------------|
|                                       |                                       | Less than<br>30 Days      | 31 to 60<br>Days | 61 to 90<br>Days | More than<br>90 Days |               |
| Sale of<br>Condominium Units          | ₱7,178                                | ₱6                        | ₱29              | ₱1               | ₱980                 | ₱8,194        |
| Lease                                 | 92                                    | 6                         | 3                | 1                | -                    | 102           |
| Advances to officers<br>and employees | 24                                    | -                         | -                | -                | -                    | 24            |
| Others                                | 105                                   | -                         | -                | -                | -                    | 105           |
| <b>Total Receivable</b>               | <b>₱7,399</b>                         | <b>₱12</b>                | <b>₱32</b>       | <b>₱2</b>        | <b>₱980</b>          | <b>₱8,425</b> |

Aging of Payables as of September 30, 2014:

|   | Due within 3<br>months | Due Between 3 to<br>12 months | Due after 12<br>months | Total         |
|---|------------------------|-------------------------------|------------------------|---------------|
| Trade and Other Payables                | ₱805                   | ₱5,875                        | -                      | ₱6,680        |
| Security Deposit (Current Portion)      | 123                    | 87                            | -                      | 210           |
| Retention Payable (Current Portion)     | 3                      | 168                           | -                      | 171           |
| Deferred Lease Income (Current Portion) | 39                     | 36                            | -                      | 75            |
| <b>Total Payable</b>                    | <b>₱970</b>            | <b>₱6,166</b>                 | <b>-</b>               | <b>₱7,136</b> |

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#### 5. Trade and Other Payables

(Amounts in Millions)

The accounts and other payables as of September 30, 2014 is broken down as follows:

|  |                |
|--|----------------|
| Accrued project costs                        | ₱ 3,131        |
| Deferred Output VAT                          | 675            |
| Trade  | 503            |
| Accrued expenses                             | 269            |
| Accrued taxes & licenses                     | 237            |
| Accrued interest expenses                    | 143            |
| Related Parties Advances                     | 262            |
| Current portion of:                          |                |
| Deposit from preselling of condominium units | 1,402          |
| Security deposits                            | 210            |
| Retention Payable                            | 171            |
| Deferred lease income                        | 75             |
| Others                                       | 58             |
| <b>Total</b>                                 | <b>₱ 7,136</b> |

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## 6. Short-Term and Long-Term Debt

(Amounts in Millions)

|                 | September 30, 2014 (Unaudited) |               |               |                   | Total          |
|-----------------|--------------------------------|---------------|---------------|-------------------|----------------|
|                 | Within 1 Year                  | 1-2 Years     | 2-3 Years     | More than 3 Years |                |
| Corporate Notes | ₱1,590                         | ₱1,601        | ₱1,603        | ₱5,141            | ₱9,934         |
| Bonds Payable   | -                              | -             | -             | 4,956             | 4,956          |
| <b>Total</b>    | <b>₱1,590</b>                  | <b>₱1,601</b> | <b>₱1,603</b> | <b>₱10,097</b>    | <b>₱14,890</b> |

|                 | December 31, 2013 (Audited) |               |               |                   | Total          |
|-----------------|-----------------------------|---------------|---------------|-------------------|----------------|
|                 | Within 1 Year               | 1-2 Years     | 2-3 Years     | More than 3 Years |                |
| Corporate Notes | ₱404                        | ₱1,597        | ₱1,601        | ₱6,314            | ₱9,916         |
| Bonds Payable   | -                           | -             | -             | 4,952             | 4,952          |
| <b>Total</b>    | <b>₱404</b>                 | <b>₱1,597</b> | <b>₱1,601</b> | <b>₱11,266</b>    | <b>₱14,867</b> |

Issuances, Repurchases and Repayments of Debt and Equity Securities

Issuances of Debt and Equity Securities / New Financing through Loans

There is no issuance of debt and equity securities or new financing through loans for the 1<sup>st</sup> nine months of 2014.

Repayment of Debt and Equity Securities January – September 2014

| <u>Nature</u>   | <u>Amount</u> |
|-----------------|---------------|
| Corporate notes | ₱ 12 million  |

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## 7. Segment Information

(Amounts in Millions)

PFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker.

For management purposes, the Company's operating segments is determined to be business segments as the risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Company manages its operations under the following business segments:

- *Residential Development* is engaged in the development, selling, and property management of all residential projects of the Company. It includes the operations of the Rockwell Club.
- *Commercial Leasing* is engaged in the leasing and other related operations in the course of the management of commercial buildings or spaces used for retail and office leasing, including cinema operations. Commercial buildings in its portfolio include the Power Plant Mall in Makati City and Rockwell Business Center in Ortigas, Pasig. Other retail spaces are found at several of the high-rise condominiums developed by the Company.

The Company does not have any customers which constitutes 10% or more of the Company's revenue.

Management monitors the operating results of each business unit separately for the purpose of making decisions about resource allocation and performance assessment. Performance is evaluated based on net income for the year and earnings before interest, taxes and depreciation and amortization, or *EBITDA*. Net income for the year is measured consistent with consolidated net income in the consolidated financial statements. *EBITDA* is measured as net income excluding depreciation and amortization, interest expense and provision for income tax.

The Company centrally manages cash and its financing requirements, income taxes and resource allocation. Resource allocation are measured against profitability among potential investments and made in view of the Company's existing business portfolio.

The President, the Company's chief operating decision maker, monitors operating results of its business segments separately for the purpose of performance assessment and making recommendations to the Board about resource allocation. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit and loss in the consolidated statements.

### Business Segments

The following tables present revenue, and costs and expenses information regarding the Company's residential development and commercial leasing business segments for the nine months ended September 30, 2014 and 2013:

|                                      | <b>September 30, 2014 (Unaudited)</b> |                               |                |
|--------------------------------------|---------------------------------------|-------------------------------|----------------|
|                                      | <b>Residential<br/>Development</b>    | <b>Commercial<br/>Leasing</b> | <b>Total</b>   |
| <b>Revenue</b>                       | <b>₱ 5,304</b>                        | <b>₱ 741</b>                  | <b>₱ 6,045</b> |
| Costs and expenses                   | (3,885)                               | (201)                         | (4,086)        |
| Share in net income of joint venture | --                                    | 70                            | 70             |
| Other income – net                   | 3                                     | --                            | 3              |
| <b>EBITDA</b>                        | <b>1,421</b>                          | <b>611</b>                    | <b>2,032</b>   |
| Depreciation and amortization        |                                       |                               | (212)          |
| Interest expense                     |                                       |                               | (450)          |
| Provision for income tax             |                                       |                               | (383)          |
| <b>Consolidated Net Income</b>       |                                       |                               | <b>₱ 986</b>   |

**September 30, 2013 (Unaudited)**

|                                      | <b>Residential<br/>Development</b> | <b>Commercial<br/>Leasing</b> | <b>Total</b>   |
|--------------------------------------|------------------------------------|-------------------------------|----------------|
| <b>Revenue</b>                       | <b>₱ 4,612</b>                     | <b>₱ 766</b>                  | <b>₱ 5,378</b> |
| Costs and expenses                   | (3,529)                            | (203)                         | (3,732)        |
| Share in net income of joint venture | --                                 | 75                            | 75             |
| Other income - net                   | 3                                  | --                            | 3              |
| <b>EBITDA</b>                        | <b>1,086</b>                       | <b>638</b>                    | <b>1,724</b>   |
| Depreciation and amortization        |                                    |                               | (198)          |
| Interest expense                     |                                    |                               | (237)          |
| Provision for income tax             |                                    |                               | (365)          |
| <b>Consolidated Net Income</b>       |                                    |                               | <b>₱ 923</b>   |

The following tables present assets and liabilities information regarding the Company's residential development and commercial leasing business segments as of September 30, 2014 and December 31, 2013:

**September 30, 2014 (Unaudited)**

|                                | <b>Residential<br/>Development</b> | <b>Commercial<br/>Leasing</b> | <b>Total</b>    |
|--------------------------------|------------------------------------|-------------------------------|-----------------|
| <b>Assets and liabilities:</b> |                                    |                               |                 |
| Current & Other Assets         | ₱ 26,233                           | ₱ 1,100                       | ₱ 27,333        |
| Investment Properties          | 2,238                              | 3,250                         | 5,488           |
| Investment in Joint Venture    | --                                 | 2,651                         | 2,651           |
| Property & equipment           | 2,010                              | 107                           | 2,117           |
| <b>Total assets</b>            | <b>₱ 30,481</b>                    | <b>₱ 7,107</b>                | <b>₱ 37,589</b> |
| <br>                           |                                    |                               |                 |
| Segment liabilities            | <b>₱ 25,085</b>                    | <b>₱ 438</b>                  | <b>₱ 25,523</b> |

**December 31, 2013 (Audited)**

|                                | <b>Residential<br/>Development</b> | <b>Commercial<br/>Leasing</b> | <b>Total</b>    |
|--------------------------------|------------------------------------|-------------------------------|-----------------|
| <b>Assets and liabilities:</b> |                                    |                               |                 |
| Current & Other Assets         | ₱ 24,901                           | ₱ 580                         | ₱ 25,481        |
| Investment Properties          | 1,600                              | 3,334                         | 4,934           |
| Investment in Joint Venture    | --                                 | 2,282                         | 2,282           |
| Property & equipment           | 1,595                              | 128                           | 1,723           |
| <b>Total assets</b>            | <b>₱ 28,097</b>                    | <b>₱ 6,324</b>                | <b>₱ 34,420</b> |
| <br>                           |                                    |                               |                 |
| Segment liabilities            | <b>₱ 22,621</b>                    | <b>₱ 433</b>                  | <b>₱ 23,054</b> |

## 8. Earnings per Share Attributable to Equity Holders of the Parent Company

(Amounts in millions, except for number of common shares)

|   | Sept. 30, 2014 | Sept. 30, 2013 |
|---|----------------|----------------|
| Net income attributable to equity holders of the Parent Company | ₱986           | ₱923           |
| Dividends on preferred shares                                   | (1)            | (1)            |
| Net income attributable to common shares (a)                    | 985            | 922            |
| Common shares at beginning of year                              | 6,116,762,198  | 6,101,762,198  |
| Weighted average common shares – basic (b)                      | 6,116,762,198  | 6,101,762,198  |
| Dilutive potential common shares under the ESOP                 | 8,832,310      | 28,861,424     |
| Weighted average common shares – diluted (c)                    | 6,125,594,508  | 6,130,623,622  |
| Per share amounts:  |                |                |
| Basic (a/b)   | ₱0.16          | ₱0.15          |
| Diluted (a/c)   | 0.16           | 0.15           |

## 9. Fair Value Measurement

### Fair Values

Set out below is a comparison by class of the carrying values and fair values of all the Company's financial instruments that are carried in the consolidated financial statements as of September 30, 2014 and December 31, 2013. There are no material unrecognized financial assets and liabilities as of September 30, 2014 and December 31, 2013.

|   | September 30, 2014 |            |         |          |         |
|---|--------------------|------------|---------|----------|---------|
|   | Carrying Value     | Fair Value | Level 1 | Level 2  | Level 3 |
| <b>Assets</b>   |                    |            |         |          |         |
| Loans and receivables:                                      |                    |            |         |          |         |
| Trade receivables from:                                     |                    |            |         |          |         |
| Sale of condominium units<br>(including noncurrent portion) | ₱ 8,194            | ₱10,705    | ₱ --    | ₱ 10,705 | ₱ --    |
| Investment Properties                                       | 5,488              | 10,853     | --      | 1,817    | 9,036   |
| Available-for-sale investments                              | 12                 | 12         | 12      | --       | --      |
|   | ₱ 13,694           | ₱21,570    | ₱ 12    | ₱12,522  | ₱ 9,036 |



September 30, 2014

|   | Carrying Value | Fair Value | Level 1 | Level 2 | Level 3  |
|---|----------------|------------|---------|---------|----------|
| <b>Liabilities</b>  |                |            |         |         |          |
| Other Financial Liabilities:  |                |            |         |         |          |
| Interest-bearing loans & borrowings<br>(including noncurrent portion) | ₱ 14,891       | ₱15,284    | ₱--     | ₱--     | ₱15,284  |
| Installment payable   | 1,151          | 1,277      | --      | --      | 1,277    |
| Retention payable<br>(including noncurrent portion)                   | 563            | 569        | --      | --      | 569      |
| Security deposits<br>(including noncurrent portion)                   | 278            | 270        | --      | --      | 270      |
|   | ₱16,882        | ₱17,400    | ₱--     | ₱--     | ₱ 17,400 |

December 31, 2013

|   | Carrying Value | Fair Value | Level 1 | Level 2  | Level 3 |
|---|----------------|------------|---------|----------|---------|
| <b>Assets</b>   |                |            |         |          |         |
| Loans and receivables:                                      |                |            |         |          |         |
| Trade receivables from:                                     |                |            |         |          |         |
| Sale of condominium units<br>(including noncurrent portion) | ₱ 5,935        | ₱ 9,229    | ₱ --    | ₱ 9,229  | ₱ --    |
| Investment Properties                                       | 4,934          | 10,853     | --      | 1,817    | 9,036   |
| Available-for-sale investments                              | 12             | 12         | 12      | --       | --      |
|   | ₱ 10,881       | ₱ 20,094   | ₱ 12    | ₱ 11,046 | ₱ 9,036 |

|   | Carrying Value | Fair Value | Level 1 | Level 2 | Level 3  |
|---|----------------|------------|---------|---------|----------|
| <b>Liabilities</b>  |                |            |         |         |          |
| Other Financial Liabilities:  |                |            |         |         |          |
| Interest-bearing loans & borrowings<br>(including noncurrent portion) | ₱ 14,867       | ₱ 15,586   | ₱ --    | ₱ --    | ₱ 15,586 |
| Installment payable   | 1,855          | 2,056      | --      | --      | 2,056    |
| Retention payable<br>(including noncurrent portion)                   | 519            | 502        | --      | --      | 502      |
| Security deposits<br>(including noncurrent portion)                   | 262            | 256        | --      | --      | 256      |
|   | ₱ 17,502       | ₱ 18,400   | ₱ --    | ₱ --    | ₱ 18,400 |

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 2.6% to 4.9% as of September 30, 2014 and 0.3% to 4.6% as of December 31, 2013.

*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.

*Interest-bearing Loans and Borrowings.* The fair values of fixed rate loans were calculated by discounting the expected future cash flows at prevailing credit adjusted PDEX interest rates ranging from 2.6% to 4.9% as of September 30, 2014 and 4.2% to 5.3% as of December 31, 2013.

*Installment Payable.* The fair value of installment payable were calculated by discounting the expected cash flows at prevailing credit PDEX interest rates ranging from 2.6% to 4.9% as of September 30, 2014 and 1.2% to 4.4% as of December 31, 2013.

*Retention Payable and Security Deposits.* The fair values were calculated by discounting the expected future cash flows at prevailing credit adjusted PDEX interest rates ranging from 2.7% to 3.9% as of September 30, 2014 and 1.0% to 4.7% as of December 31, 2013.

#### 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.

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## 10. Significant Financial Ratios

The significant financial ratios are as follows:

| <i>As indicated</i>          | <b>For the 1<sup>st</sup> nine months ended September 30</b> |                                |
|------------------------------|--|--------------------------------|
|                              | <b>2014</b>  | <b>2013</b>                    |
| ROA (*)                      | 3.7%   | 5.1%                           |
| ROE (*)                      | 10.9%  | 11.7%                          |
|                              |  |                                |
|                              | <b>September 30, 2014</b>                                    | <b>As of December 31, 2013</b> |
| Current ratio (x)            | 2.83   | 4.13                           |
| Debt to equity ratio (x)     | 1.23   | 1.31                           |
| Net debt to equity Ratio (x) | 0.64   | 0.52                           |
| Asset to equity ratio (x)    | 3.12   | 3.03                           |
| Interest coverage ratio (x)  | 3.72   | 8.03                           |

Notes:

(1) ROA [*Net Income/Average Total Assets*]

(2) ROE [*Net Income/ Average Total Equity*]

(3) Current ratio [*Current assets/Current liabilities*]

(4) Debt to equity ratio [*Total interest bearing debt / Total Equity*]

(5) Net debt to equity ratio [*(Total Interest bearing debt)-(Cash and cash equivalents) / Total Equity*]

(6) Asset to equity ratio [*Total Assets/Total Equity*]

(7) Interest coverage ratio [*EBITDA/Interest Payments*]

\* ROA and ROE are annualized figures

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

### RESULTS OF OPERATIONS:

#### For the 1<sup>st</sup> nine months ended 30 September 2014 and 2013

Rockwell Land Corporation ("the Company") registered Php6,045.2 million in consolidated revenues, up by 12% from last year's Php5,378.0 million. 84% of the revenues came from the sale of condominium units, including accretion of interest income.

Total EBITDA reached Php2,031.8 million, 18% higher than last year's Php1,724.0 million primarily driven by a 31% growth in contribution of Residential Development. Overall EBITDA margin registered at 34% of total revenues, which is higher compared to last year's 32%. Residential development and commercial leasing contributed 70% and 30% to the total EBITDA, respectively.

Net income after tax registered at Php986.1 million, up by 7% from last year's Php923.4 million. NIAT margin is at 16%, slightly lower compared to last year's 17%.

Starting January 1, 2013, RLCI is now consolidated to the Parent Company in compliance with PFRS 10 standard on consolidation of financial statements. With this, Php985.6 million of Net Income is attributable to the Company, while the Php 0.2 million pertains to the share of the non-controlling interest in Rockwell Leisure Club.

### Business Segments

**Residential Development** generated Php5,303.7 million, contributing 88% of the total revenues for the period. Bulk of the revenues came from the sale of condominium units, including accretion from interest income.

Sales take up for the first nine months of 2014 grew by 5% to Php11,518 million due to the launching of Proscenium's 4<sup>th</sup> tower, Lorraine, & its Garden Villa in April 2014, 32 Sanson project in January 2014 and Proscenium Tower in September 2014. Proscenium Tower is a 46-storey office tower completing the Proscenium development.

EBITDA from this segment amounted to Php1,421.0 million, 31% higher than the same period last year at Php1085.7 million due mainly from higher construction completion for The Grove C&D and E&F, start of income recognition for Alvendia and 53 Benitez, and higher interest income accretion for Proscenium and 32 Sanson projects.

**Commercial Leasing** revenues amounted to Php741.5 million, 3% lower than 2013's Php766.3 million mainly due to lower cinema occupancy rate. This segment contributed 12% of total revenues excluding the share in the joint venture (RBC). The share in the joint venture is reported as "Share in Net Losses (Income) in JV" under Other Income (Expenses).

Retail Operations generated revenues of Php595.0 million, accounting for 12% of total revenues. Retail operations include retail leasing, interest income and other mall revenues. Cinema Operations also generated Php146.4 million which is 2% of total revenues. Cinema operations include Cinema ticket and snackbar sales and other cinema revenues.

The segment's EBITDA amounted to Php610.8 million, lower by 4% from the same period last year. Commercial leasing accounted for 30% of the Company's total EBITDA. EBITDA Margin to total segment revenues was 82%, slightly lower than last year's ratio of 83%.

The total revenues used as basis for the EBITDA margin excludes gross revenues from the joint venture as the latter is reported separately under “Share in Net Losses (Income ) in JV”. Share in net income in the joint venture contributes 3% to the Company’s total EBITDA.

### **Costs and Expenses**

*Cost of real estate and selling* amounted to Php3,515.4 million. The cost of real estate and selling ratio to residential development revenues is at 67%, lower than last year’s 70%. Selling expenses amounted to Php256.3 million which is slightly higher by 2% than 2013 due to higher prepaid marketing costs amortization.

*General and administrative expenses (G&A)* amounted to Php783.4 million, slightly up by 3% from the same period last year. The increase was mainly attributable to higher taxes & licenses and depreciation expenses.

*Interest Expense* amounted to Php450.4 million, significantly higher by 90% than last year’s Php237.5 million. The increase was mainly due to the higher debt level of Php15.0 billion vs P10.0B on September 2013. The average interest rate of the Company’s consolidated debt is at 4.8% compared to last year’s 4.7%.

*Share in Net Income (Losses) in JV* realized share in net income of RBC amounting to Php70.4 million, 7% decrease from last year’s income of Php75.5 million mainly due to higher sales commission expense. It generated gross revenues of Php229.3 million which is 5% higher than last year mainly due to higher occupancy of the buildings from 99% to 100%. At its 80% share, the Company generated revenues of Php183.4 million and share in net income of Php70.4 million. The share in net income is reported net of taxes and represents the Company’s share in the operations generated by RBC.

### **Project and capital expenditures**

The Company spent a total of Php6.6 billion for project and capital expenditures for the first nine months of 2014, 12% higher than last year’s Php5.9 billion. The expenditures consist mostly of development costs of The Grove Towers C, D, E & F, Proscenium, Lopez Tower and 53 Benitez projects.

### **Financial Condition**

The Company’s total assets as of September 30, 2014 amounted to Php37.6 billion, an increase by Php3.0 billion from 2013’s yearend amount of Php34.4 billion. Significant increases were on land and development costs caused by increase in construction costs of ongoing projects mainly for The Grove Towers C, D, E & F, Proscenium and 53 Benitez projects. Trade and Other Receivables also increased by Php 2.3 billion due to increase in receivables from The Grove Towers C, D, E & F, 53 Benitez and Alvendia projects as it follows percentage of completion. The increase in total assets was also due to additional construction costs of Lopez Tower and The Grove Serviced Apartments, classified as Investment properties and Property & equipment, respectively.

Total Liabilities as of September 30, 2014 amounted to Php25.5 billion, slightly higher than 2013’s Php23.1 billion. This was primarily attributable to additional payables for construction costs of the ongoing projects and increase in deposits from preselling of Proscenium and 32 Sanson units. The deposits from preselling represent cash received from buyers of the said projects pending recognition of revenue to be applied against receivable from sale of condominium units beyond 2014.

Current ratio as of September 30, 2014 decreased to 2.83x from 4.13x as of December 31, 2013. Net debt to equity ratio is at 0.64x as of September 30, 2014, higher than 2013’s yearend ratio of 0.52x.

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

### Statement of Comprehensive Income Items – 1<sup>st</sup> Nine Months 2014 vs. 1<sup>st</sup> Nine Months 2013

#### *14% increase in Sale of condominium units*

Primarily due to higher construction completion of The Grove Towers C, D, E & F and new projects, Alwendia and 53 Benitez, which started revenue recognition in August 2013 and February 2014, respectively.

#### *19% increase in Interest Income*

Mainly due to higher interest income accretion from Proscenium, The Grove Towers C, D, E & F, 53 Benitez, Alwendia and 32 Sanson projects.

#### *14% decrease in Cinema Revenues*

Due to lower cinema occupancy rate.

#### *10% increase in Other revenues*

Mainly due to revenues from Edades Serviced Apartments which soft launched operations on July 2014.

#### *12% increase in Cost of Real Estate*

Primarily due to higher construction completion of the ongoing projects in 2014 corresponding to increase in revenue based on completion.

#### *90% increase in Interest Expense*

Primarily due to borrowing costs of Php5.0 billion bonds issued in the second half of 2013.

#### *7% decrease in Share in Net Income of Joint Venture*

Mainly attributable to higher sales commission expense partially offset by higher rental revenues arising from higher occupancy rate from 99% to 100%.

### Statement of Financial Position items – September 30, 2014 vs. December 31, 2013

#### *20% decrease in Cash and cash equivalents*

Primarily due to capital expenditures for the construction of ongoing projects.

#### *38% increase in Trade and Other Receivables*

Mainly due to increase in receivables of The Grove Towers C, D, E & F, Alwendia and 53 Benitez as the projects near completion, partially offset by substantial collection from 205 Santolan and Edades projects.

#### *12% increase in Land and Development Costs*

Due to additional construction costs incurred for The Grove Towers C&D and E & F, Proscenium, 53 Benitez and 32 Sanson projects.

#### *10% increase in Advances to Contractors*

Primarily due to downpayment to contractors for new projects, Proscenium and 32 Sanson.

#### *229% increase in Condominium Units for Sale*

Due to completion of 205 Santolan which resulted to reclassification from land & development costs to condominium units for sale.

#### *33% increase in Other Current Assets*

Mainly due to higher prepaid sales & marketing costs for Proscenium and 32 Sanson projects.

*68% decrease in Non-current Trade Receivables*

Due to portion of noncurrent receivables already due within one year.

*11% increase in Investment Properties*

Mainly attributable to the increase in construction of Lopez Tower.

*16% increase in Investment in Joint Venture*

Mainly due to construction costs of RBC Tower 3.

*23% increase in Property, Plant & Equipment*

Due to increase in construction costs incurred for Edades and The Grove Serviced Apartments and acquisition of additional property & equipment.

*28% decrease in Other noncurrent assets*

Due to decrease in deferred input vat.

*11% increase in Land held for future development*

Due to additional cost of land acquired near Rockwell Center.

*46% increase in Trade and Other Payables*

Mainly attributable to additional payables for the construction costs of the ongoing projects and increase in deposit from preselling of Proscenium and 32 Sanson units.

*100% decrease in Income Tax Payable*

Due to payment of income tax for the first nine months of 2014.

*294% increase in Current portion of interest-bearing loans and borrowings*

Due to additional P1,612.0 million loan amortization due within one year.

*8% decrease in Non-current portion of interest-bearing loans and borrowings*

Due to reclassification to current portion of loan amortization.

*63% decrease in Non-current portion of Installment Payable*

Payment of installment in 2014 and reclassification to current portion of the amount payable in June 2015.

*41% increase in Deferred Tax Liabilities*

Primarily due to increase in revenue recognition from The Grove Towers C, D, E & F and Alvendia projects.

*7% increase in Pension Liability*

Due to provision for retirement benefits for the first nine months of 2014. Additional contribution to the Plan was made during the second half of the year.

*81% increase in Deposits and Other Liabilities*

Primarily due to increase in non-current portion of deposits from preselling of Proscenium units.

*14% increase in Retained Earnings*

Due to net income after tax of P986.1 million for the first nine months of 2014.

## Key Performance Indicators

| <i>As indicated</i>          | <b>For the 1<sup>st</sup> nine months ended September 30</b> |                                |
|------------------------------|--|--------------------------------|
|                              | <b>2014</b>  | <b>2013</b>                    |
| ROA (*)                      | 3.7%   | 5.1%                           |
| ROE (*)                      | 10.9%  | 11.7%                          |
|                              |  |                                |
|                              | <b>September 30, 2014</b>                                    | <b>As of December 31, 2013</b> |
| Current ratio (x)            | 2.83   | 4.13                           |
| Debt to equity ratio (x)     | 1.23   | 1.31                           |
| Net debt to equity Ratio (x) | 0.64   | 0.52                           |
| Asset to equity ratio (x)    | 3.12   | 3.03                           |
| Interest coverage ratio (x)  | 3.72   | 8.03                           |

Notes:

(1) ROA [*Net Income/Average Total Assets*]

(2) ROE [*Net Income/ Average Total Equity*]

(3) Current ratio [*Current assets/Current liabilities*]

(4) Debt to equity ratio [*Total interest bearing debt / Total Equity*]

(5) Net debt to equity ratio [*(Total Interest bearing debt)-(Cash and cash equivalents) / Total Equity*]

(6) Asset to equity ratio [*Total Assets/Total Equity*]

(7) Interest coverage ratio [*EBITDA/Interest Payments*]

\* ROA and ROE are annualized figures



## PART II – OTHER INFORMATION

### Item 3. Other Notes and Disclosures

|   |      |
|---|------|
| 1. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.   | None |
| 2. The effect of changes in the composition of the issuer during the interim period, including business combinations, acquisitions or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations. | None |
| 3. Changes in contingent liabilities or contingent assets since the last annual balance sheet date.   | None |
| 4. Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period.  | None |
| 5. Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.                  | None |
| 6. Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.  | None |
| 7. All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period. | None |
| 8. Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures.   | None |
| 9. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.                            | None |

|  |      |
|--|------|
| 10. Any significant elements of income or loss that did not arise from the registrant's continuing operations. | None |
| 11. Any seasonal aspects that had a material effect on the financial condition or results of operations.       | None |
| 12. Disclosure not made under SEC Form 17-C.   | None |

## Annex A

The stockholders, directors and officers of the Company, their respective number of Common Shares and the corresponding percentage of these Common Shares as of September 30, 2014 are as follows:

|    | <b>Name of Stockholder</b>            | <b>Relationship</b>      | <b>No. of Shares</b> | <b>% of Total Outstanding Shares</b> |
|----|---------------------------------------|--------------------------|----------------------|--------------------------------------|
| 1  | First Philippine Holdings Corporation | Shareholder              | 5,296,015,375        | 86.58%                               |
| 2  | Manuel M. Lopez                       | Shareholder and Director | 11,114,467           | 0.18%                                |
| 3  | Oscar M. Lopez                        | Shareholder and Director | 174,898              | 0.00%                                |
| 4  | Nestor J. Padilla                     | Shareholder and Director | 21,000,001           | 0.34%                                |
| 5  | Miguel Ernesto L. Lopez               | Shareholder and Director | 68,694               | 0.00%                                |
| 6  | Eugenio L. Lopez III                  | Director                 | 1                    | 0.00%                                |
| 7  | Manuel L. Lopez, Jr.                  | Director                 | 1                    | 0.00%                                |
| 8  | Federico R. Lopez                     | Director                 | 1                    | 0.00%                                |
| 9  | Francis Giles B. Puno                 | Shareholder and Director | 5,656                | 0.00%                                |
| 10 | Ferdinand Edwin S. Coseteng           | Director                 | 1                    | 0.00%                                |
| 11 | Manuel N. Tordesillas                 | Director                 | 1                    | 0.00%                                |
| 12 | Vicente R. Ayllon                     | Director                 | 1                    | 0.00%                                |
| 13 | Enrique I. Quiason                    | Shareholder and Officer  | 3,575                | 0.00%                                |
| 14 | Esmeraldo C. Amistad                  | Officer                  | -                    | 0.00%                                |
| 15 | Valerie Jane L. Soliven               | Officer                  | -                    | 0.00%                                |
| 16 | Maria Lourdes L. Pineda               | Shareholder and Officer  | 141,272              | 0.00%                                |
| 17 | Estela Y. Dasmariñas                  | Shareholder and Officer  | 1,882                | 0.00%                                |
| 18 | Ellen V. Almodiel                     | Officer                  | -                    | 0.00%                                |
| 19 | Julius A. Marzoña                     | Officer                  | -                    | 0.00%                                |
| 20 | Davy T. Tan                           | Officer                  | -                    | 0.00%                                |
| 21 | Abel L. Roxas                         | Officer                  | -                    | 0.00%                                |
| 22 | Adela D. Flores                       | Shareholder and Officer  | 4,340                | 0.00%                                |
| 23 | Antonette O. Marquez                  | Officer                  | -                    | 0.00%                                |
| 24 | Divino M. Villanueva, Jr.             | Officer                  | -                    | 0.00%                                |
| 25 | Others (Public)                       | Shareholder              | 788,232,032          | 12.89%                               |
|    |                                       |                          | <b>6,116,762,198</b> | <b>100.00%</b>                       |

**Annex B**

**ROCKWELL LAND CORPORATION  
SUPPLEMENTARY SCHEDULE REQUIRED  
UNDER SRC RULE 68, AS AMENDED (2011)**

**I. List of Philippine Financial Reporting Standards (PFRSs) [which consists of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as of September 30, 2014**

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS   |  | Adopted           | Not Adopted | Not Applicable |
|--|--|-------------------|-------------|----------------|
| Framework for the Preparation and Presentation of Financial Statements<br>Conceptual Framework Phase A: Objectives and qualitative characteristics |  | ✓                 |             |                |
| PFRSs Practice Statement Management Commentary   |  |                   |             | ✓              |
| <b>Philippine Financial Reporting Standards</b>  |  |                   |             |                |
| <b>PFRS 1<br/>(Revised)</b>  | First-time Adoption of Philippine Financial Reporting Standards  | ✓                 |             |                |
|  | Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | ✓                 |             |                |
|  | Amendments to PFRS 1: Additional Exemptions for First-time Adopters  |                   |             | ✓              |
|  | Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters             |                   |             | ✓              |
|  | Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters                  |                   |             | ✓              |
|  | Amendments to PFRS 1: Government Loans   |                   |             | ✓              |
|  | Amendment to PFRS 1: Meaning of Effective PFRSs  | Not early adopted |             |                |
| <b>PFRS 2</b>  | Share-based Payment  | ✓                 |             |                |
|  | Amendments to PFRS 2: Vesting Conditions and Cancellations   | ✓                 |             |                |
|  | Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions                                      | ✓                 |             |                |
|  | Amendment to PFRS 2: Definition of Vesting Condition   | Not early adopted |             |                |
| <b>PFRS 3<br/>(Revised)</b>  | Business Combinations  |                   |             | ✓              |
|  | Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination                         | Not early adopted |             |                |
|  | Amendment to PFRS 3: Scope Exceptions for Joint Arrangements   | Not early adopted |             |                |
| <b>PFRS 4</b>  | Insurance Contracts  |                   |             | ✓              |
|  | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts   |                   |             | ✓              |
| <b>PFRS 5</b>  | Non-current Assets Held for Sale and Discontinued Operations   |                   |             | ✓              |
| <b>PFRS 6</b>  | Exploration for and Evaluation of Mineral Resources  |                   |             | ✓              |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS |   | Adopted           | Not Adopted | Not Applicable |
|--|---|-------------------|-------------|----------------|
| <b>PFRS 7</b>  | Financial Instruments: Disclosures  | ✓                 |             |                |
|  | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets   | ✓                 |             |                |
|  | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition   | ✓                 |             |                |
|  | Amendments to PFRS 7: Improving Disclosures about Financial Instruments   | ✓                 |             |                |
|  | Amendments to PFRS 7: Disclosures - Transfers of Financial Assets   | ✓                 |             |                |
|  | Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities   | ✓                 |             |                |
|  | Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures   | Not early adopted |             |                |
| <b>PFRS 8</b>  | Operating Segments  | ✓                 |             |                |
|  | Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets | Not early adopted |             |                |
| <b>PFRS 9</b>  | Financial Instruments   | ✓                 |             |                |
|  | Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures   | Not early adopted |             |                |
| <b>PFRS 10</b>   | Consolidated Financial Statements   | ✓                 |             |                |
|  | Amendments to PFRS 10: Investment Entities  | ✓                 |             |                |
| <b>PFRS 11</b>   | Joint Arrangements  | ✓                 |             |                |
| <b>PFRS 12</b>   | Disclosure of Interests in Other Entities   | ✓                 |             |                |
|  | Amendments to PFRS 10: Investment Entities  |                   |             | ✓              |
| <b>PFRS 13</b>   | Fair Value Measurement  | ✓                 |             |                |
|  | Amendment to PFRS 13: Short-term Receivables and Payables   | Not early adopted |             |                |
|  | Amendment to PFRS 13: Portfolio Exception   | Not early adopted |             |                |
| <b>Philippine Accounting Standards</b>                       |   |                   |             |                |
| <b>PAS 1 (Revised)</b>                                       | Presentation of Financial Statements  | ✓                 |             |                |
|  | Amendment to PAS 1: Capital Disclosures   | ✓                 |             |                |
|  | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation   |                   |             | ✓              |
|  | Amendments to PAS 1: Presentation of Items of Other Comprehensive Income  | ✓                 |             |                |
| <b>PAS 2</b>   | Inventories   |                   |             | ✓              |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS |   | Adopted           | Not Adopted | Not Applicable |
|--|---|-------------------|-------------|----------------|
| PAS 7  | Statement of Cash Flows   | ✓                 |             |                |
| PAS 8  | Accounting Policies, Changes in Accounting Estimates and Errors                                 | ✓                 |             |                |
| PAS 10   | Events after the Reporting Date   | ✓                 |             |                |
| PAS 11   | Construction Contracts  | ✓                 |             |                |
| PAS 12   | Income Taxes  | ✓                 |             |                |
|  | Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets                               | ✓                 |             |                |
| PAS 16   | Property, Plant and Equipment   | ✓                 |             |                |
|  | Amendment to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation | Not early adopted |             |                |
| PAS 17   | Leases  | ✓                 |             |                |
| PAS 18   | Revenue   | ✓                 |             |                |
| PAS 19   | Employee Benefits   | ✓                 |             |                |
|  | Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures                   | ✓                 |             |                |
| PAS 19 (Amended)   | Employee Benefits   | ✓                 |             |                |
|  | Amendments to PAS 19: Defined Benefit Plans: Employee Contributions                             | Not early adopted |             |                |
| PAS 20   | Accounting for Government Grants and Disclosure of Government Assistance                        |                   |             | ✓              |
| PAS 21   | The Effects of Changes in Foreign Exchange Rates  | ✓                 |             |                |
|  | Amendment: Net Investment in a Foreign Operation  |                   |             | ✓              |
| PAS 23 (Revised)   | Borrowing Costs   | ✓                 |             |                |
| PAS 24 (Revised)   | Related Party Disclosures   | ✓                 |             |                |
|  | Amendments to PAS 24: Key Management Personnel  | Not early adopted |             |                |
| PAS 26   | Accounting and Reporting by Retirement Benefit Plans  |                   |             | ✓              |
| PAS 27   | Consolidated and Separate Financial Statements  | ✓                 |             |                |
| PAS 27 (Amended)   | Separate Financial Statements   | ✓                 |             |                |
|  | Amendments to PFRS 10: Investment Entities  | Not early adopted |             |                |
| PAS 28   | Investments in Associates   |                   |             | ✓              |
| PAS 28 (Amended)   | Investments in Associates and Joint Ventures  | ✓                 |             |                |

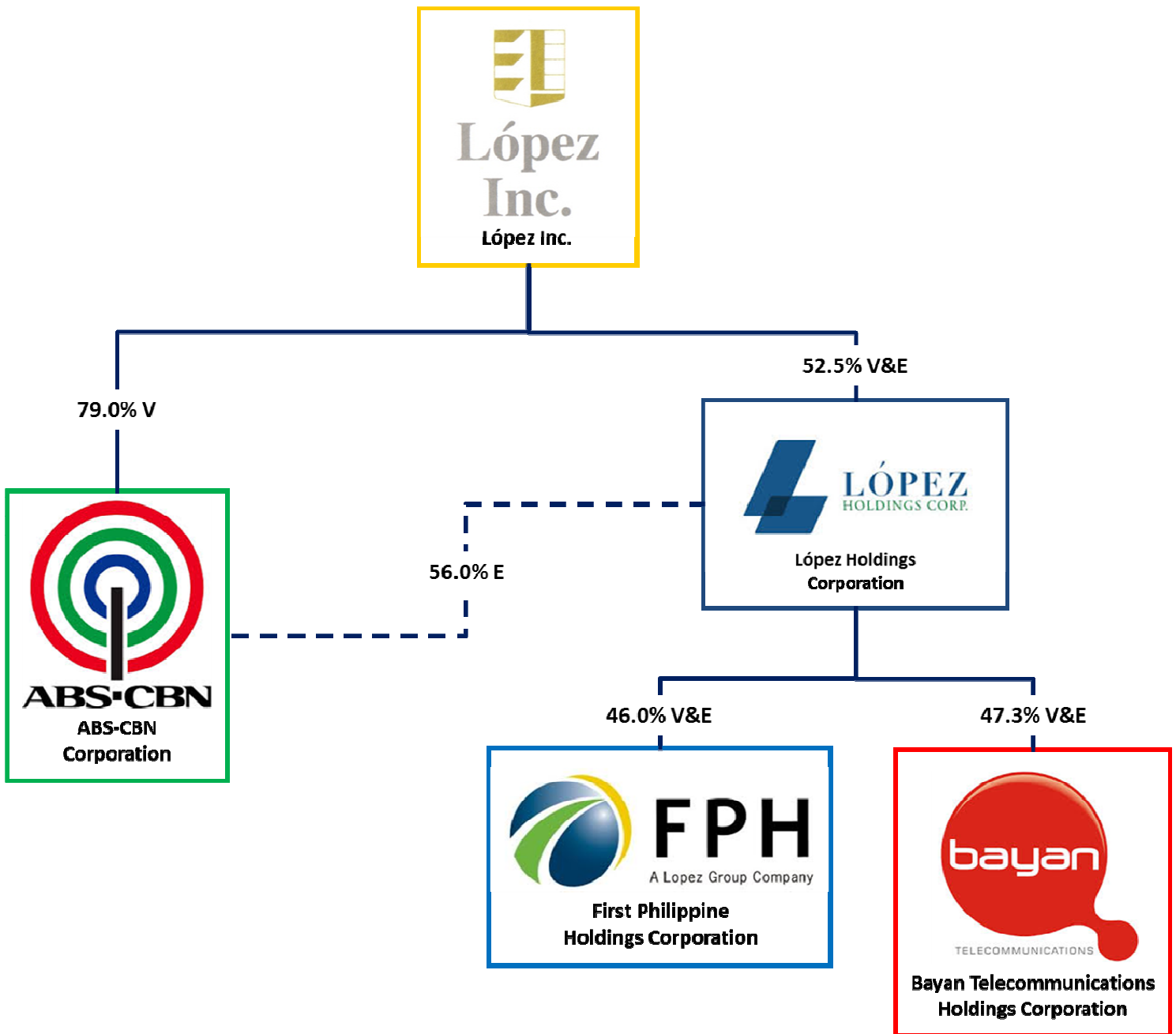
| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS |  | Adopted           | Not Adopted | Not Applicable |
|--|--|-------------------|-------------|----------------|
| <b>PAS 29</b>  | Financial Reporting in Hyperinflationary Economies   |                   |             | ✓              |
| <b>PAS 31</b>  | Interests in Joint Ventures  |                   |             | ✓              |
| <b>PAS 32</b>  | Financial Instruments: Disclosure and Presentation   | ✓                 |             |                |
|  | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation  |                   |             | ✓              |
|  | Amendment to PAS 32: Classification of Rights Issues   |                   |             | ✓              |
|  | Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities                            | ✓                 |             |                |
| <b>PAS 33</b>  | Earnings per Share   | ✓                 |             |                |
| <b>PAS 34</b>  | Interim Financial Reporting  |                   |             | ✓              |
| <b>PAS 36</b>  | Impairment of Assets   | ✓                 |             |                |
|  | Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets                          | ✓                 |             |                |
| <b>PAS 37</b>  | Provisions, Contingent Liabilities and Contingent Assets   | ✓                 |             |                |
| <b>PAS 38</b>  | Intangible Assets  |                   |             | ✓              |
|  | Amendments to PAS 38: Revaluation Method – Proportionate Restatement of Accumulated Amortization       | Not early adopted |             |                |
| <b>PAS 39</b>  | Financial Instruments: Recognition and Measurement   | ✓                 |             |                |
|  | Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities |                   |             | ✓              |
|  | Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions                   |                   |             | ✓              |
|  | Amendments to PAS 39: The Fair Value Option  |                   |             | ✓              |
|  | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts   |                   |             | ✓              |
|  | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets                                  |                   |             | ✓              |
|  | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition  |                   |             | ✓              |
|  | Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives                     |                   |             | ✓              |
|  | Amendment to PAS 39: Eligible Hedged Items   |                   |             | ✓              |
|  | Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting                      | ✓                 |             |                |
| <b>PAS 40</b>  | Investment Property  | ✓                 |             |                |
|  | Amendment to PAS 40: Investment Property   | Not early adopted |             |                |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS |  | Adopted | Not Adopted | Not Applicable |
|--|--|---------|-------------|----------------|
| PAS 41   | Agriculture  |         |             | ✓              |
| <b>Philippine Interpretations</b>                            |  |         |             |                |
| IFRIC 1  | Changes in Existing Decommissioning, Restoration and Similar Liabilities                                       |         |             | ✓              |
| IFRIC 2  | Members' Share in Co-operative Entities and Similar Instruments  |         |             | ✓              |
| IFRIC 4  | <i>Determining Whether an Arrangement Contains a Lease</i>   |         |             | ✓              |
| IFRIC 5  | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds           |         |             | ✓              |
| IFRIC 6  | <i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i> |         |             | ✓              |
| IFRIC 7  | <i>Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies</i>      |         |             | ✓              |
| IFRIC 8  | <i>Scope of PFRS 2</i>   |         |             | ✓              |
| IFRIC 9  | Reassessment of Embedded Derivatives   |         |             | ✓              |
|  | Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives                             |         |             | ✓              |
| IFRIC 10   | <i>Interim Financial Reporting and Impairment</i>  |         |             | ✓              |
| IFRIC 11   | PFRS 2 - Group and Treasury Share Transactions   |         |             | ✓              |
| IFRIC 12   | Service Concession Arrangements  |         |             | ✓              |
| IFRIC 13   | Customer Loyalty Programmes  |         |             | ✓              |
| IFRIC 14   | The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction                       |         |             | ✓              |
|  | Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement               |         |             | ✓              |
| IFRIC 16   | Hedges of a Net Investment in a Foreign Operation  |         |             | ✓              |
| IFRIC 17   | Distributions of Non-cash Assets to Owners   |         |             | ✓              |
| IFRIC 18   | Transfers of Assets from Customers   |         |             | ✓              |
| IFRIC 19   | Extinguishing Financial Liabilities with Equity Instruments  |         |             | ✓              |
| IFRIC 20   | Stripping Costs in the Production Phase of a Surface Mine  |         |             | ✓              |
| IFRIC 21   | Levies   | ✓       |             |                |
| SIC-7  | Introduction of the Euro   |         |             | ✓              |
| SIC-10   | Government Assistance - No Specific Relation to Operating Activities   |         |             | ✓              |
| SIC-12   | Consolidation - Special Purpose Entities   |         |             | ✓              |



| <b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> |  | <b>Adopted</b> | <b>Not Adopted</b> | <b>Not Applicable</b> |
|---|--|----------------|--------------------|-----------------------|
|   | Amendment to SIC - 12: Scope of SIC 12                                       |                |                    | ✓                     |
| <b>SIC-13</b>   | Jointly Controlled Entities - Non-Monetary Contributions by Venturers        |                |                    | ✓                     |
| <b>SIC-15</b>   | Operating Leases - Incentives  |                |                    | ✓                     |
| <b>SIC-25</b>   | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders    |                |                    | ✓                     |
| <b>SIC-27</b>   | Evaluating the Substance of Transactions Involving the Legal Form of a Lease |                |                    | ✓                     |
| <b>SIC-29</b>   | Service Concession Arrangements: Disclosures.                                |                |                    | ✓                     |
| <b>SIC-31</b>   | Revenue - Barter Transactions Involving Advertising Services                 |                |                    | ✓                     |
| <b>SIC-32</b>   | Intangible Assets - Web Site Costs   |                |                    | ✓                     |

**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**  
**MAP OF RELATIONSHIPS OF COMPANIES WITHIN THE GROUP**  
 As of September 30, 2014



**ROCKWELL LAND CORPORATION AND SUBSIDIARIES  
MAP OF RELATIONSHIPS OF COMPANIES WITHIN THE GROUP  
As of September 30, 2014**



**Power Generation**

66.24%  
First Gen Corporation

**Property**

- ROCKWELL LAND**  
86.58%  
Rockwell Land Corporation 100%
- Rockwell Integrated Property Services, Inc. 100%
- Rockwell Primaries Development Corporation 100%
- Stonewell Property Development Corporation 100%
- Primaries Properties Sales Specialist Inc. 75%
- Rockwell Leisure Club, Inc. 100%
- Rockwell Hotels and Leisure Management Corp. 100%
- FIRST PHILIPPINE INDUSTRIAL PARK**  
70.00%  
First Philippine Industrial Park, Inc. 100%
- FPIIC Property Developers and Management Corporation** 100%
- FIU Utilities Incorporated** 100%
- Grand Batangas Resort Development Incorporated**  
85.00%  
40.52%  
First Batangas Hotel Corp.

**Manufacturing**

- First Philec**  
100%  
First Philippine Electric Corporation
- Philec**  
99.15%  
Philippine Electric Corporation
- Fedcor**  
100%  
First Electro Dynamics Corporation
- FPPS**  
100%  
First Philippine Power Systems
- First Philec Manufacturing Technologies Corporation** 100%
- First Philec Solar Corporation** 74.50%
- Cleantech Energy Holdings PTE, Ltd.** 100%
- First PV Ventures Corporation** 100%
  - First Philec Nexolon Corporation** 70.00%
  - First Philec Solar Solutions** 100%
  - MHE-Demag (P), Inc.** 25%

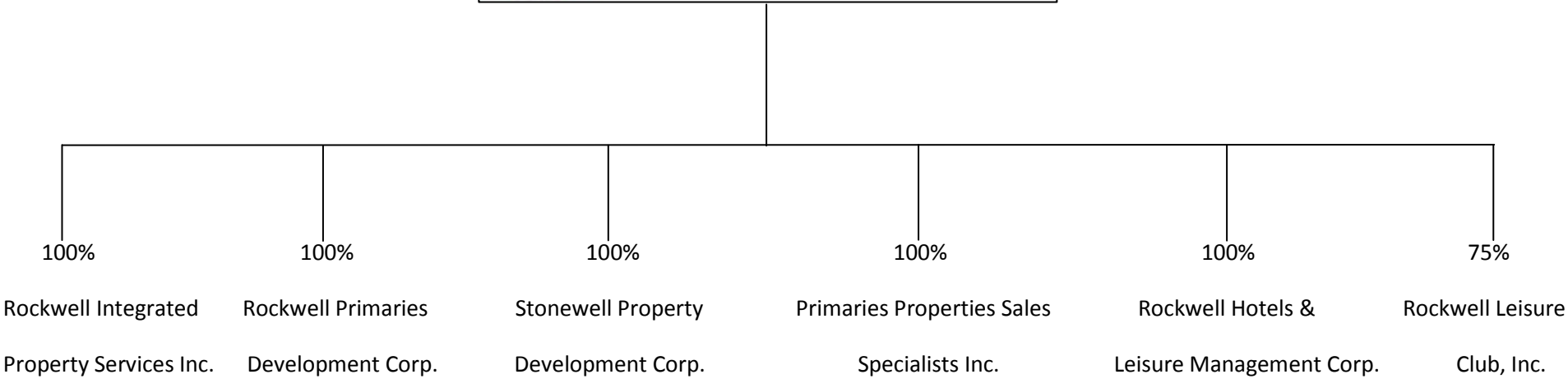
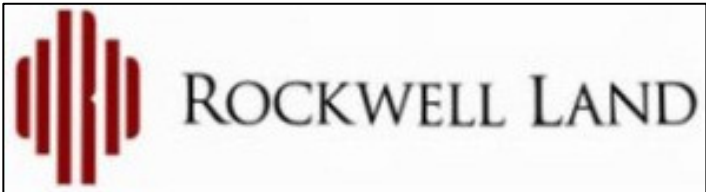
**Power Distribution**

30.00%  
Panay Electric Company

**Other Businesses**

- First Balfour, Inc.** 100%
  - ThermaPrime Well Services, Inc.** 100%
  - ThermaPrime**
  - First Philippine Realty Corporation** 100%
  - First Philippine Utilities Corporation** 100%
  - First Philippine Properties Corp.** 100%
    - First Philippine Development Corp.** 100%
    - FPH Land Ventures Inc.** 100%
      - TerraPrime, Inc.** 88.9%
    - FWV Biofields Corp** 100%
    - First Sumiden Realty, Inc.** 60%
- First Philippine Industrial Corporation** 60.00%
  - FPIC**
  - Securities Transfer Services, Inc.** 100%
  - STI**
  - FPH Capital Resources Inc.** 100%
  - FPH Fund** 100%
  - FPH Ventures** 100%
- FPHC Realty and Development Corporation** 98.00%
- First Philippine Realty Corporation** 100%
- FGHC International** 100%

**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**  
**MAP OF RELATIONSHIPS OF COMPANIES WITHIN THE GROUP**  
 As of September 30, 2014



**SIGNATURE**

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

**Issuer:           ROCKWELL LAND CORPORATION**

By:

A handwritten signature in black ink, appearing to read "E. Almodiel", written in a cursive style.

**Ellen V. Almodiel**  
Senior Vice President - Finance

Date: November 13, 2014