COVER SHEET

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SEC Registration Number

ROCKWELL LAND CORPORATION AND SUB
SIDIARIES

(Company's Full Name)

Rockwell Information Center, Rock
well Drive cor. Estrella St., Mak
ati City

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

Ms. Ellen V. Almodiel	793-0088
(Contact Person)	(Company Telephone Number)

1 2 / 3 1	A A C F S	
Month *Day* (Fiscal Year)	(Form Type)	*Month* *Day* (Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

49,384	₱4,459 million	–
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Rockwell Land Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, and January 1, 2011, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2012, 2011 and 2010 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Rockwell Land Corporation and Subsidiaries as at December 31, 2012 and 2011, and January 1, 2011, and their financial performance and their cash flows for the years ended December 31, 2012, 2011 and 2010 in accordance with Philippine Financial Reporting Standards.

Other Matter

Rockwell Land Corporation and Subsidiaries have prepared a separate set of consolidated financial statements as at December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards, on which we issued an independent auditors' report dated March 11, 2013 and expressed an unqualified opinion. As discussed in Note 3 to the consolidated financial statements, Rockwell Land Corporation and Subsidiaries have adopted the new accounting standards which became effective beginning January 1, 2013 in the accompanying consolidated financial statements as at December 31, 2012 and 2011, and January 1, 2011 and for the years ended December 31, 2012, 2011 and 2010 that have been prepared for inclusion in the prospectus for purposes of the bond offering.

SYCIP GORRES VELAYO & CO.

Maria Vivian C. Ruiz

Maria Vivian C. Ruiz
Partner
CPA Certificate No. 83687
SEC Accreditation No. 0073-AR-3 (Group A),
January 18, 2013, valid until January 17, 2016
Tax Identification No. 102-084-744
BIR Accreditation No. 08-001998-47-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3670018, January 2, 2013, Makati City

September 19, 2013

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

	December 31, 2012	December 31, 2011	January 1, 2011
		(As restated - Note 3)	
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 6, 27 and 28)	**₱533,154**	₱472,959	₱351,239
Trade and other receivables (Notes 7, 14, 27 and 28)	**3,477,463**	2,566,391	2,345,509
Land and development costs (Notes 8, 11, 15, 17 and 26)	**6,752,411**	5,584,593	2,619,268
Advances to contractors (Note 8)	**1,055,398**	822,888	797,224
Condominium units for sale	**32,101**	63,504	13,319
Other current assets (Notes 10, 15, 25, 27 and 28)	**515,843**	453,018	549,550
Total Current Assets	**12,366,370**	9,963,353	6,676,109
Noncurrent Assets			
Noncurrent trade receivables (Notes 7, 14, 27 and 28)	**44,592**	44,377	38,973
Investment properties (Notes 11, 12 and 14)	**4,953,882**	4,731,168	4,453,505
Investment in joint venture (Note 12)	**2,188,891**	2,103,102	2,023,241
Property and equipment (Note 13)	**775,312**	706,671	718,985
Available-for-sale investments (Notes 9, 27 and 28)	**15,308**	10,708	10,808
Pension asset (Note 22)	**12,575**	–	40,473
Other noncurrent assets (Note 15)	**364,972**	450,662	–
Total Noncurrent Assets	**8,355,532**	8,046,688	7,285,985
	₱20,721,902	₱18,010,041	₱13,962,094
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables (Notes 4, 16, 17, 24, 27 and 28)	**₱3,247,094**	₱2,625,492	₱2,138,811
Current portion of interest-bearing loans and borrowings (Notes 7, 11, 14, 27 and 28)	**404,572**	278,418	2,732,977
Current portion of installment payable (Note 15)	**647,085**	651,736	–
Income tax payable	**25,344**	32,687	33,131
Total Current Liabilities	**4,324,095**	3,588,333	4,904,919
Noncurrent Liabilities			
Interest-bearing loans and borrowings - net of current portion (Notes 7, 11, 14, 27 and 28)	**4,027,416**	2,588,238	283,240
Installment payable - net of current portion (Note 15)	**1,854,712**	2,370,688	–
Deferred tax liabilities - net (Note 23)	**180,780**	55,707	205,114
Pension liability (Note 22)	**14,019**	8,503	2,021
Deposits and other liabilities (Notes 16, 17, 27 and 28)	**199,675**	251,439	305,100
Total Noncurrent Liabilities	**6,276,602**	5,274,575	795,475
Total Liabilities	**10,600,697**	8,862,908	5,700,394

(Forward)

	December 31, 2012	December 31, 2011	January 1, 2011
		(As restated - Note 3)	
Equity Attributable to Equity Holders of the Parent Company			
Capital stock (Note 18)	**₱6,255,882**	₱6,255,882	₱6,255,882
Unrealized gain on available-for-sale investments (Note 9)	**4,743**	603	693
Other equity adjustments (Note 18)	**286,850**	284,111	284,111
Retained earnings (Note 18)	**3,691,847**	2,540,481	1,652,924
	10,239,322	9,081,077	8,193,610
Less cost of treasury shares (Notes 1 and 18)	**(185,334)**	–	–
Total Equity Attributable to Equity Holders of the Parent Company	**10,053,988**	9,081,077	8,193,610
Equity Attributable to Non-Controlling Interests	**67,217**	66,056	68,090
Total Equity	**10,121,205**	9,147,133	8,261,700
	₱20,721,902	₱18,010,041	₱13,962,094

See accompanying Notes to Consolidated Financial Statements.

ROCKWELL LAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2012	2011	2010
		(As restated - Note 3)	
REVENUE			
Sale of condominium units	**₱5,011,156**	₱4,588,106	₱3,374,641
Lease income (Note 11)	**688,184**	657,947	603,602
Interest income (Note 19)	**641,826**	518,835	571,982
Cinema revenue	**201,178**	199,906	180,708
Others (Note 12)	**299,427**	286,940	240,043
	6,841,771	6,251,734	4,970,976
EXPENSES (INCOME)			
Cost of real estate (Notes 8, 11, 20 and 24)	**3,986,685**	3,910,539	2,827,913
General and administrative expenses (Notes 7, 13, 20, 21, 22 and 24)	**871,724**	739,371	671,359
Selling expenses (Notes 20, 21 and 22)	**269,940**	293,027	212,090
Interest expense (Notes 14 and 20)	**266,214**	193,577	155,379
Share in net losses (income) of joint venture (Note 12)	**(98,470)**	(79,861)	937
Gain on sale of property and equipment (Note 13)	**(11,189)**	–	(119)
Foreign exchange loss (gain) - net (Note 27)	**(4,049)**	(3,790)	19,379
Mark-to-market loss (gain) from derivative instruments (Note 25)	**–**	304	(10,354)
	5,280,855	5,053,167	3,876,584
INCOME BEFORE INCOME TAX	**1,560,916**	1,198,567	1,094,392
PROVISION FOR INCOME TAX (Note 23)	**437,635**	291,045	298,861
NET INCOME	**1,123,281**	907,522	795,531
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Unrealized gain (loss) on available-for-sale investments (Note 9)	**4,600**	(100)	1,700
Income tax effect	**(460)**	10	(170)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurements gain (loss) on retirement plans	**46,100**	(31,427)	13,086
Income tax effect	**(13,830)**	9,428	(3,926)
	36,410	(22,089)	10,690
TOTAL COMPREHENSIVE INCOME	**₱1,159,691**	₱885,433	₱806,221
Net Income Attributable To			
Equity holders of the Parent Company	**₱1,123,221**	₱909,556	₱797,738
Non-controlling interests	**60**	(2,034)	(2,207)
	₱1,123,281	₱907,522	₱795,531
Total Comprehensive Income Attributable To			
Equity holders of the Parent Company	**₱1,159,631**	₱887,467	₱808,428
Non-controlling interests	**60**	(2,034)	(2,207)
	₱1,159,691	₱885,433	₱806,221
Basic/Diluted Earnings Per Share (Note 29)	**₱0.18**	₱0.15	₱0.13

See accompanying Notes to Consolidated Financial Statements.

ROCKWELL LAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent Company							
	Capital Stock (Note 18)	**Unrealized Gain (Loss) on Available-for-Sale Investments** (Notes 3 and 9)	**Other Equity Adjustments** (Notes 3 and 18)	**Retained Earnings** (Notes 3 and 18)	**Treasury Shares** (Notes 1and 18)	**Total**	**Equity Attributable to Non-Controlling Interests** (Note 3)	**Total Equity**
At December 31, 2011, as previously reported	**₱6,255,882**	**₱13,171**	**₱–**	**₱2,878,686**	**₱–**	**₱9,147,739**	**₱–**	**₱9,147,739**
Effect of adoption of PFRS 10 (Note 3)	**–**	**(12,568)**	**284,111**	**(310,736)**	**–**	**(39,193)**	**66,056**	**26,863**
Effect of adoption of PAS 19 (Notes 3 and 22)	**–**	**–**	**–**	**(27,469)**	**–**	**(27,469)**	**–**	**(27,469)**
At December 31, 2011, as restated	**6,255,882**	**603**	**284,111**	**2,540,481**	**–**	**9,081,077**	**66,056**	**9,147,133**
Acquisition of treasury shares (Notes 1 and 18)	**–**	**–**	**–**	**–**	**(185,334)**	**(185,334)**	**–**	**(185,334)**
Net income	**–**	**–**	**–**	**1,123,221**	**–**	**1,123,221**	**60**	**1,123,281**
Other comprehensive loss	**–**	**4,140**	**–**	**32,270**	**–**	**36,410**	**–**	**36,410**
Total comprehensive income (loss) for the year	**–**	**4,140**	**–**	**1,155,491**	**–**	**1,159,631**	**60**	**1,159,691**
Sale to non-controlling interests (Note 3)	**–**		**2,739**	**–**	**–**	**2,739**	**1,101**	**3,840**
Cash dividends (Note 18)	**–**	**–**	**–**	**(4,125)**	**–**	**(4,125)**	**–**	**(4,125)**
At December 31, 2012	**₱6,255,882**	**₱4,743**	**₱286,850**	**₱3,691,847**	**(₱185,334)**	**₱10,053,988**	**₱67,217**	**₱10,121,205**
At December 31, 2010, as previously reported	₱6,255,882	₱27,409	₱–	₱1,963,783	₱–	₱8,247,074	₱–	₱8,247,074
Effect of adoption of PFRS 10 (Note 3)	–	(26,716)	284,111	(304,294)	–	(46,899)	68,090	21,191
Effect of adoption of PAS 19 (Notes 3 and 22)	–	–	–	(6,565)	–	(6,565)	–	(6,565)
At December 31, 2010, as restated	6,255,882	693	284,111	1,652,924	–	8,193,610	68,090	8,261,700
Net income	–	–	–	909,556	–	909,556	(2,034)	907,522
Other comprehensive income (loss)	–	(90)	–	(21,999)	–	(22,089)	–	(22,089)
Total comprehensive income (loss) for the year	–	(90)	–	887,557	–	887,467	(2,034)	885,433
At December 31, 2011, as restated	₱6,255,882	₱603	₱284,111	₱2,540,481	₱–	₱9,081,077	₱66,056	₱9,147,133

	Equity Attributable to Equity Holders of the Parent Company							
	Capital Stock (Note 18)	Unrealized Gain (Loss) on Available-for-Sale Investments (Note 9)	Other Equity Adjustments (Notes 3 and 18)	Retained Earnings (Notes 3 and 18)	Treasury Shares (Notes 1and 18)	Total	Equity Attributable to Non-Controlling Interests (Note 3)	Total Equity
At December 31, 2009, as previously reported	₱6,255,882	(₱2,686)	₱–	₱1,162,476	₱–	₱7,415,672	₱–	₱7,415,672
Effect of adoption of PFRS 10 (Note 3)	–	1,849	284,111	(297,306)	–	(11,346)	70,297	58,951
Effect of adoption of PAS 19 (Notes 3 and 22)	–	–	–	(19,144)	–	(19,144)	–	(19,144)
At December 31, 2009, as restated	6,255,882	(837)	284,111	846,026	–	7,385,182	70,297	7,455,479
Net income	–	–	–	797,738	–	797,738	(2,207)	795,531
Other comprehensive income	–	1,530	–	9,160	–	10,690	–	10,690
Total comprehensive income for the year	–	1,530	–	806,898	–	808,428	(2,207)	806,221
Other equity adjustments (Note 18)	–	–	–	–	–	–	–	–
At December 31, 2010, as restated	₱6,255,882	₱693	₱284,111	₱1,652,924	₱–	₱8,193,610	₱68,090	₱8,261,700

See accompanying Notes to Consolidated Financial Statements

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

	Years Ended December 31		
	2012	2011	2010
		(As restated - Note 3)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,560,916**	₱1,198,567	₱1,094,392
Adjustments for:			
Interest income (Note 19)	**(641,826)**	(518,835)	(571,982)
Interest expense (Note 20)	**266,214**	193,577	155,379
Depreciation and amortization (Note 20)	**260,434**	243,830	233,346
Share in net losses (income) of joint venture (Note 12)	**(98,470)**	(79,861)	937
Gain on sale of property and equipment (Note 13)	**(11,189)**	–	(119)
Unrealized foreign exchange gain – net	**(1,512)**	(5,535)	(13,158)
Write-off of other receivables (Note 20)	**–**	–	21,029
Mark-to-market loss (gain) from derivative instruments (Note 25)	**–**	304	(10,354)
Operating income before working capital changes	**1,334,567**	1,032,047	909,470
Pension costs (Note 22)	**28,188**	15,527	11,083
Decrease (increase) in:			
Trade and other receivables	**(337,425)**	263,143	(1,281,215)
Land and development costs	**(1,255,981)**	(692,712)	(517,509)
Advances to contractors	**(232,510)**	(25,664)	388,166
Condominium units for sale	**31,403**	(50,185)	42,628
Other current assets	**2,022**	(21,554)	(87,139)
Increase in trade and other payables	**548,577**	502,038	920,531
Net cash generated from operations	**118,841**	1,022,640	386,015
Income taxes paid	**(334,152)**	(431,457)	(263,335)
Interest paid	**(197,454)**	(201,241)	(158,149)
Net cash provided by (used in) operating activities	**(412,765)**	389,942	(35,469)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Investment properties (Note 11)	**(366,424)**	(19,890)	(83,810)
Property and equipment (Note 13)	**(108,816)**	(66,806)	(143,479)
Proceeds from sale of property and equipment	**22,803**	–	5,465
Interest received	**27,426**	26,973	24,545
Dividends received (Note 12)	**12,681**	–	–
Net cash used in investing activities	**(412,330)**	(59,723)	(197,279)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of bank loans (Note 14)	**1,885,318**	4,225,531	794,519
Payments of:			
Installment payable	**(434,939)**	–	–
Bank loans (Note 14)	**(328,418)**	(4,386,296)	(690,653)
Acquisition of treasury shares (Note 18)	**(185,334)**	–	–
Increase (decrease) in deposits and other liabilities	**(51,764)**	(53,661)	52,673
Dividends paid (Note 18)	**(4,125)**	–	–
Proceeds from sale to non-controlling interests	**3,040**	–	–
Net cash provided by (used in) financing activities	**883,778**	(214,426)	156,539
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**1,512**	5,927	8,716
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (Carried Forward)	**60,195**	121,720	(67,493)

	Years Ended December 31		
	2012	2011	2010
		(As restated - Note 3)	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (Brought Forward)	**₱60,195**	₱121,720	(₱67,493)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**472,959**	351,239	418,732
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱533,154**	₱472,959	₱351,239

See accompanying Notes to Consolidated Financial Statements.

ROCKWELL LAND CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. Corporate Information

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

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

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

On June 28, 2012 and July 27, 2012, FPHC purchased additional shares of the Parent Company from Beacon Electric Asset Holdings, Inc. and San Miguel Corporation, respectively. As of December 31, 2012, FPHC (ultimate parent company) owns 86.8% of the Parent Company. With the adoption of Philippine Financial Reporting Standard (PFRS) 10, *Consolidated Financial Statements*, effective January 1, 2013, Lopez, Inc. becomes the ultimate parent of Rockwell Land.

The accompanying consolidated financial statements were approved and authorized for issue by the BOD on September 19, 2013.

2. Basis of Preparation and Statement of Compliance

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

The consolidated financial information has been prepared solely for inclusion in the prospectus prepared by the Parent Company for the planned bond offering and for no other purpose.

Statement of Compliance
The Company's consolidated financial statements have been prepared in accordance with PFRS.

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

Subsidiaries	Nature of Business	Percentage of Ownership **December 31, 2012**	 December 31, 2011	 January 1, 2011
Rockwell Integrated Property Services, Inc.	Service provider	**100.0**	100.0	100.0
Rockwell Homes, Inc.	Real estate development	**100.0**	–	–
Stonewell Property Development Corporation	Real estate development	**100.0**	–	–
Primaries Properties Sales Specialists Inc.	Marketing	**100.0**	–	–
Rockwell Leisure Club, Inc. ("Rockwell Club")	Leisure club	**68.9**	69.4	69.4

All subsidiaries are incorporated in the Philippines.

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

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

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

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The difference between the fair value of the consideration and the book value of the share in the net assets acquired or disposed is treated as an equity transaction and is presented as "Other equity adjustments" within the equity section in the consolidated statement of financial position. If the Company losses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate

3. **Changes in Accounting Policies and Disclosures**

The accounting policies adopted in the preparation of the accompanying consolidated financial statements are consistent with those of the previous financial year, except for the adoption of the following new and amended Philippine Accounting Standards (PAS), PFRSs and Philippine Interpretations which were adopted as at January 1, 2012. The adoption of the following amendments and interpretations did not have material effect on the accounting policies, financial position or performance of the Company, except for additional disclosure.

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

The Company adopted the following new and amended standards effective for annual periods beginning on or after January 1, 2013 in the accompanying consolidated financial statements as of December 31, 2012 and 2011, and January 1, 2011 and for the years ended December 31, 2012, 2011 and 2010 that have been prepared for inclusion in the prospectus for purposes of the Parent Company's bond offering.

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

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

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

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

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

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

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

Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period. Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

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

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

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

		Effects of adoption		
	As previously reported	PFRS 10	PAS 19	As restated
ASSETS				
Total Current Assets	₱12,300,009	₱66,361	₱–	₱12,366,370
Noncurrent Assets				
Property and equipment	521,731	253,581	–	775,312
Pension asset	–	–	12,575	12,575
Available-for-sale investments	248,408	(233,100)	–	15,308
Other noncurrent assets	7,552,339	(2)	–	7,552,337
Total Noncurrent Assets	8,322,478	20,479	12,575	8,355,532
TOTAL ASSETS	₱20,622,487	₱86,840	₱12,575	₱20,721,902

		Effects of adoption		
	As previously reported	PFRS 10	PAS 19	As restated
LIABILITIES AND EQUITY				
Total Current Liabilities	₱4,286,290	₱37,805	₱–	₱4,324,095
Total Noncurrent Liabilities	6,264,802	(2,158)	13,958	6,276,602
Equity Attributable to Equity Holders of the Parent Company				
Capital stock	6,255,882	–	–	6,255,882
Unrealized gain on available-for-sale investments	1,437	3,306	–	4,743
Other equity adjustments (see Note 18)	–	286,850	–	286,850
Retained earnings	3,999,410	(306,180)	(1,383)	3,691,847
Cost of treasury shares	(185,334)	–	–	(185,334)
	10,071,395	(16,024)	(1,383)	10,053,988
Equity attributable to non-controlling interests	–	67,217	–	67,217
Total Equity	10,071,395	51,193	(1,383)	10,121,205
TOTAL LIABILITIES AND EQUITY	₱20,622,487	₱86,840	₱12,575	₱20,721,902

Reconciliation of Statement of Financial Position as of December 31, 2011

		Effects of transition		
	As previously reported	PFRS 10	PAS 19	As restated
ASSETS				
Total Current Assets	₱9,917,032	₱46,321	₱–	₱9,963,353
Noncurrent Assets				
Property and equipment	444,399	262,272	–	706,671
Pension asset	33,482	–	(33,482)	–
Available-for-sale investments	262,228	(251,520)	–	10,708
Other noncurrent assets	7,329,309	–	–	7,329,309
Total Noncurrent Assets	8,069,418	10,752	(33,482)	8,046,688
TOTAL ASSETS	₱17,986,450	₱57,073	(₱33,482)	₱18,010,041
LIABILITIES AND EQUITY				
Total Current Liabilities	₱3,559,470	₱28,863	₱–	₱3,588,333
Total Noncurrent Liabilities	5,279,241	2,443	(7,109)	5,274,575
Equity Attributable to Equity Holders of the Parent Company				
Capital stock	6,255,882	–	–	6,255,882
Unrealized gain on available-for-sale investments	13,171	(12,568)	–	603
Other equity adjustments (see Note 18)	–	284,111	–	284,111
Retained earnings	2,878,686	(311,832)	(26,373)	2,540,481
	9,147,739	(40,289)	(26,373)	9,081,077
Equity attributable to non-controlling interests	–	66,056	–	66,056
Total Equity	9,147,739	25,767	(26,373)	9,147,133
TOTAL LIABILITIES AND EQUITY	₱17,986,450	₱57,073	(₱33,482)	₱18,010,041

Reconciliation of Statement of Financial Position as of January 1, 2011

	As previously reported	Effects of adoption PFRS 10	PAS 19	As restated
ASSETS				
Total Current Assets	₱6,624,424	₱51,685	₱–	₱6,676,109
Noncurrent Assets				
Property and equipment	446,309	272,676	–	718,985
Pension asset	49,852	–	(9,379)	40,473
Available-for-sale investments	278,048	(267,240)	–	10,808
Other noncurrent assets	6,515,719	–	–	6,515,719
Total Noncurrent Assets	7,289,928	5,436	(9,379)	7,285,985
TOTAL ASSETS	₱13,914,352	₱57,121	(9,379)	₱13,962,094
LIABILITIES AND EQUITY				
Total Current Liabilities	₱4,868,042	₱36,877	₱–	₱4,904,919
Total Noncurrent Liabilities	799,236	(947)	(2,814)	795,475
Equity Attributable to Equity Holders of the Parent Company				
Capital stock	6,255,882	–	–	6,255,882
Unrealized gain on available-for-sale investments	27,409	(26,716)	–	693
Other equity adjustments (see Note 18)	–	284,111	–	284,111
Retained earnings	1,963,783	(304,293)	(6,566)	1,652,924
	8,247,074	(46,898)	(6,566)	8,193,610
Equity attributable to non-controlling interests	–	68,090	–	68,090
Total Equity	8,247,074	21,192	(6,566)	8,261,700
TOTAL LIABILITIES AND EQUITY	₱13,914,352	₱57,122	(₱9,380)	₱13,962,094

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

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

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

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

Reconciliation of Statement of Comprehensive Income for the Year Ended December 31, 2010

	As previously reported	Effects of adoption PFRS 10	Effects of adoption PAS 19	As restated
REVENUES	₱4,884,510	₱86,466	₱–	₱4,970,976
EXPENSES	3,785,983	85,716	4,885	3,876,584
INCOME BEFORE INCOME TAX	1,098,527	750	(4,885)	1,094,392
PROVISION FOR INCOME TAX	(297,220)	(175)	(1,466)	(298,861)
NET INCOME (LOSS)	801,307	575	(6,351)	795,531
OTHER COMPREHENSIVE INCOME (LOSS)	30,095	(28,565)	9,160	10,690
TOTAL COMPREHENSIVE INCOME	₱831,402	(₱27,990)	₱2,809	₱806,221
Total Comprehensive Income Attributable to				
Equity holders of the Parent Company	₱831,402	(₱53,670)	₱30,696	₱808,428
Non-controlling interests	–	(2,207)	–	(2,207)
	₱831,402	(₱55,877)	₱30,696	₱806,221
Basic/Diluted Earnings Per Share for Net Income Attributable to the Equity Holders of the Parent Company	₱0.13	₱–	₱–	₱0.13

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.

- 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 will continue to use the equity method in accounting for its investment in joint venture (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.

- 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 Company reflected the revised disclosure requirements in Note 13.

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

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*

- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*

- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*

<u>Standards, Interpretations and Amendments to Existing Standards Not Yet Effective</u>
The Company did not early adopt the following amendments to existing standards and interpretations that have been approved but are not yet effective as of January 1, 2013. Except as otherwise indicated, the Company does not expect the adoption of these amendments and interpretations to have an impact on its consolidated financial statements.

- PAS 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.

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

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

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

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

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

4. **Summary of Significant Accounting Policies**

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

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

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

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

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

Financial Assets

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

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

Financial assets may be designated by management at initial recognition as at fair value through profit or loss when any of the following criteria is met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis; or

- the assets are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

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

Derivative Financial Instruments. Derivative instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The Company has opted not to designate its derivative transactions as accounting hedges. Consequently, gains and losses from changes in fair value of these derivatives are recognized immediately in the consolidated statement of comprehensive income.

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

The Company has no embedded derivatives as of December 31, 2012 and 2011, and January 1, 2011.

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

This category includes the Company's cash and cash equivalents, trade receivables from sale of condominium units and lease, advances to officers and employees, other receivables, refundable deposits and restricted cash (see Notes 6, 7 and 10).

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

The Company has no held-to-maturity investments as of December 31, 2012 and 2011, and January 1, 2011.

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

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

This category includes mainly the Parent Company's investment in Manila Polo Club shares and Meralco preferred shares (see Note 9).

<u>Financial Liabilities</u>

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

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

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

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

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

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

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

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

<u>Derecognition of Financial Assets and Liabilities</u>

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

- the right to receive cash flows from the asset has expired; or

- the Company has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

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

Assets Carried at Amortized Cost. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of loss shall be recognized in the consolidated statement of comprehensive income.

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

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

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

Assets Carried at Cost. If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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

Land and Development Costs and Condominium Units for Sale

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

Cost includes:

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

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

Advances to Contractors

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

Investment Properties

Investment properties represent land, building, structures and improvements of the mall (the "Power Plant"), other structures held for lease within the Rockwell Center and The Grove and land held for appreciation. These, except land, are measured initially at cost, including transaction costs, less accumulated depreciation and any impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Land is carried at cost (initial purchase price and other costs directly attributable in bringing such assets to its working condition) less any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of investment properties, except for land. Investment properties are estimated to have a useful life of 5 to 35 years.

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

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

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

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

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

Investment in Joint Venture

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

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

Property and Equipment

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

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

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

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

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

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

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

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

Impairment of Nonfinancial Assets

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

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

Impairment losses are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amounts, nor exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income.

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

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

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

For revenue from sales of uncompleted real estate projects, in accordance with Philippine Interpretation Committee Q&A No. 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Company has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering and design work, execution of construction contracts, site clearance and preparation, excavation, and completion of the building foundation are finished), and the costs incurred or to be incurred can be reliably measured. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers is recognized as “Deposits from pre-selling of condominium units” account under “Trade and other payables” account in the consolidated statement of financial position (see Note 16).

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

Cost of real estate sold is recognized consistent with the revenue recognition method applied. Cost of condominium units sold before completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by in-house technical staff.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the percentage of completion used for revenue recognition purposes.

Contract costs include all direct materials and labor costs and those direct costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Other costs incurred during the pre-selling stage to sell real estate are capitalized as prepaid costs and shown as part of “Other current assets” account in the consolidated statement of financial position if they are directly associated with and their recovery is reasonably expected from the sale of real estate that are initially being accounted for as deposits (see Note 10). Capitalized selling costs shall be charged to expense in the period in which the related revenue is recognized as earned.

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

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

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

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

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

Operating Leases
Leases in which the Company does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as lease income.

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

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

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

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

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

Income Tax

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

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefit of unused net operating loss carryover (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefit of unused NOLCO can be utilized. Deferred tax assets and liabilities, however, are not recognized when the deductible and taxable temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT)
Revenues, expenses and assets are recognized net of the amount of VAT except: where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables that are stated with the amount of VAT included.

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

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

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

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

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

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying the economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects a provision to be reimbursed, such as under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

Events After the Reporting Period
Post-year-end events that provide additional information about the Company's financial position at the financial reporting date (adjusting events) are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

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

Diluted earnings per share is calculated by dividing the net income attributable to common shareholders by the weighted average number of common shares issued and outstanding during the year adjusted for the effects of any dilutive convertible common shares. As the Company has no dilutive potential common shares outstanding as of reporting date, basic and diluted earnings per share are stated at the same amount.

Segment Reporting
The Company's operating businesses are organized and managed separately into two business activities. Such business segments are the bases upon which the Company reports its operating segment information. The Company operates in one geographical area where it derives its revenue. Financial information on segment reporting is presented in Note 30.

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

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

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

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

Lease income earned from investment properties amounted to ₱688.2 million, ₱657.9 million and ₱603.6 million in 2012, 2011 and 2010, respectively (see Note 11).

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

Transfers to (from) investment properties amounted to (₱6.4 million) and ₱392.3 million in 2012 and 2011, respectively (see Note 11).

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

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

The fair values of the Company's financial assets and liabilities are set out in Note 28.

Contingencies. The Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Company currently does not believe these proceedings will have a material effect on the financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 26).

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

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

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

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

Impairment of Financial Assets

a. Loans and Receivables

   The Company maintains allowance for doubtful accounts at a level considered adequate to provide for potential uncollectible trade receivables. The level of this allowance is evaluated by management based on the results of the specific and collective assessments of impairment of financial assets, considering the Company's collection experience and other factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the customers, the customers' payment behavior and known market factors. The amount and timing of recorded expenses for any period would therefore differ depending on the judgments and estimates made for each year.

   Provision for doubtful accounts and write-off of other receivables totalled ₱0.4 million, ₱4.3 million and ₱21.0 million in 2012, 2011 and 2010, respectively (see Note 20). Trade and other receivables, net of allowance for doubtful accounts, amounted to ₱3.5 billion, ₱2.6 billion and ₱2.3 billion as of December 31, 2012 and 2011, and January 1, 2011, respectively (see Note 7).

b. Available-for-Sale Financial Assets

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

   Available-for-sale investments amounted to ₱15.3 million, ₱10.7 million and ₱10.8 million as of December 31, 2012 and 2011, and January 1, 2011, respectively (see Note 9). No impairment loss was recognized in 2012, 2011 and 2010.

Net Realizable Value of Condominium Units for Sale. Condominium units for sale are carried at the lower of cost or NRV. Condominium units for sale, stated at cost, amounted to ₱32.1 million, ₱63.5 million and ₱13.3 million as of December 31, 2012 and 2011, and January 1, 2011, respectively.

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

There were no changes in the estimated useful lives of investment properties and property and equipment in 2012, 2011 and 2010.

Investment properties, net of accumulated depreciation, amounted to ₱5.0 billion, ₱4.7 billion and ₱4.5 billion as of December 31, 2012 and 2011, and January 1, 2011, respectively (see Note 11).

Property and equipment, net of accumulated depreciation and amortization, amounted to ₱775.3 million, ₱706.7 million and ₱719.0 million as of December 31, 2012 and 2011, and January 1, 2011, respectively (see Note 13).

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

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

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

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

	December 31, 2012	December 31, 2011	January 1, 2011
Investment properties (see Note 11)	**₱4,953,882**	₱4,731,168	₱4,453,505
Investment in joint venture (see Note 12)	**2,188,891**	2,103,102	2,023,241
Property and equipment (see Note 13)	**775,312**	706,671	718,985

The fair value of the investment properties amounted to ₱10.1 billion and ₱8.9 billion as of December 31, 2012 and 2011, respectively (see Note 11).

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

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

Deferred tax assets amounted to ₱50.8 million, ₱53.3 million and ₱51.4 million as of December 31, 2012 and 2011, and January 1, 2011, respectively (see Note 23).

Pension Costs. The determination of the Company's obligation and cost of pension benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 22 and include, among others, discount rate and expected rate of salary increase. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

As of December 31, 2012 and 2011, and January 1, 2011, pension liability amounted to ₱14.0 million, ₱8.5 million and ₱2.0 million, respectively, while pension asset amounted to ₱12.6 million, nil and ₱40.5 million, respectively. Since there is no minimum funding requirement, the resulting net asset or net liability recognized in the consolidated statement of financial position was determined as the lower of the surplus of the plan and the present value of the future service cost to the Company (see Note 22).

6. Cash and Cash Equivalents

This account consists of:

	December 31, 2012	December 31, 2011	January 1, 2011
		(As restated - see Note 3)	
Cash on hand and in banks	**₱173,704**	₱126,510	₱76,755
Short-term investments	**359,450**	346,449	274,484
	₱533,154	₱472,959	₱351,239

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

Interest income earned from cash in banks and short-term investments amounted to ₱12.4 million, ₱11.3 million and ₱2.6 million in 2012, 2011 and 2010, respectively (see Note 19).

7. Trade and Other Receivables

This account consists of:

	December 31, 2012	December 31, 2011	January 1, 2011
		(As restated - see Note 3)	
Trade receivables from:			
Sale of condominium units - net of noncurrent portion of ₱44.6 million, ₱44.4 million and ₱39.0 million as of December 31, 2012 and 2011, and January 1, 2011, respectively	**₱3,276,388**	₱2,381,645	₱2,187,124
Lease	**106,146**	92,134	73,599
Advances to officers and employees (see Note 24)	**12,448**	9,730	7,881
Others - net of allowance for doubtful accounts of ₱5.9 million, ₱7.0 million and ₱2.7 million as of December 31, 2012 and 2011, and January 1, 2011, respectively	**82,481**	82,882	76,905
	₱3,477,463	₱2,566,391	₱2,345,509

Trade receivables from sale of condominium units are noninterest-bearing long-term receivables with terms ranging from 1 to 5 years. Unamortized unearned interest on these receivables amounted to ₱21.5 million, ₱25.2 million and ₱22.3 million as of December 31, 2012 and 2011, and January 1, 2011, respectively.

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

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

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

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

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

	December 31, 2012	December 31, 2011	January 1, 2011
		(As restated - see Note 3)	
Balance at beginning of year	**₱6,980**	₱2,668	₱4,133
Provision (see Note 20)	**379**	4,312	–
Reversal of provision	–	–	(1,465)
Write-off	**(1,474)**	–	–
Balance at end of year	**₱5,885**	₱6,980	₱2,668

8. **Land and Development Costs**

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

	December 31, 2012	December 31, 2011
Proscenium (see Note 15)	**₱3,955,035**	₱3,538,994
The Grove	**1,214,491**	1,204,392
205 Santolan	**454,661**	577,623
Edades	**185,746**	250,233
Others	**942,478**	13,351
	₱6,752,411	₱5,584,593

Estimated costs to complete these projects are as follows:

	December 31, 2012	December 31, 2011
Proscenium	**₱16,680,696**	₱17,096,737
The Grove	**6,171,551**	4,086,532
Edades	**1,642,745**	3,595,256
205 Santolan	**571,013**	1,002,239
	₱25,066,005	₱25,780,764

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

	December 31, 2012	December 31, 2011
Balance at beginning of year	**₱5,584,593**	₱2,619,268
Construction/development costs incurred	**4,007,847**	3,659,194
Cost of real estate sold (shown as part of cost of real estate)	**(3,817,940)**	(3,805,560)
Land acquired during the year	**859,099**	3,444,811
Reclassifications to property and equipment (see Note 13)	**(94,531)**	(30,171)
Borrowing costs capitalized (see Notes 14, 15 and 17)	**206,975**	89,363
Transfers to (from) investment properties (see Note 11)	**6,368**	(392,312)
Balance at end of year	**₱6,752,411**	₱5,584,593

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

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

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

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

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

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

Specific and general borrowing costs capitalized as part of development costs amounted to ₱291.0 million, ₱209.3 million and ₱135.2 million in 2012, 2011 and 2010, respectively. Capitalization rates used are 6.3%, 7.9% and 7.8% in 2012, 2011 and 2010, respectively. Amortization of discount on retention payable capitalized as part of development costs amounted to ₱7.9 million, ₱31.9 million and ₱2.8 million in 2012, 2011 and 2010, respectively (see Note 17).

Total cash received from pre-selling activities amounted to ₱3.2 million as of December 31, 2012 for "Proscenium" project and ₱283.8 million as of December 31, 2011 for "The Grove" project. These are shown as "Deposits from pre-selling of condominium units" account under "Trade and other payables" account in the consolidated statements of financial position (see Note 16).

9. Available-for-Sale Investments

This account consists of:

	December 31, 2012	December 31, 2011	January 1, 2011
		(As restated – see Note 3)	
Quoted	**₱12,000**	₱7,400	₱7,500
Unquoted	**3,308**	3,308	3,308
	₱15,308	₱10,708	₱10,808

Quoted Equity Shares
This consists of investment in Manila Polo Club shares.

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

10. **Other Current Assets**

This account consists of:

	December 31, 2012	December 31, 2011	January 1, 2011
		(As restated – see Note 3)	
Prepaid costs (see Notes 4, 15 and 20)	**₱354,045**	₱280,842	₱279,879
Input VAT (see Note 15)	**95,613**	122,666	209,007
Refundable deposits	**25,293**	17,732	15,906
Creditable withholding tax	**11,737**	10,102	1,617
Supplies	**7,121**	5,334	6,174
Restricted cash	**2,897**	–	–
Others (see Note 25)	**19,137**	16,342	36,967
	₱515,843	₱453,018	₱549,550

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

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

11. **Investment Properties**

The rollforward analysis of this account follows:

	December 31, 2012			
	Land	**Buildings and Improvements**	**Investment Properties in Progress**	**Total**
At January 1, 2012, net of accumulated depreciation	**₱1,870,844**	**₱2,712,316**	**₱148,008**	**₱4,731,168**
Additions	**–**	**5,015**	**361,409**	**366,424**
Transfers to land and development costs (see Note 8)	**–**	**(6,368)**	**–**	**(6,368)**
Depreciation (see Note 20)	**–**	**(137,342)**	**–**	**(137,342)**
At December 31, 2012, net of accumulated depreciation	**₱1,870,844**	**₱2,573,621**	**₱509,417**	**₱4,953,882**

	December 31, 2012			
	Land	**Buildings and Improvements**	**Investment Properties in Progress**	**Total**
At January 1, 2012:				
Cost	**₱1,870,844**	**₱4,027,658**	**₱148,008**	**₱6,046,510**
Accumulated depreciation	**–**	**(1,315,342)**	**–**	**(1,315,342)**
Net carrying amount	**₱1,870,844**	**₱2,712,316**	**₱148,008**	**₱4,731,168**
At December 31, 2012:				
Cost	**₱1,870,844**	**₱4,026,305**	**₱509,417**	**₱6,406,566**
Accumulated depreciation	**–**	**(1,452,684)**	**–**	**(1,452,684)**
Net carrying amount	**₱1,870,844**	**₱2,573,621**	**₱509,417**	**₱4,953,882**

	December 31, 2011			
	Land	Buildings and Improvements	Investment Properties in Progress	Total
At January 1, 2011, net of accumulated depreciation	₱1,741,816	₱2,711,689	₱–	₱4,453,505
Additions	–	19,890	–	19,890
Transfers from land and development costs (see Note 8)	129,028	115,276	148,008	392,312
Depreciation (see Note 20)	–	(134,539)	–	(134,539)
At December 31, 2011, net of accumulated depreciation	₱1,870,844	₱2,712,316	₱148,008	₱4,731,168
At January 1, 2011:				
Cost	₱1,741,816	₱3,892,492	₱–	₱5,634,308
Accumulated depreciation	–	(1,180,803)	–	(1,180,803)
Net carrying amount	₱1,741,816	₱2,711,689	₱–	₱4,453,505
At December 31, 2011:				
Cost	₱1,870,844	₱4,027,658	₱148,008	₱6,046,510
Accumulated depreciation	–	(1,315,342)	–	(1,315,342)
Net carrying amount	₱1,870,844	₱2,712,316	₱148,008	₱4,731,168

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

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

As of December 31, 2012 and 2011, land with a carrying value of ₱332.2 million and the "Power Plant" Mall were pledged as collaterals for the interest-bearing loans (see Note 14).

Lease income earned from investment properties amounted to ₱688.2 million, ₱657.9 million and ₱603.6 million in 2012, 2011 and 2010, respectively. Direct operating expenses incurred amounted to ₱245.6 million, ₱287.5 million and ₱243.9 million in 2012, 2011 and 2010, respectively.

The aggregate fair value of the Company's mall amounted to ₱6.8 billion and ₱6.3 billion as of December 31, 2012 and 2011, respectively. The aggregate fair value of other investment properties held for lease within the Rockwell Center and land held for appreciation amounted to ₱3.3 billion and ₱2.6 billion as of December 31, 2012 and 2011, respectively.

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

The value of the mall was arrived at through the use of the "Income Approach." The "Income Approach or Income Capitalization Approach" considers income and expense data relating to the property being valued and estimates it through a capitalization process. Capitalization relates income (usually a net income figure) and a defined value type by converting an income into a value estimate. This process may consider direct relationships (known as capitalization rates), yield or discount rates (reflecting measures of return on investment), or both.

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

The useful lives of the buildings and improvements are 5-40 years.

12. Investment in Joint Venture

Project Development Agreement
On March 18, 2008, the Parent Company entered into a Project Development Agreement with Meralco, a shareholder, to construct a Business Process Outsourcing (BPO) Building at the Meralco Compound in Ortigas Center. Meralco, the landowner, agreed to contribute the use of the land and ₱3.0 million which in aggregate shall be equivalent to 30% of the project contribution while the Parent Company agreed to shoulder the construction cost and to contribute ₱7.0 million which in aggregate shall be equivalent to 70% of the project contribution. Upon completion of the construction, Meralco and the Parent Company divided and allocated ownership of the BPO Building in proportion to their respective contribution.

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

In accordance with the terms of the JV Agreement, the Parent Company acts as the Property Manager of the unincorporated JV. Management fees recognized by the Parent Company, which is shown as part of "Others" account in the consolidated statements of comprehensive income, amounted to ₱1.1 million, ₱0.9 million and ₱0.8 million in 2012, 2011 and 2010, respectively. The unincorporated JV will be managed and operated in accordance with the terms of the JV Agreement and with the Property Management Plan provided for in the JV Agreement. The principal place of business of the unincorporated JV is at Meralco Compound, Ortigas Center, Pasig City.

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

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

	December 31, 2012	December 31, 2011
Current assets	**₱618,512**	₱406,002
Noncurrent assets	**2,579,159**	2,704,834
Current liabilities	**51,289**	62,778
Noncurrent liabilities	**92,198**	86,432
Cash and cash equivalents	**412,383**	343,417
Current financial liabilities (excluding trade and other payables and provisions)	**5,370**	1,064
Noncurrent financial liabilities (excluding trade and other payables and provisions)	**69,809**	66,729

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

	2012	2011	2010
Revenue	**₱289,735**	₱258,146	₱148,998
General and administrative expenses	**63,895**	55,567	47,417
Depreciation and amortization expense	**117,431**	117,431	117,431
Interest income	**11,194**	6,144	1,679
Interest expense	**3,691**	2,597	1,552
Provision for (benefit from) income tax	**58,837**	50,753	(1,151)
Total comprehensive income (loss)	**108,408**	85,148	(27,346)

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

	December 31, 2012	December 31, 2011
Investment cost	**₱2,062,043**	₱2,062,043
Accumulated share in net income (losses):		
Balance at beginning of year	**41,059**	(38,802)
Share in net income	**98,470**	79,861
Dividends received	**(12,681)**	–
Balance at end of year	**126,848**	41,059
Carrying value	**₱2,188,891**	₱2,103,102

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

	December 31, 2012	December 31, 2011
Net asset of the unincorporated JV	**₱3,054,184**	₱2,961,626
Interest of the Parent Company in the net asset of the unincorporated JV	**70%**	70%
	2,137,929	2,073,138
Effect of difference between the Parent Company's percentage share in net income (loss) as discussed above	**50,962**	29,964
Carrying amount of the investment in joint venture	**₱2,188,891**	₱2,103,102

13. Property and Equipment

The rollforward analysis of this account follows:

	December 31, 2012 (As restated – see Note 3)				
	Land	**Buildings and Improvements**	**Office Furniture and Other Equipment**	**Transportation Equipment**	**Total**
Cost					
At January 1	**₱20,852**	**₱666,895**	**₱894,295**	**₱117,807**	**₱1,699,849**
Additions	–	**11,337**	**76,926**	**20,553**	**108,816**
Reclassifications from land and development costs (see Note 8)	–	**94,531**	–	–	**94,531**
Reclassifications	–	**8,367**	**(8,367)**	–	–
Disposals	–	**(10,978)**	–	**(4,008)**	**(14,986)**
At December 31	**20,852**	**770,152**	**962,854**	**134,352**	**1,888,210**
Accumulated Depreciation and Amortization					
At January 1	–	**265,662**	**639,062**	**88,454**	**993,178**
Depreciation and amortization (see Note 20)	–	**24,495**	**86,107**	**12,490**	**123,092**
Disposals	–	**(2,475)**	–	**(897)**	**(3,372)**
At December 31	–	**287,682**	**725,169**	**100,047**	**1,112,898**
Net Book Value at December 31	**₱20,852**	**₱482,470**	**₱237,685**	**₱34,305**	**₱775,312**

	December 31, 2011 (As restated – see Note 3)				
	Land	Buildings and Improvements	Office Furniture and Other Equipment	Transportation Equipment	Total
Cost					
At January 1	₱20,852	₱624,061	₱905,713	₱104,651	₱1,655,277
Additions	–	12,663	40,987	13,156	66,806
Reclassifications from land and development costs (see Note 8)	–	30,171	–	–	30,171
Disposals	–	–	(52,405)	–	(52,405)
At December 31 (Carried Forward)	20,852	666,895	894,295	117,807	1,699,849

	December 31, 2011 (As restated – see Note 3)				
	Land	Buildings and Improvements	Office Furniture and Other Equipment	Transportation Equipment	Total
At December 31 (Carried Forward)	₱20,852	₱666,895	₱894,295	₱117,807	₱1,699,849
Accumulated Depreciation and Amortization					
At January 1	–	247,527	611,733	77,032	936,292
Depreciation and amortization (see Note 20)	–	18,135	79,734	11,422	109,291
Disposals	–	–	(52,405)	–	(52,405)
At December 31	–	265,662	639,062	88,454	993,178
Net Book Value at December 31	₱20,852	₱401,233	₱255,233	₱29,353	₱706,671

	January 1, 2011 (As restated – see Note 3)				
	Land	Buildings and Improvements	Office Furniture and Other Equipment	Transportation Equipment	Total
Cost					
At January 1	₱20,852	₱600,091	₱796,099	₱101,655	₱1,518,697
Additions	–	23,970	109,614	9,895	143,479
Disposals	–	–	–	(6,899)	(6,899)
At December 31	20,852	624,061	905,713	104,651	1,655,277
Accumulated Depreciation and Amortization					
At January 1	–	231,651	535,184	69,521	836,356
Depreciation and amortization (see Note 20)	–	15,876	76,549	9,064	101,489
Disposals	–	–	–	(1,553)	(1,553)
At December 31	–	247,527	611,733	77,032	936,292
Net Book Value at December 31	₱20,852	₱376,534	₱293,980	₱27,619	₱718,985

14. Interest-bearing Loans and Borrowings

This account consists of:

	Effective Interest Rate	**December 31, 2012**	December 31, 2011
Current			
Peso-denominated loans from various local banks and financial institutions	2012: 7.5%, 4.5% and 4.0% fixed, 2011: 7.5% fixed, 4.5% floating and 1-yr PDST-F plus 2%	**₱404,572**	₱278,418
Noncurrent			
Corporate notes	2012: 7.3% fixed, 7.26% fixed, 2011: 7.3% fixed	**₱4,000,000**	₱2,500,000
Peso-denominated loans from various local banks and financial institutions	7.5% fixed	**54,382**	108,954
		4,054,382	2,608,954
Less unamortized loan transaction costs (see Note 20)		**26,966**	20,716
		₱4,027,416	₱2,588,238

Corporate Notes

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

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

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

b. On November 27, 2012, the Parent Company entered into a Fixed Rate Corporate Notes Facility Agreement ("the Agreement") with the same creditors for the ₱10.0 billion Notes for the purpose of refinancing the existing ₱4.0 billion fixed rate corporate notes and to finance the Parent Company's capital expenditures and land acquisitions. The Notes are comprised of Tranche 1, Tranche 2 and Tranche 3, amounting to ₱4.0 billion, ₱2.0 billion and ₱4.0 billion, respectively. Tranche 1 has been availed of on January 7, 2013. Tranche 2 was availed on March 7, 2013. Tranche 3 will be availed of no earlier than March 1, 2013. The Notes amounting to ₱10.0 billion is payable in 22 quarterly payments starting October 2014.

   As of December 31, 2012 and 2011, the ₱4.0 billion Notes are secured by a parcel of land and Mortgage Participation Certificates amounting to ₱4.0 billion on a Mortgage Trust Indenture (MTI) and its amendments and supplements over the Power Plant Mall (see Note 11). As of December 31, 2012, the MTI collateral has increased from ₱3.0 billion to ₱4.4 billion. However, the MTI collateral was subsequently released on January 7, 2013 as the ₱10.0 billion Corporate Notes are only secured by a negative pledge.

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

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

2013	₱–
2014	454,545
2015	1,818,182
2016	1,818,182
2017 and onwards	5,909,091
	₱10,000,000

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

Covenants. The loan contains, among others, covenants regarding incurring additional debt and dividend, to the extent that such will result in a breach of the required debt-to-equity ratio and current ratio. As of December 31, 2012, the Parent Company has complied with these covenants (see Note 27).

Peso-Denominated Loans from Various Local Banks and Financial Institutions
As of December 31, 2011, peso-denominated loans from various local banks and financial institutions consist of bridge facilities mostly payable by the end of 2012 and a term loan payable by December 2014 amounting to ₱227.8 million and ₱159.9 million, respectively. In 2012, the Parent Company obtained bridge facilities totaling ₱400.0 million to be settled on a 90-day term.

Certain peso-denominated loans from various local banks and financial institutions outstanding as of December 31, 2011 amounting to ₱127.5 million (excluding unsecured loans of ₱259.9 million as of December 31, 2011) are secured by assignment of “The Grove” receivables with gross undiscounted amount of ₱0.2 billion (see Note 7). In February 2012, the Parent Company fully paid the said interest-bearing loans and borrowings. Thus, “The Grove” receivables were released from encumbrance.

Interest expense on interest-bearing loans and borrowings amounted to ₱232.5 million, ₱171.3 million and ₱150.9 million in 2012, 2011 and 2010, respectively (see Note 20). Interest expense capitalized as part of land and development costs amounted to ₱18.3 million and ₱34.3 million in 2012 and 2011, respectively (see Note 8).

Loan Transaction Costs. As of December 31, 2012 and 2011, loan transaction costs consisting of documentary stamp tax and underwriting fees on the corporate notes were capitalized and presented as a deduction from the related loan balance.

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

	December 31, 2012	December 31, 2011
Balance at beginning of year	**₱20,716**	₱7,451
Additions during the year	**14,682**	24,469
Amortization during the year (see Note 20)	**(8,432)**	(4,213)
Write-off of loan transaction costs on pre-terminated loans (see Note 20)	–	(6,991)
Balance at end of year	**₱26,966**	₱20,716

15. **Installment Payable**

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

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

June 2013	₱799,755
June 2014	799,755
June 2015	799,755
June 2020	655,799
	₱3,055,064

The installment payable and the corresponding land held for development were recorded at present value using the discount rate of 8%. Accretion of interest expense amounted to ₱195.4 million and ₱33.8 million in 2012 and 2011, respectively, and was capitalized as part of land and development costs (see Note 8).

As of December 31, 2012 and 2011, the carrying value of the installment payable amounted to ₱2.5 billion and ₱3.0 billion, respectively.

Installment payable is secured by Stand-By Letters of Credit (SBLC) from MBTC and FMIC totaling ₱2.4 billion. These SBLC provides for a cross default provision wherein the SBLC shall automatically be due and payable in the event the Parent Company's other obligation (see Note 14) is not paid when due or a default in any other agreement shall have occurred, entitling the holder of the obligation to cause such obligation to become due prior to its stated maturity. Unamortized prepaid premium on the SBLC as of December 31, 2012 and 2011 amounting to ₱7.2 million and ₱20.1 million, respectively, is presented as part of "Prepaid costs" under "Other current assets" account in the consolidated statements of financial position (see Note 10).

The related deferred input VAT amounting to ₱241.6 million and ₱327.3 million, net of current portion of ₱85.7 million and ₱83.5 million, respectively (see Note 10), is recognized as part of "Other noncurrent assets" account in the consolidated statements of financial position. This deferred input VAT will be claimed against output VAT upon payment of the related installment payable.

16. Trade and Other Payables

This account consists of:

	December 31, 2012	December 31, 2011	January 1, 2011
		(As restated – see Note 3)	
Trade	**₱138,053**	₱139,071	₱121,590
Accrued expenses:			
Project costs	**1,660,581**	640,654	340,297
Taxes and licenses	**202,082**	251,481	134,092
Interest	**65,659**	68,631	51,212
Utilities	**20,223**	26,576	–
Producers' share	**10,755**	10,356	13,329
Repairs and maintenance	**8,443**	10,739	–
Marketing and promotions	**7,533**	13,798	11,452
Others	**157,242**	131,971	96,080

(Forward)

	December 31, 2012	December 31, 2011	January 1, 2011
		(As restated – see Note 3)	
Deferred output VAT	**₱337,815**	₱207,216	₱218,337
Due to a related party (see Note 24)	**120,000**	18,733	14,281
Excess collections over recognized receivables (see Note 4)	**28,984**	418,815	185,499
Advance payments from members and customers	**7,854**	7,717	8,236
Deposits from pre-selling of condominium units (see Note 8)	**3,170**	283,835	740,991
Current portions of:			
Retention payable (see Note 17)	**221,218**	228,432	17,928
Security deposits (see Note 17)	**188,050**	117,398	146,557
Deferred lease income (see Note 17)	**65,413**	49,544	27,384
Others	**4,019**	525	11,546
	₱3,247,094	₱2,625,492	₱2,138,811

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

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

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

Advance payments from members and customers mainly include membership dues received but are not yet due as of reporting date.

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

17. Deposits and Other Liabilities

This account consists of:

	December 31, 2012	December 31, 2011
Retention payable - net of current portion of ₱221.2 million in 2012 and ₱228.4 million in 2011 (see Note 16)	**₱121,743**	₱93,273
Security deposits - net of current portion of ₱188.1 million in 2012 and ₱117.4 million in 2011 (see Note 16)	**54,353**	110,533
Deferred lease income - net of current portion of ₱65.4 million in 2012 and ₱49.5 million in 2011 (see Note 16)	**21,405**	31,334
Others	**2,174**	16,299
	₱199,675	₱251,439

Retention payable is the portion of the amount billed by contractors that is being withheld as security in case the Parent Company incurs costs during the defects and liability period, which is one year after a project's completion. This is subsequently released to the contractors after the said period.

As discussed in Note 4, the Company uses discounted cash flow analysis to measure the fair value of retention payable. The resulting difference between the transaction price and fair value at initial recognition is recognized in the consolidated statement of financial position as a reduction from “Land and development costs”. The retention payable is carried at amortized cost using effective interest method. The amortization of discount on retention payable is capitalized as part of land and development costs while the related project’s construction is in progress (see Note 8).

The following table shows a reconciliation of unamortized discount on retention payable as of December 31, 2012 and 2011.

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

Security deposits mainly consist of the four months deposits paid by mall tenants at the beginning of the lease term, to be refunded at the end of the contract.

Deferred lease income pertains to two months advance rent included in the initial billing to mall tenants, which shall be applied to the monthly rental at the end of the lease term.

18. **Equity**

a. Capital Stock

	Number of Shares	Amount
Authorized		
Common - ₱1 par value	8,890,000,000	₱8,890,000
Preferred - ₱0.01 par value	11,000,000,000	110,000
	19,890,000,000	₱9,000,000
Issued		
Common - ₱1 par value	6,228,382,344	₱6,228,382
Preferred - ₱0.01 par value	2,750,000,000	27,500
	8,978,382,344	₱6,255,882

The preferred shares are of equal rank, preference and priority with the common shares and are identical in all respects regardless of series, except as to the issue value which may be specified by the BOD from time to time. It has voting rights and are non-participating in any other or further dividends beyond that specifically on such preferred shares. Each preferred share shall not be convertible to common shares. Other features of the preferred shares shall be at the discretion of the BOD at the time of such issuance. All preferred shares currently outstanding earn 6% cumulative dividend per annum. On January 31, 2012, the Parent Company fully redeemed these preferred shares at par value, including dividends in arrears of ₱4.1 million. On February 28, 2012, the BOD authorized the reissuance of these preferred shares at a later date. On April 10, 2012, the Parent Company issued to FPHC all preferred shares at par value.

b. Dividends

On January 16, 2012, the BOD approved the declaration of dividends for preferred shares at 6% cumulative per annum amounting to ₱4.1 million or ₱0.0015 per share. Payments were made on January 26, 2012.

c. Other Equity Adjustments

This account represents the difference between the consideration received from the sale of the proprietary shares and the carrying value of the related interest. In 2012, the Company sold proprietary shares, equivalent to 0.4% interest in Rockwell Club.

	December 31, 2012	December 31, 2011	January 1, 2011
		(As restated – see Note 3)	
Balance at beginning of year	**₱284,111**	₱284,111	₱284,111
Acquisition by the non-controlling interests:			
Carrying value	**1,101**	–	–
Consideration received	**3,840**	–	–
	2,739	–	–
Balance at end of year	**₱286,850**	₱284,111	₱284,111

d. Treasury Shares

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

e. Employee Stock Option Plan (ESOP)

On May 2, 2012 and August 3, 2012, the BOD and the stockholders, respectively, approved the implementation of the ESOP to be offered to all regular employees of the Parent Company including employees seconded to other affiliates or other individuals that the Board of Administrators may decide to include. The aggregate number of ESOP shares that may be issued shall not at any time exceed 3% of the issued capital stock of the Company on a fully diluted basis. The maximum numbers of shares a participant is entitled to shall be determined as a multiple of the gross basic monthly salary based on rank and performance for the year preceding the award. The option is exercisable anytime within the Option Term once vested. The exercise price per share subject to an award granted shall be fixed at ₱1.46, which is the initial listing price of the Company. The ESOP was approved by the SEC on December 6, 2012 and was communicated to the employees on January 3, 2013 (see Note 32).

19. **Interest Income**

This account consists of:

	2012	2011	2010
		(As restated - see Note 3)	
Interest income from:			
Amortization of unearned interest on trade receivables (see Note 7)	**₱614,347**	₱491,789	₱549,882
Interest and penalty charges	**12,622**	12,317	15,097
Cash and cash equivalents (see Note 6)	**12,441**	11,250	2,568
In-house financing	**2,416**	3,479	4,435
	₱641,826	₱518,835	₱571,982

20. **Expenses**

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

	2012	2011	2010
		(As restated – see Note 3)	
Included in:			
Cost of real estate (see Note 11)	**₱137,342**	₱134,539	₱131,857
General and administrative expenses (see Note 13)	**123,092**	109,291	101,489
	₱260,434	₱243,830	₱233,346

General and administrative expenses pertain to the following businesses:

	2012	2011	2010
		(As restated – see Note 3)	
Real estate	**₱708,712**	₱579,292	₱521,348
Cinema	**163,012**	160,079	150,011
	₱871,724	₱739,371	₱671,359

Real Estate

	2012	2011	2010
		(As restated – see Note 3)	
Personnel (see Notes 21 and 22)	**₱197,276**	₱143,417	₱106,404
Taxes and licenses	**159,669**	107,068	78,862
Depreciation and amortization (see Note 13)	**115,092**	102,908	96,206
Utilities (see Note 24)	**36,499**	36,271	30,953

(Forward)

	2012	2011	2010
		(As restated – see Note 3)	
Entertainment, amusement and recreation	**₱33,318**	₱25,887	₱26,008
Contracted services	**25,368**	10,949	20,979
Marketing and promotions	**23,450**	32,914	13,365
Dues and subscriptions	**13,701**	6,759	15,185
Professional fees	**12,869**	14,403	10,329
Insurance	**9,762**	9,256	7,572
Fuel and oil	**8,289**	7,183	4,209
Security services	**4,458**	5,609	5,341
Transportation and travel	**1,174**	2,520	607
Provision for doubtful accounts (see Note 7)	**379**	4,312	–
Write-off of other receivables	**–**	–	21,029
Others	**67,408**	69,836	84,299
	₱708,712	₱579,292	₱521,348

Cinema

	2012	2011	2010
Producers' share	**₱81,181**	₱84,611	₱80,640
Utilities (see Note 24)	**25,758**	24,446	22,231
Amusement tax	**14,610**	14,905	13,008
Snack bar	**13,728**	11,033	9,010
Personnel (see Notes 21 and 22)	**8,129**	7,465	7,766
Depreciation and amortization (see Note 13)	**8,000**	6,383	5,283
Contracted services	**4,618**	4,530	4,549
Advertising	**2,654**	2,751	2,852
Others	**4,334**	3,955	4,672
	₱163,012	₱160,079	₱150,011

Selling expenses are comprised of:

	2012	2011	2010
Commissions and amortization of prepaid costs (see Notes 4 and 10)	**₱168,506**	₱209,800	₱155,291
Personnel (see Notes 21 and 22)	**44,095**	31,506	29,400
Marketing and promotions	**30,175**	49,253	25,739
Utilities (see Note 24)	**11,162**	–	–
Contracted services	**8,465**	–	–
Entertainment, amusement and recreation	**2,448**	1,711	1,234
Others	**5,089**	757	426
	₱269,940	₱293,027	₱212,090

Interest expense is comprised of:

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

21. **Personnel Expenses**

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

	2012	2011	2010
		(As restated – see Note 3)	
Salaries and wages (see Note 20)	**₱221,312**	₱166,861	₱132,487
Pension costs (see Note 22)	**28,188**	15,527	11,083
	₱249,500	₱182,388	₱143,570

22. **Pension Costs**

The Company has a funded, noncontributory defined benefit pension plan covering all regular and permanent employees based on the final salary.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following tables summarize the components of the net pension costs recognized in the consolidated statements of comprehensive income and the fund status and amounts recognized in the consolidated statements of financial position for the plan:

Net Pension Costs

	December 31, 2012	December 31, 2011	January 1, 2011
	(As restated – see Note 3)		
Current service cost	**₱26,629**	₱18,527	₱14,653
Net interest cost	**1,559**	(3,000)	(3,570)
Net pension cost	**₱28,188**	₱15,527	₱11,083
Actual return on plan assets	**₱45,984**	₱10,006	₱44,387

Pension (Asset) Liability

	December 31, 2012	December 31, 2011	January 1, 2011
		(As restated – see Note 3)	
Present value of benefit obligation	**₱259,838**	₱220,913	₱170,185
Fair value of plan assets	**(258,394)**	(212,410)	(208,637)
	₱1,444	₱8,503	(₱38,452)
Pension asset recognized by the Parent Company	**₱12,575**	₱–	₱40,473
Pension liability recognized by the subsidiaries	**₱14,019**	₱8,503	₱2,021

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

	December 31, 2012	December 31, 2011	January 1, 2011
		(As restated – see Note 3)	
Defined benefit obligation at beginning of year	**₱231,766**	₱170,185	₱126,764
Current service cost	**26,629**	18,527	14,653
Interest cost	**14,368**	13,295	11,713
Actuarial loss due to:			
Change in assumptions	**9,084**	27,367	15,740
Experience adjustments	**(22,009)**	(2,228)	1,315
Benefits paid	**–**	(6,233)	–
Defined benefit obligation at end of year	**₱259,838**	₱220,913	₱170,185

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

	December 31, 2012	December 31, 2011	January 1, 2011
		(As restated – see Note 3)	
Fair values of plan assets at beginning of year	**₱212,410**	₱208,637	₱164,250
Return on plan assets	**45,984**	10,006	44,387
Benefits paid	**–**	(6,233)	–
Fair values of plan assets at end of year	**₱258,394**	₱212,410	₱208,637

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

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

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

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

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

	2012	2011
Discount rate	**7.81%**	6.03%
Future salary rate increases	**10.00%**	10.00%

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

The plan assets of the Company are maintained by the trustee banks, BDO Unibank, Inc. (BDO) and MBTC, under the supervision of the Board of Trustees of the plan. The Board of Trustees is responsible for investment strategy of the plan.

The fair values of plan assets are as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Cash in banks			
MBTC	**₱1,687**	₱10,311	₱5,228
BDO	**5,332**	558	4,405
Receivables - net of payables			
MBTC	**633**	1,305	343
BDO	**2,068**	1,708	1,309
Investments held for trading			
MBTC	**130,154**	135,686	142,954
BDO	**118,520**	62,842	54,398
	₱258,394	₱212,410	₱208,637

Cash in banks are composed of current account, savings deposits and special savings deposits.

Receivables - net of payables are composed of loans receivables, interest receivables and accrued trust fees.

Investments held for trading are investments in government securities, corporate bonds and stocks.

i. Government securities' maturities range from 5 to 25 years with interest rates ranging from 5.68% to 7.89%.
ii. The Corporate bonds are certificates of indebtedness issued by top and usually listed corporations exhibiting sound financial performance and enjoying good credit from reputable/accredited agencies. Maturity dates range from 5 to 7 years with interest rates ranging from 7.75% to 8.85%.
iii. Investment in stocks represents equity securities of companies listed in the PSE.

The Retirement Plan has investment in shares of stock of the Parent Company amounting to ₱97.2 million as of December 31, 2012 and nil as of December 31, 2011 and January 1, 2011.

The Company's retirement fund is exposed to a short term risk since 50% of it is in equities. On the long term, should there be any major corrections in the local equities market, the correction should have a positive impact of the fund since historically the equities market have always out-performed the fixed income market in the long term.

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

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

	2012	
	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation
Discount rate	+100	(₱224,706)
	-100	261,454
Future salary increases	+100	260,401
	-100	(225,211)

The Company does not currently employ any asset-liability matching.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2012:

Year	Amount
2013	₱490
2014-2017	162,109
2018-2022	56,442
2023-2027	167,503
2028-2032	225,268
2033 and beyond	484,929

23. **Income Taxes**

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

	2012	2011	2010
		(As restated – see Note 3)	
Current income tax	**₱326,808**	₱431,013	₱272,642
Deferred income tax	**110,827**	(139,968)	26,219
	₱437,635	₱291,045	₱298,861

The current provision for income tax represents the regular corporate income tax (RCIT) of the Parent Company and minimum corporate income tax (MCIT).

For income tax purposes, full revenue recognition is applied when greater than 25% of the selling price has been collected in the year of sale, otherwise, the installment method is applied.

The components of the Company's deferred tax assets and liabilities shown in the consolidated statements of financial position are as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
		(As restated – see Note 3)	
Deferred tax liabilities:			
Unrealized gain on real estate	**₱147,902**	₱25,228	₱145,170
Capitalized interest	**78,902**	82,084	85,201
Overfunded pension costs	**3,773**	–	12,142
Unrealized gain on available-for-sale investments	**527**	67	77
Unrealized foreign exchange gain	**454**	1,661	13,721
Derivative assets	**–**	–	210
	231,558	109,040	256,521
Deferred tax assets:			
Deferred lease income	**25,657**	24,156	22,978
Unamortized past service cost	**13,543**	16,332	19,121
Other employee benefits	**7,768**	6,953	6,259
Allowance for doubtful accounts and others	**2,965**	4,164	3,049
NOLCO	**845**	–	–
Unfunded pension costs	**–**	1,728	–
	50,778	53,333	51,407
	₱180,780	₱55,707	₱205,114

The details of Rockwell Club's deductible temporary differences, NOLCO and MCIT for which no deferred tax assets are recognized are as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
		(As restated – see Note 3)	
NOLCO	**₱65,485**	₱83,606	₱84,411
Unfunded pension obligation (see Note 12)	**4,146**	2,743	2,021
Allowance for doubtful accounts (see Note 7)	**2,414**	3,508	1,237
MCIT	**808**	690	521
	₱72,853	₱90,547	₱88,190

As of December 31, 2012, MCIT of Rockwell Club which can be claimed as deduction from RCIT due as follows:

Date Paid	Expiry Date	Amount
December 31, 2010	December 31, 2013	₱175
December 31, 2011	December 31, 2014	298
December 31, 2012	December 31, 2015	335
		₱808

MCIT amounting to ₱0.22 million, ₱0.13 million and ₱0.11 million expired in 2012, 2011 and 2010, respectively.

As of December 31, 2012, NOLCO can be carried forward and claimed as deduction against normal taxable income as follows:

Date Incurred	Expiry Date	Amount
December 31, 2010	December 31, 2013	₱30,378
December 31, 2011	December 31, 2014	27,216
December 31, 2012	December 31, 2015	8,736
		₱66,330

NOLCO amounting to ₱26.01 million, ₱28.02 million and ₱31.01 million expired in 2012, 2011 and 2010, respectively.

The reconciliation of the statutory income tax rate to effective income tax rate as shown in the consolidated statements of comprehensive income is summarized as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
		(As restated – see Note 3)	
Statutory income tax rate	**30.0%**	30.0%	30.0%
Additions to (deductions from) income tax resulting from:			
Share in net (income) losses of joint venture	**(1.9)**	(2.0)	–
Nondeductible expenses	**1.8**	0.1	0.6
Nontaxable income and others	**(1.9)**	(3.8)	(3.3)
Effective income tax rate	**28.0%**	24.3%	27.3%

Revenue Memorandum Circular (RMC) No. 35-2012

On August 3, 2012, RMC No. 35-2012 was issued to clarify the taxability of clubs organized and operated exclusively for pleasure, creation and non-profit purposes.

In accordance with this RMC, the Rockwell Club paid output VAT under protest.

24. Related Party Transactions

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The following table summarizes these significant transactions with related parties:

Related Parties	Relationship	Nature of Transaction	Period	Transaction Amount	Amounts Owed (to) from Related Parties (see Notes 7 and 16)	Terms	Conditions
Rockwell-Meralco BPO	Joint venture	Advances	**2012**	**₱120,000**	**(₱120,000)**	90-day, noninterest-bearing	Unsecured; no impairment
			2011	–	–		
			2010/ January 1, 2011	–	–		
		Dividend income	**2012**	**12,681**	–		
			2011	–	–		
			2010/ January 1, 2011	–	–		
Advances to officers and employees		Advances	**2012**	**65,775**	**12,448**	30-day; noninterest-bearing	Unsecured; no impairment
			2011	25,241	9,730		
			2010/ January 1, 2011	15,715	7,881		
Meralco	Parent company until May 2012	Utilities	**2012**	**86,781**	–	30-day; noninterest-bearing	Unsecured; no impairment
			2011	324,750	(18,733)		
			2010/ January 1, 2011	265,300	(14,281)		

Other transactions with related parties pertain to the Project Development and JV Agreement with Meralco (see Note 12).

Terms and Conditions of Transactions with Related Parties

Purchases from related parties are made at normal market prices. Outstanding balances at year-end are unsecured, interest-free, settlement occurs in cash and collectible/payable on demand. There have been no guarantees provided for or received for any related party receivables or payables. For the years ended December 31, 2012, 2011 and 2010, the Company has not made any provision for doubtful accounts relating to amounts owed by related parties. This assessment is undertaken at each financial year through examination of the financial position of the related party and the market in which the related party operates.

Compensation of Key Management Personnel of the Company

	2012	2011 (As restated – see Note 3)	2011
Short-term employee benefits	**₱62,249**	₱47,913	₱49,759
Post-employment pension and other benefits	**12,202**	10,237	10,109
Total compensation attributable to key management personnel	**₱74,451**	₱58,150	₱59,868

25. Derivative Financial Instruments

The Company entered into deliverable currency forward contracts to manage its foreign currency exposure arising from its US$ denominated receivables. As of December 31, 2010, the Company has outstanding currency forward contracts to sell US$ with an aggregate notional amount of US$0.9 million and US$2.4 million, respectively, and weighted average contracted forward rate of ₱43.88 to US$1.00 and ₱46.21 to US$1.00, respectively. Outstanding derivatives matured in 2011.

Fair Value Changes on Derivatives
In 2011, the movement in fair value changes of all derivative instruments follows:

Balance at January 1, 2011 (presented in "Others" under "Other current assets")	₱699
Mark-to-market loss	(304)
Fair value of settled instruments	(395)
Asset (liability) at December 31, 2011	₱–

26. Commitments and Contingencies

Operating Lease Commitments
The Company has entered into commercial property leases on its investment property portfolio. These noncancellable leases have remaining terms of between two and five years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. Future minimum lease revenue is as follows:

2013	₱536,236
2014	135,100
2015	70,731
2016	39,506
2017 and after	37,601
	₱819,174

Capital Commitments

a. The Company entered into a contract with Hilmarc's Construction Corporation in 2011 covering superstructure works related to "Edades" Project. The contract amounted to a fixed fee of ₱1.9 billion, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of the works. Superstructure works commenced in 2011 and is currently ongoing. As of December 31, 2012, ₱927.6 million has been incurred and paid.

b. The Company entered into contract covering superstructure works related to "The Grove" project with Hilmarc's Construction Corporation. The contract sum for the work amounted to ₱1.9 billion, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of the work. Superstructure works commenced in 2010 and is currently nearing its completion. As of December 31, 2012, total amount paid related to this contract amounted to ₱1.8 billion.

c. The Company entered into contract covering substructure works related to "The Grove Phases 2 and 3" with Hilmarc's Construction Corporation. The contract sum for the work is ₱249.0 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Substructure works commenced in May 2012. As of December 31, 2012, ₱173.8 million has been incurred and paid.

d. The Company entered into various contracts covering superstructure works related to "205 Santolan" project with Pacific Summit Construction Group Inc., Omicron Construction, Hi Integra Incorporated and Interfield Construction Corporation. The contract sum for the work amounted to ₱450.0 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of the work. Superstructure works commenced in July 2012 and is currently ongoing. As of December 31, 2012, total amount paid related to this contract amounted to ₱88.8 million.

e. The Company entered into contract covering excavation works related to "Lopez Tower" with WE Enterprises & Contractors, Inc. The contract sum awarded for the work amounted to ₱26.0 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Excavation works commenced in June 2012. As of December 31, 2012, ₱9.0 million has been incurred and paid.

Contingencies

The Company is contingently liable for lawsuits or claims filed by third parties, which are either pending decision by the courts or under negotiations, the outcomes of which are not presently determinable. It is the opinion of management and its outside legal counsel that it is possible, but not probable that the lawsuits and claims will be settled. Accordingly, no provision for any liability has been made in the consolidated financial statements.

27. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash and cash equivalents, available-for-sale investments, and interest-bearing loans and borrowings. The main purpose of these financial instruments is to finance the Company's operations. The Company has various other financial assets and liabilities such as trade and other receivables, refundable deposits, trade and other payables, installment payable, retention payable and security deposits which arise directly from its operations.

The Company also occasionally enters into derivative transactions, specifically foreign currency forward contracts to sell US$. The primary purpose was to manage currency risks arising from its foreign currency-denominated receivables from sale of condominium units.

The main risks arising from the Company's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The BOD reviews and approves the policies for managing each of these risks and they are summarized below.

Cash Flow Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of financial instruments will fluctuate because of the changes in market interest rates. The Company's exposure to the risk for changes in market interest rates relates primarily to the Company's interest-bearing loans and borrowings with floating interest rates.

The Company's policy is to manage its interest cost using a mix of fixed and variable rate debts. As of December 31, 2012 and 2011, and January 1, 2011, approximately 100%, 92% and 59%, respectively, of the Company's borrowings are at a fixed rate of interest.

The following tables set out the principal amounts, by maturity, of the Company's interest-bearing financial instruments.

	December 31, 2012 (As restated – see Note 3)				
	Within 1 Year	**1–2 Years**	**2–3 Years**	**More than 3 Years**	**Total**
Fixed Rate					
Interest-bearing loans and borrowings	**₱404,572**	**₱236,200**	**₱727,273**	**₱3,090,909**	**₱4,458,954**
Short-term investments	**359,450**	**–**	**–**	**–**	**359,450**

	December 31, 2011 (As restated – see Note 3)				
	Within 1 Year	1–2 Years	2–3 Years	More than 3 Years	Total
Fixed Rate					
Interest-bearing loans and borrowings	₱50,942	₱509,118	₱508,927	₱1,590,909	₱2,659,896
Short-term investments	346,449	–	–	–	346,449
Floating Rate					
Interest-bearing loans and borrowings	227,476	–	–	–	227,476

	January 1, 2011 (As restated – see Note 3)				
	Within 1 Year	1–2 Years	2–3 Years	More than 3 Years	Total
Fixed Rate					
Interest-bearing loans and borrowings	₱1,626,444	₱50,549	₱55,017	₱54,694	₱1,786,704
Short-term investments	274,484	–	–	–	274,484
Floating Rate					
Interest-bearing loans and borrowings	1,106,533	130,431	–	–	1,236,964

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Company that are not included in the above tables are noninterest-bearing and are therefore not subject to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's December 31, 2011 income before income tax (through the impact on floating rate borrowings). There is no impact on the Company's equity other than those already affecting the income. The Company has no floating rate loans as of December 31, 2012.

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

Interest expense on floating rate borrowings is computed for the year, taking into account actual principal movements during the year, based on management's best estimate of a +/-100 basis points change in interest rates. There has been no change in the methods and assumptions used by management in the above analyses.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future value of the financial instruments will fluctuate because of changes in foreign exchange rates. As a result of the Company's significant marketing operations in the United States in the past, the Company's consolidated statement of financial position can be affected significantly by movements in the US$ exchange rates.

Foreign Currency-Denominated Asset

	December 31, 2012		December 31, 2011		January 1, 2011	
	US$	**Peso**	US$	Peso	US$	Peso
Assets						
Cash and cash equivalents	**US$499**	**₱20,480**	US$70	₱3,067	US$672	₱29,449
Trade and other receivables	**–**	**–**	–	–	1,714	75,137
Net foreign currency-denominated assets	**US$499**	**₱20,480**	US$70	₱3,067	US$2,386	₱104,586

As of December 31, 2012 and 2011, the exchange rate was ₱41.05 to US$1.00 and ₱43.84 to US$1.00, respectively. Net foreign exchange loss (gain) amounted to (₱4.0 million), (₱3.8 million) and ₱19.4 million in 2012, 2011 and 2010, respectively.

The following tables demonstrate the sensitivity to a reasonably possible change in the US$ exchange rate with respect to Peso, with all other variables held constant, of the Company's December 31, 2012 and 2011, and January 1, 2011 income before income tax (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Company's equity other than those already affecting the income.

	December 31, 2012	
	Increase/Decrease in US$ Rate (in %)	**Effect on Income Before Income Tax**
Foreign currency-denominated financial assets	**+5%**	**₱1.02 million**
	-5%	**(₱1.02 million)**

	December 31, 2011	
	Increase/Decrease in US$ Rate (in %)	Effect on Income Before Income Tax
Foreign currency-denominated financial assets	+5%	₱0.15 million
	-5%	(₱0.15 million)

	January 1, 2011	
	Increase/Decrease in US$ Rate (in %)	Effect on Income Before Income Tax
Foreign currency-denominated financial assets	+5%	₱5.23 million
	-5%	(₱5.23 million)

Foreign exchange gain or loss is computed for the year based on management's best estimate that the Peso-US$ conversion rate may strengthen (+5 percent) or weaken (-5 percent) using the year end balances of dollar-denominated cash and cash equivalents, trade receivables, trade and other payables, interest-bearing loans and borrowings, and forward contracts. An increase in the US$ rate means a weaker peso while a decrease in the US$ rate means a stronger peso. There has been no change in the methods and assumptions used by management in the above analyses.

Credit Risk

Credit risk is the risk that a counterparty will meet its obligation under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risks from its operating activities (primarily from trade receivables and loan notes) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Default or delinquency on the part of buyers of condominium units are being monitored on an ongoing basis to enable the Company to determine the appropriate action - usually, cancelling the sale and holding the units open for sale. Lease receivables are closely monitored based on aging of the accounts. Accounts determined to be uncollectible are recommended for write off. With regard to the other financial assets of the Company, these are also monitored regularly with the result that the Company's exposure to bad debts is not significant.

Trade receivables from sale of condominium units are secured with pre-completed condominium units. The legal title and ownership of these units will only be transferred to the customers upon full payment of the contract price. Receivables from lease are guaranteed by security deposits. For other receivables, since the Company trades only with recognized third parties, there is no requirement for collateral.

The table below summarizes the maximum exposure to credit risk of each class of financial assets without taking into account any collateral held or other credit enhancements.

	December 31, 2012 (As restated – see Note 3)		
	Gross Maximum Exposure	**Net Exposure**	**Financial Effect of Collateral or Credit Enhancement**
Cash and cash equivalents*	**₱532,841**	**₱526,841**	**₱6,000**
Trade receivables from:			
Sale of condominium units	**3,320,980**	**63,086**	**3,257,894**
Lease	**106,146**	**6,812**	**99,334**
Advances to officers and employees	**12,448**	**–**	**12,448**
Other receivables**	**78,726**	**78,726**	**–**
Available-for-sale investments:			
Quoted	**12,000**	**12,000**	**–**
Unquoted	**3,308**	**3,308**	**–**
Refundable deposits***	**25,228**	**25,228**	**–**
Restricted cash	**2,897**	**2,897**	**–**
	₱4,094,574	**₱718,898**	**₱3,375,676**

	December 31, 2011 (As restated – see Note 3)		
	Gross Maximum Exposure	Net Exposure	Financial Effect of Collateral or Credit Enhancement
Cash and cash equivalents*	₱472,685	₱467,185	₱5,500
Trade receivables from:			
Sale of condominium units	2,426,022	38,856	2,387,166
Lease	92,134	5,558	86,576
Advances to officers and employees	9,730	–	9,730
Other receivables**	79,680	79,680	–
Available-for-sale investments:			
Quoted	7,400	7,400	–
Unquoted	3,308	3,308	–
Refundable deposits***	17,667	17,667	–
	₱3,108,626	₱619,654	₱2,488,972

	January 1, 2011 (As restated – see Note 3)		
	Gross Maximum Exposure	Net Exposure	Financial Effect of Collateral or Credit Enhancement
Cash and cash equivalents*	₱350,966	₱345,466	₱5,500
Trade receivables from:			
Sale of condominium units	2,222,222	38,856	2,183,366
Lease	73,599	5,558	68,041
Advances to officers and employees	7,881	–	7,881
Other receivables**	30,359	30,359	–
Derivative assets	699	699	–
Available-for-sale investments:			
Quoted	7,500	7,500	–
Unquoted	3,308	3,308	–
Refundable deposits***	15,955	15,955	–
	₱2,712,489	₱447,701	₱2,264,788

* *Excluding cash on hand amounting to ₱313, ₱274 and ₱273 as of December 31, 2012 and 2011, and January 1, 2011, respectively.*

** *Excluding other receivables, which are nonfinancial assets, amounting to ₱3,755, ₱3,202 and ₱45,546 as of December 31, 2012 and 2011, and January 1, 2011, respectively.*

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

There are no significant concentrations of credit risk because the Company trades with various third parties.

The tables below show the credit quality by class of financial asset based on the Company's credit rating system.

	December 31, 2012 (As restated – see Note 3)		
	A Rating	**B Rating**	**Total**
Cash and cash equivalents	**₱532,841**	**₱–**	**₱532,841**
Trade receivables from:			
Sale of condominium units	**2,538,320**	**686,499**	**3,224,819**
Lease	**62,432**	**38,979**	**101,411**
Advances to officers and employees	**12,448**	**–**	**12,448**
Other receivables	**76,005**	**809**	**76,814**
Available-for-sale investments:			
Quoted	**12,000**	**–**	**12,000**
Unquoted	**3,308**	**–**	**3,308**
Restricted cash	**2,897**	**–**	**2,897**
Refundable deposits (presented under "Other current assets" account)	**344**	**–**	**344**
	₱3,240,595	**₱726,287**	**₱3,966,882**

	December 31, 2011 (As restated – see Note 3)		
	A Rating	B Rating	Total
Cash and cash equivalents	₱472,685	₱–	₱472,685
Trade receivables from:			
Sale of condominium units	1,251,979	675,199	1,927,178
Lease	61,614	28,435	90,049
Advances to officers and employees	9,399	331	9,730
Other receivables	75,550	1,680	77,230
Available-for-sale investments:			
Quoted	7,400	–	7,400
Unquoted	3,308	–	3,308
Refundable deposits (presented under "Other current assets" account)	344	–	344
	₱1,882,279	₱705,645	₱2,587,924

	January 1, 2011 (As restated – see Note 3)		
	A Rating	B Rating	Total
Cash and cash equivalents	₱350,966	₱–	₱350,966
Trade receivables from:			
Sale of condominium units	918,613	466,697	1,385,310
Lease	43,464	28,976	72,440
Advances to officers and employees	7,881	–	7,881
Other receivables	64,943	–	64,943
Available-for-sale investments:			
Quoted	7,500	–	7,500
Unquoted	3,308	–	3,308
Refundable deposits (presented under "Other current assets" account)	114	–	114
	₱1,396,789	₱495,673	₱1,892,462

For trade receivables from sale of condominium units, customers who have no history of delayed payment are classified as having a credit rating of "A" while customers who have history of delayed payment but is currently updated are given a credit rating of "B".

Trade receivables from lease are classified as having a credit rating of "A" when tenants pay within the discount period and "B" when tenants pay on or before due date.

As of December 31, 2012 and 2011, and January 1, 2011, the analyses of the age of financial assets are as follows:

	December 31, 2012 (As restated – see Note 3)						
	Neither Past Due nor Impaired	**Past Due but not Impaired**				**Impaired Financial Assets**	**Total**
		Less than 30 Days	**31 to 60 Days**	**61 to 90 Days**	**More than 90 Days**		
Cash and cash equivalents	**₱533,154**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱533,154**
Trade receivables from:							
Sale of condominium units	**3,224,819**	**36,302**	**39,212**	**4,804**	**15,843**	**–**	**3,320,980**
Lease	**101,411**	**2,809**	**1,926**	**–**	**–**	**–**	**106,146**
Advances to officers and employees	**12,448**	**–**	**–**	**–**	**–**	**–**	**12,448**
Other receivables	**75,261**	**463**	**320**	**268**	**–**	**2,414**	**78,726**
Available-for-sale investments:							
Quoted	**12,000**	**–**	**–**	**–**	**–**	**–**	**12,000**
Unquoted	**3,308**	**–**	**–**	**–**	**–**	**–**	**3,308**
Refundable deposits	**5,714**	**2,023**	**340**	**11**	**17,140**	**–**	**25,228**
Restricted cash	**2,897**	**–**	**–**	**–**	**–**	**–**	**2,897**
	₱3,971,012	**₱41,597**	**₱41,798**	**₱5,083**	**₱32,983**	**₱2,414**	**₱4,094,887**

	December 31, 2011 (As restated – see Note 3)						
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired Financial Assets	Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	More than 90 Days		
Cash and cash equivalents	₱472,959	₱–	₱–	₱–	₱–	₱–	₱472,959
Trade receivables from:							
Sale of condominium units	1,927,178	436,813	3,774	6,569	51,688	–	2,426,022
Lease	90,049	1,499	586	–	–	–	92,134
Advances to officers and employees	9,730	–	–	–	–	–	9,730
Other receivables	73,723	654	266	1,529	–	3,508	79,680
Available-for-sale investments:							
Quoted	7,400	–	–	–	–	–	7,400
Unquoted	3,308	–	–	–	–	–	3,308
Refundable deposits	344	–	–	–	17,323	–	17,667
	₱2,584,691	₱438,966	₱4,626	₱8,098	₱69,011	₱3,508	₱3,108,900

	January 1, 2011 (As restated – see Note 3)						
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired Financial Assets	Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	More than 90 Days		
Cash and cash equivalents	₱351,239	₱–	₱–	₱–	₱–	₱–	₱351,239
Trade receivables from:							
Sale of condominium units	1,385,310	524,854	46,188	28,144	241,601	–	2,226,097
Lease	72,440	818	341	–	–	–	73,599
Advances to officers and employees	7,881	–	–	–	–	–	7,881
Other receivables	13,905	3,730	3,106	2,918	5,463	1,237	30,359
Available-for-sale investments:							
Quoted	7,500	–	–	–	–	–	7,500
Unquoted	3,308	–	–	–	–	–	3,308
Refundable deposits	114	–	–	–	15,841	–	15,955
	₱1,841,697	₱529,402	₱49,635	₱31,062	₱262,905	₱1,237	₱2,715,938

Financial assets are considered past due when collections are not received on due date.

Past due accounts which pertain to trade receivables from sale of condominium units and club shares are recoverable since the legal title and ownership of the condominium units and club shares will only be transferred to the customers upon full payment of the contract price. In case of cancellation, the condominium units and club shares become available for sale. The fair value of the condominium units amounted to ₱18.3 billion and ₱15.5 billion as of December 31, 2012 and 2011, respectively. The fair value of the club shares amounted to ₱6.6 million and ₱4.2 million as of December 31, 2012 and 2011, respectively.

Past due accounts pertaining to lease are recoverable because security deposits and advance rent paid by the tenants are sufficient to cover the balance in case of default or delinquency of tenants.

As of December 31, 2011, trade receivables from lease amounting to ₱0.2 million were subjected to specific and collective impairment testing. As a result, no provision for impairment was made for trade receivables from lease and club shares which are subjected to collective assessment since these assets are secured with collateral.

Liquidity Risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. 10% and 90% of the Company's debt will mature in less than one year as of December 31, 2012 and 2011, respectively.

The liquidity risk of the Company arises from their financial liabilities. The tables below summarized the maturity profile of the Company's financial liabilities at December 31, 2012 and 2011 based on contractual undiscounted payments.

	December 31, 2012 (As restated – see Note 3)				
	On Demand	**Due Within 3 Months**	**Due Between 3 and 12 Months**	**Due After 12 Months**	**Total**
Trade and other payables	**₱–**	**₱252,716**	**₱2,096,902**	**₱–**	**₱2,349,618**
Interest-bearing loans and borrowings*	–	**453,818**	**192,875**	**4,767,152**	**5,413,845**
Installment payable	–	–	**799,755**	**2,255,308**	**3,055,063**
Retention payable**	–	**7,617**	**213,601**	**135,963**	**357,181**
Security deposits**	**8,213**	**66,029**	**113,808**	**54,353**	**242,403**
	₱8,213	**₱780,180**	**₱3,416,941**	**₱7,212,776**	**₱11,418,110**

	December 31, 2011(As restated – see Note 3)				
	On Demand	Due Within 3 Months	Due Between 3 and 12 Months	Due After 12 Months	Total
Trade and other payables	₱–	251,093	₱1,043,029	₱–	₱1,294,122
Interest-bearing loans and borrowings*	–	184,387	290,125	3,137,621	3,612,133
Installment payable	–	–	792,130	3,055,063	3,847,193
Retention payable**	–	18,429	210,003	106,259	334,691
Security deposits**	9,272	32,729	75,397	110,533	227,931
	₱9,272	₱486,638	₱2,410,684	₱6,409,476	₱9,316,070

	January 1, 2011 (As restated – see Note 3)				
	On Demand	Due Within 3 Months	Due Between 3 and 12 Months	Due After 12 Months	Total
Trade and other payables	₱–	₱321,116	₱470,555	₱–	₱791,671
Derivative financial instruments (presented under "Other current assets" account):					
Derivative payments			39,456		39,456
Derivative receipts			(39,489)		(39,489)
			(33)		(33)
Interest-bearing loans and borrowings*	–	1,799,660	1,058,933	316,651	3,175,244
Retention payable**	–	1,024	16,904	183,887	201,815
Security deposits**	9,545	20,981	125,576	57,402	213,504
	₱9,545	₱2,142,781	₱1,671,935	₱557,940	₱4,382,201

* *Principal plus interest payments.*

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

Maturity Profile of Financial Assets Held for Liquidity Purposes

The table below shows the maturity profile of the Company's financial assets based on contractual undiscounted cash flows as of December 31, 2012 and 2011, and January 1, 2011:

	December 31, 2012 (As restated – see Note 3)					
	On Demand	**Within 30 Days**	**31 to 60 Days**	**61 to 90 Days**	**Over 90 Days**	**Total**
Cash and cash equivalents	**₱151,877**	**₱333,410**	**₱–**	**₱–**	**₱–**	**₱485,287**
Trade receivables from:						
Sale of condominium units	**1,670,629**	**348,196**	**39,340**	**57,424**	**92,600**	**2,208,189**
Lease	**101,411**	**2,809**	**1,926**	**–**	**–**	**106,146**
Available-for-sale investments	**–**	**–**	**–**	**–**	**15,308**	**15,308**
	₱1,923,917	**₱684,415**	**₱41,266**	**₱57,424**	**₱107,908**	**₱2,814,930**

	December 31, 2011 (As restated – see Note 3)					
	On Demand	Within 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Cash and cash equivalents	₱119,822	₱328,113	₱–	₱–	₱–	₱447,935
Trade receivables from:						
Sale of condominium units	1,068,783	680,367	111,980	68,551	318,847	2,248,528
Lease	92,134	–	–	–	–	92,134
Available-for-sale investments	–	–	–	–	10,708	10,708
	₱1,280,739	₱1,008,480	₱111,980	₱68,551	₱329,555	₱2,799,305

	January 1, 2011 (As restated – see Note 3)					
	On Demand	Within 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Cash and cash equivalents	₱61,981	₱258,725	₱–	₱–	₱–	₱320,706
Trade receivables from:						
Sale of condominium units	4,627,095	1,744,963	153,558	93,570	177,336	6,796,522
Lease	73,599	–	–	–	–	73,599
Available-for-sale investments	–	–	–	–	10,808	10,808
	₱4,762,675	₱2,003,688	₱153,558	₱93,570	₱188,144	₱7,201,635

Capital Management Policy

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2012, 2011 and 2010.

The Company monitors its capital adequacy using the net debt-to-equity ratio, which is interest-bearing loans and borrowings less cash and cash equivalents divided by equity. The Company's policy is to limit the net debt-to-equity ratio to 0.40.

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

	December 31, 2012	December 31, 2011	January 1, 2011
Interest-bearing loans and borrowings	**₱4,431,988**	₱2,866,656	₱3,016,217
Less cash and cash equivalents	**533,154**	472,959	351,239
Net	**3,898,834**	2,393,697	2,664,978
Equity	**10,121,205**	9,147,133	8,261,700
Net debt-to-equity ratio	**0.39**	0.26	0.32

28. Financial Instruments

Fair Values

Set out below is a comparison by class of carrying values and fair values of all the Company's financial instruments that are carried in the consolidated financial statements as of December 31, 2012 and 2011, and January 1, 2011. There are no material unrecognized financial assets and liabilities as of December 31, 2012 and 2011, and January 1, 2011.

	Carrying Value			**Fair Value**		
	December 31, 2012	December 31, 2011	January 1, 2011	**December 31, 2012**	December 31, 2011	January 1, 2011
			(As restated – see Note 3)			
Financial Assets						
Assets at FVPL						
Derivative assets (presented under "Other current assets" account)	**₱–**	₱–	₱699	**₱–**	₱–	₱699
Loans and receivables:						
Cash and cash equivalents	**533,154**	472,959	351,239	**533,154**	472,959	351,239
Trade receivables from:						
Sale of condominium units (including noncurrent portion)	**3,320,980**	2,426,022	2,226,097	**7,542,292**	6,191,110	3,918,138
Lease	**106,146**	92,134	73,599	**106,146**	92,134	73,599
Advances to officers and employees	**12,448**	9,730	7,881	**12,448**	9,730	7,881
Other receivables*	**78,726**	79,680	30,359	**78,726**	79,680	30,359
Refundable deposits**	**25,288**	17,667	15,955	**25,228**	17,667	15,955
Restricted cash	**2,897**	–	–	**2,897**	–	–
Available-for-sale investments:						
Quoted	**12,000**	7,400	7,500	**12,000**	7,400	7,500
Unquoted	**3,308**	3,308	3,308	**3,308**	3,308	3,308
	₱4,094,947	₱3,108,900	₱2,716,637	**₱8,316,199**	₱6,873,988	₱4,408,678

* *Carrying amounts exclude other receivables, which are nonfinancial assets, amounting to ₱3,755, ₱3,202 and ₱45,546 as of December 31, 2012 and 2011, and January 1, 2011, respectively.*

** *Carrying amounts exclude other deposits, which are nonfinancial assets, amounting to ₱65 as of December 31, 2012 and 2011, and January 1, 2011.*

	Carrying Value			Fair Value		
	December 31, 2012	December 31, 2011	January 1, 2011	**December 31, 2012**	December 31, 2011	January 1, 2011
			(As restated – see Note 3)			
Financial Liabilities						
Other financial liabilities:						
Trade and other payables*	**₱2,349,618**	₱1,294,122	₱791,671	**₱2,349,618**	₱1,294,122	₱791,671
Interest-bearing loans and borrowings (including noncurrent portion)	**4,431,988**	2,866,656	3,016,217	**4,587,569**	3,097,784	3,097,784
Installment payable	**2,501,797**	3,022,424	–	**2,737,173**	3,227,554	–
Retention payable (including noncurrent portion)	**342,961**	321,705	201,815	**332,512**	310,193	125,774
Security deposits (including noncurrent portion)	**242,403**	227,931	213,504	**248,174**	222,754	201,764
	₱9,868,767	₱7,732,838	₱4,223,207	**₱10,255,046**	₱8,152,407	₱4,216,993

* *Carrying amounts exclude statutory payables and other nonfinancial liabilities, totaling to ₱422,795, ₱935,996 and ₱1,155,271 as of December 31, 2012 and 2011, and January 1, 2011, respectively.*

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and Cash Equivalents, Trade Receivables from Lease, Advances to Officers and Employees, Other Receivables, Refundable Deposits and Trade and Other Payables. Due to the short-term nature of transactions, the carrying values of these instruments approximate the fair values as of financial reporting date.

Trade Receivables from Sale of Condominium Units. The fair values of trade receivables from sale of condominium units were calculated by discounting the expected future cash flows at prevailing credit adjusted PDEx interest rates ranging from 1.8% to 4.9% as of December 31, 2012 and 3.7% to 7.3% as of December 31, 2011.

Available-for-Sale Investments. The fair values of quoted equity securities were determined by reference to published two-way quotes of brokers as of financial reporting date. The unquoted equity securities were valued at cost.

Interest-bearing Loans and Borrowings

- Fixed Rate

  The fair values of fixed rate loans were calculated by discounting the expected future cash flows at prevailing credit adjusted PDEx interest rates ranging from 1.9% to 6.9% as of December 31, 2012 and 3.7% to 7.2% as of December 31, 2011.

- Floating Rate

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

Installment Payable. The fair value of installment payable were calculated by discounting the expected cash flows at prevailing credit adjusted PDEx interest rates ranging from 1.6% to 4.9% as of December 31, 2012 and 3.7% to 7.4% as of December 31, 2011.

Retention Payable and Security Deposits. The fair values were calculated by discounting the expected future cash flows at prevailing credit adjusted PDEx interest rates ranging from 2.0% to 7.9% as of December 31, 2012 and 4.0% to 6.8% as of December 31, 2011.

Fair Value Hierarchy

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

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

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

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

	December 31, 2012 (As restated – see Note 3)	**Level 1**	**Level 2**	**Level 3**
Assets measured at fair value				
Available-for-sale financial assets	**₱12,000**	**₱12,000**	**₱–**	**₱–**

	December 31, 2011 (As restated - see Note 3)	Level 1	Level 2	Level 3
Assets measured at fair value				
Available-for-sale financial assets	₱7,400	₱7,400	₱–	₱–

	January 1, 2011 (As restated - see Note 3)	Level 1	Level 2	Level 3
Assets measured at fair value				
Available-for-sale financial assets	₱7,500	₱7,500	₱–	₱–

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

29. Basic/Diluted Earnings Per Share Computation

	December 31, 2012	December 31, 2011	January 1, 2011
		(As restated – see Note 3)	
Net income attributable to the Parent Company	**₱1,123,221**	₱909,556	₱797,738
Dividends on preferred shares	**(1,338)**	(1,650)	(1,650)
Net income attributable to common shares (a)	**1,121,883**	907,906	796,088
Common shares at beginning of year	**6,228,382,344**	6,228,382,344	6,228,382,344
Weighted average of 126,620,146 treasury shares acquired on May 11, 2012	**(81,175,655)**	–	–
Weighted average number of common shares (b)	**6,147,206,689**	6,228,382,344	6,228,382,344
Basic/diluted earnings per share (a/b)	**₱0.18**	₱0.15	₱0.13

30. **Segment Information**

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

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

The Company manages its operations under the following business segments:

- *Residential Development* is engaged in the development, selling, and property management of all residential projects of the Company. It also includes the operations of the Rockwell Club.

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

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

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

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

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

Business Segments

The following tables present information regarding the Company's residential development and commercial leasing business segments in December 31, 2012 and 2011, and January 1, 2011:

	December 31, 2012 (As restated – see Note 3)		
	Residential Development	**Commercial Leasing**	**Total**
Revenue	**₱5,876,030**	**₱965,741**	**₱6,841,771**
Costs and expenses	**(4,614,449)**	**(253,466)**	**(4,867,915)**
Share in net income of joint venture	**–**	**98,470**	**98,470**
Other income – net	**15,238**	**–**	**15,238**
EBITDA	**1,276,819**	**810,745**	**2,087,564**
Depreciation and amortization			**(260,434)**
Interest expense			**(266,214)**
Provision for income tax			**(437,635)**
Consolidated net income	**₱1,276,819**	**₱810,745**	**₱1,123,281**
Assets and Liabilities			
Segment assets	**₱11,475,030**	**₱1,328,787**	**₱12,803,817**
Investment properties	**1,490,957**	**3,462,925**	**4,953,882**
Investment in joint venture	**–**	**2,188,891**	**2,188,891**
Property and equipment	**604,732**	**170,580**	**775,312**
Total assets	**₱13,570,719**	**₱7,151,183**	**₱20,721,902**
Segment liabilities	**₱9,788,902**	**₱811,795**	**₱10,600,697**

	December 31, 2011 (As restated – see Note 3)		
	Residential Development	Commercial Leasing	Total
Revenue	₱5,310,189	₱941,545	₱6,251,734
Costs and expenses	(4,442,477)	(256,630)	(4,699,107)
Share in net income of joint venture	–	79,861	79,861
Other income - net	3,486	–	3,486
EBITDA	871,198	764,776	1,635,974
Depreciation and amortization			(243,830)
Interest expense			(193,577)
Provision for income tax			(291,045)
Consolidated net income	₱871,198	₱764,776	₱907,522
Assets and Liabilities			
Segment assets	₱9,124,675	₱1,344,425	₱10,469,100
Investment properties	1,129,548	3,601,620	4,731,168
Investment in joint venture	–	2,103,102	2,103,102
Property and equipment	510,576	196,095	706,671
Total assets	₱10,764,799	₱7,245,242	₱18,010,041
Segment liabilities	₱4,482,468	₱4,380,440	₱8,862,908

	January 1, 2011 (As restated – see Note 3)		
	Residential Development	Commercial Leasing	Total
Revenue	₱4,104,166	₱866,810	₱4,970,976
Costs and expenses	(3,240,149)	(237,867)	(3,478,016)
Share in net losses of joint venture	–	(937)	(937)
Other expenses - net	(8,906)	–	(8,906)
EBITDA	855,111	628,006	1,483,117
Depreciation and amortization			(233,346)
Interest expense			(155,379)
Provision for income tax			(298,861)
Consolidated net income	₱855,111	₱628,006	₱795,531
Assets and Liabilities			
Segment assets	₱6,632,339	₱134,024	₱6,766,363
Investment properties	924,633	3,528,872	4,453,505
Investment in joint venture	–	2,023,241	2,023,241
Property and equipment	539,451	179,534	718,985
Total assets	₱8,096,423	₱5,865,671	₱13,962,094
Segment liabilities	₱5,343,229	₱357,165	₱5,700,394

31. Supplemental Disclosure of Cash Flow Information

In 2011, the Company's noncash financing activity pertains to the acquisition of land on installment basis. Installment payable amounted to ₱3.0 billion as of December 31, 2011 (see Note 15).

32. Events After the Reporting Period

The following are the significant transactions that occurred after December 31, 2012:

a. On November 27, 2012, the Parent Company entered into an Agreement with FMIC for the ₱10.0 billion Notes. The Notes are comprised of Tranche 1, Tranche 2 and Tranche 3, amounting to ₱4.0 billion, ₱2.0 billion and ₱4.0 billion, respectively. Tranche 1 and Tranche 2 were drawn on January 7, 2013 and March 7, 2013, respectively. Tranche 3 was availed in three drawdowns amounting to ₱1.0 billion, ₱1.5 billion and ₱1.5 billion on May 27, 2013, July 26, 2013, and August 27, 2013, respectively (see Note 14).

b. On January 3, 2013, the Company communicated the ESOP to its employees through nomination letters distributed to the eligible participants of ESOP. Accordingly, the Company recognized share-based compensation expense starting January 3, 2013 (see Note 18).

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

d. On July 4, 2013, the BOD of the Parent Company approved the declaration of regular cash dividends of ₱0.0368 per share to all common stockholders of record as of July 25, 2013 and payable on or before August 20, 2013.

e. On September 19, 2013, the BOD approved the issuance of up to ₱5.0 billion principal amount of unsecured fixed-rate retail peso bonds.

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

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Rockwell Land Corporation and its Subsidiaries as at December 31, 2012 and 2011, and January 1, 2011 and for the three years ended December 31, 2012, 2011 and 2010, have issued our report thereon dated September 19, 2013. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Maria Vivian C. Ruiz

Maria Vivian C. Ruiz
Partner
CPA Certificate No. 83687
SEC Accreditation No. 0073-AR-3 (Group A),
January 18, 2013, valid until January 17, 2016
Tax Identification No. 102-084-744
BIR Accreditation No. 08-001998-47-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3670018, January 2, 2013, Makati City

September 19, 2013

ROCKWELL LAND CORPORATION

INDEX TO SUPPLEMENTARY SCHEDULES
Form 17-A, Item 7

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE A – FINANCIAL ASSETS
As of December 31, 2012

Name of Issuing Entity and Association of Each Issue	Number of Share or Principal Amount	Amount in the Balance Sheet	Income Received and Accrued
Not applicable			

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
As of December 31, 2012

Name	Beginning balance	Additions	Deductions	Ending balance		Total
				Current	Non-Current	
Accounts Receivable						
Directors	₱46,732,876	₱12,257,357	₱25,771,971	₱19,302,103	₱13,916,160	₱33,218,263
Officers	101,607,525	7,537,585	10,754,250	12,033,457	86,357,402	98,390,859
Employees	51,682,585	21,333,576	5,957,310	14,432,648	52,626,203	67,058,851
TOTAL	**₱200,022,986**	**₱41,128,518**	**₱42,483,531**	**₱45,768,208**	**₱152,899,765**	**₱198,667,973**

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE C – ACCOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION PERIOD
As of December 31, 2012

Name and Designation of Debtor	Beginning balance	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Ending balance
Rockwell Integrated Property Services, Inc.	₱10,254,658	₱39,965,617	₱40,671,982	₱–	₱9,548,293	₱–	₱9,548,293
Rockwell Homes, Inc.	₱–	₱2,261,980	₱–	₱–	₱2,261,980	₱–	₱2,261,980
Stonewell Property Development Corporation	₱–	₱39,141,697	₱–	₱–	₱39,141,697	₱–	₱39,141,697
Primaries Properties Sales Specialists Inc.	₱–	₱39,440	₱–	₱–	₱39,440	₱–	₱39,440
Rockwell Leisure Club Inc.	₱3,193,034	₱18,553,073	₱17,435,323	₱–	₱4,290,784	₱–	₱4,290,784

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE D – INTANGIBLE ASSETS – OTHER ASSETS
As of December 31, 2012

Description	Beginning balance	Additions at Cost	Charged to Cost & Expenses	Charged to Other Accts	Other Changes	Ending balance
Not applicable						

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE E – LONG TERM DEBT
As of December 31, 2012

Title of Issue & Type of Obligation	Amount Authorized by Indenture	Current Portion of Long-Term Debt	Long-Term Debt (net of Current Portion)	Interest Rate	No. of Periodic Installments	Maturity Date
Philippine Peso, 7-Year FRCN due 2020	₱4,000,000,000	–	₱4,000,000,000	4.90%	22	1/7/2020

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE F – INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
As of December 31, 2012

Name of Related Party	Beginning balance	Ending balance
Not applicable		

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE G – GUARANTEES OF SECURITIES OF OTHER ISSUERS
As of December 31, 2012

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed & Outstanding	Amount owed by Person for which Statement is filed	Nature of Guarantee
Not Applicable				

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE H – CAPITAL STOCK
As of December 31, 2012

				Number of Shares Held By		
Title of Issue	**Number of Shares Authorized**	**Number of Shares Issued and Outstanding**	**Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights**	**Related Parties**	**Directors, Officers and Employees**	**Others**
Common Shares	8,890,000,000	6,101,762,198	–	5,296,015,375	7,331,654	798,415,169
Preferred Shares	11,000,000,000	2,750,000,000	–	2,750,000,000	–	–

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE I – LIST OF APPLICABLE STANDARDS AND INTERPRETATIONS
As of December 31, 2012 (As Restated)

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2012**		**Adopted**	**Not Adopted**	**Not Applicable**
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	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			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7:	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
	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	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments			
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	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	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			
PAS 16	Property, Plant and Equipment	✓		
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	✓		
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	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28	Investments in Associates			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	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	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2012**		**Adopted**	**Not Adopted**	**Not Applicable**
	and Financial Liabilities			
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	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			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓

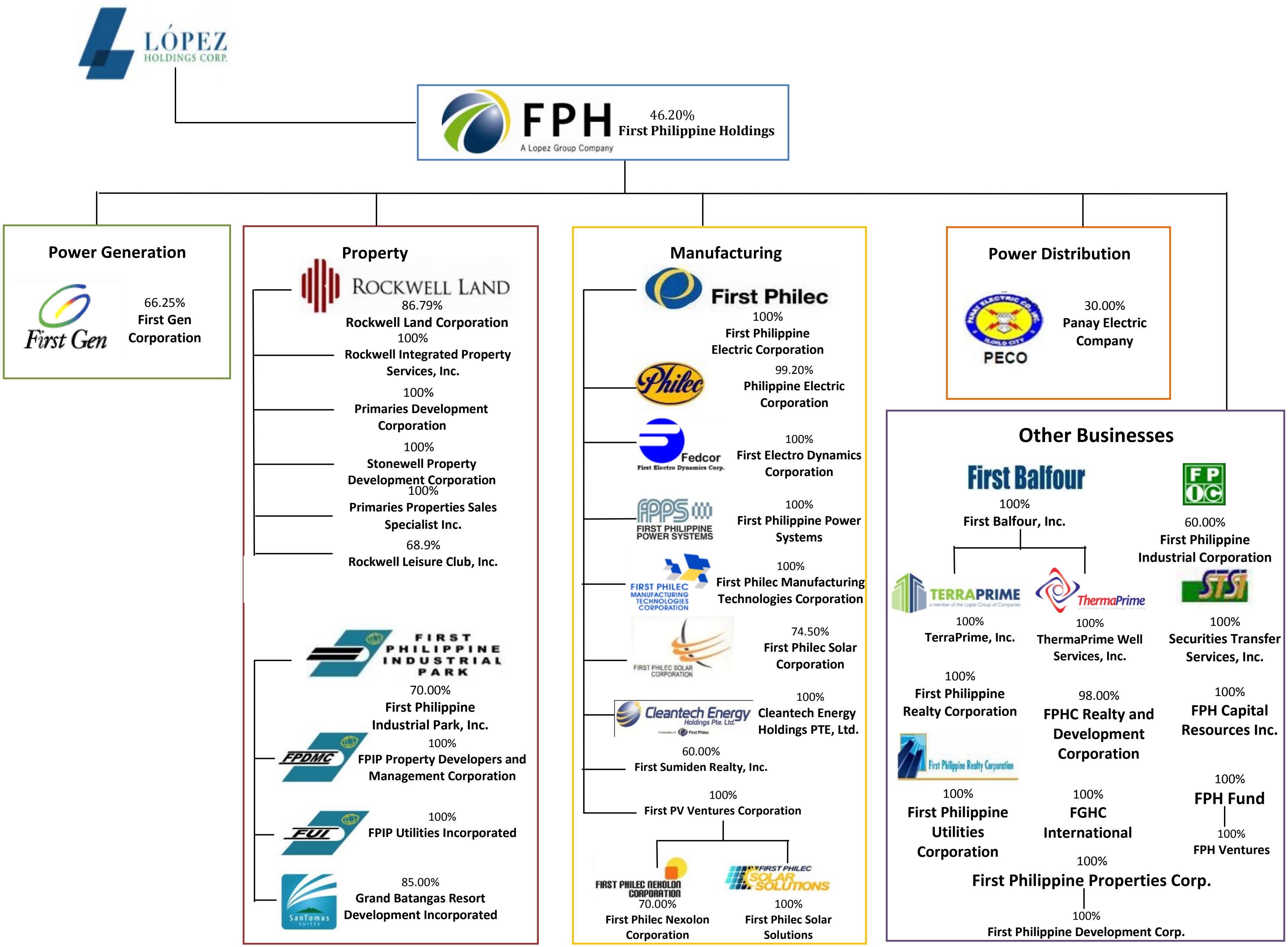
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
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			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving			✓

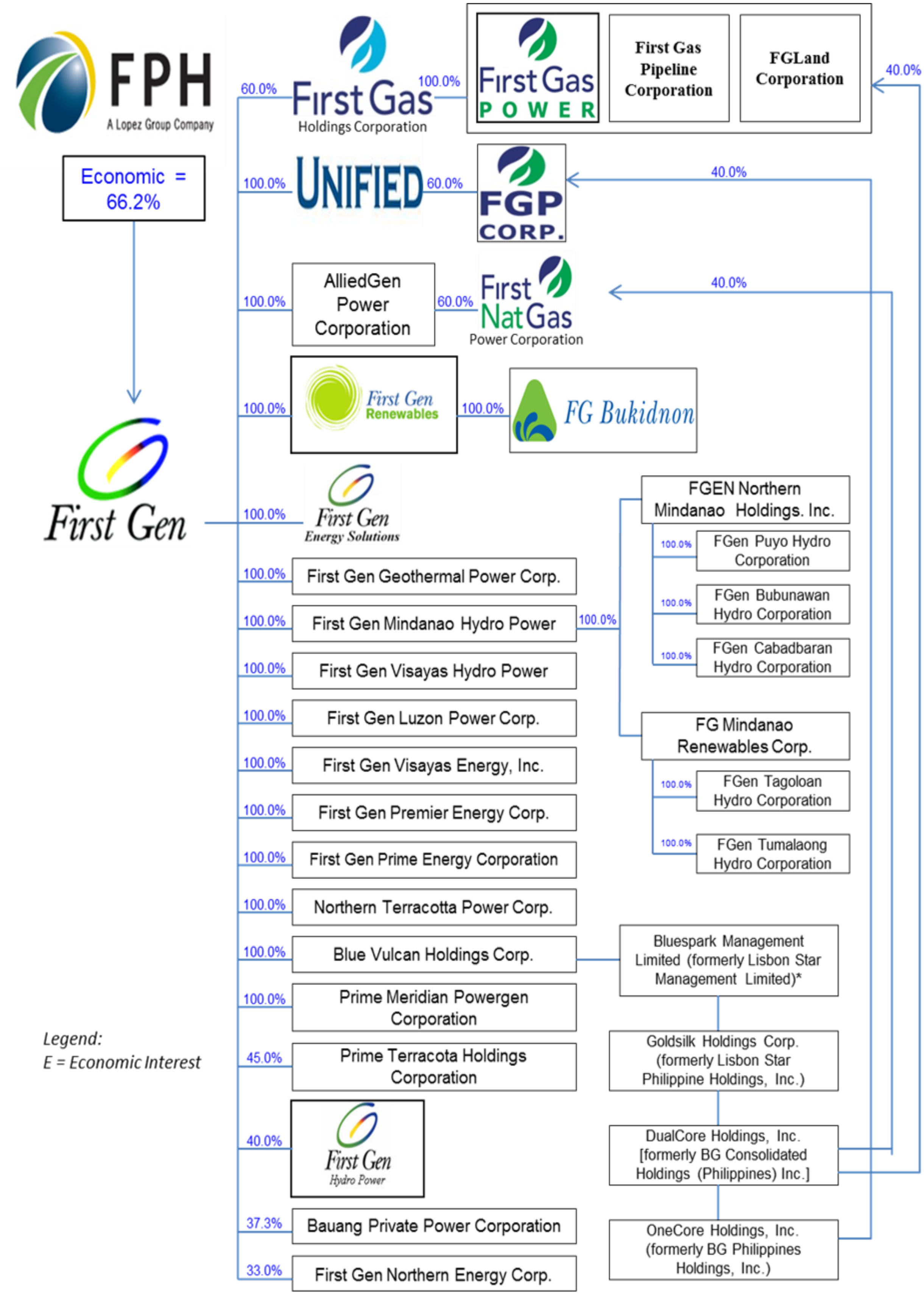
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
	the Legal Form of a Lease			
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE J – RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
As of December 31, 2012
Amount in thousands

	2012	**2011**	**2010**
Unappropriated retained earnings, beginning	₱2,540,481	₱1,652,924	₱846,026
Less: Accumulated share in net losses of joint venture as of end of previous year	(41,059)	38,802	37,865
Cumulative dividends on preferred shares as of end of previous year	(3,988)	(2,338)	(688)
	(45,047)	36,464	37,177
Add: Cumulative effect of adoption of PFRS 10 and PAS 19 (revised)	338,205	310,859	316,450
Unappropriated retained earnings, as adjusted, beginning	2,833,639	2,000,247	1,199,653
Net Income actually earned for the year			
Net income and other comprehensive income during the year closed to retained earnings	1,155,491	887,557	806,898
Less: Share in net loss (net income) of joint venture	(98,470)	(79,861)	937
	1,057,021	807,696	807,835
Less: Cumulative dividend on preferred shares during the year	(1,338)	(1,650)	(1,650)
Add: Effect of adoption of PFRS 10 and PAS 19 (revised)	(30,642)	27,346	(5,591)
Retained earnings available for dividend declaration to common shareholders as of December 31	**₱3,858,680**	**₱2,833,639**	**₱2,000,247**

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE K – MAP OF RELATIONSHIPS OF COMPANIES WITHIN GROUP
As of December 31, 2012





** Incorporated in British Virgin Islands*

Note: Percentages indicated herein pertain to voting interest, unless otherwise indicated

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE L – FINANCIAL RATIOS
As of December 31, 2012

Key Performance Indicators	2012	2011	2010
EBITDA	2.1 billion	1.6 billion	1.5 billion
Current Ratio	2.86	2.78	1.36
Net DE Ratio	0.39	0.26	0.32
Asset to Equity Ratio	2.05	1.97	1.69
Interest Coverage Ratio	7.15	6.94	5.84
ROA	5.8%	5.7%	6.2%
ROE	11.7%	10.4%	10.2%
EPS	0.18	0.15	0.13