ONLY

ROCKWELL

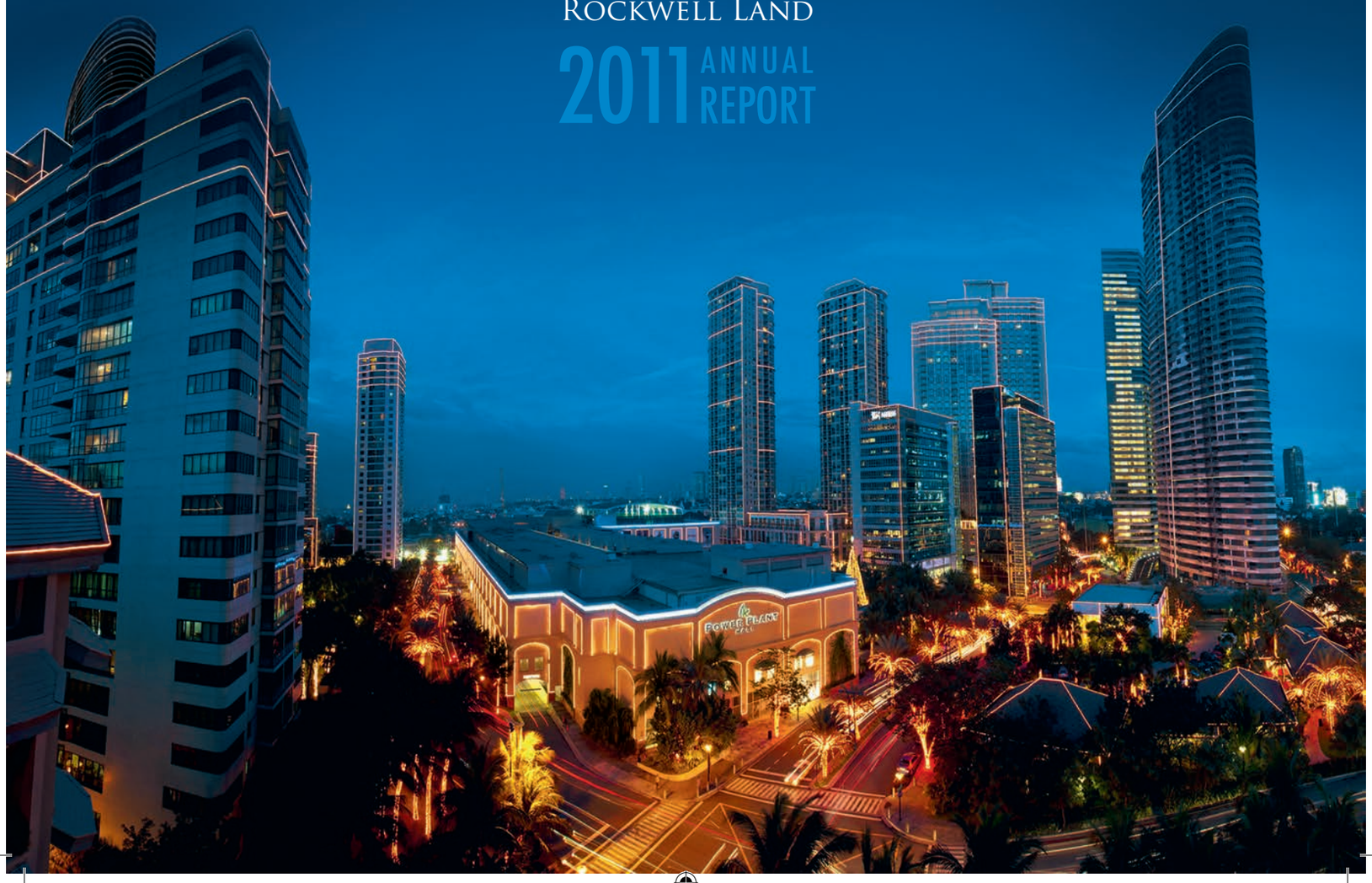
IS

ROCKWELL

AN ORIGINAL

ROCKWELL LAND

2011 ANNUAL REPORT



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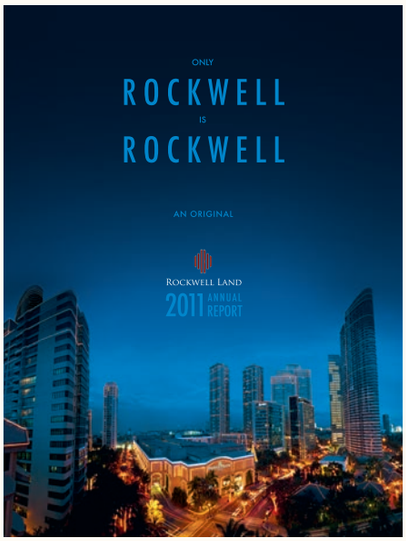


The Rockwell Center at night captures how this young development has managed to change the Makati skyline in less than 20 years.

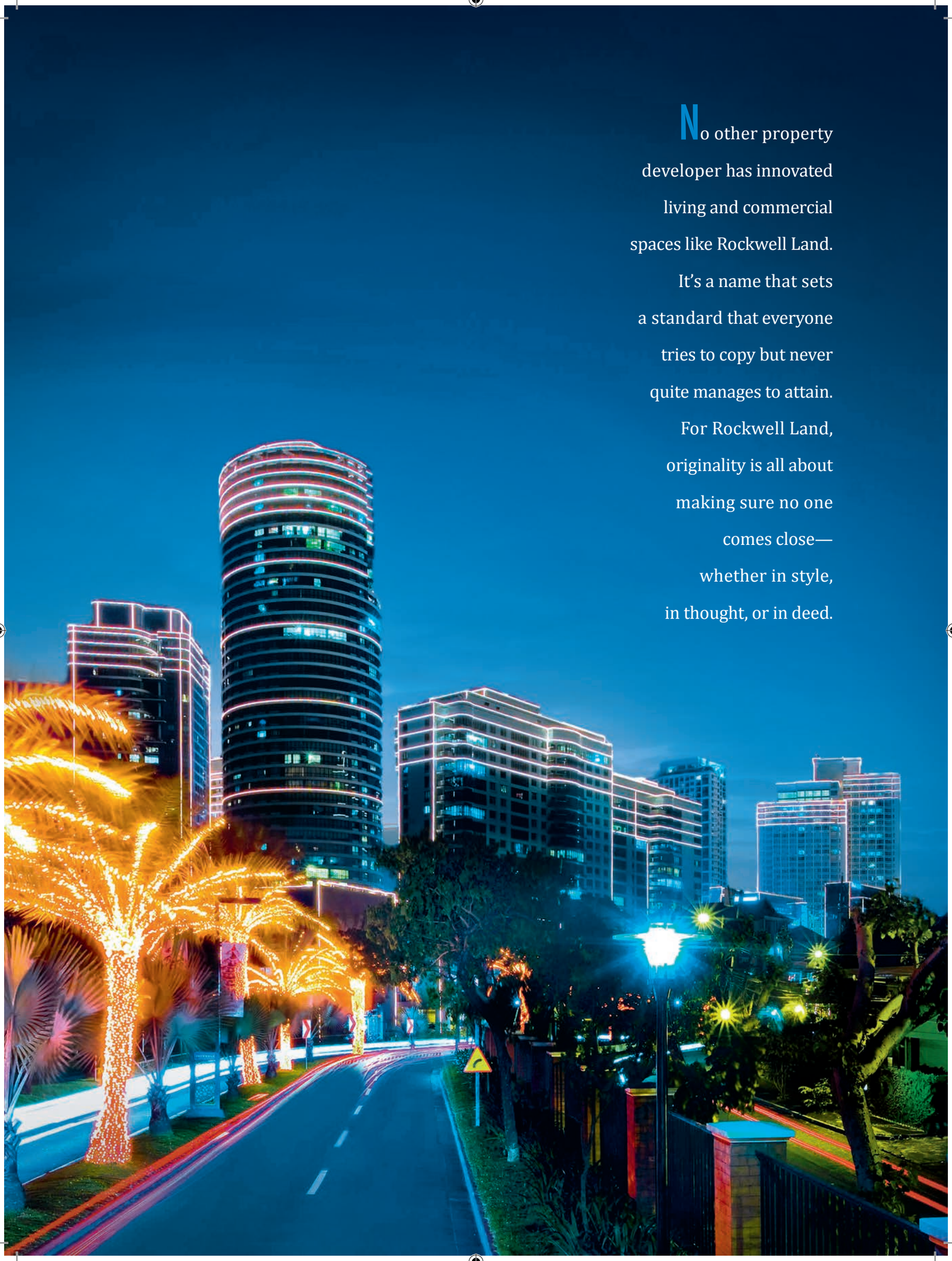
Vision

To become the preferred provider of dwelling places for the high-end and upper-mid markets.

Mission

To create quality living.

No other property developer has innovated living and commercial spaces like Rockwell Land. It's a name that sets a standard that everyone tries to copy but never quite manages to attain. For Rockwell Land, originality is all about making sure no one comes close—whether in style, in thought, or in deed.



Message from the Chairman

> Customers, associates, partners, and investors are drawn to Rockwell because of its sterling reputation, the certainty of its word, the reliability and dedication of the men and women behind it.

Since 1995, Rockwell Center has grown into one of the most coveted communities where locals and expatriates choose to live, work and play. As a result, all Rockwell Land projects have become an aspirational investment for upwardly mobile and overseas Filipinos. Indeed, much has been achieved, but for the men and women of Rockwell Land, much remains to be done. We have our best work yet ahead of us and we are raring to get to it, every single day.

In 2011, Rockwell Land Corporation moved to deliver ongoing projects as committed. We achieved construction milestones: the substructure of The Edades Tower and Garden Villas in Makati was completed, and the first two towers of The Grove by Rockwell in Pasig were topped-off in November. While our work on the ground forged ahead, Rockwell Land deliberately pursued opportunities for growth, laying the ground for future expansion.

The acquisition of the former Colgate-Palmolive lot added 3.6 hectares to the Rockwell Land portfolio in Makati, thereby signaling the start of planning for a "Greater Rockwell". A 1.8-hectare property in Quezon City was also acquired, announcing the Company's entry into a new segment: townhouse community development, 205 Santolan by Rockwell.

With Rockwell Land's debut as a publicly listed company in 2012, we share with our stockholders the Company's strong commitment to maintain project integrity, and our desire to strive for long-term growth. Despite its 17-year track record, Rockwell Land is considered relatively new in the Philippine property development sector.

Nevertheless, customers, associates, partners and investors are drawn to Rockwell because of its sterling reputation, the certainty of its word, the reliability and dedication of the men and women behind it. These certainly matter. And for these, we are accountable every single day.

Thank you for your support.

Ambassador Manuel M. Lopez

Report from the President

> When we first started Rockwell, we wanted people to say 'This is different. This is an original.'

Luna. Hidalgo. Amorsolo. Joya.

There is a reason why so many of our developments are named after Filipino painters. They understood originality. They had vision. They were Filipinos who transcended culture and perceptions.

It is those very attributes that drive Rockwell Land to become more than just another real estate developer in the Philippines. From the very beginning, we set out to make living spaces, not merely condominiums. We did not just put up a mall. We created a retail experience. We refused to simply build a city; we master-planned and created communities.

Our properties increase in value just like works of art. According to Colliers International Report for the first quarter of 2012, the Rockwell Center has consistently outperformed the Makati CBD and the Bonifacio Global City in terms of rental rates and capital values per square meter on luxury three-bedroom condominium units. Clearly, our vision of developing properties that are the embodiment of life lived well is being embraced by investors.

With confidence and commitment, we completed our listing by way of introduction in the Philippine Stock Exchange on May 11, 2012.

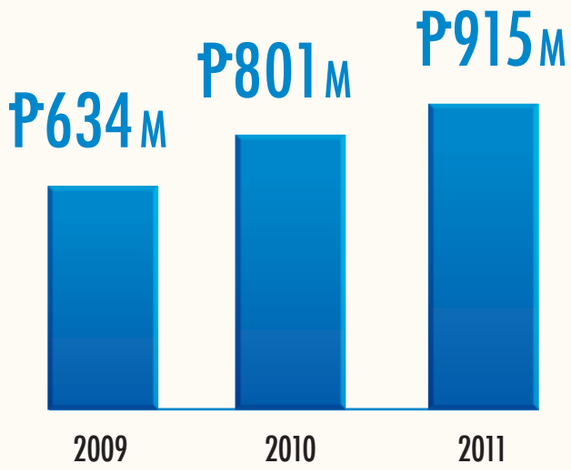
2011 Financial Performance

Since 2003, net income has followed an upward trend. This has been growing at a compounded annual growth rate of 20% since 2009.

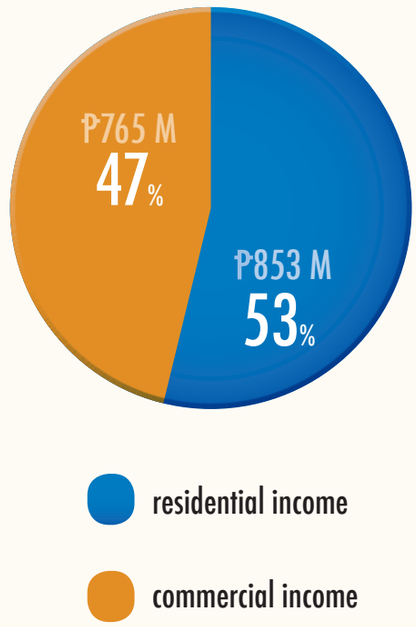
At the end of 2011, we reached a net income after tax of ₱915 million on the back of a 26% revenue growth. The growth in revenues is driven by increased sales from condominium units, which reached a total of ₱5.2 billion.

3-year NIAT CAGR : 20%

Net Income after Tax



EBITDA Breakdown



Sales take–up or value turnover in 2011 reached a total of ₱4.9 billion. This is lower than 2010's ₱6.4 billion figure given fewer inventory from higher-valued projects like Edades and One Rockwell as a result of strong demand in the past two years. By the end of 2010, One Rockwell was sold-out while Edades was 74% sold since its launch in the last quarter of 2009.

Commercial leasing has also maintained a bright spot for revenues maintaining an overall occupancy rate of 97% in 2011. Consisting of retail leasing, office leasing, and cinema operation, the commercial leasing segment grew by 9% to ₱941.5 million, accounting for 15% of total revenues and 40% of the net income after tax.

Looking into 2012

For 2012, the prospect of beginning construction on three new high-value projects in both Makati and Quezon City excites us. The idea of growing our first and flagship project, The Rockwell Center in Makati, more than fulfills its initial dream; the outlook now differentiates the initial dream and the new outlook for growth. With the addition of residential towers and a multi-purpose theatre in the Proscenium and new premium offices in the Lopez Tower, we're envisioning a more dynamic and sophisticated community that will be a destination not only for performers and tourists, but a new kind of entertainment for Filipinos to enjoy.

At the same time, our geographic expansion to Quezon City with a new kind of product offering is an experience we're looking forward to. 205 Santolan is envisioned to offer the signature Rockwell lifestyle, giving homebuyers the exclusivity and the safety they've come to expect from our properties in Makati.

Moving Forward

Our existing clientele is following our expanding portfolio, and new markets here and abroad are keeping their eye on us as their aspirational investment. Our country is experiencing a growing affluence where high net worth individuals are estimated to grow by 20% annually. This is our time. All eyes are on us, and in true Rockwell Land form, we won't deliver anything short of "Wow". We are strong in our resolve to meet all financial commitments to our stakeholders, customers, creditors, and employees.

Our resiliency during the Asian financial crisis that hit the Philippines in 1997 is a testament to our management team's competency to operate in an ever-changing business and economic landscape. Looking at the last three years and the acquisitions made in 2011, I am confident that we are on the right track. The next eight years is not just a vision of the future—it is materializing into a possibility we can invest in.

Using our prime and strategic urban assets for development, we intend to efficiently manage the level of our land bank to ensure optimal shareholder return. We will roll out developments that increase our recurring business steadily over time.

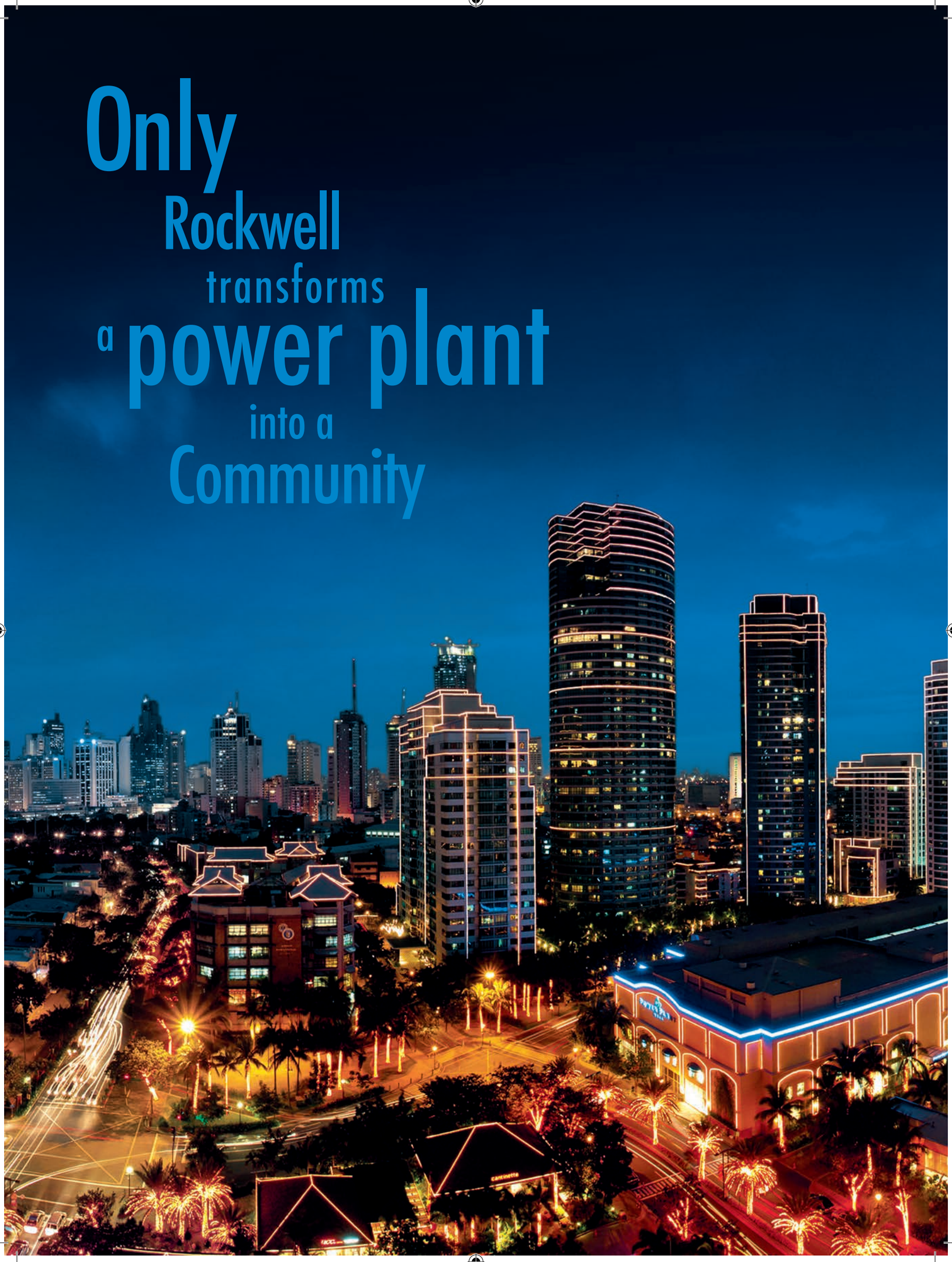
With a well-defined corporate governance and an even stricter organizational focus on operational efficiency, we will help create an even stronger, more transparent Rockwell Land in the coming years.

Together with my management team, we would like to thank our shareholders and our Board of Directors for their continued support and confidence. On our 17th year as a private company and our first as a publicly listed company, we only have ourselves to outdo.

We look forward to sharing with you more ideas and innovations that make Rockwell unmistakably, an original.

Nestor J. Padilla
President and CEO

Only Rockwell transforms a power plant into a Community



That's the essence of what Rockwell Land does. For the past 17 years, Rockwell Land has been transforming raw land into prime real estate. Between bricks and mortar, a layer of elegance was added to create not just another property development company, but a luxury lifestyle brand.

History

1995 It all began in 1995 when Rockwell Land took over an old thermal power plant with the **vision to transform** it into a high-end commercial business district. The **15.5 hectare** site was developed into Rockwell Center, a mixed-use, self-contained community that is one of today's most coveted addresses for residences, businesses and leisure activities.

1996 The Center's master plan took shape in 1996 with the development of the **West Block.** Comprising 2.8 hectares, Rockwell Land developed four high-rise luxury residential apartments named after Filipino national artists—**Hidalgo Place, Luna Gardens, Rizal Tower and Amorsolo Square**—and introduced immense **unit sizes of over 200 sqm.** The development of the West Block and the introduction of bigger unit sizes addressed an untapped affluent, highly-sophisticated market. This daring move sealed the mark for Rockwell Land as a premier high-end property developer in the Philippines.

1999 Despite the Asian financial crisis, Rockwell Land completed the luxury towers within schedule and pressed on and opened the **Rockwell Club** in 1999. With planning taking place as early as 1996, the Club was developed with the vision of **"Redefining the Good Life".** Modern and state-of-the-art, the Club serves as a venue for sports and leisure for Rockwell Land residents. The Club opened its membership to the public in 1999 and has since been a model for new club developments throughout the metropolis.

2000 To sustain the growing community, Rockwell Land opened **Power Plant Mall** in 2000. Situated precisely on the original location of the old power plant, it completed the leisure component of the master-plan and offered a **more private and a differentiated shopping experience.** With Nestlé and local conglomerate PHINMA Group of Companies setting up headquarters in the area around the same time, it was clear that Rockwell Center was emerging as Manila's newest place to live, work and play.

2001 Rockwell was also one of the first real estate developers to brave the start of the property up-cycle. In 2001, **development began on the East Block with The Manansala.** It addressed the need for smaller units and it was the first development in the Rockwell Land portfolio to be actively marketed to Filipino investors in the U.S.

2004 Following the success of The Manansala, another residential tower was launched at the east side of Rockwell Center in January 2004: **The Joya Lofts and Towers.** Ever the pioneer, Rockwell Land introduced **spacious loft units, featuring 20-foot ceilings** and ground floor retail shops as its main attractions.

2005 Riding on the sales momentum of Joya, **One Rockwell** followed suit. With distinguishing **Z-Loft designed units** by a prestigious architectural firm, residents are provided with units with views crossing from both sides of the building. One Rockwell is Rockwell Land's **biggest project to date** in Rockwell Center.

2008 With a strong market following, Rockwell Land was ready **to diversify and expand the brand outside of Makati.** In October 2008, **The Grove by Rockwell was launched.** Located along the major thoroughfare of E. Rodriguez, Jr. Avenue in Pasig City (commonly known as C-5), it is Rockwell's first project outside of Rockwell Center in Makati and its **first venture into the broader upper mid-market segment.** With 5.4 hectares of prime space, six residential towers and a commercial and retail area, The Grove's master plan intends to retain 75% of its area for open-space and a landscaped environment with a resort-inspired design.

2009 After a year, Rockwell Land went into operating its **first venture into the office market and first campus-like development, the Rockwell Business Center.** The Rockwell Business Center is a joint-venture with Meralco for the development and operations of an office complex within the Meralco headquarters in Ortigas. Also in 2009, the **Edades Tower and Garden Villas was launched.** Named after Victorio Edades, the father of unconventional Filipino art, this 50-storey tower will **echo the ambitiousness and visualization of modernity** which created the legend. Drawing on the traditions of art and innovative landscaping, the harmonious co-existence of Garden Villas and Z-Lofts will rise higher than Power Plant Mall and the West Block. Edades Tower and Garden Villas will continue Rockwell Land's heritage of innovative luxury residences.

2012 Rockwell will continue to move in a new direction in 2012 with its **first, low-rise project "205 Santolan by Rockwell".** This exclusive 1.8-hectare community will be adjacent to private subdivisions and close to prominent schools and retail complexes in Greenhills. Ultimately, 205 Santolan by Rockwell is envisioned to be one of the most desired addresses within the area and will be identical to Rockwell in terms of quality, prestige, community, safety and security.

Rockwell also turns its vision into reality with the development of the 3.6 hectare property across Rockwell Center previously occupied by Colgate-Palmolive, Philippines. To be named **The Proscenium,** it is conceptualized to have five high-rise residential towers to be **designed by world famous Uruguayan architect Carlos Ott,** whose many works include the famous L'Opera de Bastille in Paris.

The **Lopez Tower and Museum is also scheduled to be developed in 2012.** It is planned to be the future headquarters of the Lopez Group of Companies, bringing the masterplan of Rockwell Center in Makati an inch closer to completion.

Rockwell Land was listed by way of introduction on the Philippine Stock Exchange last May 11, 2012.

Only Rockwell has used architecture to crystallize the idea of living well

While Rockwell Land stands as one of the many players in the property development business in the Philippines, it sets itself apart from the others by constantly striving to deliver products that are exceptionally different from the rest. Rockwell Land makes it a point to bring in outstanding innovation and high standards that are manifested in each project. This is the kind of discipline that continuously drives the Residential Business and Commercial Leasing segments.

Residential Business

2011 was an exciting year for the Residential Development business as it achieved several milestones resulting in improved market growth and brand presence. Residential sales reached ₱4.9 billion due to the market's positive response to the projects in both Makati and Ortigas. Edades Towers and Garden Villas, since its launch in late 2009 was 95% sold by year -end.

Edades Towers & Garden Villas

95%
sold by year-end

The segment also witnessed the sudden surge in supply in the affordable condominium market. Together with new land acquisitions and the right market research, Residential Development saw the opportunity to develop a new kind of product offering, which differentiated and responded to the need for space within the crowding Central Business Districts. 2011 marked the conceptualization of Townhouse communities; this will be a focus for the segment in 2012 and years to come.

Likewise, the acquisition of the former Colgate-Palmolive property not only added 3.6 hectares to the Rockwell Center in Makati but will also pave the way for the Proscenium, another exciting landmark that will strengthen Rockwell's supremacy in the luxury market in 2014.

West Block
Residential Towers

Hidalgo Place
UNITS: 251 FLOORS: 24

Luna Gardens
UNITS: 131 FLOORS: 39

Rizal Tower
UNITS: 169 FLOORS: 46

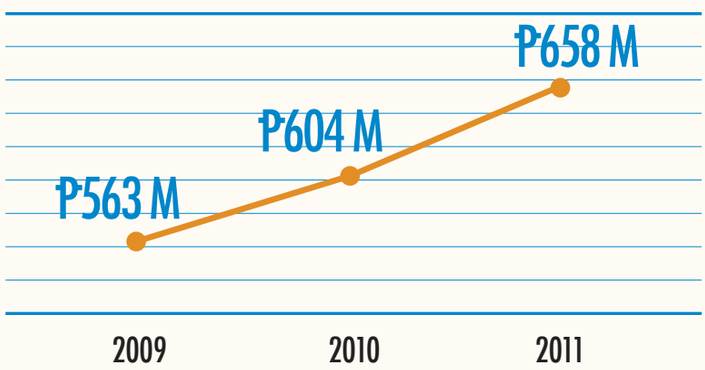
Amorsolo Square
UNITS: 305 EAST TOWER FLOORS: 30
WEST TOWER FLOORS: 18

Hidalgo Place *Rizal Tower* *Luna Gardens* *Amorsolo Tower*

Commercial Leasing

The Company has reached a total of 350 retail stores and office tenants as of December 2011. The year-end growth in EBITDA was driven primarily by higher contribution from commercial leasing, benefiting from the surge of consumer spending. Currently, commercial leases have a total Gross Leasable Area (GLA) of 92,000 sqm. with an overall occupancy of 97%. About 70% of commercial leasing revenues pertain to retail leasing amounting to ₱658 million.

Retail Leasing Income



2011 MILESTONES

FEB

- Rockwell completed the superstructure works of the East Tower of One Rockwell

APR

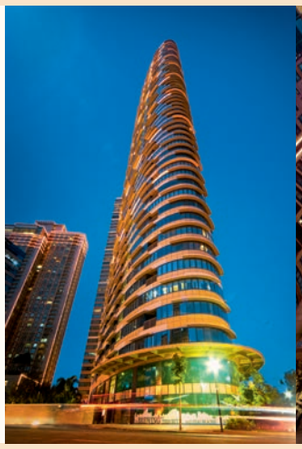
- Substructure works of Edades Tower and Garden Villas was completed
- Rockwell signed the ₱4B Corporate Notes Facility with First Metro Investment Corp. and PNB Capital to refinance an existing obligation and partially fund land acquisitions

MAY

- Univers, a curated multi-brand luxury store, became the first store to open in One Rockwell

JUNE

- Rockwell acquired 1.8 hectares of property in Santolan from the Madrigal clan; the site of the future 205 Santolan townhomes



One Rockwell

The Manansala

Joya Lofts and Towers

East Block
Residential Towers

The Manansala
UNITS: 618 FLOORS: 41

Joya Lofts and Towers
UNITS: 931 NORTH TOWER FLOORS: 46
SOUTH TOWER FLOORS: 44

One Rockwell
UNITS: 1,275 EAST TOWER FLOORS: 45
WEST TOWER FLOORS: 53

BUSINESS SEGMENT (In Million Pesos)	2011	% TO TOTAL	2010	% TO TOTAL	2009	% TO TOTAL
Residential Development	5,211	85%	4,018	82%	3,281	81%
Commercial Leasing	942	15%	867	18%	752	19%
TOTAL CONSOLIDATED REVENUES	6,153	100%	4,885	100%	4,033	100%

New Business

For 2012, Rockwell Land will move with a positive outlook in the Philippine property market. The Company will form a New Business Group with the objective of developing new concepts and projects for a broader market segment, thus giving more Filipinos the opportunity to experience the Rockwell standard of living.

AUG

- Towers E & F of The Grove was launched

SEPT

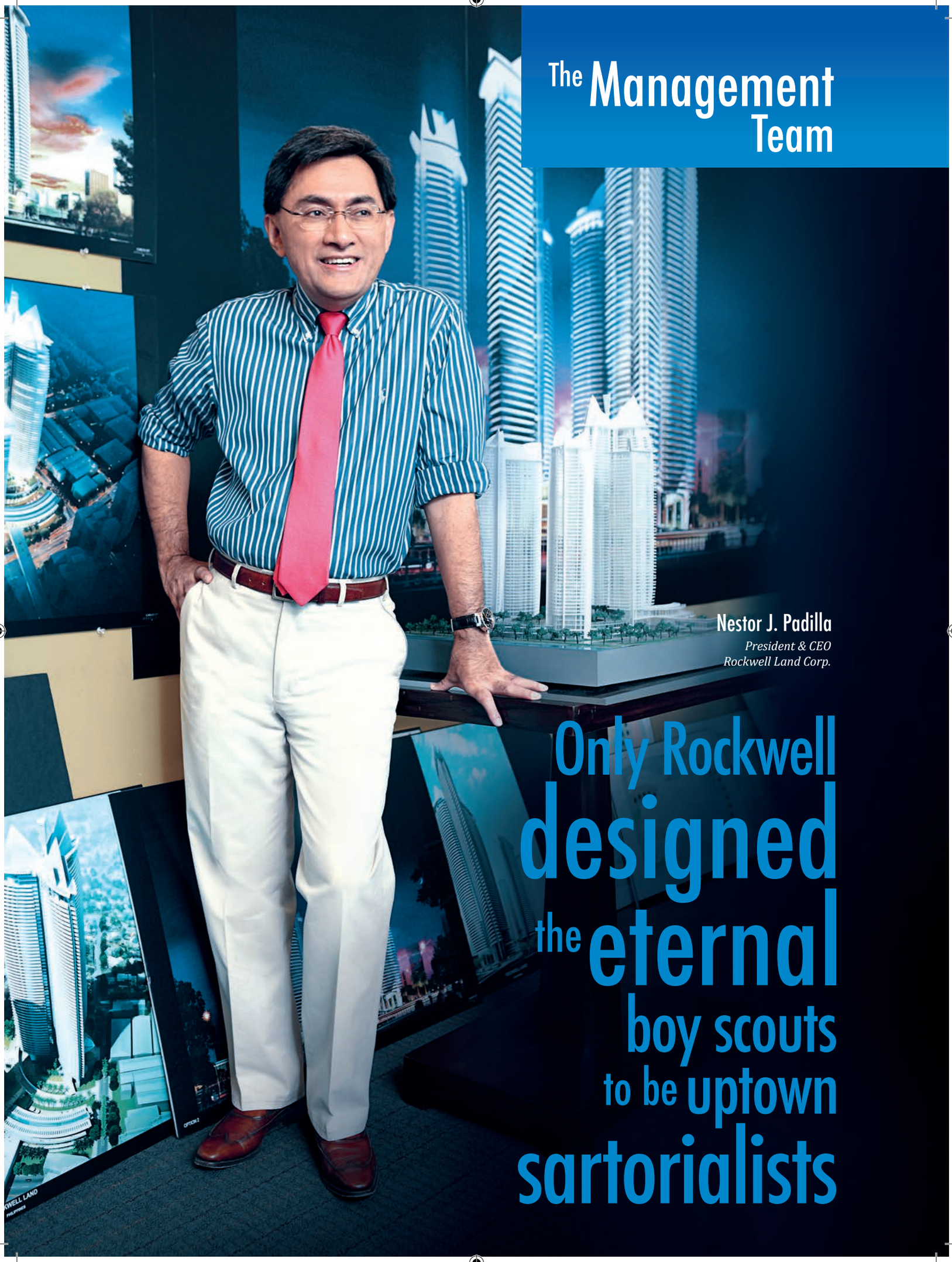
- One Rockwell West Tower units were progressively handed over to residents

NOV

- Rockwell completed the superstructure works of the West Tower of One Rockwell
- Topping-Off Ceremony for The Grove Towers A & B was celebrated
- 3.6 hectare former Colgate-Palmolive property was acquired

DEC

- 90% of The Grove Towers A & B was sold
- 95% of Edades Towers and Garden Villas was sold
- 92% of One Rockwell units were handed-over to residents
- Rockwell Business Center reached 95% occupancy rate



The Management Team

Nestor J. Padilla
President & CEO
Rockwell Land Corp.

Only Rockwell designed the eternal boy scouts to be uptown sartorialists

Valerie Jane Lopez-Soliven
Vice President, Sales & Marketing

Estela Y. Dasmariñas
Vice President, Human Resources

Ellen V. Almodiel
Vice President,
Finance & Accounting

Maria Lourdes Lacson-Pineda
Vice President, Retail & Gen. Manager,
Power Plant Mall

"All eyes are on us, and in true Rockwell Land form, we won't deliver anything short of "Wow".

Nestor J. Padilla
President & CEO
Rockwell Land Corp.

Miguel Ernesto L. Lopez
Treasurer

Adolfo Granados
Senior Adviser, Finance

Divino Villanueva
Senior Adviser, Corporate Planning

Rafael Bengzon
Senior Adviser, Property Management

Engr. Julius A. Marzoña
Vice President, Project Development

Atty. Ma. Victoria Ortega-Pollisco
Assistant Vice President, Legal

Jose Patricio S. Masakayan
Vice President & Gen. Manager, Rockwell Club

Davy T. Tan
Assistant Vice President , Business Development

Only Rockwell thinks and acts like Rockwell

Whether it's based on expertise or a proven track record of experience, the Board's diversity has resulted only in success for Rockwell Land. Their preparedness to lead—no matter the territory Rockwell Land moves in—makes them eternal boy scouts. Their instincts for the next big thing paired with their impeccable taste result in Rockwell Land's portfolio of unique and high-value projects.

Board of Directors

Oscar M. Lopez
Vice Chairman, 1995 - present

- Chairman Emeritus
  - Lopez Holdings Corporation
  - First Philippine Holdings Corporation and other Lopez Group of Companies

Eugenio L. Lopez III
Director, 1995 – present

- Chairman of the Board and CEO of ABS-CBN Corporation
- President and Director of Sky Cable Corporation and Sky Vision Corporation
- Director
  - ABS-CBN Foundation, Inc.,
  - First Gen Corporation
  - First Philippine Holdings Corporation
  - Lopez Holdings Corporation
  - Bayan Telecommunications Corporation

Ambassador Manuel M. Lopez
Chairman of the Board, 1995 - present

- Chairman and CEO
  - Lopez Holdings Corporation
  - Rockwell Leisure Club
  - Indra Philippines, Inc.
  - Bayan Telecommunications, Inc.
- Currently serving as the Philippine Ambassador to Japan

Miguel Ernesto L. Lopez
Director, 2009 – present

- Vice President and Head of Corporate Affairs, Lopez Holdings Corporation
- Director
  - Rockwell Leisure Club
  - Philippine Commercial Capital, Inc.
  - Indra Philippines, Inc.

Nestor J. Padilla
President & CEO, Director, 1995 - present

- Director
  - First Philippine Realty Corporation
  - First Batangas Hotel Corporation

Benjamin R. Lopez
Director, 2001 – present

- Vice President for Corporate Communications of First Philippine Holdings Corporation
- Director
  - First Philippine Electric Corporation
  - First Balfour, Inc.

Rafael L. Andrada
Director, 1999 – May 2, 2012

- First Vice President and Treasurer, Meralco
- Head, Meralco Investment Management Group
- Director
  - CIS Bayad Center, Inc.
  - Republic Surety and Insurance Co.
  - Rockwell Leisure Club, First Private Power Corporation
  - Bawang Private Power Corporation

Betty Siy-Yap
Director, 2010 – May 2, 2012

- Senior Vice President and Chief Finance Officer of Meralco
- Director
  - Republic Surety and Insurance Co.
  - Philippine Commercial Capital
  - MERALCO PowerGen Corporation
  - MERALCO Industrial Services Corp.
  - Indra Philippines, Inc.
  - e-Meralco Ventures, Inc.
  - Clark Electric Distribution Corp.

Manuel L. Lopez, Jr.
Director, 2011 – present

- Chairman and CEO of Pacific Hub Corporation
- Director
  - Philippine Trade Foundation, Inc.
  - Stargate Media
  - Philippine Commercial Capital Inc.

Elpidio L. Ibañez
Director, 1999 – present

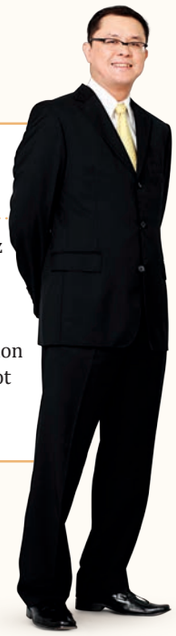
- President and Chief Operating Officer of First Philippine Holdings Corporation
- Chairman, First Batangas Hotel Corporation
- Vice Chairman, First Philippine Electric Corporation
- Member of the Board of Trustees for Philippine Business for the Environment
- Director
  - First Gen Corporation
  - First Gas Holdings Corporation
  - Energy Development Corporation
  - First Balfour Inc.
  - First Philippine Industrial Park

Jose T. Guingona
Director, 2005 – present

- President and CEO of Indra Philippines, Inc.
- Chairman of the Board of VENTAJA Corp.
- Director
  - Philippine Commercial Capital, Inc.
  - PCCI Insurance Brokerage Corp.

Vicente R. Ayllon
Independent Director, elected May 2012

- Chairman and CEO, Insular Life Assurance Company, Ltd. and Insular Property Holdings, Inc.
- Chairman of the Board
  - Asian Hospital, Inc.
  - Insular Investment Corporation
  - Insular Healthcare
  - Insular Foundation
- Vice Chairman, Union Bank of the Phils.
- Director
  - Pilipinas Shell Petroleum Corporation
  - Shell Co. of the Philippines Ltd.
  - The Palms Country Club



Atty. Enrique I. Quiason
Corporate Secretary, 1995 - present

- Concurrently serves as Corporate Secretary of Lopez Holdings Corporation, First Philippine Holdings Corporation, Sky Vision Corporation and Sky Cable Corporation among others
- Assistant Corporate Secretary of ABS-CBN Corporation
- Senior Partner, Law Firm of Quiason Makalintal Barot Torres Ibarra & Sison
- Member, Integrated Bar of the Philippines

Atty. Rodolfo R. Waga, Jr.
Assistant Corporate Secretary, 2010 - present

- Vice President and Head of the Legal Group of First Philippine Holdings Corporation
- Concurrently serves as Assistant Corporate Secretary of First Philippine Holdings Corporation
- Member, Integrated Bar of the Philippines

Manuel N. Tordesillas
Independent Director, elected May 2012

- Co-founder and President, Maybank ATR KimEng Financial Corporation
- Deputy Chairman, Maybank KimEng Group Executive Committee
- President, Investment Houses Association of the Philippines
- Member, Capital Markets Development Council

Corporate Governance

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

Corporate Governance Structure

The overall management and supervision of the Company is undertaken by the Board of Directors. There are 13 members of the Board of Directors. The regular directors were elected during the annual meeting of the stockholders held on May 2, 2011, to serve for a term of one year and until their successors are elected and qualified.

Establishment of the Corporate Governance Manual

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

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

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

- Appointment of a compliance officer, who shall directly report to the Chairman of the Board of Directors, and monitor compliance with the provisions and requirements of the Corporate Governance Manual. Subject to the further review and approval of the Board of Directors, the compliance officer shall also determine violations of the Corporate Governance Manual and recommend to the Chairman of the Board of Directors the appropriate actions for such violations;

- Identification of the general duties and responsibilities of the Board of Directors who shall be responsible for the Company's compliance with all relevant laws, regulations and codes of best business practices in order to sustain the Company's competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders and other stakeholders. The Corporate Governance Manual also directs the Board of Directors to adopt a system of internal checks and balances, identify and monitor key risk areas and key performance indicators with due diligence, and also monitor the effectiveness of management policies and decisions;

- Creation of Board Committees, such as the Audit Committee, the Nomination and Election Committee, Risk Management Committee, and Compensation and Remuneration Committee;

- Appointment of an External Auditor and Internal Auditor. The External Auditor shall ensure the independence of the audit of the Company in order to provide an objective assurance on the manner by which the financial statements of the Company will be prepared and presented to the stockholders. The Internal Auditor, on the other hand, shall have in place an independent audit system which shall provide with reasonable assurance that key organizational and procedural controls are effective, appropriate and complied with, taking into account the nature and complexity of the Company's business and the business culture, the volume, size and complexity of the transactions, the degree of risks, the degree of centralization and delegation of authority, the extent and effectiveness of information technology and the extent of regulatory compliance;

- Conduct of a training process for the purpose of conducting an orientation program to operationalize the Corporate Governance Manual;

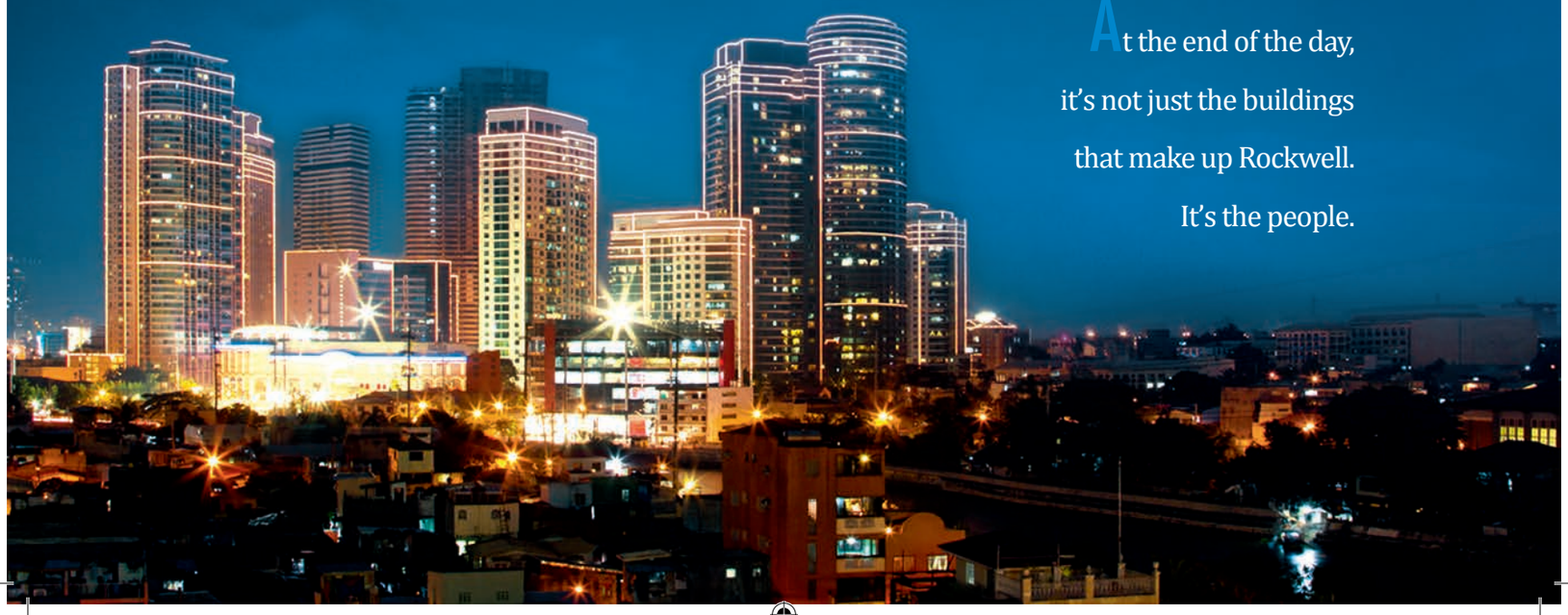
- Procedures for monitoring and assessing compliance with the Corporate Governance Manual; and

- Penalties for non-compliance with the Corporate Governance Manual.

Rockwell Land is taking further steps to enhance adherence to principles and practices of good corporate governance.

Only Rockwell can make 15.5 hectares feel like a close-knit community

At the end of the day, it's not just the buildings that make up Rockwell. It's the people.



Community Building

Rockwell strives to foster community spirit among residents, merchants, and those who visit. Activities year-round have been designed for interaction—neighbors meet one another, merchants know locals by name, guests are made to feel like they've entered a global community, not just another CBD. With these little introductions through Rockwell Center events, lasting relationships are built and Rockwell truly becomes their Rockwell.

Feb



Rockwell celebrated romance with the "Wine & Dine Community" Valentine Fete.

Apr



Rockwell held an Easter Community Event, "Rockin' Easter Rodeo".

July

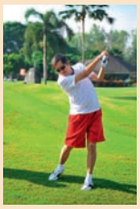


"Love Japan: Rockwell Community Bazaar, Garage Sale & Auction" raised funds for earthquake and tsunami victims.

Oct

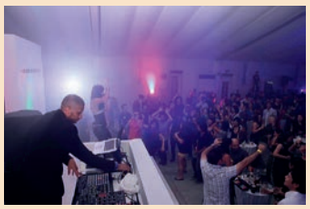

Rockwell celebrated its first integrated Halloween event, "Cirque du Rockwell".

Nov


4th Chairman's Cup of Rockwell Club donated its proceeds to Mary's Way Foundation.

Dec


Rockwell held "31 to 1", a 100% Rockwell New Year Party.

Corporate Social Responsibility

Rockwell Land strives to add value to the life of the customers, clients and employees through the CSR program. The mission—to create opportunities so people can live better—is realized through multifarious financial contributions, in-kind donations and volunteerism.

Creating opportunities for better lives

Rockwell Land strives to fulfill the unmet needs of underserved populations and support organizations that give individuals access to a better life. The Company encourages its employees to support programs that make a positive difference in their communities through volunteer efforts and financial contributions.

Rockwell Land actively supports the causes spearheaded by the Lopez Group of Companies, such as the Sagip Kapamilya relief drive during the aftermath of Typhoon Pedring and the annual Run for Pasig. In 2011, employees trooped to bring joy into the lives of underprivileged children by volunteering at the KBF Day Care Center.

Focus areas :

Education

Poverty alleviation

Disaster relief and social interventions

Environment

Health and Wellness

Rockwell Land employees do their share by helping pack relief goods.

Being involved in the lives of the underprivileged is part of the Rockwell Land employee culture.

Rockwell Staff

Helping street children in calamity struck areas

Rockwell Land actively supports the causes spearheaded by the Lopez Group of Companies, such as the Sagip Kapamilya relief drive during the aftermath of Typhoon Pedring.

Only Rockwell delivers returns that last several lifetimes

In the hands of Rockwell, land transforms into prime property; brick and mortar turns into blue chip stock; a personal investment becomes a family legacy.

Results of Operations

Rockwell Land registered total revenues of ₱6.2 billion in 2011, 26% higher than 2010. Revenues have grown at a compounded annual growth rate of 24% from 2009's ₱4.0 billion.

Residential development accounts for 85% of the total revenues of the Company in 2011 from 2009's 81% share. The Company launched one project every year since 2009, beginning with Edades.

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

BUSINESS SEGMENT (In Million Pesos)	2011	% TO TOTAL	2010	% TO TOTAL	2009	% TO TOTAL
Residential Development	5,211	85%	4,018	82%	3,281	81%
Commercial Leasing	942	15%	867	18%	752	19%
TOTAL CONSOLIDATED REVENUES	6,153	100%	4,885	100%	4,033	100%
Share in Net Income (Losses) in JV (3)	*80*		*(1)*		*(38)*	

Note: Amounts exclude revenues from Rockwell Business Center (RBC). Under the Accounting policy for a jointly controlled entity, results of operations of RBC are not consolidated line by line.

The bulk of the revenues come from residential sales, composed of the sale from condominium units and accretion of related interest income. Residential sales consist of the following projects in the years indicated: One Rockwell (2011, 2010 and 2009), The Grove (2011 and 2010) and Edades (2011). Residential sales have increasingly contributed to total revenues from 2009's 79% to 2011's 82%. Segment revenue grew by 30% in 2011 and 22% in 2010.

Sales take up in 2011 amounted to ₱4.9 billion, lower than 2010's ₱6.4 billion. The drop in sales was due to fewer higher-valued products available for sale by the end of 2010. Smaller-sized units of Towers E & F of The Grove were launched in August 2011.

Commercial Leasing revenues amount to ₱941.5 million, which grew by a compounded annual growth rate of 12% from 2009's revenues of ₱751.9 million. By end of 2011, retail operations and cinema operations account for 12% and 3% of total revenues, respectively.

Retail leasing's total leasable area of 48,000 sqm generated revenues amounting to ₱657.9 million by end of 2011. This accounts for 70% of the segment revenue and have grown by 8% compounded annually since 2009. Annual growth in retail leasing arises mainly from rental escalation and replacement of old stores. Cinema operations grew at a faster rate of 22% since 2009 due to the investment on its two cinema theaters, out of a total of six, with 2D and 3D technology in early 2010. With more movie titles at 2D and 3D formats, occupancy and average ticket rates have been growing since.

Revenues from office leasing's 44,000 square meters of leasable area, operated by the Rockwell-Meralco BPO Venture, have significantly grown since it opened in July 2009. It generated gross revenues of ₱258.1 million, which is 16x higher than 2009's ₱15.8 million. This is mainly due from higher occupancy and increased rental rate which began when the office market started to recover in 2010. However, its gross revenues are not consolidated in the Company's overall total revenue of ₱6.2 billion. The results of operations of RBC, net of all taxes, are reported under "Share in Net Income (Losses) in JV". At its present 80% share, the Company generated its first share in net income of ₱79.9 million from losses reported since 2009.

Earnings before interest, taxes, depreciation and amortization (EBITDA) in 2011 amounted to ₱1.6 billion representing 26% of total revenues. EBITDA has grown annually by 17% since 2009, where the Commercial Leasing segment grew faster at a rate of 23% to ₱764.8 million. Commercial Leasing accounts for 47% of the total EBITDA of the Company as of end of 2011 resulting from significant improvements in office leasing segment's occupancy and rental rate coming from the office market's recovery in 2010. Retail leasing plays an important role to the Company's EBITDA as this continues to grow on the back of rising domestic consumption in the country.

EBITDA from the Residential development segment grew to P852.7 million and contributes 53% to the total EBITDA of ₱1.6 billion by end of 2011. EBITDA margin was kept at 21% of total revenues from years 2009 to 2010. In 2011, EBITDA margin dropped to 16% due to cost of real estate and selling resulting from higher construction accomplishment for The Grove and Edades. Marketing expenses grew faster to support the introduction in August 2011 of phase three or Towers E & F of The Grove.

By the end of 2011, the Commercial leasing segment's EBITDA amounted to ₱764.8 million accounting for 47% of the total EBITDA of ₱1.6 billion. EBITDA grew by a compounded annual growth rate of 23% from 2009's EBITDA of ₱507.6 million. Margin to total segment revenues improved to 81% from 2009's 68% as a result of the significant improvement in the office segment of the Company. By 2011, the Company reported for the first time a positive share in net income from the operations of the RBC due to both higher average rental rates booked for new tenants and the significant improvement of the level of occupancy from 2010's 79% to 2011's 95%.

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

Resulting net income in 2011 amounted to ₱914.9 million, 14% higher than the previous year of ₱801.3 million. The Company's net income has grown by 20% compounded annually since 2009.

Financial Position

Total assets as of December 31, 2011 amounted to ₱18.0 billion, which grew annually by 22% from ₱12.0 billion in 2009. Assets mainly grew in 2011 from land acquisition. Both 2011 and 2010's growth resulted from the recognition of receivables from ongoing projects and higher development costs for The Grove and Edades. Capital expenditures grew at a compounded annual rate of 34% from 2009's ₱1.9 billion to 2011's ₱3.5 billion, resulting mainly from land acquisition worth ₱1.6 billion in 2011.

Total equity reached ₱9.1 billion by the end of 2011, up from 2009's ₱7.4 billion. In 2009, cash dividends amounting to ₱1.7 million were distributed to preferred shareholders, representing 6% of the cumulative dividends per annum including dividends in arrears. In addition, ₱200 million in cash dividends were also distributed to common shareholders at the same time. No dividends were declared in 2010 and 2011.

Current ratio as of December 31, 2011 is healthy at 2.79x from a low of 1.36x the previous year. Current ratio would have been 2.01x by the end of 2010 if the corporate notes amounting to ₱1.5 billion had not been reclassified to current liabilities in view of its refinancing in February 2011.

By the end of 2011, net debt level was at ₱2.4 billion representing 0.26x of total equity. The net debt to equity ratio improved from a high of 0.34x recorded in 2009. Majority of the debt carried by the end of 2011 was a fixed-interest term loan drawn in April 2011 which has a principal amount of ₱2.5 billion. The average interest cost over the three year period has steadily improved from 2009's 8.2% per annum to 2011's 7.0% per annum.

As a result of the higher net income in 2011, ROE increased to 10.5% compared to 2010's 10.2%. Resulting Earnings per Share (EPS) grew from 2009's ₱0.10 per share to 2011's ₱0.15 per share.

Below is a table showing all the key performance indicators of the Company for 2009-2011.

AMOUNTS AS INDICATED	*For the years ended December 31*		
	2011	2010	2009
EPS (₱)	0.15	0.13	0.10
ROA	5.7%	6.2%	5.2%
ROE	10.5%	10.2%	8.8%
	Dec 31, 2011	Dec 31, 2010	Jan 1, 2010
CURRENT RATIO (x)	2.79	1.36	2.36
NET DEBT TO EQUITY RATIO (x)	0.26	0.33	0.34

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

Statement of Management's Responsibility for Financial Statements

The management of **ROCKWELL LAND CORPORATION** is responsible for the preparation and fair presentation of the consolidated financial statements as of December 31, 2011 and 2010, and January 1, 2010, and for each of the three years in the period ended December 31, 2011, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards.

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

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

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

Manuel M. Lopez	**Nestor J. Padilla**	**Ellen V. Almodiel**
Chairman of the Board	Chief Executive Officer	Chief Financial Officer

Signed this 28th day of March 2012

Independent Auditors' Report

The Stockholders and the Board of Directors
Rockwell Land Corporation

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

SYCIP GORRES VELAYO & CO.

Maria Vivian C. Ruiz
Partner
CPA Certificate No. 83687
SEC Accreditation No. 0073-AR-2 (Group A),
February 4, 2010, valid until February 3, 2013
Tax Identification No. 102-084-744
BIR Accreditation No. 08-001998-47-2009,
June 1, 2009, valid until May 31, 2012
PTR No. 3174823, January 2, 2012, Makati City

February 28, 2012

Rockwell Land Corporation and Subsidiary Consolidated Statements of Financial Position

(Amounts in Thousands)

	December 31, 2011	December 31, 2010	January 1, 2010 (Note 32)*
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 6, 27 and 28)	**₱447,935**	₱320,706	₱392,524
Trade and other receivables (Notes 7, 14, 27 and 28)	**2,550,816**	2,325,339	497,563
Land and development costs (Notes 8, 11, 15, 17 and 26)	**5,584,593**	2,619,268	2,101,759
Advances to contractors (Note 8)	**822,888**	797,224	1,185,390
Condominium units for sale	**63,504**	13,319	55,947
Derivative assets (Notes 25, 27 and 28)	**–**	699	–
Other current assets (Notes 10, 15, 27 and 28)	**447,296**	547,869	467,074
Total Current Assets	**9,917,032**	6,624,424	4,700,257
Noncurrent Assets			
Noncurrent trade receivables (Notes 7, 14, 27 and 28)	**44,377**	38,973	53,723
Available-for-sale investments (Notes 9, 27 and 28)	**262,228**	278,048	244,908
Investment properties (Notes 11, 12 and 14)	**4,731,168**	4,453,505	4,501,552
Investment in joint venture (Note 12)	**2,103,102**	2,023,241	2,024,178
Property and equipment (Note 13)	**444,399**	446,309	403,706
Pension asset (Note 22)	**33,482**	49,852	65,590
Other noncurrent assets (Note 15)	**450,662**	–	–
Total Noncurrent Assets	**8,069,418**	7,289,928	7,293,657
	₱17,986,450	₱13,914,352	₱11,993,914
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables (Notes 16, 17, 24, 27 and 28)	**₱2,312,794**	₱1,360,943	₱862,024
Current portion of interest-bearing loans and borrowings (Notes 7, 11, 14, 27 and 28)	**278,418**	2,732,977	760,903
Current portion of installment payable (Note 15)	**651,736**	–	–
Deposits from pre-selling of condominium units (Note 8)	**283,835**	740,991	343,196
Income tax payable	**32,687**	33,131	23,824
Derivative liabilities (Notes 25, 27 and 28)	**–**	–	4,256
Total Current Liabilities	**3,559,470**	4,868,042	1,994,203
Noncurrent Liabilities			
Interest-bearing loans and borrowings - net of current portion (Notes 7, 11, 14, 27 and 28)	**2,588,238**	283,240	2,148,515
Installment payable - net of current portion (Note 15)	**2,370,688**	–	–
Deferred tax liabilities - net (Note 23)	**68,876**	210,896	183,097
Deposits and other liabilities (Notes 16, 17, 27 and 28)	**251,439**	305,100	252,427
Total Noncurrent Liabilities	**5,279,241**	799,236	2,584,039
Total Liabilities	**8,838,711**	5,667,278	4,578,242
Equity			
Capital stock (Note 18)	**6,255,882**	6,255,882	6,255,882
Unrealized gain (loss) on available-for-sale investments (Note 9)	**13,171**	27,409	(2,686)
Retained earnings (Note 18)	**2,878,686**	1,963,783	1,162,476
Total Equity	**9,147,739**	8,247,074	7,415,672
	₱17,986,450	₱13,914,352	₱11,993,914

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

See accompanying Notes to Consolidated Financial Statements.

Rockwell Land Corporation and Subsidiary Consolidated Statements of Comprehensive Income

(Amounts in Thousands)

	Years Ended December 31		
	2011	2010	2009
REVENUE			
Sale of condominium units	**₱4,588,106**	₱3,374,641	₱2,876,724
Lease income (Note 11)	**657,947**	603,602	560,318
Interest income (Note 19)	**517,089**	570,954	322,319
Cinema revenue	**199,906**	180,708	135,227
Others (Note 12)	**189,649**	154,605	138,616
	6,152,697	4,884,510	4,033,204
EXPENSES (INCOME)			
Cost of real estate (Notes 11, 20 and 24)	**3,910,539**	2,827,913	2,337,261
General and administrative expenses (Notes 7, 13, 20, 21, 22 and 24)	**644,739**	582,150	502,924
Selling expenses (Notes 20, 21 and 22)	**293,027**	212,090	161,164
Interest expense (Notes 14 and 20)	**182,559**	153,868	79,082
Share in net losses (income) of joint venture (Note 12)	**(79,861)**	937	37,865
Foreign exchange loss (gain) - net (Note 27)	**(3,790)**	19,379	14,025
Mark-to-market loss (gain) from derivative instruments (Note 25)	**304**	(10,354)	(10,372)
	4,947,517	3,785,983	3,121,949
INCOME BEFORE INCOME TAX	**1,205,180**	1,098,527	911,255
PROVISION FOR INCOME TAX (Note 23)	**290,277**	297,220	277,742
NET INCOME	**914,903**	801,307	633,513
OTHER COMPREHENSIVE INCOME (LOSS) - Net (Note 9)	**(14,238)**	30,095	1,300
TOTAL COMPREHENSIVE INCOME	**₱900,665**	₱831,402	₱634,813
Earnings Per Share (Note 29)	**₱0.15**	₱0.13	₱0.10

See accompanying Notes to Consolidated Financial Statements.

Rockwell Land Corporation and Subsidiary Consolidated Statements of Changes in Equity

(Amounts in Thousands)

	Capital Stock (Note 18)	Unrealized Gain (Loss) on Available-for-Sale Investments (Note 9)	Retained Earnings (Note 18)	Total
At December 31, 2010	**₱6,255,882**	**₱27,409**	**₱1,963,783**	**₱8,247,074**
Net income	–	–	**914,903**	**914,903**
Other comprehensive loss	–	**(14,238)**	–	**(14,238)**
Total comprehensive income for the year	–	**(14,238)**	**914,903**	**900,665**
At December 31, 2011	**₱6,255,882**	**₱13,171**	**₱2,878,686**	**₱9,147,739**
At December 31, 2009	₱6,255,882	(₱2,686)	₱1,162,476	₱7,415,672
Net income	–	–	801,307	801,307
Other comprehensive income	–	30,095	–	30,095
Total comprehensive income for the year	–	30,095	801,307	831,402
At December 31, 2010	₱6,255,882	₱27,409	₱1,963,783	₱8,247,074
At December 31, 2008	₱6,255,882	(₱3,986)	₱730,613	₱6,982,509
Net income	–	–	633,513	633,513
Other comprehensive income	–	1,300	–	1,300
Total comprehensive income for the year	–	1,300	633,513	634,813
Cash dividends	–	–	(201,650)	(201,650)
At December 31, 2009	₱6,255,882	(₱2,686)	₱1,162,476	₱7,415,672

See accompanying Notes to Consolidated Financial Statements.

Rockwell Land Corporation and Subsidiary Consolidated Statements of Cash Flows

(Amounts in Thousands)

	Years Ended December 31		
	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,205,180**	₱1,098,527	₱911,255
Adjustments for:			
Interest income (Note 19)	**(517,089)**	(570,954)	(322,319)
Depreciation and amortization (Notes 11, 13 and 20)	**229,729**	219,057	199,110
Interest expense (Note 20)	**171,355**	150,935	76,612
Share in net losses (income) of joint venture (Note 12)	**(79,861)**	937	37,865
Pension costs (Note 22)	**16,370**	15,738	24,540
Amortization and write-off of loan transaction costs (Note 20)	**11,204**	2,933	2,470
Unrealized foreign exchange gain - net	**(5,535)**	(13,158)	(8,647)
Mark-to-market loss (gain) from derivative instruments (Note 25)	**304**	(10,354)	(10,372)
Write-off of other receivables (Note 20)	**–**	21,029	–
Gain on sale of property and equipment	**–**	(119)	(74)
Operating income before working capital changes	**1,031,657**	914,571	910,440
Decrease (increase) in:			
Trade and other receivables	**258,517**	(1,276,805)	633,447
Land and development costs	**(692,712)**	(517,509)	493,199
Advances to contractors	**(25,664)**	388,166	(254,650)
Other current assets	**(22,761)**	(80,795)	(39,068)
Condominium units for sale	**(50,185)**	42,628	28,786
Increase (decrease) in:			
Trade and other payables	**973,155**	504,622	(1,408,358)
Deposits from pre-selling of condominium units	**(457,156)**	397,795	306,988
Contributions to plan assets (Note 22)	**–**	–	(61,322)
Net cash generated from operations	**1,014,851**	372,673	609,462
Income taxes paid	**(431,159)**	(263,160)	(163,597)
Interest paid	**(190,223)**	(156,638)	(77,997)
Net cash provided by (used in) operating activities	**393,469**	(47,125)	367,868
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Note 13)	**(63,109)**	(135,149)	(63,834)
Investment properties (Note 11)	**(19,890)**	(83,810)	(661,882)
Interest received	**25,257**	23,546	24,107
Proceeds from sale of property and equipment	**–**	5,465	3,433
Net cash used in investing activities	**(57,742)**	(189,948)	(698,176)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of bank loans (Note 14)	**4,225,531**	794,519	1,183,219
Payments of bank loans (Note 14)	**(4,386,296)**	(690,653)	(752,176)
Increase (decrease) in deposits and other liabilities	**(53,661)**	52,673	27,713
Dividends paid (Note 18)	**–**	–	(201,650)
Net cash provided by (used in) financing activities	**(214,426)**	156,539	257,106
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**5,928**	8,716	9,390
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**127,229**	(71,818)	(63,812)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**320,706**	392,524	456,336
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱447,935**	₱320,706	₱392,524

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

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

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

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

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

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

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

Statement of Compliance

The Company's consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS and Philippine Accounting Standards (PAS), including Interpretations issued by the Financial Reporting Standards Council (FRSC).

Basis of Consolidation

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

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

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

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the Company's consolidated financial statements are consistent with those of the previous financial year, except for the adoption of the following new and amended PAS, PFRSs and Philippine Interpretations which were adopted as at January 1, 2011. The adoption of the following amendments and interpretations did not have material effect on the accounting policies, financial position or performance of the Company, except for additional disclosures.

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

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

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

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

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

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

Improvements to PFRS (Issued 2010)

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

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

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

- PFRS 7, *Financial Instruments - Disclosures*: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The Company reflects the revised disclosure requirements in Notes 27 and 28.

- PAS 1, *Presentation of Financial Statements*: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the consolidated statement of changes in equity or in the notes to the consolidated financial statements. The Company provides this analysis in the consolidated statement of changes in equity.

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

- PFRS 3, *Business Combinations* [contingent consideration arising from business combination prior to adoption of PFRS 3 (as revised in 2008)]

- PFRS 3, *Business Combinations* (un-replaced and voluntarily replaced share-based payment awards)

- PAS 27, *Consolidated and Separate Financial Statements*

- PAS 34, *Interim Financial Statements*

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

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes* (determining the fair value of award credits)

- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*

Standards, Interpretations and Amendments to Existing Standards Not Yet Effective

The Company did not early adopt the following amendments to existing standards and interpretations that have been approved but are not yet effective as of December 31, 2011. Except as otherwise indicated, the Company does not expect the adoption of these amendments and interpretations to have an impact on its consolidated financial statements.

Effective in 2012

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

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

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

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

Effective Subsequent to 2012

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

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

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

  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Company is currently assessing the impact of the amendment to PAS 19.

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

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

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

As a consequence of the new PFRS 11, *Joint Arrangements*, and PFRS 12, PAS 28 has been renamed PAS 28, Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates.

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

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

  (a) The gross amounts of those recognized financial assets and recognized financial liabilities

  (b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the consolidated statement of financial position

  (c) The net amounts presented in the consolidated statement of financial position

  (d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:

  i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32
  ii. Amounts related to financial collateral (including cash collateral)

  (e) The net amount after deducting the amounts in (d) from the amounts in (c) above

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

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

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

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

  PFRS 11 replaces PAS 31, Interests in Joint Ventures, and SIC-13, Jointly-controlled Entities - Non-monetary Contributions by Venturers. PFRS 11 removes the option to account for jointly

controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will have no impact on the financial position of the Company.

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

  PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

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

  PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on the financial position and performance.

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

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

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

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

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

  PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

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

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

The Company continues to assess the impact of the above new, amended and improved accounting standards and interpretations effective subsequent to December 31, 2011. Additional disclosures required by these amendments will be included in the consolidated financial statements when these are adopted.

4. Summary of Significant Accounting Policies

Cash and Cash Equivalents

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

Financial Assets and Financial Liabilities

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

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

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

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

Financial Assets

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

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

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

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis; or
- the assets are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

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

Derivative Financial Instruments. The Company enters into forward currency contracts to hedge its currency exposure. Derivative instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently remeasured 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 fair values of freestanding forward currency transactions are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The Company has no embedded derivatives as of December 31, 2011 and 2010, and January 1, 2010.

The Company's derivative assets as of December 31, 2010 are classified under this category (see Note 25).

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, lease and sale of club shares, advances to officers and employees, other receivables, and refundable deposits (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-tomaturity 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, 2011 and 2010, and January 1, 2010.

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 Company's investment in Rockwell Leisure Club, Inc. (RLCI) shares and Manila Polo Club shares (see Note 9).

Financial Liabilities

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

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

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

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

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

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

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

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

Derecognition of Financial Assets and Liabilities

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

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

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

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

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

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

Impairment of Financial Assets

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

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

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

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

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

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

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

Land and Development Costs

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

Condominium Units for Sale

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

Investment Properties

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

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

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

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

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

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

Investment in Joint Venture

The Company has an interest in a joint venture which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The agreement requires unanimous agreement for financial and operating decisions among the venturers. The Company recognizes its interest in the joint venture using the equity method. Under the equity method, the investment in joint venture is carried in the consolidated statement of financial position at cost adjusted for postacquisition changes in the Company's share in net assets of the joint venture, less any impairment in value. The consolidated statement of comprehensive income reflects the Company's share in the results of operations of the joint venture. Unrealized gains arising from transactions with the joint venture are eliminated to the extent of the Company's interest in the joint venture against the related investment. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred. The financial statements of the joint venture are prepared for the same reporting period as the Company, using consistent accounting policies.

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

Property and Equipment

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

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

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

Buildings and improvements	15–35 years
Office furniture and other equipment	5–10 years
Transportation equipment	3–5 years

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

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

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

Impairment of Nonfinancial Assets

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

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

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

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

Revenue and Cost Recognition

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

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

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

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers as "Deposits from pre-selling of condominium units" account in the liability section of the consolidated statement of financial position.

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

Cost of real estate sold is recognized consistent with the revenue recognition method applied. Cost of condominium units sold before completion of the project is determined based on actual costs and project estimates of building contractors and technical staff.

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

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

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

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

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

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

Operating Leases

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

Equity

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

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

Pension Costs

The Company has a funded, noncontributory defined benefit pension plan covering all regular and permanent employees. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.

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

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

Income Tax

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

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences 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 are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

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

Provisions

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

Contingencies

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

Events After the Reporting Date

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

Earnings Per Share

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

Segment Reporting

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

Judgments

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

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

Lease income earned from investment properties amounted to ₱657.9 million, ₱603.6 million and ₱560.3 million in 2011, 2010 and 2009, respectively (see Note 11).

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

Transfers to (from) investment properties amounted to ₱392.3 million, nil and (₱32.1 million) in 2011, 2010 and 2009, respectively (see Note 11).

Interest in a Joint Venture. Management has assessed that is has joint control in its joint venture agreement (see Note 12).

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

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

Contingencies. The Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Company currently does not believe these proceedings will have a material effect on the financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 26). No provision for contingencies was recognized in 2011, 2010 and 2009.

Estimates and Assumptions

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

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

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

Impairment of Financial Assets

a. Loans and Receivables

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

Provision for doubtful accounts and write-off of other receivables totalled ₱2.0 million, ₱21.0 million and ₱0.3 million in 2011, 2010 and 2009, respectively (see Note 20). Trade and other receivables, net of allowance for doubtful accounts, amounted to ₱2.6 billion, ₱2.4 billion and ₱0.6 billion as of December 31, 2011 and 2010, and January 1, 2010, respectively (see Note 7).

b. Available-for-Sale Financial Assets

The Company considers available-for-sale financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective

evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Company treats "significant" generally as 20% or more and "prolonged" as period more than six months for quoted equity securities. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Available-for-sale investments amounted to ₱262.2 million, ₱278.0 million and ₱244.9 million as of December 31, 2011 and 2010, and January 1, 2010, respectively (see Note 9). No impairment loss was recognized in 2011, 2010 and 2009.

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

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

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

Property and equipment, net of accumulated depreciation, amounted to ₱444.4 million, ₱446.3 million and ₱403.7 million as of December 31, 2011 and 2010, and January 1, 2010, respectively (see Note 13).

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

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

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

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

	December 31, 2011	December 31, 2010	January 1, 2010
Investment properties - net (see Note 11)	**₱4,731,168**	₱4,453,505	₱4,501,552
Investment in joint venture (see Note 12)	**2,103,102**	2,023,241	2,024,178
Property and equipment - net (see Note 13)	**444,399**	446,309	403,706

The fair value of the investment properties amounted to ₱8.9 billion, ₱8.0 billion and ₱7.0 billion as of December 31, 2011 and 2010, and January 1, 2010, respectively (see Note 11).

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

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

Deferred tax assets amounted to ₱51.6 million, ₱51.4 million and ₱55.6 million as of December 31, 2011 and 2010, and January 1, 2010, respectively (see Note 23).

Pension Costs. The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating the terms of the related pension liability.

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

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

As of December 31, 2011 and 2010, and January 1, 2010, total pension asset amounted to ₱33.5 million, ₱49.9 million and ₱65.6 million, respectively. Since there is no minimum funding requirement, the resulting net asset recognized in the consolidated statement of financial position was determined as the lower of the surplus of the plan and the present value of the future service cost to the Company. Net cumulative unrecognized past service cost amounted to ₱17.2 million, ₱23.3 million and ₱29.4 million as of December 31, 2011 and 2010, and January 1, 2010, respectively. Net cumulative unrecognized actuarial gain (loss) amounted to (₱22.1) million, ₱13.9 million and ₱2.1 million as of December 31, 2011 and 2010, and January 1, 2010, respectively (see Note 22).

6. Cash and Cash Equivalents

This account consists of:

	December 31, 2011	December 31, 2010	January 1, 2010
Cash on hand and in banks	**₱119,822**	₱61,981	₱178,015
Short-term investments	**328,113**	258,725	214,509
	₱447,935	₱320,706	₱392,524

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 ₱10.6 million, ₱1.5 million and ₱5.0 million in 2011, 2010 and 2009, respectively (see Note 19).

7. Trade and Other Receivables

This account consists of:

	December 31, 2011	December 31, 2010	January 1, 2010
Trade receivables from:			
Sale of condominium units - net of noncurrent portion of ₱44.4 million in 2011, ₱39.0 million in 2010 and ₱53.7 million in 2009	**₱2,378,247**	₱2,183,249	₱367,180
Lease	**92,134**	73,599	75,271
Sale of club shares	**3,398**	3,875	4,232
Advances to officers and employees	**9,450**	7,458	8,933
Others - net of allowance for doubtful accounts of ₱3.5 million in 2011, ₱1.4 million in 2010 and ₱2.9 million in 2009	**67,587**	57,158	41,947
	₱2,550,816	₱2,325,339	₱497,563

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 ₱25.2 million, ₱22.3 million and ₱25.7 million as of December 31, 2011 and 2010, and January 1, 2010, respectively.

As of December 31, 2011 and 2010, and January 1, 2010, the gross undiscounted trade receivables (both recognized and future receivables) from sale of the "No. One Rockwell" (One Rockwell) and "The Grove" condominium projects amounting to ₱0.2 billion, ₱1.1 billion and ₱0.8 billion, respectively, have been assigned as security for interest-bearing loans and borrowings (see Note 14). Under the terms of the assignment, the Company will deliver all Contracts to Sell and customers' copies of the Condominium Certificates of Title covered by these receivables to be held in custody by the counterparty until the receivables are paid and/or repurchased by the Company. In order to enforce the provisions, the Company irrevocably appoints the counterparty as its attorney-in-fact with powers of substitution to, among others, sell, assign, transfer, set over, pledge, compromise or discharge the receivables in whole or in part.

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

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

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

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

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

	Lease	**Others**	**Total**
Balance at January 1, 2011	**₱–**	**₱1,431**	**₱1,431**
Provision (see Note 20)	–	**2,041**	**2,041**
Balance at December 31, 2011	**₱–**	**₱3,472**	**₱3,472**
Balance at January 1, 2010	₱–	₱2,896	₱2,896
Reversals of previous year's provision	–	(1,465)	(1,465)
Balance at December 31, 2010	₱–	₱1,431	₱1,431
Balance at January 1, 2009	₱173	₱2,601	₱2,774
Provision for the year (see Note 20)	–	295	295
Reversals of previous year's provision	(173)	–	(173)
Balance at January 1, 2010	₱–	₱2,896	₱2,896

8. Land and Development Costs

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

	December 31, 2011	December 31, 2010	January 1, 2010
Greater Rockwell (see Note 15)	**₱3,538,994**	₱3,001	₱–
The Grove	**1,204,392**	1,591,757	1,445,268
Edades	**250,233**	838,630	577,660
One Rockwell	**–**	172,884	64,911
Others	**590,974**	12,996	13,920
	₱5,584,593	₱2,619,268	₱2,101,759

Estimated costs to complete these projects follow:

	December 31, 2011	December 31, 2010	January 1, 2010
Greater Rockwell	**₱17,096,737**	₱20,632,730	₱–
The Grove	**4,086,532**	9,727,998	10,184,018
Edades	**3,595,256**	4,088,833	4,349,804
One Rockwell	**–**	784,820	3,173,382
	₱24,778,525	₱35,234,381	₱17,707,204

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

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

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

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

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

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

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

In 2011, development costs amounting to P392.3 million and P30.2 million were reclassified to investment property and property and equipment accounts, respectively (see Notes 11 and 13).

9. Available-for-Sale Investments

This account consists of:

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

Available-for-sale quoted equity shares

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

On May 12, 1999, the Company entered into an agreement with RLCI for the assignment of the facilities and the related condominium certificates of title on the premises amounting to ₱400.0 million, in exchange for advances convertible into 1,000 Class A and 500 Class B common shares of stock of RLCI with a par value of ₱1,000 per share. As of December 31, 2011 and 2010, and January 1, 2010, a portion of the advances have been converted to 655 Class A and 200 Class B common shares. The remaining advances, which were convertible into fixed number of equity shares, are already treated as available-for-sale financial assets since PAS 32 requires that financial instruments be classified in accordance with their substance and not their legal form.

The movement in the unrealized gain (loss) on available-for-sale investments is as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Unrealized gain (loss) at beginning of year	**₱27,409**	(₱2,686)	(₱3,986)
Fair value change of available-for-sale investments recognized in other comprehensive income - net of tax effect of ₱1.5 million in 2011, ₱3.0 million in 2010 and nil in 2009	**(14,238)**	30,095	1,300
Unrealized gain (loss) at end of year	**₱13,171**	₱27,409	(₱2,686)

Available-for-sale investments - unquoted equity shares

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

10. Other Current Assets

This account consists of:

	December 31, 2011	December 31, 2010	January 1, 2010
Prepaid costs (see Notes 4, 15 and 20)	**₱279,584**	₱279,645	₱252,596
Input value-added tax (VAT) (see Note 15)	**119,900**	206,033	142,166
Refundable deposits	**17,388**	15,792	19,737
Others	**30,424**	46,399	52,575
	₱447,296	₱547,869	₱467,074

11. Investment Properties

This account consists of:

	December 31, 2011		
	Land	**Buildings and Improvements**	**Total**
At January 1, 2011, net of accumulated depreciation	**₱1,741,816**	**₱2,711,689**	**₱4,453,505**
Additions	**–**	**19,890**	**19,890**
Reclassification from land and development costs (see Note 8)	**129,028**	**263,284**	**392,312**
Depreciation (see Note 20)	**–**	**(134,539)**	**(134,539)**
At December 31, 2011, net of accumulated depreciation	**₱1,870,844**	**₱2,860,324**	**₱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**	**₱4,175,666**	**₱6,046,510**
Accumulated depreciation	**–**	**(1,315,342)**	**(1,315,342)**
Net carrying amount	**₱1,870,844**	**₱2,860,324**	**₱4,731,168**

	December 31, 2010		
	Land	Buildings and Improvements	Total
At January 1, 2010, net of accumulated depreciation	₱1,741,816	₱2,759,736	₱4,501,552
Additions	–	83,810	83,810
Depreciation (see Note 20)	–	(131,857)	(131,857)
At December 31, 2010, net of accumulated depreciation	₱1,741,816	₱2,711,689	₱4,453,505
At January 1, 2010:			
Cost	₱1,741,816	₱3,808,682	₱5,550,498
Accumulated depreciation	–	(1,048,946)	(1,048,946)
Net carrying amount	₱1,741,816	₱2,759,736	₱4,501,552
At December 31, 2010:			
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

	January 1, 2010		
	Land	Buildings and Improvements	Total
At January 1, 2009, net of accumulated depreciation	₱1,741,816	₱2,864,742	₱4,606,558
Additions (see Note 12)	–	661,882	661,882
Reclassification from construction in progress (see Note 12)	–	1,444,764	1,444,764
Reclassification to investment in joint venture (see Note 12)	–	(2,055,043)	(2,055,043)
Reclassification to property and equipment (see Note 13)	–	(27,422)	(27,422)
Reclassification to land and development costs (see Note 8)	–	(4,660)	(4,660)
Depreciation (see Note 20)	–	(124,527)	(124,527)
At January 1, 2010, net of accumulated depreciation	₱1,741,816	₱2,759,736	₱4,501,552
At January 1, 2009:			
Cost	₱1,741,816	₱3,789,160	₱5,530,976
Accumulated depreciation	–	(924,418)	(924,418)
Net carrying amount	₱1,741,816	₱2,864,742	₱4,606,558
At January 1, 2010:			
Cost	₱1,741,816	₱3,808,682	₱5,550,498
Accumulated depreciation	–	(1,048,946)	(1,048,946)
Net carrying amount	₱1,741,816	₱2,759,736	₱4,501,552

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

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

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

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

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

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

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

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

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

12. Investment in Joint Venture

Project Development Agreement

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

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

JV Agreement

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

In accordance with the terms of the JV Agreement, the Parent Company acts as the Property Manager of the unincorporated JV. Management fees recognized by the Parent Company, which is shown as part of "Others" account in the consolidated statements of comprehensive income, amounted to ₱0.9 million, ₱0.8 million and ₱0.5 million in 2011, 2010 and 2009, respectively. The unincorporated JV will be managed and operated in accordance with the terms of the JV agreement and with the Property Management Plan provided for in the JV Agreement.

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

The unincorporated JV started commercial operations in July 2009.

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

	December 31, 2011	December 31, 2010	January 1, 2010
Current assets	**₱323,802**	₱173,452	₱49,143
Noncurrent assets	**1,898,669**	1,990,461	2,027,252
Current liabilities	**50,223**	83,977	29,791
Noncurrent liabilities	**69,146**	56,695	22,426
Equity	**₱2,103,102**	₱2,023,241	₱2,024,178

Share in the joint venture's revenue and expenses:

	2011 (One Year)	2010 (One Year)	2009 (Six Months)
Revenue	**₱206,517**	₱119,199	₱12,651
General and administrative expenses	**44,454**	37,934	16,065
Depreciation expense	**82,202**	82,202	34,451
Share in net income (loss)	**₱79,861**	(₱937)	(₱37,865)

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

	December 31, 2011	December 31, 2010	January 1, 2010
Investment cost	**₱2,062,043**	₱2,062,043	₱2,062,043
Accumulated share in net income (losses):			
Balance at beginning of the year	**(38,802)**	(37,865)	–
Share in net income (losses)	**79,861**	(937)	(37,865)
Balance at end of year	**41,059**	(38,802)	(37,865)
Carrying value	**₱2,103,102**	₱2,023,241	₱2,024,178

13. Property and Equipment

This account consists of:

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

	December 31, 2010				
	Land	Buildings and Improvements	Office Furniture and Other Equipment	Transportation Equipment	Total
Cost					
At January 1	₱20,852	₱253,940	₱711,087	₱101,655	₱1,087,534
Additions	–	23,192	102,222	9,735	135,149
Disposals	–	–	–	(6,899)	(6,899)
At December 31	20,852	277,132	813,309	104,491	1,215,784
Accumulated Depreciation and Amortization					
At January 1	–	152,235	462,072	69,521	683,828
Depreciation and amortization (see Note 20)	–	7,101	71,048	9,051	87,200
Disposals	–	–	–	(1,553)	(1,553)
At December 31	–	159,336	533,120	77,019	769,475
Net Book Value at December 31	₱20,852	₱117,796	₱280,189	₱27,472	₱446,309

	January 1, 2010				
	Land	Buildings and Improvements	Office Furniture and Other Equipment	Transportation Equipment	Total
Cost					
At January 1, 2009	₱20,852	₱226,340	₱665,564	₱89,018	₱1,001,774
Reclassification from investment properties (see Note 11)	–	27,422	–	–	27,422
Additions	–	178	45,530	18,126	63,834
Disposals	–	–	(7)	(5,489)	(5,496)
At January 1, 2010	20,852	253,940	711,087	101,655	1,087,534
Accumulated Depreciation and Amortization					
At January 1, 2009	–	146,978	402,841	61,563	611,382
Depreciation and amortization (see Note 20)	–	5,257	59,232	10,094	74,583
Disposals	–	–	(1)	(2,136)	(2,137)
At January 1, 2010	–	152,235	462,072	69,521	683,828
Net Book Value at January 1, 2010	₱20,852	₱101,705	₱249,015	₱32,134	₱403,706

14. Interest-bearing Loans and Borrowings

This account consists of:

	Effective Interest Rate	**December 31, 2011**	December 31, 2010	January 1, 2010
Current				
Corporate notes	8.8% fixed in 2010 and 2009	**₱–**	₱1,580,000	₱280,000
Peso-denominated loans from various local banks and financial institutions	2011: 7.5% fixed, 4.5% floating and 1-yr PDST-F plus 2%, 2010 and 2009: 8.5% fixed, 1-yr PDST-F plus 1.5%, 3-month PDST-F plus 2%; 1-yr PDST-F plus 2%	**278,418**	1,152,977	480,903
		₱278,418	₱2,732,977	₱760,903
Noncurrent				
Corporate notes	7.3% fixed in 2011 and 8.8% fixed in 2009	**₱2,500,000**	₱–	₱1,580,000
Peso-denominated loans from various local banks and financial institutions	2011: 7.5% fixed, 2010: 8.5% fixed, 1-yr PDST-F plus 2%, 2009: 8.5% fixed, 1-yr PDST-F plus 1.5%, 3-month PDST-F plus 2%; 1-yr PDST-F plus 2%	**108,954**	290,691	578,899
		2,608,954	290,691	2,158,899
Less unamortized loan transaction costs (see Note 20)		**20,716**	7,451	10,384
		₱2,588,238	₱283,240	₱2,148,515

Corporate Notes

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

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

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

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

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

Covenants. The new Agreement contains, among others, covenants regarding incurring additional debt and dividend, to the extent that such will result in a breach of the required debt-to-equity ratio and current ratio. As of December 31, 2011, the Parent Company has complied with these covenants (see Note 27).

Loans from Various Local Banks and Financial Institutions

Peso denominated loans from various local banks and financial institutions consist of bridge facilities mostly payable by the end of 2012 and a term loan payable by December 2014.

All interest-bearing loans and borrowings outstanding as of December 31, 2011 and 2010, and January 1, 2010 (excluding unsecured loans of ₱100.0 million as of December 31, 2011) are secured by assignment of One Rockwell and The Grove receivables with gross undiscounted amounts of ₱0.2 billion, ₱1.1 billion and ₱0.8 billion, respectively (see Note 7), a parcel of land

and Mortgage Participation Certificates amounting to ₱2.5 billion, ₱1.6 billion and ₱1.9 billion, respectively, on a Mortgage Trust Indenture (MTI) and its amendments and supplements over the Power Plant Mall (see Note 11). As of February 28, 2012, the Parent Company is in the process of increasing the collateral value of the MTI from ₱3.0 billion to ₱4.3 billion.

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

2012	₱278,418
2013	509,118
2014	508,927
2015	454,545
2016 onwards	1,136,364
	₱2,887,372

Loan Transaction Costs. As of December 31, 2011 and 2010, and January 1, 2010, loan transaction costs consisting of documentary stamp tax and underwriting fees on the corporate notes were capitalized and presented as a deduction from the related loan balance.

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

	December 31, 2011	December 31, 2010	January 1, 2010
Balance at beginning of year	**₱7,451**	₱10,384	₱12,854
Addition during the year	**24,469**	–	–
Write-off of loan transaction costs on pre-terminated loans (see Note 20)	**(6,991)**	–	–
Amortization during the year (see Note 20)	**(4,213)**	(2,933)	(2,470)
Balance at end of year	**₱20,716**	₱7,451	₱10,384

15. Installment Payable

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

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

June 2012	₱792,130
June 2013	799,755
June 2014	799,755
June 2015	799,755
June 2020	655,799
Total	₱3,847,194

The installment payable and the corresponding land held for development were recorded at present value using the discount rate of 8%. Accretion of interest expense for the year ended December 31, 2011 amounted to ₱33.8 million and was capitalized as part of land and development costs (see Note 8).

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

Installment payable is secured by Stand-By Letters of Credit (SBLC) from Metropolitan Bank and Trust Company and First Metro Investment Corporation totaling ₱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, 2011 amounting to ₱20.1 million is presented as part of "Prepaid costs" under "Other current assets" account in the 2011 consolidated statement of financial condition (see Note 10).

The related deferred input VAT amounting to ₱327.3 million, net of current portion of ₱83.5 million (see Note 10), is recognized as part of "Other noncurrent assets" account in the 2011 consolidated statement of financial position. This deferred input VAT will be claimed against output VAT upon payment of the related installment payable.

16. Trade and Other Payables

This account consists of:

	December 31, 2011	December 31, 2010	January 1, 2010
Trade	**₱132,042**	₱106,642	₱84,715
Accrued project costs	**640,654**	340,297	88,882
Accrued taxes	**251,481**	134,092	247,330
Deferred output VAT	**207,216**	218,337	7,630
Accrued expenses	**164,966**	93,933	117,309
Accrued interest	**68,631**	51,212	28,487
Due to related party (see Note 24)	**18,733**	14,281	21,145
Accrued marketing and promotions	**13,798**	11,452	13,408
Accrued producers' share	**10,356**	13,329	7,736
Excess collections over recognized receivables (see Note 4)	**418,815**	185,499	–
Current portions of:			
Retention payable (see Note 17)	**228,432**	17,928	96,119
Security deposits (see Note 17)	**108,126**	146,557	123,251
Deferred lease income (see Note 17)	**49,544**	27,384	26,012
	₱2,312,794	₱1,360,943	₱862,024

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

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

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

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

17. Deposits and Other Liabilities

This account consists of:

	December 31, 2011	December 31, 2010	January 1, 2010
Security deposits - net of current portion of ₱108.1 million in 2011, ₱146.6 million in 2010 and ₱123.3 million in 2009 (see Note 16)	**₱110,533**	₱57,402	₱72,525
Retention payable - net of current portion of ₱228.4 million in 2011, ₱17.9 million in 2010 and ₱96.1 million in 2009 (see Note 16)	**93,273**	183,887	111,391
Deferred lease income - net of current portion of ₱49.5 million in 2011, ₱27.4 million in 2010 and ₱26.0 million in 2009 (see Note 16)	**31,334**	49,581	45,881
Customers' deposits	**13,298**	11,231	13,336
Others	**3,001**	2,999	9,294
	₱251,439	₱305,100	₱252,427

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

Retention payable is the portion of the amount billed by contractors that is being withheld as security in case the Company incurs costs during the defects and liability period, which is one year after a project's completion. This is subsequently released to the contractors after the said period.As discussed in Note 4, the Company uses discounted cash flow analysis to measure the fair value of retention payable. The resulting difference between the transaction price and fair value at initial recognition is recognized in the consolidated statement of financial position as a reduction from "Land and development costs". The retention payable is carried at amortized cost using effective interest method. The amortization of discount on retention payable is capitalized as part of development costs while the related project's construction is in progress (see Note 8).

The following table shows a reconciliation of unamortized discount on retention payable as of December 31, 2011 and 2010, and January 1, 2010.

	December 31, 2011	December 31, 2010	January 1, 2010
Balance at beginning of year	**₱34,269**	₱21,768	₱18,346
Additions	**10,569**	15,316	28,182
Amortization during the year (see Note 8)	**(31,851)**	(2,815)	(24,760)
Balance at end of year	**₱12,987**	₱34,269	₱21,768

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

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

18. Equity

a. Capital Stock

	Number of Shares	Amount
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 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.

b. Dividends

On January 16, 2012, the BOD approved the declaration of dividends for preferred shares at 6% cumulative per annum amounting to ₱4.1 million.

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

19. Interest Income

This account consists of:

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

20. Expenses

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

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

General and administrative expenses pertain to the following businesses:

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

Real Estate

	2011	2010	2009
Personnel (see Notes 21 and 22)	**₱125,867**	₱93,305	₱107,719
Taxes and licenses	**102,105**	73,611	76,651
Depreciation and amortization (see Note 13)	**88,807**	81,917	70,788
Entertainment, amusement and recreation	**25,887**	23,630	21,403
Marketing and promotions	**18,503**	13,365	18,452
Utilities (see Note 24)	**14,937**	14,806	11,195
Professional fees	**12,676**	8,813	12,454
Insurance	**9,256**	6,606	5,266
Fuel and oil	**7,183**	4,209	3,199
Dues and subscriptions	**6,759**	9,281	9,272
Contracted services	**4,969**	6,397	5,174
Materials and supplies	**2,389**	2,279	2,127
Provision for doubtful accounts (see Note 7)	**2,041**	–	295
Security services	**1,951**	1,970	1,894
Write-off of other receivables	**–**	21,029	–
Others	**61,330**	70,921	36,090
	₱484,660	₱432,139	₱381,979

Cinema

	2011	2010	2009
Producers' share	**₱84,611**	₱80,640	₱48,406
Utilities (see Note 24)	**24,446**	22,231	19,758
Amusement tax	**14,905**	13,008	22,372
Snack bar	**11,033**	9,010	8,766
Personnel (see Notes 21 and 22)	**7,465**	7,766	7,313
Depreciation and amortization (see Note 13)	**6,383**	5,283	3,795
Contracted services	**4,530**	4,549	3,795
Advertising	**2,751**	2,852	2,919
Others	**3,955**	4,672	3,821
	₱160,079	₱150,011	₱120,945

Selling expenses are comprised of:

	2011	2010	2009
Commissions and amortization of prepaid costs (see Notes 4 and 10)	**₱209,800**	₱155,291	₱114,322
Marketing and promotions	**49,253**	25,739	25,846
Personnel (see Notes 21 and 22)	**31,506**	29,400	19,589
Entertainment, amusement and recreation	**1,711**	1,234	803
Others	**757**	426	604
	₱293,027	₱212,090	₱161,164

Interest expense is comprised of:

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

21. Personnel Expenses

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

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

22. Pension Costs

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

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

Net Pension Costs

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

Pension Asset

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

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

	December 31, 2011	December 31, 2010	January 1, 2010
Defined benefit obligation at beginning of year	**₱168,164**	₱126,010	₱50,154
Current service cost	**17,966**	14,386	5,621
Interest cost	**13,134**	11,643	5,833
Past service cost	**–**	–	39,693
Actuarial loss due to:			
Change in assumptions	**27,367**	15,132	18,022
Experience adjustments	**(2,228)**	993	6,687
Benefits paid	**(6,233)**	–	–
Defined benefit obligation at end of year	**₱218,170**	₱168,164	₱126,010

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

	December 31, 2011	December 31, 2010	January 1, 2010
Fair values of plan assets at beginning of year	**₱208,637**	₱164,250	₱82,295
Expected return on plan assets	**20,864**	16,425	4,115
Actual contributions	**–**	–	61,322
Unrecognized net actuarial gain (loss)	**(10,858)**	27,962	16,518
Benefits paid	**(6,233)**	–	–
Fair values of plan assets at end of year	**₱212,410**	₱208,637	₱164,250

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

	December 31, 2011	December 31, 2010	January 1, 2010
Net cumulative unrecognized actuarial gain (loss) at beginning of year	**₱13,928**	₱2,091	₱10,692
Actuarial gain (loss) due to:			
Change in assumptions	**(27,367)**	(15,132)	(18,022)
Experience adjustments	**2,228**	(993)	(6,687)
Net actuarial gain recognized	**–**	–	(410)
Actuarial gain (loss) on plan assets	**(10,858)**	27,962	16,518
Net cumulative unrecognized actuarial gain (loss) at end of year	**(₱22,069)**	₱13,928	₱2,091

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

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

	December 31, 2011	December 31, 2010	January 1, 2010
Investments in:			
Government securities	**37.15%**	33.24%	37.53%
Loans and debt instruments	**10.93%**	12.75%	9.33%
Other securities	**51.92%**	54.01%	53.14%
	100.00%	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, 2011, 2010 and 2009 in determining pension cost obligation for the Company's plans are as follows:

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

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

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

	2011	2010	2009	2008	2007
Defined benefit obligation	**₱218,170**	₱168,164	₱126,010	₱50,154	₱56,772
Plan assets	**212,410**	208,637	164,250	82,295	47,437
Experience adjustment on defined benefit obligation	**(2,228)**	993	6,687	(2,156)	724
Experience adjustment on plan assets	**(10,858)**	27,692	16,518	(9,911)	2,697

23. Income Taxes

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

	2011	2010	2009
Current income tax	**₱430,715**	₱272,467	₱200,740
Deferred income tax	**(140,438)**	24,753	77,002
	₱290,277	₱297,220	₱277,742

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

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

The components of the Company's deferred tax assets and liabilities as of December 31, 2011 and 2010, and January 1, 2010 shown in the consolidated statements of financial position are as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Deferred tax liabilities:			
Capitalized interest	**₱82,084**	₱85,201	₱88,318
Unrealized gain on real estate	**25,228**	145,170	113,083
Overfunded pension costs	**10,045**	14,956	19,677
Unrealized foreign exchange gain	**1,661**	13,721	17,668
Unrealized gain on available-for-sale investments	**1,463**	3,045	–
Derivative assets	**–**	210	–
Total	**120,481**	262,303	238,746
Deferred tax assets:			
Deferred lease income	**24,156**	22,978	21,190
Unamortized past service cost	**16,332**	19,121	21,909
Other employee benefits	**6,953**	6,259	7,784
Allowance for doubtful accounts and others	**4,164**	3,049	3,489
Derivative liabilities	**–**	–	1,277
	51,605	51,407	55,649
	₱68,876	₱210,896	₱183,097

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

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

24. Related Party Transactions

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

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

a. Gross utilities expense due to Meralco amounting to ₱326.7 million in 2011, ₱265.3 million in 2010 and ₱208.0 million in 2009 (see Note 20). Unpaid utilities expense as of December 31, 2011 and 2010, and January 1, 2010 amounted to ₱18.7 million, ₱14.3 million and ₱21.1 million, respectively (see Note 16); and,

b. Advances to officers and employees amounting to ₱9.5 million, ₱7.5 million and ₱8.9 million as of December 31, 2011 and 2010, and January 1, 2010, respectively (see Note 7).

Terms and Conditions of Transactions with Related Parties

Purchases from related parties are made at normal market prices. Outstanding balances at year-end are unsecured, interest-free, settlement occurs in cash and collectible/payable on demand. There have been no guarantees provided for or received for any related party receivables or payables. For the years ended December 31, 2011 and 2010, and January 1, 2010, the Company has not made any provision for doubtful accounts relating to amounts owed by related parties. This assessment is undertaken at each financial year through examination of the financial position of the related party and the market in which the related party operates.

Compensation of Key Management Personnel of the Company

	2011	2010	2009
Short-term employee benefits	**₱41,790**	₱42,191	₱34,603
Post-employment pension and other benefits	**9,767**	9,970	16,022
Total compensation attributable to key management personnel	**₱51,557**	₱52,161	₱50,625

25. Derivative Financial Instruments

The Company entered into deliverable currency forward contracts to manage its foreign currency exposure arising from its US$ denominated receivables. As of December 31, 2010 and January 1, 2010, the Company has outstanding currency forward contracts to sell US$ with an aggregate notional amount of US$0.9 million and US$2.4 million, respectively, and weighted average contracted forward rate of ₱43.88 to US$1.00 and ₱46.21 to US$1.00, respectively. Outstanding derivatives matured in 2011. The net fair value gain on the outstanding currency forward contracts amounted to ₱10.4 million in 2010 and 2009.

Fair Value Changes on Derivatives

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

	December 31, 2011	December 31, 2010	January 1, 2010
Balance at beginning of year	**₱699**	(₱4,256)	(₱21,706)
Mark-to-market gain (loss)	**(304)**	10,354	10,372
Fair value of settled instruments	**(395)**	(5,399)	7,078
Asset (liability) at end of year	**₱–**	₱699	(₱4,256)

26. Commitments and Contingencies

Operating Lease Commitments

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

2012	₱447,731
2013	102,920
2014	71,598
2015	17,421
2016 and after	9,090
	₱648,760

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, 2011, ₱165.7 million has been incurred and paid.

b. The Company entered into contract covering superstructure works related to "The Grove" project with Hilmarc's Construction Corporation. The contract sum for the work amounted to ₱1.6 billion, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of the work. Superstructure works commenced in 2010 and is currently ongoing. As of December 31, 2011, total amount paid related to this contract amounted to ₱739.4 million.

c. The Company entered into a contract with DATEM Incorporated in April 2008 for the superstructure works of the "One Rockwell" project. The contract amounted to a fixed fee of ₱2.5 billion, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of the works. Superstructure works commenced in 2008 and was completed in December 2011. As of December 31, 2011, ₱2.3 billion has been paid.

Contingencies

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

27. Financial Risk Management Objectives and Policies

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

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

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

Cash Flow Interest Rate Risk

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

The Company's policy is to manage its interest cost using a mix of fixed and variable rate debts. As of December 31, 2011 and 2010, and January 1, 2010, approximately 92%, 62% and 74%, respectively, of the Company's borrowings are at a fixed rate of interest.

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

	December 31, 2011				
	Within 1 Year	1–2 Years	2–3 Years	More than 3 Years	Total
Interest-bearing loans and borrowings	₱50,942	₱509,118	₱508,927	₱1,590,909	₱2,659,896
Short-term investments	328,113	–	–	–	328,113
Interest-bearing loans and borrowings	227,476	–	–	–	227,476

	December 31, 2010				
	Within 1 Year	1–2 Years	2–3 Years	More than 3 Years	Total
Fixed Rate					
Interest-bearing loans and borrowings	₱1,626,444	₱50,549	₱55,017	₱54,694	₱1,786,704
Short-term investments	258,725	–	–	–	258,725
Floating Rate					
Interest-bearing loans and borrowings	1,106,533	130,431	–	–	1,236,964

	January 1, 2010				
	Within 1 Year	1–2 Years	2–3 Years	More than 3 Years	Total
Fixed Rate					
Interest-bearing loans and borrowings	₱454,323	₱307,560	₱309,997	₱1,085,105	₱2,156,985
Short-term investments	214,509	–	–	–	214,509
Floating Rate					
Interest-bearing loans and borrowings	306,580	456,237	–	–	762,817

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

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's December 31, 2011 and 2010, and January 1, 2010 income before income tax (through the impact on floating rate borrowings). There is no impact on the Company's equity other than those already affecting the income.

	2011	
	Increase/Decrease in Basis Points	**Effect on Income Before Income Tax**
Floating rate loans from various local banks	**+100**	**(₱5.22 million)**
	-100	**5.22 million**
	2010	
	Increase/Decrease in Basis Points	Effect on Income Before Income Tax
Floating rate loans from various local banks	+100	(₱9.01 million)
	-100	9.01 million
	2009	
	Increase/Decrease in Basis Points	Effect on Income Before Tax
Floating rate loans from various local banks	+100	(₱3.40 million)
	-100	3.40 million

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

Foreign Currency Risk

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

Foreign Currency-Denominated Assets and Liabilities

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

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

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

The following tables demonstrate the sensitivity to a reasonably possible change in the US$ exchange rate with respect to Peso, with all other variables held constant, of the Company's December 31, 2011 and 2010, and January 1, 2010 income before income tax (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Company's equity other than those already affecting the income.

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

	2010	
	Increase/decrease in US$ Rate (in %)	Effect on Income Before Income Tax
Foreign currency-denominated financial assets	+5%	₱5.23 million
	-5%	(₱5.23 million)

	2009	
	Increase/decrease in US$ Rate (in %)	Effect on Income Before Tax
Foreign currency-denominated financial assets and liabilities	+5%	₱10.95 million
	-5%	(₱10.95 million)

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

Credit Risk

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

The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Default or delinquency on the part of buyers of condominium units and club shares are being

monitored on an ongoing basis to enable the Company to determine the appropriate action - usually, cancelling the sale and holding the units and club shares open for sale. Lease receivables are closely monitored based on aging of the accounts. Accounts determined to be uncollectible are recommended for write off. With regard to the other financial assets of the Company, these are also monitored regularly with the result that the Company's exposure to bad debts is not significant.

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

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

	December 31, 2011	December 31, 2010	January 1, 2010
Cash and cash equivalents*	**₱447,709**	₱320,485	₱392,313
Trade receivables from:			
Sale of condominium units	**2,422,624**	2,222,222	420,903
Lease	**92,134**	73,599	75,271
Sale of club shares	**3,398**	3,875	4,232
Advances to officers and employees	**9,450**	7,458	8,933
Other receivables	**64,917**	11,975	20,496
Derivative assets	**–**	699	–
Available-for-sale investments:			
Quoted	**258,920**	274,740	241,600
Unquoted	**3,308**	3,308	3,308
Deposits**	**17,323**	15,727	13,077
	₱3,319,783	₱2,934,088	₱1,180,133

** Excluding cash on hand amounting to ₱226, ₱221 and ₱211 as of December 31, 2011 and 2010, and January 1, 2010, respectively.*
*** Presented as part of "Other current assets" account in the consolidated statements of financial position.*

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

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

	December 31, 2011		
	A Rating	**B Rating**	**Total**
Cash and cash equivalents	**₱447,709**	**₱–**	**₱447,709**
Trade receivables from:			
Sale of condominium units	**1,251,979**	**675,199**	**1,927,178**
Lease	**61,614**	**28,435**	**90,049**
Sale of club shares	**–**	**–**	**–**
Advances to officers and employees	**9,119**	**331**	**9,450**
Other receivables	**64,917**	**–**	**64,917**
Available-for-sale investments:			
Quoted	**258,920**	**–**	**258,920**
Unquoted	**3,308**	**–**	**3,308**
	₱2,097,566	**₱703,965**	**₱2,801,531**

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

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

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

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

As of December 31, 2011 and 2010, and January 1, 2010, the analyses of the age of financial assets are as follows:

	December 31, 2011					
	Neither Past Due nor Impaired	Past Due but not Impaired				
		Less than 30 Days	31 to 60 Days	61 to 90 Days	More than 90 Days	Total
Cash and cash equivalents	₱447,935	₱–	₱–	₱–	₱–	₱447,935
Trade receivables from:						
Sale of condominium units	1,927,178	436,813	3,774	6,569	48,290	2,422,624
Lease	90,049	1,499	586	–	–	92,134
Sale of club shares	–	–	–	–	3,398	3,398
Advances to officers and employees	9,450	–	–	–	–	9,450
Other receivables	64,917	–	–	–	–	64,917
Available-for-sale investments:						
Quoted	258,920	–	–	–	–	258,920
Unquoted	3,308	–	–	–	–	3,308
Deposits	–	–	–	–	17,323	17,323
	₱2,801,757	₱438,312	₱4,360	₱6,569	₱69,011	₱3,320,009

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

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

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

Past due accounts which pertain to trade receivables from sale of condominium units and club shares are recoverable since the legal title and ownership of the condominium units and club shares will only be transferred to the customers upon full payment of the contract price. In case of cancellation, the condominium units and club shares become available for sale. The fair value of the condominium units amounted to ₱15.5 billion, ₱14.7 billion and ₱11.3 billion as of December 31, 2011 and 2010, and January 1, 2010, respectively. The fair value of the club shares amounted to ₱4.2 million, ₱5.4 million and ₱2.6 million as of December 31, 2011 and 2010 and January 1, 2010, respectively.

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

As of December 31, 2011, trade receivables from lease amounting to ₱0.2 million were subjected to specific and collective impairment testing. In 2010 and 2009, receivables from sale of club shares amounting to ₱2.2 million was assessed collectively for impairment. As a result, no provision for impairment was made for trade receivables from lease and club shares which are subjected to collective assessment since these assets are secured with collateral.

Liquidity Risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. 10%, 90% and 26% of the Company's debt will mature in less than one year as of December 31, 2011 and 2010, and January 1, 2010, respectively.

The liquidity risk of the Company arises from their financial liabilities. The tables below summarized the maturity profile of the Company's financial liabilities at December 31, 2011 and 2010, and January 1, 2010 based on contractual undiscounted payments

	December 31, 2011			
	Due Within 3 Months	Due Between 3 and 12 Months	Due after 12 Months	Total
Trade and other payables	₱239,510	₱1,043,029	₱–	₱1,282,539
Interest-bearing loans and borrowings*	184,387	290,125	3,137,621	3,612,133
Installment payable	–	792,130	3,055,063	3,847,193
Retention payable**	18,429	210,003	93,273	321,705
Security deposits**	32,729	75,397	110,533	218,659
	₱475,055	₱2,410,684	₱6,396,490	₱9,282,229

	December 31, 2010			
	Due Within 3 Months	Due Between 3 and 12 Months	Due after 12 Months	Total
Trade and other payables	₱277,851	₱470,555	₱–	₱748,406
Derivative financial instruments:				
Derivative payments	–	39,456	–	39,456
Derivative receipts	–	(39,489)	–	(39,489)
	–	(33)	–	(33)
Interest-bearing loans and borrowings*	1,799,660	1,058,933	316,651	3,175,244
Retention payable**	1,024	16,904	183,887	201,815
Security deposits**	20,981	125,576	57,402	203,959
	₱2,099,516	₱1,671,935	₱557,940	₱4,329,391

	January 1, 2010			
	Due Within 3 Months	Due Between 3 and 12 Months	Due after 12 Months	Total
Trade and other payables	₱309,009	₱63,901	₱31,750	₱404,660
Derivative financial instruments:				
Derivative payments	–	110,880	–	110,880
Derivative receipts	–	(110,904)	–	(110,904)
	–	(24)	–	(24)
Interest-bearing loans and borrowings*	259,771	717,047	2,566,788	3,543,606
Retention payable	3,913	92,206	111,391	207,510
Security deposits	7,697	115,554	72,525	195,776
	₱580,390	₱988,685	₱2,782,454	₱4,351,528

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

Maturity Profile of Financial Assets Held for Liquidity Purposes

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

	December 31, 2011					
	On Demand	**Within 30 Days**	**31 to 60 Days**	**61 to 90 Days**	**Over 90 Days**	**Total**
Cash and cash equivalents	**₱119,822**	**₱328,113**	**₱–**	**₱–**	**₱–**	**₱447,935**
Trade receivables from:						
Sale of condominium units	**8,926,074**	**680,367**	**111,980**	**68,551**	**318,847**	**10,105,819**
Lease	**92,134**	**–**	**–**	**–**	**–**	**92,134**
Available-for-sale investments	**–**	**–**	**–**	**–**	**262,228**	**262,228**
	₱9,138,030	**₱1,008,480**	**₱111,980**	**₱68,551**	**₱581,075**	**₱10,908,116**

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

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

Capital Management Policy

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

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

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

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

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

28. Financial Instruments

Fair Values

Set out below is a comparison by class of carrying values and fair values of all the Company's financial instruments that are carried in the consolidated financial statements as of December 31, 2011 and 2010, and January 1, 2010. There are no material unrecognized financial assets and liabilities as of December 31, 2011 and 2010, and January 1, 2010.

	Carrying Value			Fair Value		
	December 31, 2011	December 31, 2010	January 1, 2010	**December 31, 2011**	December 31, 2010	January 1, 2010
Financial Assets						
Assets at FVPL -						
Derivative assets	**₱–**	₱699	₱–	**₱–**	₱699	₱–
Loans and receivables:						
Cash and cash equivalents	**447,935**	320,706	392,524	**447,935**	320,706	392,524
Trade receivables from:						
Sale of condominium units (including noncurrent portion)	**2,422,624**	2,222,222	420,903	**6,187,712**	3,914,263	436,544
Lease	**92,134**	73,599	75,271	**92,134**	73,599	75,271
Sale of club shares	**3,398**	3,875	4,232	**3,398**	3,875	4,232
Advances to officers and employees	**9,450**	7,458	8,933	**9,450**	7,458	8,933
Other receivables*	**64,917**	11,975	20,496	**64,917**	11,975	20,496
Refundable deposits**	**17,323**	15,727	13,077	**17,323**	15,727	13,077
Available-for-sale investments:						
Quoted	**258,920**	274,740	241,600	**258,920**	274,740	241,600
Unquoted	**3,308**	3,308	3,308	**3,308**	3,308	3,308
	₱3,320,009	₱2,934,309	₱1,180,344	**₱7,085,097**	₱4,626,350	₱1,195,985

** Carrying amounts exclude other receivables, which are nonfinancial assets, amounting to ₱2,670, ₱45,183 and ₱21,451 as of December 31, 2011 and 2010 and January 1, 2010, respectively.*

*** Carrying amounts exclude other deposits, which are nonfinancial assets, amounting to ₱65 as of December 31, 2011 and 2010, and ₱6,660 as of January 1, 2010.*

	Carrying Value			Fair Value		
	December 31, 2011	December 31, 2010	January 1, 2010	**December 31, 2011**	December 31, 2010	January 1, 2010
Financial Liabilities						
Liabilities at FVPL -						
Derivative liabilities	**₱–**	₱–	₱4,256	**₱–**	₱–	₱4,256
Other Financial Liabilities						
Trade and other payables*	**1,282,539**	748,406	404,661	**1,282,539**	748,406	404,660
Interest-bearing loans and borrowings (including noncurrent portion)	**2,866,656**	3,016,217	2,909,418	**3,097,784**	3,097,784	2,978,715
Installment payable	**3,022,424**	–	–	**3,227,554**	–	–
Retention payable (including noncurrent portion)	**321,705**	201,815	207,510	**310,193**	125,774	185,741
Security deposits (including noncurrent portion)	**218,659**	203,959	195,776	**213,482**	192,219	176,489
	₱7,711,983	₱4,170,397	₱3,721,621	**₱8,131,552**	₱4,164,183	₱3,749,862

** Carrying amounts are exclusive of statutory payables and other nonfinancial liabilities, totaling to ₱644,153, ₱420,668 and ₱204,352 as of December 31, 2011 and 2010, and January 1, 2010, respectively.*

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

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

Trade Receivables from Sale of Condominium Units. The fair values of trade receivables from sale of condominium units were calculated by discounting the expected future cash flows at prevailing credit adjusted PDEx interest rates ranging from 3.7% to 7.3% as of December 31, 2011, 3.3% to 6.5% as of December 31, 2010 and 6.5% to 8.3% as of January 1, 2010.

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

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

Interest-bearing Loans and Borrowings

- **Fixed Rate**
  The fair values of fixed rate loans were calculated by discounting the expected future cash flows at prevailing credit adjusted PDEx interest rates ranging from 3.7% to 7.2% as of December 31, 2011, 2.8% to 6.0% as of December 31, 2010 and 6.3% to 8.4% as of January 1, 2010.

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

Installment Payable

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

Retention Payable and Security Deposits

The fair values were calculated by discounting the expected future cash flows at prevailing credit adjusted PDEx interest rates ranging from 4.0% to 6.8% as of December 31, 2011, 5.6% to 7.8% as of December 31, 2010 and 6.3% to 7.4% as of January 1, 2010.

Fair Value Hierarchy

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

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

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

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

	December 31, 2011	Level 1	Level 2	Level 3
Assets measured at fair value				
Available-for-sale financial assets	**₱258,920**	**₱258,920**	**₱–**	**₱–**

	December 31, 2010	Level 1	Level 2	Level 3
Assets measured at fair value				
Available-for-sale financial assets	₱274,740	₱274,740	₱–	₱–
Foreign exchange forward contracts	699	–	699	–
	₱275,439	₱274,740	₱699	₱–

	January 1, 2010	Level 1	Level 2	Level 3
Assets measured at fair value				
Available-for-sale financial assets	₱241,600	₱241,600	₱–	₱–
Liabilities measured at fair value				
Foreign exchange forward contracts	₱4,256	₱–	₱4,256	₱–

For the reporting years ended December 31, 2011 and 2010, and January 1, 2010, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

29. Earnings Per Share Computation

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

30. Segment Information

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

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

The Company manages its operations under the following business segments:

- Residential Development is engaged in the development, selling, and property management of all residential projects of the Company.

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

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

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

Business Segments

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

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

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

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

31. Supplemental Disclosure of Cash Flow Information

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

32. Comparative Information

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

Details are summarized in the table below:

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

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

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There are those who deem like and seem like.

There are the almost and maybe.

There are those who approximate and emulate.

Those who try to be and try really hard to be.

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