
LIVING WELL KNOWS NO BOUNDS.
ROCKWELL LAND
2013
ANNUAL REPORT
FPH
A Lopez Group Company
POWERED BY GOOD

THE COVER

The fish eye.
A photographic treatment that all at once
captures a vision of breadth, of height.
It pictures an impressive and expansive world
looking skyward, giving one a soaring, inspiring feeling.
It is all about the infinity of space and the loftiness
of possibilities that knows no bounds.

For Rockwell Land, the sky is the limit,
spanning an ever-expanding panorama
of a life lived well.

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MESSAGE OF THE CHAIRMAN

Fellow shareholders:

As **Rockwell Land** approaches a strong two decades in the industry, its potential remains limitless.

In the past year, **Rockwell** continued to break boundaries. It expanded its market reach and grew in financial strength through performance excellence. The Company thanks its employees, staff, and contractors for a job well done, hence these favorable results.

From its prestigious flagship development, the **Rockwell Center**, the Company found success beyond Makati with **The Grove by Rockwell** in Ortigas, and its low-rise projects in Quezon City and San Juan. These triumphs have led to new **Rockwell** communities in New Manila and in Cebu. As always, service to its clients and stakeholders remains at the heart of **Rockwell's** business. Each project is created using the highest standards of quality, and delivered to meet, if not exceed the expectations of the customer.

This year, **Rockwell** brings its expertise in creating exceptional spaces and its commitment to service to thriving and established businesses. Uniquely designed offices within the **Proscenium** in Makati and additional floor areas in **Rockwell Business Center** in Ortigas are now on offer. The Company will further strive to render world-class service as it embarks on a new, exciting venture: **Aruga Serviced Apartments** will soon be open to the public.

With an eye for innovative design, the spirit of an entrepreneur, and the heart of a Filipino, there is no limit to what **Rockwell** can achieve. We look forward to having you with us, as **Rockwell** continues to make the journey skyward.

Thank you for your constant support. We value your trust in **Rockwell**.

Ambassador Manuel M. Lopez

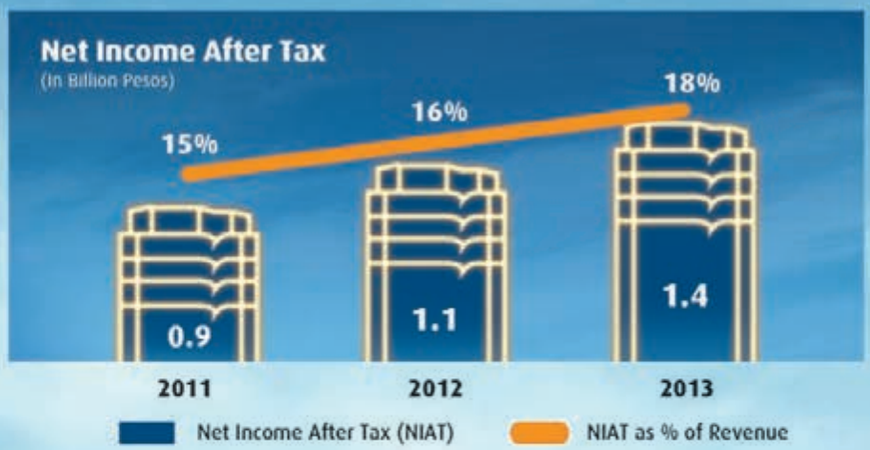
REPORT OF THE PRESIDENT

We are not limited by the sky. Only by how small we believe it is.

We have often heard it said that *the sky is the limit*. It has been used to motivate, to spur oneself to action, to dare others to dream.

It is a phrase that resonates strongly with **Rockwell Land** because in many ways the sky has become the perspective from where we draw our inspiration and challenge: *How are we changing the city's skyline? How are we expanding the horizon of our clients? What piece of the sky have we yet to claim?*

These questions have served **Rockwell Land** well. In the past year, the Company has pushed harder and higher in order to provide our clients with products that reach new heights of quality and widen the portfolios of our shareholders. As a result, **Rockwell Land** has remained the developer of choice for the higher-end and upper-mid markets. This is reflected in the Company's total revenue of ₱7.8 billion for 2013. The Company also hit Net Income After Tax (NIAT) of ₱1.4 billion, a 25% increase from the previous year's ₱1.1 billion, and a 3-year compounded annual growth rate of 24%.



3-YEAR NIAT CAGR

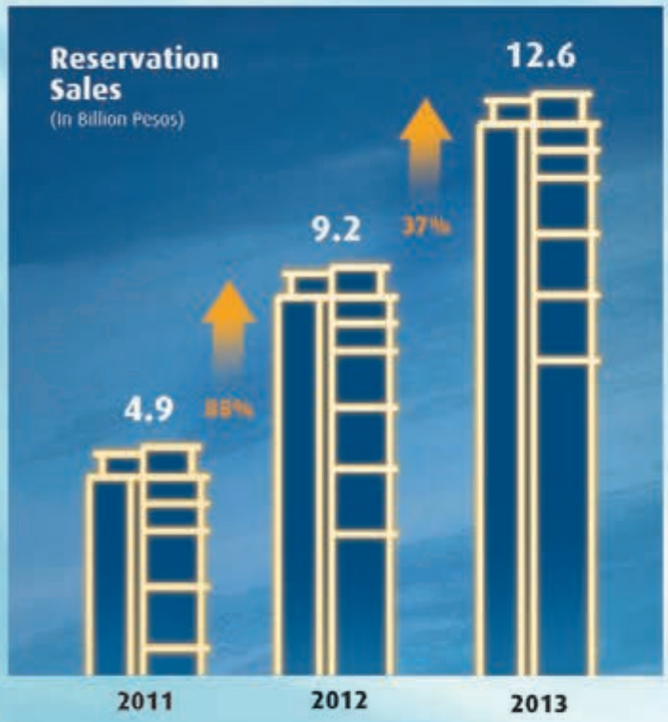
24%

These achievements, though record-breaking, only draw my feet back to the ground, steady them, and prompt me to make an observation: *We are not limited by the sky. Only by how small we believe it is.*

The new question I pose is this: *How big is our sky?*

Reaching New Heights

The Philippines' 7.2% GDP growth in 2013 made it one of the best performing economies in Asia, offering numerous investment opportunities for both domestic and foreign investors. Relatively low interest rates and more attractive financing terms from banks increased housing loan demand and encouraged buyers and investors to remain active. The Company also leveraged on the Philippines' credit rating upgrades to investment grade from Moody's, Standard & Poor's, and Fitch in 2013 with successful roadshows to the US and Singapore. Accordingly, residential development contributed to majority of **Rockwell Land's** revenue with ₱6.8 billion.



The Company's successful project launches in the last two years brought unprecedented reservation sales of ₱12.6 billion, a substantial 37% growth from last year. More than half of this year's reservation sales came from the **Proscenium** with the launch of the 3rd tower **Lincoln** in February 2013, thereby sustaining the sales momentum from the launch of the first two towers, **Kirov** and **Sakura**, during the 4th quarter of 2012. The Company expects strong reservation sales to continue in 2014 with the launch of the **Proscenium's** 4th tower, **Lorraine**, along with sales of **32 Sanson** in Cebu.

A Year of Expansion

The heights of achievement need to be matched with the breadth of influence. For **Rockwell Land**, this means expanding the reach of its sky. The Company set out to do this by launching its second brand, **Rockwell Primaries**.

The brand's flagship project, **53 Benitez**, gives the broader market the opportunity to envision how limitless their own sky can be by offering them the chance to experience quality living at a more comfortable price point. As they grow in affluence, they will no doubt transition into future homeowners of **Rockwell Land** projects as they start to upgrade their real estate investments.

Our latest project offering outside Metro Manila, **32 Sanson** in Cebu City, offers the same **Rockwell** brand and lifestyle to one of the fastest-growing cosmopolitan cities in the country. Regardless of the location, the Company has stayed true to the principle that location is nothing without experience. Wherever we go, whatever we build, whatever the price point, it is all about the quality of living; the quality of the experience.

Revenue from the Company's commercial leasing business was ₱1.02 billion, a 5% increase from 2012. The Company's total 2013 EBITDA was ₱2.6 billion, 32% of which was contributed by its commercial leasing business. Commercial leasing EBITDA grew to ₱831 million coming from increases in rental rates, improved retail mix in the **Power Plant Mall**, and an increase in **Rockwell Business Center's** occupancy from last year's 97% to this year's 99%.

The rapid expansion of the BPO industry fueled demand for office spaces that grew faster than the incoming supply, prompting the Company to start construction of the 3rd tower of the **Rockwell Business Center (RBC)** in March 2013. This development will be completed by the 3rd quarter of 2014. Another ongoing commercial office development, the **Lopez Tower**, will be the future home of the Lopez group and is scheduled for completion in the 1st quarter of 2015. The completion of **RBC Tower 3** and the **Lopez Tower** will bring the Company's office footprint to 104,845 sqm from the current 44,690 sqm, boosting the Company's recurring income business.

To finance **Rockwell Land's** expansion, the Company raised ₱5 billion through a retail bond offering and fully drew on its ₱10 billion corporate notes facility. The fundraising proceeds will be used for the development of the **Proscenium** project, the **Lopez Tower**, and **Tower 3** of the **Rockwell Business Center**, as well as to provide additional liquidity for land acquisitions.

The Sky's Limit—It's Just the Beginning

For **Rockwell Land**, the sky being the limit is a matter of perspective. The Company prefers to see the sky's limit not as the end but the beginning of what we can become in the years to come.

Already, 2014 is poised to become the year of the most handovers in the Company's history. Residential projects **205 Santolan**, **Edades Tower and Garden Villas**, and **The Alvendia** will be handed over, thus becoming the beginning of a life well-lived for clients and investors.

In 2014, the Company will also add the serviced apartment business to its recurring income portfolio. The Company's proximity to Makati CBD and Bonifacio Global City paired with the strong leasing market of the residential condominium towers in **Rockwell Center** make serviced apartments a natural next step in reaching new markets.

Aruga by Rockwell is the serviced apartment brand that epitomizes **Rockwell's** signature of exclusivity and luxury. **Aruga's** first project at the **Edades Tower and Garden Villas** will begin operations in the 2nd quarter of 2014.

Harnessing Talent that Soars

With support from our shareholders, our Chairman, Ambassador Manuel M. Lopez, and our esteemed Board of Directors, **Rockwell Land** is able to reach for the skies. The height and breadth of sky that **Rockwell Land** has the potential to reach is as vast as the imagination of its 600+ employees—employees whose own limits are being broken through close mentorship by the Company's leadership team.

By investing in people, we are able to prepare the next leaders who have the ability to see and to understand every aspect of the business. Through the creation of mentoring clusters, hearts and minds are won and each one is inspired to step up and stake their own piece of the sky to innovate.

And innovation is the cornerstone of **Rockwell Land's** towering ideas and aspirations. It is the very thing that keeps our sky limitless. It is the very thing that makes us **Rockwell Land**.

Nestor J. Padilla President and CEO

Setting the sky's limit higher and higher

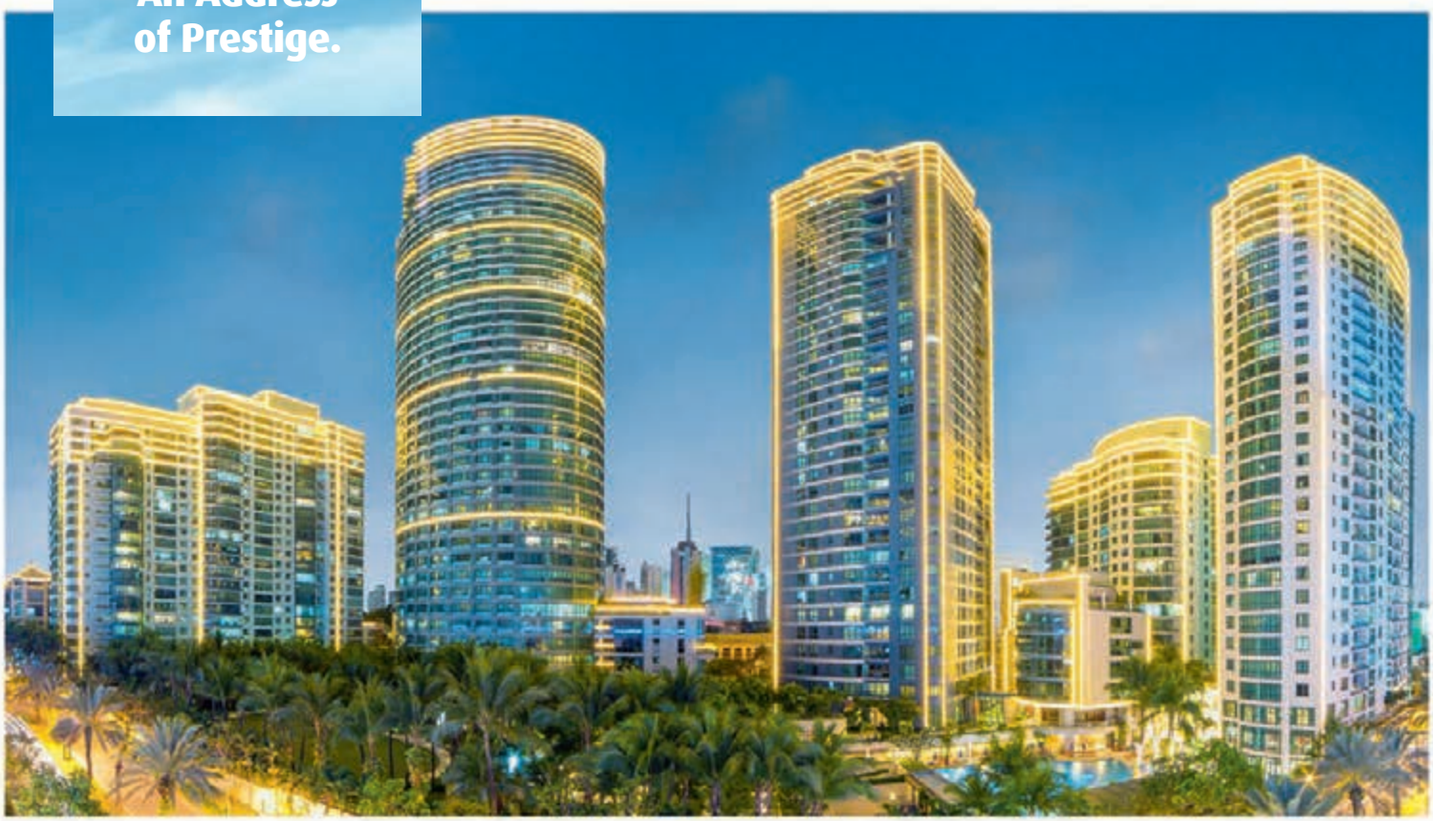
There is no stopping Rockwell
as it continues its expansion,
within and beyond Makati.

The vision to transform space into
prime lifestyle communities is manifest
in the launch of new and breakthrough developments.
Clearly, there are no limits to where
Rockwell Land can put its distinctive stamp
as the country's innovator
in premium property development.

The West Block

The Beginnings of Rockwell. An Address of Prestige.

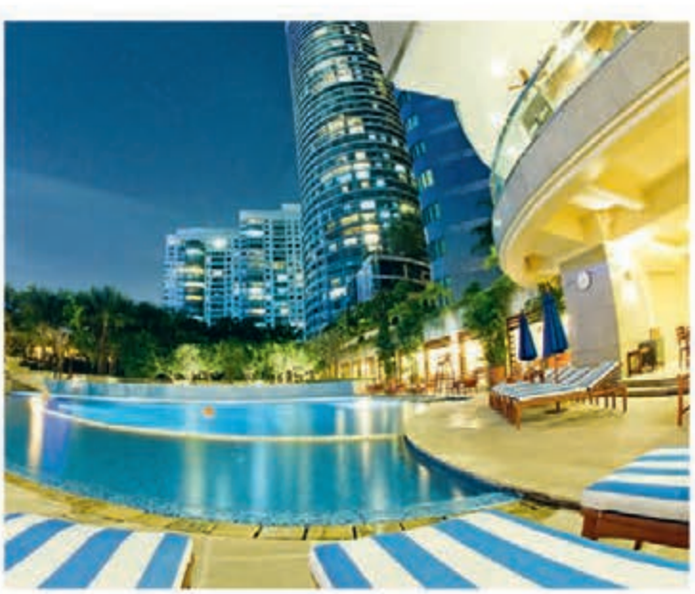
Built in 1995, the West Block is Rockwell Center's centerpiece development. It is home to **Hidalgo Place**, **Rizal Tower**, **Luna Gardens**, and **Amorsolo Square**, the first four towers at the Center. These luxury towers, with their generously sized units, remain as the preferred address of prominent names in the country and of the expatriate and diplomatic community.

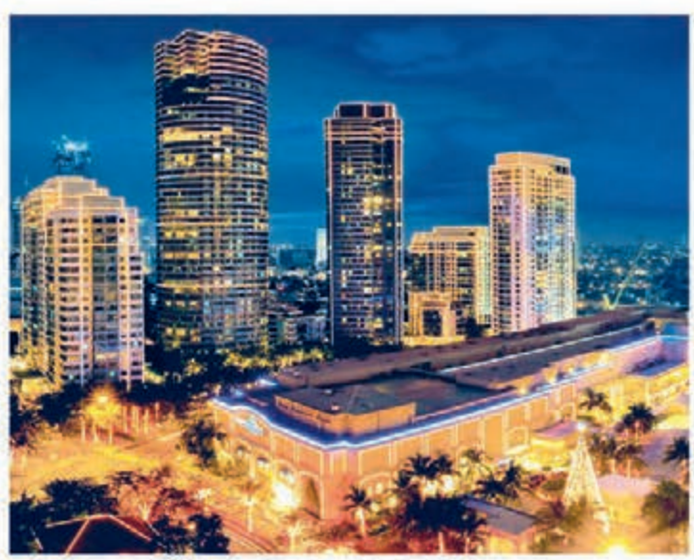


Rockwell Club

The Cornerstone for a Holistic Experience.

The first leisure club within a master-planned, mixed-use community. It kicked off Rockwell's drive to integrate the ingredients of a complete lifestyle experience. The Club offered a gym, a wellness corner, and a spa, complete with state-of-the-art equipment; plus, exclusive dining spots and function rooms. The fitness club concept has since been made standard in the other residential towers like Joya and The Manansala.





Power Plant Mall

The Pioneer in High-End Retail Experience.

The anchor of the Rockwell Center community, built in 2000. Stylish, exclusive, even navigable. It is the metropolis' default destination for a complete and exquisite mall experience – shopping for prestigious global and Philippine brands; extensively-themed dining; recreational spots for kids; and state-of-the-art cinemas. The mall's success has bolstered Rockwell's retail credentials, spurring retail expansion in The Manansala, Joya, One Rockwell, The Grove, and other developments.

The East Block

Growing the Center with Timely Innovations.

The early stirrings of a changing real property landscape prompted Rockwell to introduce more innovations within Rockwell Center.

The Manansala, in 2001, addressed clamor from a young and urbane market for smaller and more diverse units. New markets were also first brought into the fold with The Manansala: Filipinos based overseas who had a similar appreciation for the new Manansala configurations.

Rockwell harnessed further the boom in the property industry by innovating with unique and modern living spaces at the **Joya Lofts and Towers** (2004) and **One Rockwell** (2005).

Joya introduced the concept of high-rise loft living, including the first bi-level lofts. Joya marketed the concept of space as a precious commodity, to great success.

One Rockwell upped the ante on space and configuration with the Z-Loft. The Z-Loft units' views of the city at sunrise and at sunset shook up an otherwise staid property scene.

Edades Tower and Garden Villas

The Perfect Communion of Art and Nature.

The final touch to the West Block. A 50-storey development named after an icon in unconventional Philippine art, Edades rode on the up-cycle in the property scene. A burgeoning market of investors and future residents were in the market for highly valuable living spaces. Edades introduced complementing Garden Lofts and Garden Villas, a landscaped cluster of 30 premier loft apartments – all a wonderful melding of nature and art.

Rockwell Beyond Makati.

The Grove by Rockwell

The Grove by Rockwell: Rockwell's first expansion move outside Makati. The first development that is exclusively residential along C5 in Ortigas. It proudly declared a first: a 75:25 landscape-to-building ratio, inclusive of a community center and 100% back-up emergency power. It continues to attract emerging professionals, newlyweds, and start-up families who desire Rockwell's reputation for luxury, lifestyle, and security.

Riding on its past successes with high-rise projects, Rockwell seized the opportunity to grow the business, reinvent existing residential properties, and attract new markets through low-rise living spaces.

205 Santolan

205 Santolan: Rockwell Land's first low-rise development in Quezon City. A selection of living spaces complete with exclusive appointments designed for leisure and security.

The Alvendia

The Alvendia: Rockwell's low-rise development in an exclusive community in San Juan. A refreshing addition to San Juan's community of townhomes that provides Rockwell privacy and exclusivity to its residents. A much-welcomed hiatus from the frenzy of city living.

Rockwell Business Center and Lopez Tower

Soaring Higher Through Commercial Leasing.

The Rockwell portfolio marked a new milestone by venturing into commercial leasing. The **Rockwell Business Center** transformed the Ortigas business district. It was designed to be more than the usual office address, marrying advanced IT infrastructure with comfortable Rockwell structural details, for smooth, uninterrupted efficiency and productivity.

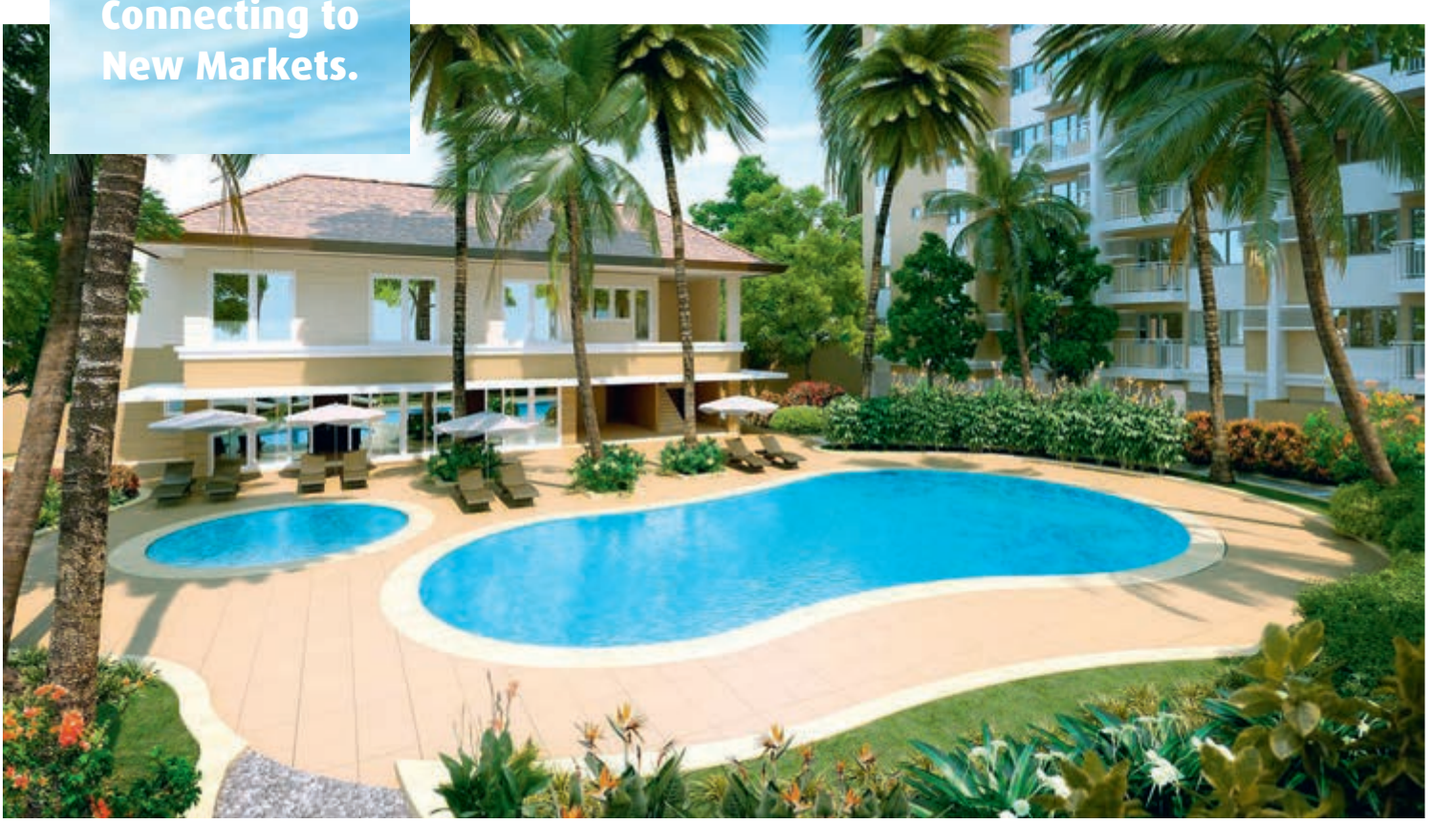
The **Lopez Tower** will soon rise at the Rockwell Center, poised to become another marvel in Rockwell's commercial portfolio. A hub for leisure and meaningful labor, it is designed for a dynamic and progressive workforce.

Rockwell Primaries

Charting New Territories, Connecting to New Markets.

The family is at the core of Rockwell Primaries' mandate. The foundation for a flourishing family life. The promise of living spaces dedicated to building the future.

53 Benitez is Rockwell Primaries' first foray in mid-rise development. It is an intimate, suburban mid-rise community in New Manila that delivers quality living to those who are putting their stake in the future. It will have all the Rockwell staples: exclusivity, convenience, and security.



The Proscenium
The Great Rockwell Center Expansion.

The greatest Rockwell yet, adding to the Rockwell Center. Rockwell's brainchild with world-renowned, award-winning, Uruguayan *starchitect* Carlos Ott. It promises to be an architectural landmark, defined by Ott's cutting-edge aesthetic. And, a redux of the West Block's legacy on generously sized, premium units.

The Proscenium will be more than just another Rockwell milestone in master-planned communities. True to its etymology, the Proscenium will champion the arts. Soon to debut: a state-of-the-art theater for world-class performances, and a museum that will house the vast Lopez collection of historical Philippine art as well as contemporary pieces.

32 Sanson by Rockwell
Rockwell Goes Regional.

Further proof of Rockwell's bold expansion moves: Rockwell goes to Cebu. **32 Sanson** is strategically located in a quiet neighborhood in Lahug, just a few minutes away from prominent business and residential locales. Planned around 70% landscaped space to 30% man-made structure, the generous 3.2 hectare property contains five mid-rise residential buildings, featuring double amenities, pocket gardens, and unique underground passageways for vehicles. Exclusive, premium, luxurious, secure – all Rockwell.

BOARD OF DIRECTORS

Stewards and Visionaries

Respected names figure in Rockwell Land's Board of Directors. These are distinguished individuals known for their acumen in their fields of endeavor. They have the industry smarts and the wealth of experience to steer Rockwell Land into new journeys and new passages to further growth and success.

Manuel N. Tordesillas
Independent Director
2012 - present

- President, CEO and Director
  - Maybank ATR Kim Eng Capital Partners, Inc.
  - ATR Kim Eng AMG Holdings, Inc.
  - ATR Holdings, Inc.
- Chairman, Maybank Kim Eng Land
- Director, Tullet Prebon Philippines
- Deputy Chairman, Maybank Kim Eng Group Executive Committee
- Independent Director, Landco Pacific Corporation
- Director and Vice-Chairman, Asian Life and General Assurance Corporation

Ferdinand Edwin S. Co Seteng
Director
2013 - present

- President, First Philippine Industrial Park
- Senior Vice-President, First Philippine Holdings Corporation

Eugenio L. Lopez III
Director
1995 - present

- Chairman, ABS-CBN Corporation
- Vice-Chairman and Director, Lopez Holdings Corporation
- Chairman, Bayan Telecommunications
- President, Sky Vision Corporation
- Director, First Gen Corporation

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

- Director
  - First Philippine Realty Corporation
  - First Batangas Hotel Corporation
  - First Philippine Industrial Park
  - TerraPrime, Inc.
  - FPIP Property Developers & Management Corporation
  - FPIP Utilities, Inc.
  - Grand Batangas Resort Development
- President, Rockwell Integrated Property Services, Inc.
- Senior Vice-President, First Philippine Holdings Corporation
- Vice-President, Rockwell Center Association, Inc.

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

- Chairman and CEO, Lopez Holdings Corporation
- Chairman of the Board
  - Rockwell Leisure Club
  - Indra Philippines, Inc.
- Vice-Chairman
  - First Philippine Holdings Corporation
  - Lopez Inc.
- Director
  - ABS-CBN Corporation
  - ABS-CBN Holdings Corporation
  - Sky Cable Corporation
  - Lopez Group Foundation, Inc.
  - Manila Electric Company
- President, Eugenio Lopez Foundation, Inc.
- Currently serving as the Philippine Ambassador to Japan

Oscar M. Lopez
Chairman Emeritus
2012 - present

Director
1995 - present

- Chairman Emeritus
  - Lopez Holdings Corporation
  - Energy Development Corporation
  - First Philippine Holdings Corporation
- Chairman
  - Asian Eye Institute
- Director
  - ABS-CBN Corporation

Federico R. Lopez
Vice-Chairman
2012 - present

- Chairman and CEO
  - First Philippine Holdings Corporation
  - First Gen Corporation
  - Energy Development Corporation
  - First Gas Power Corporation
  - FGP Corporation
  - First Philippine Industrial Corporation
- Chairman
  - First Philippine Electric Corporation
  - First Philippine Realty Corporation
  - First Balfour, Inc.
  - First Solar Car Challenge Society, Inc.

Miguel Ernesto L. Lopez
Director and Treasurer
2009 - present

- General Manager and Senior Vice-President, Rockwell Integrated Property Services, Inc.
- Vice-President and Head of Corporate Affairs, Lopez Holdings Corporation
- Director
  - Rockwell Leisure Club, Inc.
  - Philippine Commercial Capital, Inc.
- Trustee, Eugenio Lopez Foundation, Inc.
- Adviser, Lopez Group Foundation, Inc.

Manuel L. Lopez, Jr.
Director
2011 - present

- Chairman and CEO, PacificHub Corporation
- Director
  - Philippine Trade Foundation, Inc.
  - Stargate Media
  - Philippine Commercial Capital, Inc.
  - Punta Fuego Home Owners Association, Inc.
  - Saludo sa Kawal Pilipino Foundation
- Executive Vice-President, Benpres Insurance Agency, Inc.
- Board Member, Contact Center Association of the Philippines

Francis Giles B. Puno
Director
2013 - present

- President and Chief Operating Officer, First Gen Corporation
- Director
  - First Philippine Holdings Corporation
  - First Gen Corporation
  - Energy Development Corporation

Vicente R. Ayllón
Independent Director
2012 - present

- Chairman and CEO
  - The Insular Life Assurance Co., Ltd.
  - Insular Life Property Holdings, Inc.
- Chairman
  - Insular Investment Corporation
  - Insular Health Care
  - Insular Foundation
  - Insular Life Management and Development Corporation
  - Home Credit Mutual Building and Loan Association
- Vice-Chairman
  - Union Bank of the Philippines
  - Mapfre Insular Insurance Corporation
- Director
  - Pilipinas Shell Petroleum Corporation
  - Shell Co. of the Philippines, Ltd.
  - The Palms Country Club

THE MANAGEMENT TEAM

Exploring Possibilities, Pushing Limits

The Rockwell Land team is composed of driven professionals, achievers who will stop at nothing to realize the company goals. It's not a matter of "We can not." It's all about the "Why nots?" These individuals are at the top of their game, searching for possibilities and spotting potential. Their collective dynamic spirit is the reason Rockwell Land continues to grow and make inroads as the country's premier real estate developer.

Nestor J. Padilla President and CEO

Miguel Ernesto L. Lopez Senior Vice-President for Property Management

Valerie Jane Lopez-Soliven Senior Vice-President for Sales and Marketing

Maria Lourdes Lacson-Pineda Senior Vice-President for New Business

Ellen V. Almodiel Senior Vice-President for Finance & Accounting and Chief Finance Officer

Davy T. Tan Vice-President for Business Development

Adela D. Flores Vice-President and General Manager for Retail

Estela Y. Dasmariñas Vice-President for Human Resources

Divino M. Villanueva, Jr. Vice-President for Sales and Marketing – Broker Relations

Julius A. Marzoña Vice-President for Project Development

Antonette O. Marquez Vice-President for Construction

Abel L. Roxas Vice-President for Construction

Atty. Enrique I. Quiason Corporate Secretary

Atty. Rodolfo R. Waga, Jr. Assistant Corporate Secretary

Belen C. Nones Consultant for Operations

Adolfo O. Granados Senior Adviser for Finance

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

Corporate Governance Structure

The overall management and supervision of the Company is undertaken by the Board of Directors. There are 11 members of the Board of Directors. The regular directors were elected during the annual meeting of the stockholders held on May 29, 2013, 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 for the detailed qualifications and disqualifications, duties, functions and responsibilities of the Board of Directors and each member thereof, the Chairman, the Corporate Secretary and Assistant Corporate Secretary and the Compliance Officer. It also prescribes the creation of specific board committees in aid of good corporate governance, to wit, an Audit Committee, a Nomination and Election Committee, a Risk Management Committee, and a Compensation and Remuneration Committee and requires the Board to commit itself to the protection of the rights of the stockholders.

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 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. It has filed the Certificate required by the SEC certifying its, as well as its directors, officers and employees, compliance with the manual last January 29, 2013. Rockwell Land submitted to the Philippine Stock Exchange its responses to the Disclosure Template on Corporate Governance Guidelines for Listed Companies last April 1, 2013.

Apart from mandated Manual, Rockwell Land has also adopted a Corporate Code of Discipline. The Code embodies the principles and guidelines for the conduct of the business of the company and in dealing with its stakeholders.

Rockwell Land's current board composition serves to insure independent, impartial and fair discussions having two independents, seven non-executive and two executive members. The Board shall hold regular meetings and may convene for special meetings as may be required by business exigencies in accordance with the provisions of the By-Laws.

It bears mention that the Audit Committee is chaired by an independent director. The Nomination and Election Committee and Risk Management Committee are composed of four members of the board, one of which is an independent director.

Rockwell Land also has an Internal Audit Group ("IAG") composed of Certified Public Accountants. The IAG reports to the Board through the Audit Committee.

Rockwell Land has sought to keep communications open with its stockholders and encourages them to participate in the meeting of shareholders either in person or by proxy. Shareholders are free to write to the Nomination and Election Committee should they have recommendations and/or nominations for board directorship.

COMMUNITY BUILDING

Rockwell Land knows that life lived well is life shared with others in the spirit of community. It's all about encouraging camaraderie through year-round activities that allow neighbors to get to know and engage each other. It's all about communication and collaboration in relationships forged by a fervent sense of belonging to a family that is distinctively, congenially Rockwell.

Valentines Day

February 14

At "The Sweetest Thing: A Valentine's Picnic Dinner", the community's lovebirds celebrated the most romantic occasion at the Rockwell Tent. The evening was made memorable by a sumptuous 3-course meal served by Bizu accompanied by dreamy music by Manila String Machine. There was also a screening of the movie "Valentine's Day" complete with exciting prizes and giveaways.

Chinese New Year

February 10

Rockwell treated residents and clients to an unforgettable Chinese New Year celebration to welcome good fortune and prosperity. Rockwell kicked off the Year of the Water Snake with a simultaneous Dragon and Lion Dance around each of its major properties: Rockwell Center in Makati, The Grove by Rockwell in Ortigas, 205 Santolan by Rockwell in Quezon City, and the company's latest luxury residential development – the Proscenium at Rockwell Center.

Easter

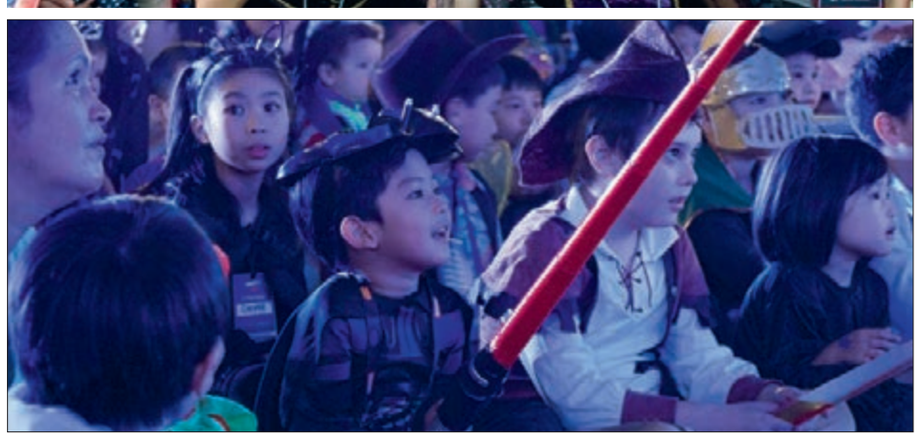
March 31

The Rockwell community welcomed Easter with a morning filled with sweet treats and exciting games at Rockwell's "Hoppy Hunt: A 100% Easter Celebration." Families came together at the Rockwell Tent for yet another signature Rockwell affair. The Plaza Garden was transformed into a wonderland of games and prizes. Spectacular shows also provided the day's entertainment.

Halloween

October 25

At Rockwell's "Tomorrowland: A 100% Halloween Party", the kids came together for a stellar celebration. The Rockwell Tent was transformed into an intergalactic wonderland, where the little ones, guided by their parents and guardians, and led by Rockwell's attentive marshals, got to enjoy unique games, interactive booths, and fun performances.



CORPORATE SOCIAL RESPONSIBILITY

Rockwell Land goes beyond the creation of living spaces that elevate life and transform lifestyles. It is also about having an awareness of its role in the larger community and an openness to support worthwhile endeavors that uphold cherished values, protect the environment, and assist those in need. Rockwell Land is also about having a social conscience, from where springs social responsibility.

Run For Pasig

October 6

Rockwell Land did its share for the rehabilitation of the Pasig River waterways when it participated in the fifth Run for the Pasig River. Employees ran 3k around the Quezon Memorial Circle to show their support.

Loboc Children's Choir

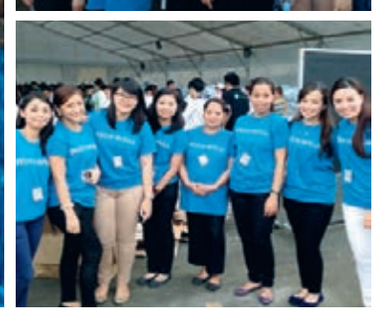
November 9 & 10

The world-renowned Loboc Children's Choir regaled shoppers at the Power Plant Mall with their heavenly voices in a free concert sponsored by Rockwell Land and ABS-CBN. The event raised funds for the restoration of church landmarks destroyed by the 7.2 magnitude earthquake that struck the Visayas in October. The audience turnout translated to a total of ₱593,754 in donations.

Typhoon Yolanda Aid

November - December

The unprecedented devastation brought about by Typhoon Yolanda rallied Rockwell Land to raise donations to help those affected by the calamity. Donations in cash and kind were forwarded to the Lopez Group Foundation and ABS-CBN Foundation's Sagip Kapamilya. Employees also assisted in the packing of relief goods at the Sagip Kapamilya headquarters.



Servathon

November 16

The Servathon is the annual flagship activity of Hands On Manila, and also continues to be one way Rockwell Land reaches out to different sectors in support of meaningful projects. The 2013 Servathon saw Rockwell personnel join hands for the repainting and rejuvenation of the Jacinto Zamora Elementary School in Pandacan, Manila.

Cook Out To Help Out

November 29 - December 1

Power Plant Mall, Bacchus Epicerie, and Elbert's Cheesesteaks and Sandwiches joined forces to mount Cook Out To Help Out, which offered good food for a good cause to raise funds for the rebuilding of homes of Typhoon Yolanda victims in the Visayas.

Proceeds from the sale of prime US quarter pounder burgers were donated to Habitat for Humanity, tasked to build shelter for those affected by the typhoon. Power Plant Mall tenants donated ingredients and drinks to the affair. Top chefs Robby Goco and Gaita Fores graced the occasion by sharing their expertise in the preparation of superb, gourmet class burgers.

Christmas Outreach

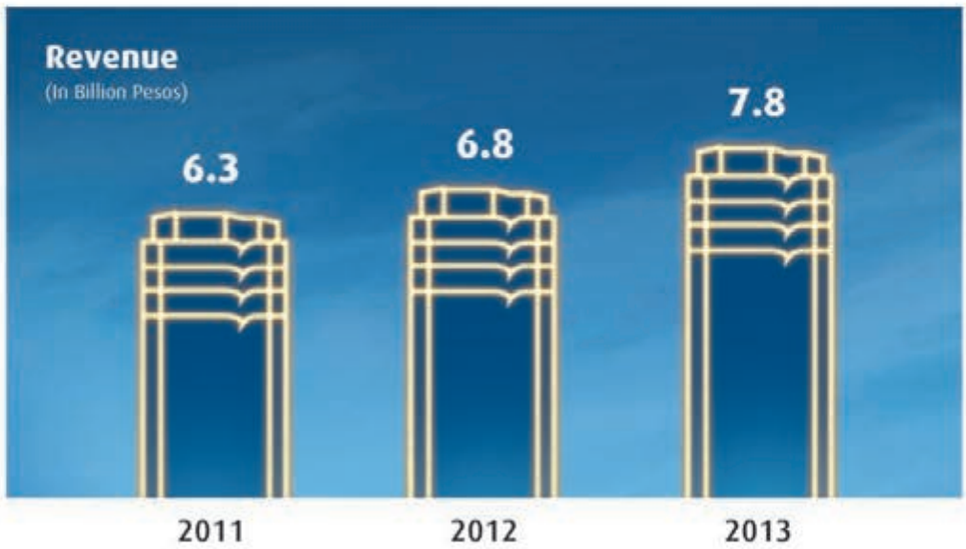
December 23

Rockwell Land made sure Christmas is for kids by spreading the spirit of the season to the little ones. They were treated to a movie screening, story telling, merienda, and gifts at a simple gathering meant to cheer them up for the holidays.

RESULTS OF OPERATIONS

Rockwell Land Corporation's ("Company") Net Income After Tax in 2013 is ₱1.4 billion, a 25% growth from the previous year and a 3-year CAGR of 24%. As a percentage to revenues, this year is higher at 18% compared to the last two years mainly due to higher margins on residential projects.

The table below shows the Company's revenue for the periods 2011-2013.



Total revenues grew to ₱7.8 billion in 2013, a 3-year CAGR of 12%, with Residential Development contributing 87% of total revenue. The Company simultaneously developed more projects in 2013 than in 2012, increasing Residential Development's contribution to total revenue from the previous year.

The following table shows the breakdown of the revenues by business segment for the periods 2011-2013.

Business Segment (In Million Pesos)	2011	% TO TOTAL	2012	% TO TOTAL	2013	% TO TOTAL
Residential Development	5,310	85%	5,876	86%	6,815	87%
Commercial Leasing	942	15%	966	14%	1,015	13%
TOTAL CONSOLIDATED REVENUES	6,252	100%	6,842	100%	7,830	100%
Share in Net Income in JV	80		98		93	

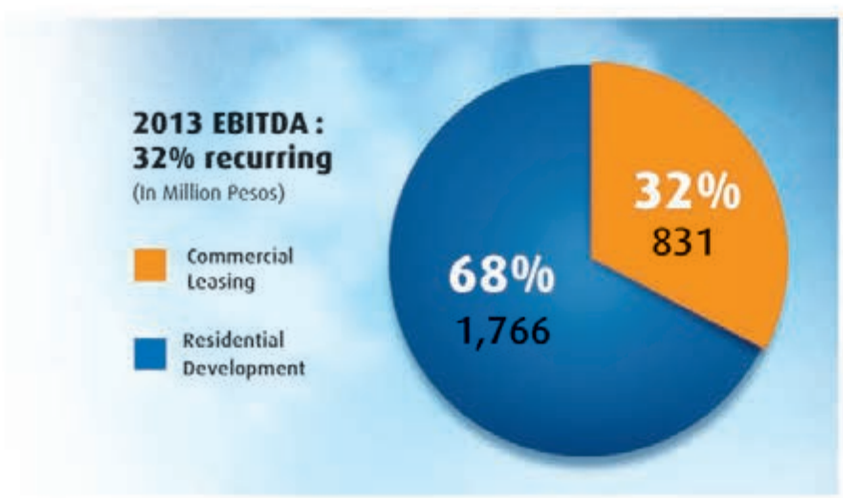
Revenue from Residential Development of ₱6.8 billion, consisting of the sale of condominium units and accretion of interest income, grew 16% versus last year's revenue of ₱5.9 billion. The Company recognized a full year's revenue for projects that started revenue recognition in 2012, namely **205 Santolan, The Grove Towers C and D**, and **The Grove Towers E and F**. It also started revenue recognition of its second townhouse development, **The Alvendia**, on August 2013. By December 2013, **Edades Tower and Garden Villas** and **205 Santolan** were substantially completed. The Company's latest project, the **Proscenium**, also contributed to revenue with its interest income accretion.

Reservation sales of ₱12.6 billion, a 37% growth from last year's ₱9.2 billion, shows continued strong demand for the Company's projects. More than half of the reservation sales came from the **Sakura**, **Kirov**, and **Lincoln** towers of the **Proscenium**. In July, the Company also launched its second brand, **Rockwell Primaries**, through its first project **53 Benitez**. The Company expects its robust reservation sales to continue in 2014 with the launch of the 4th Proscenium residential tower, **Lorraine**, the launch of the Company's first project in Cebu, **32 Sanson**, and sustained demand for the Company's existing projects.

The Commercial Leasing segment's revenue of ₱1.02 billion is a 5% increase over last year's revenues of ₱965.7 million. However, this excludes the Company's revenues from its joint venture in **Rockwell Business Center (RBC)** as this is reported as "Share in Net Income of JV" under Other Income (Expenses) and not consolidated line by line in the consolidated financial statements.

The Commercial Leasing segment is comprised of retail operations and cinema operations, which contribute 10% and 3% to total revenue, respectively. ₱727.0 million of retail operations come from retail leasing which saw a growth of 6% vs. last year's revenues of ₱688.2 million. This mainly resulted from rental escalation and the replacement of underperforming stores with new and better performing tenants. Cinema operations' ₱220.5 million revenue is a 7% growth from the previous year driven by higher occupancy in 3D and 2D titles and an increase in ticket price effective last quarter of 2012.

Office Leasing, operated under **RBC** and consisting of 2 towers in Pasig City with a total of 44,690 sqm of office space, generated gross revenues of ₱295.3 million, increasing from last year due to higher average occupancy of the buildings from 97% to 99%. At its 80% share, the Company generated revenues of ₱234.0 million and share in net income of ₱93.3 million. Only the ₱93.3 million share in net income of RBC is reflected in the Company's consolidated statements of comprehensive income as "Share in Net Income of JV".



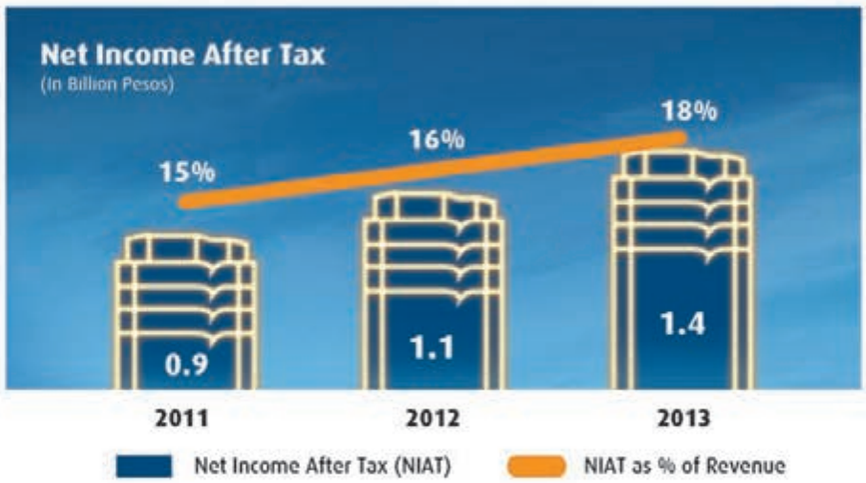
The Company's total EBITDA for 2013 amounted to ₱2.6 billion, a 24% increase over last year's ₱2.1 billion, mainly driven by residential development growth of 38%. Total EBITDA margin registered at 33% of total revenues in 2013 compared to 2012's 31%. This is due to accretion on interest income of Proscenium in 2013, and higher margins on other ongoing residential projects. Contributions to total EBITDA from Residential Development and Commercial Leasing are currently at 68% and 32%, respectively.

General and administrative expenses (G&A), which represents 13% of total revenues and amounts to ₱1.04 billion, grew 19% vs. last year's ₱871.7 million. Higher G&A expenses were reported for manpower costs and professional fees. Manpower costs increased largely due to the cost of the employee stock option plan (ESOP) granted in January 2013 while the increase in professional fees is mainly from expenses related to the issuance of the ₱5.0 billion in bonds in November 2013.

Interest Expense amounted to ₱345.2 million, a 30% increase from last year's ₱266.2 million. The increase was mainly due to a higher debt level from a bond issuance and availment of corporate notes to finance the Company's expansion plans.

The Company's provision for income tax, amounting to ₱582.2 million, was 33% higher than last year corresponding to the increase in business activity.

The table below shows the Company's NIAT in billions and NIAT margin as a percentage of revenue since 2011.



CASHFLOWS AND FUNDING

The Company spent a total of ₱7.5 billion for project and capital expenditures (CAPEX) in 2013. The bulk of CAPEX in 2013 was made for ongoing residential developments (**The Grove Towers C**, **D**, **E** and **F**, **Edades Tower and Garden Villas**, **205 Santolan**, **The Alvendia**, and the **Proscenium**) as well as its Commercial Leasing projects (**Lopez Tower**, **RBC Tower 3**, and the **Aruga Serviced Apartments at Edades**). The Company also acquired lots in Sto. Tomas, Batangas and near Rockwell Center to add to its existing landbank.

Funding of these CAPEX came from proceeds of pre-selling activities from the residential projects and recurring income from the Company's retail and office businesses as well as proceeds from debt issuances. The Company drew an additional ₱6.0 billion in fixed-rate corporate notes in early 2013 and ₱5.0 billion in fixed-rate peso retail bonds in November 2013 to partially finance project costs and provide liquidity for land acquisitions.

FINANCIAL POSITION

Total Assets as of December 31, 2013 amounted to ₱34.4 billion, an increase of ₱13.7 billion from last year's ₱20.7 billion. Assets mainly grew from the cash proceeds of the ₱6.0 billion corporate notes and the ₱5.0 billion bonds, recognition of receivables from ongoing projects, and higher development costs.

By the end of 2013, total debt amounting to ₱14.9 billion had an average interest rate of 4.9%, an improvement from last year's rate of 6.6%. Net debt to equity ratio increased to 0.52x in 2013 from 0.39x in 2012.

Current ratio as of December 31, 2013 improved to 4.13x from 2.88x the previous year.

As a result of higher margins from residential & commercial projects in 2013, ROE increased to 13.1% compared to 2012's 11.7%. Earnings per Share (EPS) increased from ₱0.18 per share in 2012 to ₱0.23 per share in 2013.

The table below reflects the Company's key performance indicators:

KEY PERFORMANCE INDICATORS	AS OF DECEMBER 31		
	2011	2012	2013
Current Ratio (x)	2.78	2.88	4.13
Net DE Ratio (x)	0.26	0.39	0.52
KEY PERFORMANCE INDICATORS	**FOR THE YEAR ENDING DECEMBER 31**		
	2011	2012	2013
Return on Assets (ROA)	5.7%	5.8%	5.1%
Return on Equity (ROE)	10.4%	11.7%	13.1%
Earnings per Share (EPS)	0.15	0.18	0.23

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

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, 2013 and 2012, and for each of the three years in the period ended December 31, 2013, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards.

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

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

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

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

Signed this 27th day of March 2014

Independent Auditors' Report

SGV
Building a better working world

SyCip Gorres Velayo & Co.
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1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

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

The Stockholders and the Board of Directors
Rockwell Land Corporation

We have audited the accompanying consolidated financial statements of Rockwell Land Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2013, 2012 and 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 Subsidiaries as at December 31, 2013 and 2012, and their financial performance and their cash flows for the years ended December 31, 2013, 2012 and 2011 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Maria Vivian C. Ruiz

Maria Vivian C. Ruiz
Partner
CPA Certificate No. 83687
SEC Accreditation No. 0073-AR-3 (Group A),
January 18, 2013, valid until January 17, 2016
Tax Identification No. 102-084-744
BIR Accreditation No. 08-001998-47-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225211, January 2, 2014, Makati City

March 27, 2014

Rockwell Land Corporation and Subsidiaries
Consolidated Statements of Financial Position

(Amounts in Thousands)

	December 31, 2013	December 31, 2012 (As restated – Note 3)	January 1, 2012 (As restated – Note 3)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 6, 28 and 29)	**₱8,972,015**	₱533,154	₱472,959
Trade and other receivables (Notes 7, 28 and 29)	**6,121,588**	3,477,463	2,566,391
Land and development costs (Notes 8, 11, 15, 17 and 27)	**6,992,692**	6,752,411	5,584,593
Advances to contractors (Note 8)	**1,696,598**	1,055,398	822,888
Condominium units for sale	**39,636**	32,101	63,504
Other current assets (Notes 9, 15, 28 and 29)	**954,009**	515,843	453,018
Total Current Assets	**24,776,538**	12,366,370	9,963,353
Noncurrent Assets			
Noncurrent trade receivables (Notes 7, 14, 28 and 29)	**51,591**	44,592	44,377
Investment properties (Notes 11 and 14)	**4,934,200**	4,953,882	4,731,168
Investment in joint venture (Note 12)	**2,282,152**	2,188,891	2,103,102
Property and equipment (Note 13)	**1,723,145**	775,312	706,671
Available-for-sale investments (Notes 10, 28 and 29)	**15,308**	15,308	10,708
Land held for future development (Note 8)	**358,187**	–	–
Pension asset (Note 23)	**–**	16,721	–
Other noncurrent assets (Notes 8 and 15)	**279,286**	364,972	450,662
Total Noncurrent Assets	**9,643,869**	8,359,678	8,046,688
	₱34,420,407	₱20,726,048	₱18,010,041
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables (Notes 4, 8, 16, 17, 23, 25, 28 and 29)	**₱4,872,876**	₱3,221,201	₱2,625,492
Income tax payable	**48,867**	25,344	32,687
Current portion of interest-bearing loans and borrowings (Notes 7, 11, 14, 28 and 29)	**404,050**	404,572	278,418
Current portion of installment payable (Note 15)	**677,169**	647,085	651,736
Total Current Liabilities	**6,002,962**	4,298,202	3,588,333
Noncurrent Liabilities			
Interest-bearing loans and borrowings - net of current portion (Notes 7, 11, 14, 28 and 29)	**14,463,058**	4,027,416	2,588,238
Installment payable - net of current portion (Note 15)	**1,177,543**	1,854,712	2,370,688
Deferred tax liabilities - net (Note 24)	**367,128**	180,780	55,707
Pension liability (Note 23)	**88,162**	18,165	8,503
Deposits and other liabilities (Notes 8, 16, 17, 23, 28 and 29)	**955,473**	225,568	251,439
Total Noncurrent Liabilities	**17,051,364**	6,306,641	5,274,575
Total Liabilities	**23,054,326**	10,604,843	8,862,908
Equity Attributable to Equity Holders of the Parent Company			
Capital stock (Notes 18 and 19)	**₱6,270,882**	₱6,255,882	₱6,255,882
Additional paid-in capital (Notes 18 and 19)	**28,350**	–	–
Share-based payments (Note 18)	**69,700**	–	–
Unrealized gain on available-for-sale investments (Note 10)	**4,743**	4,743	603
Other equity adjustments (Note 19)	**288,659**	286,850	284,111
Retained earnings (Note 19)	**4,818,757**	3,691,847	2,540,481
	11,481,091	10,239,322	9,081,077
Less cost of treasury shares (Notes 1 and 19)	**(185,334)**	(185,334)	–
Total Equity Attributable to Equity Holders of the Parent Company	**11,295,757**	10,053,988	9,081,077
Equity Attributable to Non-Controlling Interests	**70,324**	67,217	66,056
Total Equity	**11,366,081**	10,121,205	9,147,133
	₱34,420,407	₱20,726,048	₱18,010,041

See accompanying Notes to Consolidated Financial Statements.

Rockwell Land Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income

(Amounts in Thousands, Except Earnings Per Share Value)

	Years Ended December 31		
	2013	2012 (As restated – Note 3)	2011 (As restated – Note 3)
REVENUE			
Sale of condominium units	**₱5,642,149**	₱5,011,156	₱4,588,106
Interest income (Note 20)	**983,404**	641,826	518,835
Lease income (Note 11)	**727,017**	688,184	657,947
Cinema revenue	**216,712**	201,178	199,906
Others (Note 12)	**260,231**	299,427	286,940
	7,829,513	6,841,771	6,251,734
EXPENSES (INCOME)			
Cost of real estate (Notes 8, 11, 21 and 25)	**4,182,824**	3,986,685	3,910,539
General and administrative expenses (Notes 7, 13, 18, 21, 22, 23 and 25)	**1,040,881**	871,724	739,371
Selling expenses (Notes 21, 22 and 23)	**372,896**	269,940	293,027
Interest expense (Notes 14 and 21)	**345,223**	266,214	193,577
Share in net income of joint venture (Note 12)	**(93,261)**	(98,470)	(79,861)
Foreign exchange loss - net (Note 28)	**(2,726)**	(4,049)	(3,790)
Gain on sale of property and equipment (Note 13)	**(2,436)**	(11,189)	–
Mark-to-market loss from derivative instruments (Note 26)	**–**	–	304
	5,843,401	5,280,855	5,053,167
INCOME BEFORE INCOME TAX	**1,986,112**	1,560,916	1,198,567
PROVISION FOR INCOME TAX (Note 24)	**582,156**	437,635	291,045
NET INCOME	**1,403,956**	1,123,281	907,522
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Unrealized gain (loss) on available-for-sale investments (Note 10)	**–**	4,600	(100)
Income tax effect	**–**	(460)	10
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurements gain (loss) on employee benefits	**(74,550)**	46,057	(31,428)
Income tax effect	**24,514**	(13,787)	9,429
	(50,036)	36,410	(22,089)
TOTAL COMPREHENSIVE INCOME	**₱1,353,920**	₱1,159,691	₱885,433
Net Income Attributable To			
Equity holders of the Parent Company	**₱1,402,138**	₱1,123,221	₱909,556
Non-controlling interests	**1,818**	60	(2,034)
	₱1,403,956	₱1,123,281	₱907,522
Total Comprehensive Income Attributable To			
Equity holders of the Parent Company	**₱1,351,455**	₱1,159,631	₱887,467
Non-controlling interests	**2,465**	60	(2,034)
	₱1,353,920	₱1,159,691	₱885,433
Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 30)			
Basic	**₱0.2293**	₱0.1825	₱0.1458
Diluted	**₱0.2284**	₱0.1825	₱0.1458

See accompanying Notes to Consolidated Financial Statements.

Rockwell Land Corporation and Subsidiaries
Consolidated Statements of Changes In Equity

FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent Company									
	Capital Stock (Note 19)	**Additional Paid-in Capital** (Notes 18 and 19)	**Unrealized Gain on Available-for-Sale Investments** (Notes 3 and 10)	**Other Equity Adjustments** (Notes 3 and 19)	**Share-based Payments** (Note 18)	**Retained Earnings** (Notes 3 and 19)	**Treasury Shares** (Notes 1and 19)	**Total**	**Equity Attributable to Non-Controlling Interests** (Note 3)	**Total Equity**
At December 31, 2012, as previously reported	**₱6,255,882**	**₱–**	**₱1,437**	**₱–**	**₱–**	**₱3,999,410**	**(₱185,334)**	**₱10,071,395**	**₱–**	**₱10,071,395**
Effect of adoption of PFRS 10 (Note 3)	**–**	**–**	**3,306**	**286,850**	**–**	**(306,180)**	**–**	**(16,024)**	**67,217**	**51,193**
Effect of adoption of PAS 19 (Notes 3 and 22)	**–**	**–**	**–**	**–**	**–**	**(1,383)**	**–**	**(1,383)**	**–**	**(1,383)**
At December 31, 2012, as restated	**6,255,882**	**–**	**4,743**	**286,850**	**–**	**3,691,847**	**(185,334)**	**10,053,988**	**67,217**	**₱10,121,205**
Net income	**–**	**–**	**–**	**–**	**–**	**1,402,138**	**–**	**1,402,138**	**1,818**	**1,403,956**
Other comprehensive income (loss)	**–**	**–**	**–**	**–**	**–**	**(50,683)**	**–**	**(50,683)**	**647**	**(50,036)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**1,351,455**	**–**	**1,351,455**	**2,465**	**1,353,920**
Share-based payments (Note 18)	**15,000**	**28,350**	**–**	**–**	**69,700**	**–**	**–**	**113,050**	**–**	**113,050**
Sale to non-controlling interests (Note 3)	**–**	**–**	**–**	**1,809**	**–**	**–**	**–**	**1,809**	**642**	**2,451**
Cash dividends (Note 19)	**–**	**–**	**–**	**–**	**–**	**(224,545)**	**–**	**(224,545)**	**–**	**(224,545)**
At December 31, 2013	**₱6,270,882**	**₱28,350**	**₱4,743**	**₱288,659**	**₱69,700**	**₱4,818,757**	**(₱185,334)**	**₱11,295,757**	**₱70,324**	**₱11,366,081**
At December 31, 2011, as previously reported	₱6,255,882	₱–	₱13,171	₱–	₱–	₱2,878,686	₱–	₱9,147,739	₱–	₱9,147,739
Effect of adoption of PFRS 10 (Note 3)	–	–	(12,568)	284,111	–	(311,832)	–	(40,289)	66,056	25,767
Effect of adoption of PAS 19 (Notes 3 and 22)	–	–	–	–	–	(26,373)	–	(26,373)	–	(26,373)
At December 31, 2011, as restated	6,255,882	–	603	284,111	–	2,540,481	–	9,081,077	66,056	9,147,133
Acquisition of treasury shares (Notes 1 and 19)	–	–	–	–	–	–	(185,334)	(185,334)	–	(185,334)
Net income	–	–	–	–	–	1,123,221	–	1,123,221	60	1,123,281
Other comprehensive income	–	–	4,140	–	–	32,270	–	36,410	–	36,410
Total comprehensive income for the year	–	–	4,140	–	–	1,155,491	–	1,159,631	60	1,159,691
Sale to non-controlling interests (Note 3)	–	–		2,739	–	–	–	2,739	1,101	3,840
Cash dividends (Note 19)	–	–	–	–	–	(4,125)	–	(4,125)	–	(4,125)
At December 31, 2012	₱6,255,882	₱–	₱4,743	₱286,850	₱–	₱3,691,847	(₱185,334)	₱10,053,988	₱67,217	₱10,121,205
At December 31, 2010, as previously reported	₱6,255,882	₱–	₱27,409	₱–	₱–	₱1,963,783	₱–	₱8,247,074	₱–	₱8,247,074
Effect of adoption of PFRS 10 (Note 3)	–	–	(26,716)	284,111	–	(304,293)	–	(46,898)	68,090	21,192
Effect of adoption of PAS 19 (Notes 3 and 22)	–	–	–	–	–	(6,566)	–	(6,566)	–	(6,566)
At December 31, 2010, as restated	6,255,882	–	693	284,111	–	1,652,924	–	8,193,610	68,090	8,261,700
Net income	–	–	–	–	–	909,556	–	909,556	(2,034)	907,522
Other comprehensive loss	–	–	(90)	–	–	(21,999)	–	(22,089)	–	(22,089)
Total comprehensive income (loss) for the year	–	–	(90)	–	–	887,557	–	887,467	(2,034)	885,433
At December 31, 2011	₱6,255,882	₱–	₱603	₱284,111	₱–	₱2,540,481	₱–	₱9,081,077	₱66,056	₱9,147,133

See accompanying Notes to Consolidated Financial Statements

Rockwell Land Corporation and Subsidiaries
Consolidated Statements of Cash Flows

(Amounts in Thousands)

	Years Ended December 31		
	2013	2012 (As restated – Note 3)	2011 (As restated – Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,986,112**	₱1,560,916	₱1,198,567
Adjustments for:			
Interest income (Note 20)	**(983,404)**	(641,826)	(518,835)
Interest expense (Note 21)	**345,223**	266,214	193,577
Depreciation and amortization (Note 21)	**265,206**	260,434	243,830
Share in net income of joint venture (Note 12)	**(93,261)**	(98,470)	(79,861)
Share-based payment plans (Note 18)	**91,150**	–	–
Gain on sale of property and equipment (Note 13)	**(2,436)**	(11,189)	–
Unrealized foreign exchange loss (gain) – net	**748**	(1,512)	(5,535)
Mark-to-market loss from derivative instruments (Note 26)	**–**	–	304
Operating income before working capital changes	**1,609,338**	1,334,567	1,032,047
Pension costs (Note 23)	**26,827**	28,188	15,527
Decrease (increase) in:			
Trade and other receivables	**(1,709,446)**	(337,425)	263,143
Land and development costs	**(562,184)**	(1,060,606)	(692,712)
Advances to contractors	**(641,200)**	(232,510)	(25,664)
Condominium units for sale	**19,971**	31,403	(50,185)
Other current assets	**(438,166)**	2,022	(21,554)
Increase in trade and other payables	**1,553,934**	548,577	502,038
Net cash generated from (used for) operations	**(140,926)**	314,216	1,022,640
Income taxes paid	**(347,771)**	(334,152)	(431,457)
Interest paid	**(323,375)**	(197,454)	(201,241)
Net cash provided by (used in) operating activities	**(812,072)**	(217,390)	389,942
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Investment properties (Note 11)	**(840,090)**	(366,424)	(19,890)
Property and equipment (Note 13)	**(183,363)**	(108,816)	(66,806)
Proceeds from sale of property and equipment	**12,163**	22,803	–
Interest received	**41,726**	27,426	26,973
Dividends received (Note 12)	**–**	12,681	–
Net cash used in investing activities	**(969,564)**	(412,330)	(59,723)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availments of loans and borrowings (Note 14)	**14,861,807**	1,885,318	4,225,531
Proceeds from exercise of stock options (Note 18)	**21,900**	–	–
Sale to non-controlling interests (Note 19)	**2,451**	3,840	–
Payments of:			
Bank loans (Note 14)	**(4,458,954)**	(328,418)	(4,386,296)
Installment payable	**(714,067)**	(630,314)	–
Dividends (Note 19)	**(221,797)**	(4,125)	–
Acquisition of treasury shares (Note 19)	**–**	(185,334)	–
Increase (decrease) in deposits and other liabilities	**729,905**	(52,564)	(53,661)
Net cash provided by (used in) financing activities	**10,221,245**	688,403	(214,426)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(748)**	1,512	5,927
NET INCREASE IN CASH AND CASH EQUIVALENTS	**8,438,861**	60,195	121,720
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**533,154**	472,959	351,239
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱8,972,015**	₱533,154	₱472,959

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

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

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

On June 28, 2012 and July 27, 2012, FPHC purchased additional shares of the Parent Company from Beacon Electric Asset Holdings, Inc. and San Miguel Corporation, respectively. As at December 31, 2013 and 2012, FPHC owns 86.58% of the Parent Company. With the adoption of Philippine Financial Reporting Standard (PFRS) 10, *Consolidated Financial Statements*, effective January 1, 2013, Lopez, Inc. becomes the ultimate parent of Rockwell Land.

The accompanying consolidated financial statements were approved and authorized for issue by the BOD on March 27, 2014.

2. Basis of Preparation and Statement of Compliance

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

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Company presents an additional consolidated statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional consolidated statement of financial position as at January 1, 2012 is presented in these consolidated financial statements due to retrospective application of certain accounting policies.

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

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

		Percentage of Ownership		
Subsidiaries	Nature of Business	**December 31, 2013**	December 31, 2012	December 31, 2011
Rockwell Integrated Property Services, Inc.	Service provider	**100.0**	100.0	100.0
Primaries Development Corporation (formerly, Rockwell Homes, Inc.)	Real estate development	**100.0**	100.0	–
Stonewell Property Development Corporation	Real estate development	**100.0**	100.0	–
Primaries Properties Sales Specialists Inc.	Marketing	**100.0**	100.0	–
Rockwell Hotels & Leisure Management Corp.*	Hotel Management	**100.0**	–	–
Rockwell Leisure Club, Inc. ("Rockwell Club")	Leisure club	**68.6**	68.9	69.4

**Incorporated on June 20, 2013*

All subsidiaries are incorporated in the Philippines.

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

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

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

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

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

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the accompanying consolidated financial statements are consistent with those of the previous financial year, except for the adoption of the following new and amended Philippine Accounting Standards (PAS), PFRSs and Philippine Interpretations which were adopted as at January 1, 2013. The adoption of the following amendments and interpretations did not have material effect on the accounting policies, financial position or performance of the Company, unless otherwise indicated.

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

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

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

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

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

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

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

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

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

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

Effect of PAS 19 in 2013

Increase (Decrease) in Statement of Financial Position as at December 31, 2013

Deferred tax assets	₱26,160
Pension liability and other employee benefits	80,038
Retained earnings	(53,878)
	₱26,160

Statement of Comprehensive Income for the Year Ended December 31, 2013

Retirement expense	(₱5,488)
Income tax effect	1,646
Net income	(3,842)
Remeasurement loss on employee benefits	(74,550)
Income tax effect	24,514
Other comprehensive loss	(50,036)
Total comprehensive loss	(₱53,878)

Effect of PFRS 10 and PAS 19 in 2012 and 2011

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

		Effects of adoption		
	As previously reported	PFRS 10	PAS 19	As restated
ASSETS				
Total Current Assets	₱12,300,009	₱66,361	₱–	₱12,366,370
Noncurrent Assets				
Property and equipment	521,731	253,581	–	775,312
Pension asset	–	–	16,721	16,721
Available-for-sale investments	248,408	(233,100)	–	15,308
Other noncurrent assets	7,552,339	(2)	–	7,552,337
Total Noncurrent Assets	8,322,478	20,479	16,721	8,359,678
TOTAL ASSETS	₱20,622,487	₱86,840	₱16,721	₱20,726,048
LIABILITIES AND EQUITY				
Total Current Liabilities	₱4,286,290	₱37,805	(₱25,893)	₱4,298,202
Total Noncurrent Liabilities	6,264,802	(2,158)	43,997	6,306,641
Equity Attributable to Equity Holders of the Parent Company				
Capital stock	6,255,882	–	–	6,255,882
Unrealized gain on available-for-sale investments	1,437	3,306	–	4,743
Other equity adjustments (see Note 19)	–	286,850	–	286,850
Retained earnings	3,999,410	(306,180)	(1,383)	3,691,847
Cost of treasury shares	(185,334)	–	–	(185,334)
	10,071,395	(16,024)	(1,383)	10,053,988
Equity attributable to non-controlling interests	–	67,217	–	67,217
Total Equity	10,071,395	51,193	(1,383)	10,121,205
TOTAL LIABILITIES AND EQUITY	₱20,622,487	₱86,840	₱16,721	₱20,726,048

Reconciliation of Statement of Financial Position as of January 1, 2012

		Effects of adoption		
	As previously reported	PFRS 10	PAS 19	As restated
ASSETS				
Total Current Assets	₱9,917,032	₱46,321	₱–	₱9,963,353
Noncurrent Assets				
Property and equipment	444,399	262,272	–	706,671
Pension asset	33,482	–	(33,482)	–
Available-for-sale investments	262,228	(251,520)	–	10,708
Other noncurrent assets	7,329,309	–	–	7,329,309
Total Noncurrent Assets	8,069,418	10,752	(33,482)	8,046,688
TOTAL ASSETS	₱17,986,450	₱57,073	(₱33,482)	₱18,010,041

		Effects of adoption		
	As previously reported	PFRS 10	PAS 19	As restated
LIABILITIES AND EQUITY				
Total Current Liabilities	₱3,559,470	₱28,863	₱–	₱3,588,333
Total Noncurrent Liabilities	5,279,241	2,443	(7,109)	5,274,575
Equity Attributable to Equity Holders of the Parent Company				
Capital stock	6,255,882	–	–	6,255,882
Unrealized gain on available-for-sale investments	13,171	(12,568)	–	603
Other equity adjustments (see Note 19)	–	284,111	–	284,111
Retained earnings	2,878,686	(311,832)	(26,373)	2,540,481
	9,147,739	(40,289)	(26,373)	9,081,077
Equity attributable to non-controlling interests	–	66,056	–	66,056
Total Equity	9,147,739	25,767	(26,373)	9,147,133
TOTAL LIABILITIES AND EQUITY	₱17,986,450	₱57,073	(₱33,482)	₱18,010,041

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

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

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

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

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

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

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

  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set-off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Improvements to PFRS (Issued 2010)

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

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

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

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

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

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

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

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

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

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 January 1, 2013. Except as otherwise indicated, the Company does not expect the adoption of these amendments and interpretations to have an impact on its consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

- Annual Improvements to PFRSs (2010-2012 cycle)

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

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

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

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

b) The accumulated depreciation is eliminated against the gross carrying amount of the asset.

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

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

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

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

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

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

b) The accumulated amortization is eliminated against the gross carrying amount of the asset.

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

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

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

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

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

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

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

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

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

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

- Annual Improvements to PFRSs (2011-2013 cycle)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Summary of Significant Accounting Policies

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

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

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

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

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

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).

Financial Assets

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

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

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

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

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

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

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

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

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

The Company has no bifurcated embedded derivatives as at December 31, 2013 and 2012.

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

This category includes the Company's cash and cash equivalents, trade receivables from sale of condominium units and lease, advances to officers and employees, other receivables, refundable deposits and restricted cash (see Notes 6, 7 and 9).

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

The Company has no held-to-maturity investments as at December 31, 2013 and 2012.

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

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

This category includes mainly the Parent Company's investment in Manila Polo Club shares and Meralco preferred shares (see Note 10).

Financial Liabilities

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

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

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

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

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

Fair Value Measurement

The Company measures financial instruments at fair value at each financial reporting date. The fair value information of certain financial and non-financial assets and liabilities are also required to be disclosed in the financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

The Company uses the following hierarchy for determining and disclosing the fair value of assets and liabilities 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.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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

Derecognition of Financial Assets and Liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cost includes:

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

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

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

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

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

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

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

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

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

Investment property in progress pertains to Lopez Tower under construction and is stated at cost which includes cost of construction and other direct costs. Investment property in progress is not depreciated until such time that the relevant assets are completed and become available for operational use.

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

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

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

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

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

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

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

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

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

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

Construction in progress pertains to Edades serviced apartments under construction and is stated at cost which includes cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and become available for operational use. Upon completion, it will be depreciated over a period of 25 years.

Impairment of Nonfinancial Assets

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

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

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

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

Revenue and Cost Recognition

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

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

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

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

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers is recognized as "Deposits from pre-selling of condominium units" account under "Trade and other payables" and "Deposits and other liabilities" accounts in the consolidated statement of financial position (see Notes 16 and 17).

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

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

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

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

Other costs incurred during the pre-selling stage to sell real estate are capitalized as prepaid costs and shown as part of "Other current assets" account in the consolidated statement of financial position if they are directly associated with and their recovery is reasonably expected from the sale of real estate that are initially being accounted for as deposits (see Note 9). 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.

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

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

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

Equity
When the Company issues its par value shares, the proceeds shall be credited to the "Capital stock" account in the consolidated statement of financial position to the extent of the par value, with any excess being reflected as "Additional paid-in-capital" account in the consolidated statement of financial position. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

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

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

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

Share-based Payment Transactions
Employees (including directors) of the Parent Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled Transactions. The cost of equity-settled transactions with employees is measured by reference to the fair value of the stock options at the date the option is granted. The fair value is determined using Binomial Pricing Model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than the conditions linked to the price of the shares of the Parent Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognized in profit or loss with a corresponding increase in "Share-based payments plans" account in equity, over the period in which the performance and/or service conditions are fulfilled.

The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Parent Company's best estimate of the number of equity instruments that will ultimately vest at that date. The cost of share-based payment is recognized in the interim consolidated statement of income as part of "Personnel expenses" account under "General and administrative expenses".

No expense is recognized for awards that do not ultimately vest.

When the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled with payment, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see Note 18).

Pension Costs and Other Employee Benefits

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

Employee Leave Entitlement. Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before 12 months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period. Employee entitlements beyond 12 months are recognized as part of the noncurrent portion of other employee benefits liability.

Income Tax

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Diluted earnings per share is calculated by dividing the net income attributable to common shareholders by the weighted average number of common shares issued and outstanding during the year adjusted for the effects of any dilutive convertible common shares.

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 31.

5. Significant Accounting Judgments, Estimates and Assumptions

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

Judgments

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

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

Lease income earned from investment properties amounted to ₱727.0 million, ₱688.2 million and ₱657.9 million in 2013, 2012 and 2011, 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 from investment properties amounted to ₱723.5 million and ₱6.4 million in 2013 and 2012, respectively (see Notes 8 and 11).

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

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

The fair values of the Company's financial assets and liabilities are set out in Note 29.

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 27).

No provision for contingencies was recognized in 2013, 2012 and 2011.

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 collectability of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the customers, the customers' payment behavior and known market factors. The amount and timing of recorded expenses for any period would therefore differ depending on the judgments and estimates made for each year.

Provision for doubtful accounts and write-off of other receivables totalled ₱0.07 million, ₱0.4 million and ₱4.3 million in 2013, 2012 and 2011, respectively (see Note 21). Trade and other receivables, net of allowance for doubtful accounts, amounted to ₱6.2 billion and ₱3.5 billion as at December 31, 2013 and 2012, respectively (see Note 7).

b. Available-for-Sale Financial Assets

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

Available-for-sale investments amounted to ₱15.3 million as at December 31, 2013 and 2012 (see Note 10). No impairment loss was recognized in 2013, 2012 and 2011.

Net Realizable Value of Condominium Units for Sale. Condominium units for sale are carried at the lower of cost or NRV. Condominium units for sale, stated at cost, amounted to ₱39.7 million and ₱32.1 million as at December 31, 2013 and 2012, respectively.

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

There were no changes in the estimated useful lives of investment properties and property and equipment in 2013, 2012 and 2011.

Investment properties, net of accumulated depreciation, amounted to ₱3.1 billion as at December 31, 2013 and 2012 (see Note 11).

Property and equipment, net of accumulated depreciation and amortization, amounted to ₱1.7 billion and ₱754.5 million as at December 31, 2013 and 2012, respectively (see Note 13).

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

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

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

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

	December 31, 2013	December 31, 2012
Investment properties (see Note 11)	**₱4,934,200**	₱4,953,882
Investment in joint venture (see Note 12)	**2,282,152**	2,188,891
Property and equipment (see Note 13)	**1,723,145**	775,312

The fair value of the investment properties amounted to ₱10.9 billion and ₱10.1 billion as at December 31, 2013 and 2012, respectively (see Note 11).

No impairment loss was recognized in 2013, 2012 and 2011.

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.

Unrecognized deferred tax assets amounted to ₱18.2 million and ₱28.6 million as at December 31, 2013 and 2012, respectively. Deferred tax assets recognized in the statements of financial position amounted to ₱104.9 million and ₱52.0 million as at December 31, 2013 and 2012, respectively (see Note 24).

Pension Costs and Other Employee Benefits. The determination of the Company's obligation and cost of pension and other employee benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 23 and include, among others, discount rate and expected rate of salary increase. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

As at December 31, 2013 and 2012, pension liability and other employee benefits amounted to ₱138.3 million and ₱44.1 million, respectively, while pension asset amounted to nil and ₱16.7 million, respectively. Since there is no minimum funding requirement, the resulting net asset or net liability recognized in the consolidated statement of financial position was determined as the lower of the surplus of the plan and the present value of the future service cost to the Company (see Note 23).

6. Cash and Cash Equivalents

This account consists of:

	December 31, 2013	December 31, 2012 (As restated – see Note 3)
Cash on hand and in banks	**₱255,289**	₱173,704
Short-term investments	**8,716,726**	359,450
	₱8,972,015	₱533,154

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 ₱40.4 million, ₱12.4 million and ₱11.3 million in 2013, 2012 and 2011, respectively (see Note 20).

7. Trade and Other Receivables

This account consists of:

	December 31, 2013	December 31, 2012 (As restated – see Note 3)
Trade receivables from:		
Sale of condominium units - net of noncurrent portion of ₱51.6 million in 2013 and ₱44.6 million in 2012	**₱5,883,695**	₱3,276,388
Lease	**106,110**	106,146
Advances to officers and employees (see Note 25)	**20,127**	12,448
Others - net of allowance for doubtful accounts of ₱5.2 million in 2013 and ₱5.9 million in 2012	**111,656**	82,481
	₱6,121,588	₱3,477,463

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 ₱19.8 million and ₱21.5 million as at December 31, 2013 and 2012, respectively.

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

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

Other receivables mainly consist of claims from contractors and receivable from various third parties.

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

	December 31, 2013	December 31, 2012 (As restated – see Note 3)
Balance at beginning of year	**₱5,885**	₱6,980
Reversal of provision	**(774)**	–
Provision (see Note 21)	**70**	379
Write-off	**–**	(1,474)
Balance at end of year	**₱5,181**	₱5,885

8. Land and Development Costs

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

	December 31, 2013	December 31, 2012
Proscenium (see Note 15)	**₱4,588,970**	₱3,955,035
The Grove Phases 1, 2 & 3	**1,282,088**	1,214,491
53 Benitez	**294,192**	–
Alvendia	**113,324**	–
Edades	**102,836**	185,746
205 Santolan	**49,284**	454,661
Others	**561,998**	942,478
	₱6,992,692	₱6,752,411

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

	December 31, 2013	December 31, 2012
Balance at beginning of year	**₱6,752,411**	₱5,584,593
Construction/development costs incurred	**3,964,023**	4,007,847
Cost of real estate sold (shown as part of cost of real estate)	**(4,046,599)**	(3,817,940)
Land acquired during the year	**284,142**	859,099
Borrowing costs capitalized (see Notes 14, 15 and 17)	**245,852**	206,975
Reclassifications to property and equipment (see Note 13)	**(179,631)**	(94,531)
Reclassification to condominium units for sale	**(27,506)**	–
Transfers from investment properties (see Note 11)	**–**	6,368
Balance at end of year	**₱6,992,692**	₱6,752,411

Details related to these projects are as follows:

Project	Structure and Location	Expected Completion Date	Estimated POC*	Estimated Cost to Complete December 31, 2013	Estimated Cost to Complete December 31, 2012
Proscenium	Highrise condominium, Rockwell Center	2018-2019	On-going substructure	**₱16,046,761**	₱16,680,696
The Grove	Highrise condominium, Pasig City			**4,516,147**	6,171,551
Phase 2		2014	54%		
Phase 3		2015	17%		
53 Benitez	Midrise condominium, Quezon City	2015	On-going substructure	**1,109,820**	–
Alvendia	Townhouse, San Juan City	2014	36%	**156,807**	–
Edades	Highrise condominium, Rockwell Center	2014	97%	**152,980**	1,642,745
205 Santolan	Townhouse, Quezon City	2013	99%	**10,527**	571,013
				₱21,993,042	₱25,066,005

**Percentage of completion (POC) as of December 31, 2013*

Other land and development costs mainly pertain to land acquisition in Cebu City for future residential development project. The Company expects to launch this project in 2014.

Other land acquisitions expected to be launched after 2014 are presented separately under "Other noncurrent assets" in the consolidated statements of financial position.

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 and general borrowing costs from interest-bearing loans and borrowings capitalized as part of development costs amounted to ₱90.8 million and ₱18.3 million in 2013 and 2012, respectively. Capitalization rates used are 4.9% and 6.3% in 2013 and 2012, respectively. Amortization of discount on retention payable capitalized as part of development costs amounted to ₱14.7 million and ₱7.9 million in 2013 and 2012, respectively (see Note 17).

Total cash received from pre-selling activities amounted to ₱1,506.4 million and ₱3.2 million as at December 31, 2013 and 2012, respectively (see Notes 16 and 17).

9. Other Current Assets

This account consists of:

	December 31, 2013	December 31, 2012 (As restated – see Note 3)
Prepaid costs (see Notes 4, 15 and 21)	**₱503,525**	₱354,045
Input VAT (see Note 15)	**305,768**	95,613
Refundable deposits	**33,493**	25,293
Restricted cash	**14,693**	2,897
Creditable withholding tax	**11,683**	11,737
Supplies	**6,988**	7,121
Others (see Note 25)	**77,859**	19,137
	₱954,009	₱515,843

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

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

10. Available-for-Sale Investments

As at December 31, 2013 and 2012, this account consists of:

Quoted	₱12,000
Unquoted	3,308
	₱15,308

Quoted Equity Shares
This consists of investment in Manila Polo Club shares. Movement in the balance follows:

	2013	2012	2011
Balance at beginning of year	**₱12,000**	₱7,400	₱7,500
Unrealized gain (loss) on fair value adjustments (excluding tax effect of ₱460 in 2012 and ₱10 in 2011)	**–**	4,600	(100)
Balance at end of year	**₱12,000**	₱12,000	₱7,400

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.

11. Investment Properties

The rollforward analysis of this account follows:

	December 31, 2013			
	Land	**Buildings and Improvements**	**Investment Property in Progress**	**Total**
At January 1, 2013, net of accumulated depreciation	**₱1,870,844**	**₱2,573,621**	**₱509,417**	**₱4,953,882**
Additions	**–**	**7,120**	**832,970**	**840,090**
Transfers to property and equipment (see Note 13)	**–**	**–**	**(723,547)**	**(723,547)**
Depreciation (see Note 21)	**–**	**(136,225)**	**–**	**(136,225)**
At December 31, 2013, net of accumulated depreciation	**₱1,870,844**	**₱2,444,516**	**₱618,840**	**₱4,934,200**

	December 31, 2013			
	Land	**Buildings and Improvements**	**Investment Properties in Progress**	**Total**
At January 1, 2013:				
Cost	**₱1,870,844**	**₱4,026,305**	**₱509,417**	**₱6,406,566**
Accumulated depreciation	**–**	**(1,452,684)**	**–**	**(1,452,684)**
Net carrying amount	**₱1,870,844**	**₱2,573,621**	**₱509,417**	**₱4,953,882**
At December 31, 2013:				
Cost	**₱1,870,844**	**4,033,425**	**₱618,840**	**6,523,109**
Accumulated depreciation	**–**	**(1,588,909)**	**–**	**(1,588,909)**
Net carrying amount	**₱1,870,844**	**₱2,444,516**	**₱618,840**	**₱4,934,200**

	December 31, 2012			
	Land	Buildings and Improvements	Investment Properties in Progress	Total
At January 1, 2012, net of accumulated depreciation	₱1,870,844	₱2,712,316	₱148,008	₱4,731,168
Additions	–	5,015	361,409	366,424
Transfers to land and development costs (see Note 8)	–	(6,368)	–	(6,368)
Depreciation (see Note 21)	–	(137,342)	–	(137,342)
At December 31, 2012, net of accumulated depreciation	₱1,870,844	₱2,573,621	₱509,417	₱4,953,882
At January 1, 2012:				
Cost	₱1,870,844	₱4,027,658	₱148,008	₱6,046,510
Accumulated depreciation	–	(1,315,342)	–	(1,315,342)
Net carrying amount	₱1,870,844	₱2,712,316	₱148,008	₱4,731,168
At December 31, 2012:				
Cost	₱1,870,844	₱4,026,305	₱509,417	₱6,406,566
Accumulated depreciation	–	(1,452,684)	–	(1,452,684)
Net carrying amount	₱1,870,844	₱2,573,621	₱509,417	₱4,953,882

Investment properties are valued at cost. Investment properties consist of the "Power Plant" Mall (₱3.0 billion as at December 31, 2013 and ₱3.2 billion as at December 31, 2012), other investment properties held for lease within the Rockwell Center (₱1.1 billion as at December 31, 2013 and ₱901.5 million as at December 31, 2012) and land held for appreciation (₱852.5 million as at December 31, 2013 and 2012).

Investment properties in progress represent costs incurred for the construction of Lopez Tower. Specific borrowing costs capitalized as part of investment properties amounted to ₱21.4 million and ₱0.1 million in 2013 and 2012, respectively (see Note 14). Capitalization rates used are 3.9% and 4.0% in 2013 and 2012, respectively. As at December 31, 2013 and 2012, unamortized borrowing costs capitalized as part of investment properties amounted to ₱264.0 million and ₱243.2 million, respectively.

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

Lease income earned from investment properties amounted to ₱727.0 million, ₱688.2 million and ₱657.9 million in 2013, 2012 and 2011, respectively. Direct operating expenses incurred amounted to ₱288.6 million, ₱245.6 million and ₱287.5 million in 2013, 2012 and 2011, respectively.

The aggregate fair value of the Company's mall amounted to ₱7.2 billion and ₱6.8 billion as of December 31, 2013 and 2012, respectively. The aggregate fair value of other investment properties held for lease within the Rockwell Center and land held for appreciation amounted to ₱3.7 billion and ₱3.3 billion as at December 31, 2013 and 2012, 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," particularly the "Discounted Cash Flow Analysis" which is a financial modelling technique based on explicit assumptions regarding the prospective cash flow to a property. This analysis involves the projection of a series of periodic cash flows to an operating property. To this projected cash flow series, an appropriate discount rate is applied to establish an indication of the present value of the income stream associated with the property being valued. In an operating property, periodic cash flow is typically estimated as gross revenue less operating expenses and other outgoings. The series of periodic net operating incomes, along with an estimate of the terminal value, anticipated at the end of the projection period, is then discounted at the discount rate, being a cost of capital or a rate of return used to convert a monetary sum, payable or receivable in the future, into present value.

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.

12. Investment in Joint Venture

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 first two towers of the BPO Building, including the right to use the land, and to operate and manage the combined properties for lease or any similar arrangements to third parties under a common property management and administration. Consequently, the Parent Company's contribution to the unincorporated JV is presented as "Investment in joint venture" account in the consolidated statements of financial position. The unincorporated JV started commercial operations in July 2009.

In accordance with the terms of the JV Agreement, the Parent Company acts as the Property Manager of the unincorporated JV. Management fees recognized by the Parent Company, which is shown as part of "Others" account in the consolidated statements of comprehensive income, amounted to ₱1.2 million, ₱1.1 million and ₱0.9 million in 2013, 2012 and 2011, respectively. The unincorporated JV will be managed and operated in accordance with the terms of the JV Agreement and with the Property Management Plan provided for in the JV Agreement. The principal place of business of the unincorporated JV is at Meralco Compound, Ortigas Center, Pasig City.

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

On December 6, 2013, Meralco and the Parent Company entered into a Supplemental Agreement to the JV Agreement to include their respective additional rights and obligations, including the development and construction of the third tower of the BPO Building. Under the Supplemental Agreement, Meralco shall contribute the corresponding use of the land where the third BPO Building will be constructed while the Parent Company shall provide the additional funds necessary to cover the construction costs.

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

	December 31, 2013	December 31, 2012
Current assets	**₱786,854**	₱618,512
Noncurrent assets	**2,595,671**	2,579,159
Current liabilities	**115,417**	51,289
Noncurrent liabilities	**108,840**	92,198
Cash and cash equivalents	**467,862**	412,383
Current financial liabilities (excluding trade and other payables and provisions)	**5,935**	5,370
Noncurrent financial liabilities (excluding trade and other payables and provisions)	**74,916**	69,809

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

	2013	2012	2011
Revenue	**₱295,334**	₱289,735	₱258,146
General and administrative expenses	**76,383**	63,895	55,567
Depreciation and amortization expense	**117,431**	117,431	117,431
Interest income	**6,471**	11,194	6,144
Interest expense	**2,116**	3,691	2,597
Provision for income tax	**56,805**	58,837	50,753
Total comprehensive income	**101,520**	108,408	85,148

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

	December 31, 2013	December 31, 2012
Investment cost	**₱2,062,043**	₱2,062,043
Accumulated share in net income:		
Balance at beginning of year	**126,848**	41,059
Share in net income	**93,261**	98,470
Dividends received	**–**	(12,681)
Balance at end of year	**220,109**	126,848
Carrying value	**₱2,282,152**	₱2,188,891

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

	December 31, 2013	December 31, 2012
Net asset of the unincorporated JV	**₱3,158,268**	₱3,054,184
Interest of the Parent Company in the net asset of the unincorporated JV	**70%**	70%
	2,210,788	2,137,929
Effect of difference between the Parent Company's percentage share in net income as previously discussed	**71,364**	50,962
Carrying amount of the investment in joint venture	**₱2,282,152**	₱2,188,891

13. Property and Equipment

The rollforward analysis of this account follows:

	December 31, 2013					
	Land	**Buildings and Improvements**	**Office Furniture and Other Equipment**	**Transportation Equipment**	**Construction in Progress**	**Total**
Cost						
At January 1	**₱20,852**	**₱770,152**	**₱962,854**	**₱134,352**	**₱–**	**₱1,888,210**
Additions	**–**	**33,627**	**123,140**	**26,596**	**–**	**183,363**
Reclassifications from land and development costs (see Note 8)	**–**	**–**	**–**	**–**	**179,631**	**179,631**
Reclassifications from investment properties (see Note 11)	**–**	**–**	**–**	**–**	**723,547**	**723,547**
Disposals	**–**	**–**	**–**	**(19,080)**	**–**	**(19,080)**
At December 31	**20,852**	**803,779**	**1,085,994**	**141,868**	**903,178**	**2,955,671**
Accumulated Depreciation and Amortization						
At January 1	**–**	**287,682**	**725,169**	**100,047**	**–**	**₱1,112,898**
Depreciation and amortization (see Note 21)	**–**	**22,488**	**92,293**	**14,200**	**–**	**128,981**
Disposals	**–**	**–**	**–**	**(9,353)**	**–**	**(9,353)**
At December 31	**–**	**310,170**	**817,462**	**104,894**	**–**	**1,232,526**
Net Book Value at December 31	**₱20,852**	**₱493,609**	**₱268,532**	**₱36,974**	**₱903,178**	**₱1,723,145**

	December 31, 2012 (As restated – see Note 3)				
	Land	Buildings and Improvements	Office Furniture and Other Equipment	Transportation Equipment	Total
Cost					
At January 1	₱20,852	₱666,895	₱894,295	₱117,807	₱1,699,849
Additions	–	11,337	76,926	20,553	108,816
Reclassifications from land and development costs (see Note 8)	–	94,531	–	–	94,531
Reclassifications	–	8,367	(8,367)	–	–
Disposals	–	(10,978)	–	(4,008)	(14,986)
At December 31	20,852	770,152	962,854	134,352	1,888,210
Accumulated Depreciation and Amortization					
At January 1	–	265,662	639,062	88,454	993,178
Depreciation and amortization (see Note 21)	–	24,495	86,107	12,490	123,092
Disposals	–	(2,475)	–	(897)	(3,372)
At December 31	–	287,682	725,169	100,047	1,112,898
Net Book Value at December 31	₱20,852	₱482,470	₱237,685	₱34,305	₱775,312

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

Borrowing costs capitalized as part of investment properties that was transferred to construction in progress account amounted to ₱25.8 million in 2013 (see Note 14). Capitalization rate used is 4.9% in 2013.

14. Interest-bearing Loans and Borrowings

This account consists of:

	Effective Interest Rate	December 31, 2013	December 31, 2012
Current			
Corporate notes	4.9%, 4.6%, 4.5% fixed	**₱412,000**	₱–
Peso-denominated loans from various local banks and financial institutions	7.5%, 4.5% and 4.0% fixed	**–**	404,572
		412,000	404,572
Less unamortized loan transaction costs (see Note 21)		**7,950**	–
		₱404,050	₱404,572
Noncurrent			
Corporate notes	4.9%, 4.6%, 4.5% fixed	**₱9,588,000**	₱4,000,000
Bonds payable	5.0932% fixed	**5,000,000**	–
Peso-denominated loans from various local banks and financial institutions	7.5% fixed	**–**	54,382
		14,588,000	4,054,382
Less unamortized loan transaction costs (see Note 21)		**124,942**	26,966
		₱14,463,058	₱4,027,416

Corporate Notes

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

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

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

b. On November 27, 2012, the Parent Company entered into a Fixed Rate Corporate Notes Facility Agreement ("the Agreement") with the same creditors for the ₱10.0 billion Notes for the purpose of refinancing the existing ₱4.0 billion fixed rate corporate notes and to finance the Parent Company's capital expenditures and land acquisitions. The Notes are comprised of Tranche 1, Tranche 2 and Tranche 3, amounting to ₱4.0 billion, ₱2.0 billion and ₱4.0 billion, respectively. Tranches 1 and 2 were availed on January 7, 2013 and March 7, 2013, respectively. Tranche 3 was availed in three drawdowns amounting to ₱1.0 billion, ₱1.5 billion and ₱1.5 billion on May 27, 2013, July 26, 2013 and August 27, 2013, respectively. Tranches 1, 2 and 3 amounting to ₱8.8 billion is payable in 22 quarterly payments starting October 2014. A portion of Tranche 2 amounting to ₱1.2 billion will be paid annually at 1% of the principal amount from the issue date for six (6) years while the remaining 94% of the principal amount is payable in 2020.

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

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

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

2014	₱412,000
2015	1,612,000
2016	1,612,000
2017 and onwards	6,364,000
	₱10,000,000

Covenants. The loan contains, among others, covenants regarding incurring additional debt and dividend, to the extent that such will result in a breach of the required debt-to-equity ratio and current ratio. As at December 31, 2013, the Parent Company has complied with these covenants (see Note 28).

Bonds Payable

On November 15, 2013, the Parent Company issued ₱5.0 billion unsecured fixed-rate retail peso bonds. The bonds have a term of seven (7) years and one (1) quarter from the issue date, with fixed interest rate equivalent to 5.0932% per annum. Interest on the bonds will be payable quarterly in arrears commencing on February 15, 2014.

The bonds were offered to the public at face value and were issued in scripless form, with the Philippine Depository & Trust Corporation maintaining the Electronic Registry of Bondholders, as the Registrar of the Bonds. On issue date, the bonds were listed in Philippine Dealing & Exchange Corporation to facilitate secondary trading.

The bonds shall be redeemed at par (or 100% of face value) on February 15, 2021, its maturity date, unless the Parent Company exercises its early redemption option in accordance with certain conditions. The embedded early redemption is clearly and closely related to the host debt contract; thus, does not require to be bifurcated and accounted for separately from the host contract.

Covenants. The loan contains, among others, covenants regarding incurring additional long-term debt and paying-out dividends, to the extent that such will result in a breach of the required debt-to-equity ratio and current ratio. As at December 31, 2013, the Parent Company has complied with these covenants (see Note 28).

Peso-Denominated Loans from Various Local Banks and Financial Institutions
In 2012, the Parent Company obtained bridge facilities totaling ₱400.0 million. These loans earn interest fixed at 4.5% per annum. These loans have been fully settled as at December 31, 2013.

Interest expense on interest-bearing loans and borrowings amounted to ₱298.1 million, ₱232.5 million and ₱171.3 million in 2013, 2012 and 2011, respectively (see Note 21). Interest expense capitalized as part of land and development costs amounted to ₱90.8 million and ₱18.3 million in 2013 and 2012, respectively (see Note 8). Interest expense capitalized as part of investment properties amounted to ₱21.4 million and ₱0.1 million in 2013 and 2012, respectively (see Note 11). Interest expense capitalized as part of property and equipment ₱25.8 million and nil in 2013 and 2012, respectively (see Note 13).

Loan Transaction Costs. As at December 31, 2013 and 2012, loan transaction costs consisting of documentary stamp tax and underwriting fees on the corporate notes and bonds 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, 2013	December 31, 2012
Balance at beginning of year	**₱26,966**	₱20,716
Additions during the year	**138,193**	14,682
Amortization during the year (see Note 21)	**(32,267)**	(8,432)
Balance at end of year	**₱132,892**	₱26,966

15. Installment Payable

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

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

June 2014	₱799,755
June 2015	799,755
June 2020	655,799
	₱2,255,309

The installment payable and the corresponding land held for development were recorded at present value using the discount rate of 8%. Accretion of interest expense amounted to ₱152.7 million and ₱195.4 million in 2013 and 2012, respectively, and was capitalized as part of land and development costs (see Note 8).

As at December 31, 2013 and 2012, the carrying value of the installment payable amounted to ₱1.9 billion and ₱2.5 billion, respectively.

Installment payable is secured by Stand-By Letters of Credit (SBLC) from MBTC and FMIC totaling ₱2.4 billion. These SBLC provides for a cross default provision wherein the SBLC shall automatically be due and payable in the event the Parent Company's other obligation (see Note 14) is not paid when due or a default in any other agreement shall have occurred, entitling the holder of the obligation to cause such obligation to become due prior to its stated maturity. Unamortized prepaid premium on the SBLC as at December 31, 2013 and 2012 amounting to ₱7.0 million and ₱7.2 million, respectively, is presented as part of "Prepaid costs" under "Other current assets" account in the consolidated statements of financial position (see Note 9).

The related deferred input VAT amounting to ₱156.0 million and ₱241.6 million, net of current portion of ₱85.7 million, in 2013 and 2012, respectively (see Note 9), is recognized as part of "Other noncurrent assets" account in the consolidated statements of financial position. This deferred input VAT will be claimed against output VAT upon payment of the related installment payable.

16. Trade and Other Payables

This account consists of:

	December 31, 2013	December 31, 2012 (As restated – see Note 3)
Trade	**₱111,630**	₱138,053
Accrued expenses:		
Project costs	**1,996,667**	1,660,581
Taxes and licenses	**241,127**	202,082
Interest	**145,993**	65,659
Utilities	**23,644**	20,223
Producers' share	**18,596**	10,755
Marketing and promotions	**9,048**	7,533
Repairs and maintenance	**7,672**	8,443
Others (see Notes 17 and 23)	**169,873**	131,349
Deferred output VAT	**515,101**	337,815
Due to related parties (see Note 25)	**138,155**	120,000
Current portions of:		
Deposits from pre-selling of condominium units (see Notes 8 and 17)	**994,624**	3,170
Retention payable (see Note 17)	**234,359**	221,218
Security deposits (see Note 17)	**182,283**	188,050
Deferred lease income (see Note 17)	**58,695**	65,413
Excess collections over recognized receivables (see Note 4)	**–**	28,984
Advance payments from members and customers	**8,683**	7,854
Others	**16,726**	4,019
	₱4,872,876	₱3,221,201

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 are normally settled within 12 months.

Deposits from pre-selling of condominium units represent cash received from buyers of "Proscenium" and "53 Benitez" in 2013, and "The Grove Phase 2" in 2012 pending recognition of revenue expected to be applied against receivable from sale of condominium units the following year (see Note 8).

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

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

17. Deposits and Other Liabilities

This account consists of:

	December 31, 2013	December 31, 2012
Deposits from pre-selling of condominium units - net of current portion of ₱994.6 million in 2013 (see Notes 8 and 16)	**₱511,754**	₱–
Retention payable - net of current portion of ₱234.4 million in 2013 and ₱221.2 million in 2012 (see Note 16)	**283,902**	121,743
Security deposits - net of current portion of ₱182.3 million in 2013 and ₱188.1 million in 2012 (see Note 16)	**79,665**	54,353
Deferred lease income - net of current portion of ₱58.7 million in 2013 and ₱65.4 million in 2012 (see Note 16)	**31,755**	21,405
Others (see Notes 16 and 23)	**48,397**	28,067
	₱955,473	₱225,568

Deposits from pre-selling of condominium units represent cash received from buyers of "Proscenium" in 2013 pending recognition of revenue expected to be applied against receivable from sale of condominium units beyond 2014 (see Note 8).

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

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

The following table shows a reconciliation of unamortized discount on retention payable as of year-end.

	December 31, 2013	December 31, 2012
Balance at beginning of year	**₱19,683**	₱12,987
Additions during the year (see Note 8)	**12,248**	14,559
Amortization during the year (see Note 8)	**(14,678)**	(7,863)
Balance at end of year	**₱17,253**	₱19,683

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

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

18. Share-based Payment Plans

The Parent Company has an Employee Stock Option Plan (ESOP) that was approved by the BOD and stockholders on May 2, 2012 and August 3, 2012, respectively. The ESOP is offered to all regular employees of the Parent Company including employees seconded to other affiliates or other individuals that the Board of Administrators may decide to include. The aggregate number of ESOP shares that may be issued shall not at any time exceed 3% of the issued capital stock or 192,630,881 common shares of the Company on a fully diluted basis and may be issued upon the exercise by the eligible participants of the stock option plans. The maximum numbers of shares a participant is entitled to shall be determined as a multiple of the gross basic monthly salary based on rank and performance for the year preceding the award. The option is exercisable anytime within the Option Term once vested. The ESOP was approved by the SEC on December 6, 2012 and was communicated to the employees on January 3, 2013.

The terms of the ESOP include, among others, a limit as to the number of shares a qualified regular employee Parent Company including employees seconded to other affiliates or other individuals that the Board of Administrators may decide to include may purchase. Options are expected to be granted annually over a period of 5 years. Options granted are vested after one year. All qualified participants are given until 10th year of the grant date to exercise the stock option.

The primary terms of the grants follow:

Grant date	January 3, 2013
Number of options granted	63,740,000
Offer price per share	1.46
Option value per share	1.43

The fair value of equity-settled share options granted is estimated as at the date of grant using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the option grants:

Expected volatility (%)	36.94
Exercise price (₱)	1.46
Spot price (₱)	2.52
Risk-free interest rate (%)	4.19
Term to maturity (years)	10.0
Dividend yield (%)	1.91

The expected volatility reflects the average historical volatility of peer companies based on a lookback period consistent with the term to maturity of the option. This may likewise not necessarily be the actual volatility outcome. The effects of expected early exercise, including the impact of the vesting period and blackout periods, are captured in the binomial model. No other features of the options grant were incorporated into the measurement of the fair value of the options.

In 2013, there were 63.7 million stock options granted and 15.0 million stock options exercised. Total share-based payment expense recognized amounting to ₱91.1 million is presented as part of "Personnel expenses" under "General and Administrative Expenses" account in the consolidated statement of comprehensive income for the year ended December 31, 2013 (see Note 21).

The following table shows the movements in share options in 2013:

Outstanding at beginning of year	–
Granted during the year	63,740,000
Exercised during the year	(15,000,000)
Outstanding at end of year	48,740,000

As at December 31, 2013, total share-based payment transactions, net of applicable tax, amounting to ₱69.7 million are presented as "Share-based payments" account under the equity section of the consolidated statement of financial position.

19. Equity

a. Capital Stock

	2013		2012	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized				
Common - ₱1 par value	**8,890,000,000**	**₱8,890,000**	8,890,000,000	₱8,890,000
Preferred - ₱0.01 par value	**11,000,000,000**	**110,000**	11,000,000,000	110,000
	19,890,000,000	**₱9,000,000**	19,890,000,000	₱9,000,000
Issued				
Common - ₱1 par value	**6,243,382,344**	**₱6,243,382**	6,228,382,344	₱6,228,382
Preferred - ₱0.01 par value	**2,750,000,000**	**27,500**	2,750,000,000	27,500
	8,993,382,344	**₱6,270,882**	8,978,382,344	₱6,255,882

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

Below is the movement of the common stock of the Parent Company:

Date of SEC Approval	Authorized Capital Stock	New Subscriptions/ Issuances	Issue/ Offer Price
May 2012, listing by way of introduction	8,890,000,000	6,228,382,344	₱1.46
Exercise of ESOP shares (see Note 18)	-	15,000,000	
	8,890,000,000	6,243,382,344	

b. Dividends

On July 4, 2013, the BOD of the Parent Company approved the declaration of regular cash dividends of ₱0.0368 per share to all common stockholders of record as of July 25, 2013. Payments were made on August 20, 2013.

On January 16, 2012, the BOD approved the declaration of dividends for preferred shares at 6% cumulative per annum amounting to ₱4.1 million or ₱0.0015 per share. Payments were made on January 26, 2012. As at December 31, 2013, unpaid cumulative dividends on preferred shares amounted to ₱3.0 million.

c. Other Equity Adjustments

This account represents the difference between the consideration received from the sale of the proprietary shares and the carrying value of the related interest. In 2013 and 2012, the Parent Company sold proprietary shares, equivalent to 0.3% and 0.5% interest in Rockwell Club, respectively.

	December 31, 2013	December 31, 2012 (As restated - see Note 3)
Balance at beginning of year	**₱286,850**	₱284,111
Acquisition by the non-controlling interests:		
Carrying value	**642**	1,101
Consideration received	**2,451**	3,840
	1,809	2,739
Balance at end of year	**₱288,659**	₱286,850

d. Treasury Shares

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

20. Interest Income

This account consists of:

	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
Interest income from:			
Amortization of unearned interest on trade receivables (see Note 7)	**₱931,805**	₱614,347	₱491,789
Cash and cash equivalents (see Note 6)	**40,382**	12,441	11,250
Interest and penalty charges	**8,474**	12,622	12,317
In-house financing	**2,743**	2,416	3,479
	₱983,404	₱641,826	₱518,835

21. Expenses

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

	2013	2012 (As restated – see Note 3)	2011 (As restated – see Note 3)
Included in:			
Cost of real estate (see Note 11)	**₱136,225**	₱137,342	₱134,539
General and administrative expenses (see Note 13)	**128,981**	123,092	109,291
	₱265,206	₱260,434	₱243,830

General and administrative expenses pertain to the following businesses:

	2013	2012 (As restated – see Note 3)	2011 (As restated – see Note 3)
Real estate	**₱863,791**	₱708,712	₱579,292
Cinema	**177,090**	163,012	160,079
	₱1,040,881	₱871,724	₱739,371

Real Estate

	2013	2012 (As restated – see Note 3)	2011 (As restated – see Note 3)
Personnel (see Notes 18, 22 and 23)	**₱314,160**	₱197,276	₱143,417
Taxes and licenses	**158,828**	159,669	107,068
Depreciation and amortization (see Note 13)	**118,296**	115,092	102,908
Utilities (see Note 25)	**41,296**	36,499	36,271
Professional fees	**40,590**	12,869	14,403
Entertainment, amusement and recreation	**34,686**	33,318	25,887
Contracted services	**27,668**	25,368	10,949
Marketing and promotions	**25,833**	23,450	32,914
Dues and subscriptions	**18,911**	13,701	6,759
Fuel and oil	**12,015**	8,289	7,183
Insurance	**9,279**	9,762	9,256
Security services	**7,081**	4,458	5,609
Transportation and travel	**3,612**	1,174	2,520
Provision for doubtful accounts (see Note 7)	**70**	379	4,312
Others	**51,466**	67,408	69,836
	₱863,791	₱708,712	₱579,292

Cinema

	2013	2012	2011
Producers' share	**₱89,221**	₱81,181	₱84,611
Utilities (see Note 25)	**26,306**	25,758	24,446
Amusement tax	**15,652**	14,610	14,905
Snack bar	**15,396**	13,728	11,033
Contracted services	**11,401**	4,618	4,530
Depreciation and amortization (see Note 13)	**10,685**	8,000	6,383
Personnel (see Notes 22 and 23)	**2,126**	8,129	7,465
Advertising	**2,451**	2,654	2,751
Others	**3,852**	4,334	3,955
	₱177,090	₱163,012	₱160,079

Selling expenses are comprised of:

	2013	2012	2011
Commissions and amortization of prepaid costs (see Notes 4 and 10)	**₱218,752**	₱168,506	₱209,800
Marketing and promotions	**73,243**	30,175	49,253
Personnel (see Notes 22 and 23)	**58,619**	44,095	31,506
Utilities (see Note 25)	**8,287**	11,162	–
Contracted services	**2,629**	8,465	–
Entertainment, amusement and recreation	**614**	2,448	1,711
Others	**10,752**	5,089	757
	₱372,896	₱269,940	₱293,027

Interest expense is comprised of:

	2013	2012	2011
Interest expense on loans (see Note 14)	**₱298,116**	₱232,513	₱171,355
Amortization of loan transaction costs (see Note 14)	**32,267**	8,432	4,213
Bank charges	**14,840**	25,269	11,018
Write-off of loan transaction costs on pre-terminated loans (see Note 14)	**–**	–	6,991
	₱345,223	₱266,214	₱193,577

22. Personnel Expenses

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

	2013	2012 (As restated – see Note 3)	2011 (As restated – see Note 3)
Salaries and wages (see Note 21)	**₱348,078**	₱221,312	₱166,861
Pension costs (see Note 23)	**26,827**	28,188	15,527
	₱374,905	₱249,500	₱182,388

23. Pension Costs and Other Employee Benefits

a. Pension Costs

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

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

The following tables summarize the components of the net pension costs and other employee benefits 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:

	December 31, 2013	December 31, 2012 (As restated – see Note 3)	January 1, 2012 (As restated – see Note 3)
Current service cost	**₱27,435**	₱26,629	₱18,527
Net interest cost	**(608)**	1,559	(3,000)
Net pension cost	**₱26,827**	₱28,188	₱15,527
Actual return on plan assets	**(₱27,805)**	(₱45,984)	(₱10,006)

Pension asset (liability) as at end of year follows:

	December 31, 2013	December 31, 2012 (As restated – see Note 3)
Present value of benefit obligation	**₱310,663**	₱259,838
Fair value of plan assets	**(222,501)**	(258,394)
	₱88,162	₱1,444
Pension asset (liability) recognized by the Parent Company	**(₱72,071)**	₱16,721
Pension liability recognized by the subsidiaries	**(₱16,091)**	(₱18,165)

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

	December 31, 2013	December 31, 2012 (As restated – see Note 3)
Defined benefit obligation at beginning of year	**₱259,838**	₱231,766
Current service cost	**27,435**	26,629
Interest cost	**13,476**	14,368
Actuarial loss (gains) due to:		
Change in assumptions	**9,793**	9,084
Experience adjustments	**8,209**	(22,009)
Benefits paid	**(8,088)**	–
Defined benefit obligation at end of year	**₱310,663**	₱259,838

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

	December 31, 2013	December 31, 2012 (As restated – see Note 3)
Fair values of plan assets at beginning of year	**₱258,394**	₱212,410
Interest income included in net interest cost	**14,084**	12,809
Actual return excluding amount included in net interest cost	**(41,889)**	33,175
Benefits paid	**(8,088)**	–
Fair values of plan assets at end of year	**₱222,501**	₱258,394

The Company expects to contribute ₱51.0 million to its pension plan in 2014.

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

	2013	2012
Investments in:		
Government securities	**24.53%**	19.75%
Loans and debt instruments	**10.42%**	9.15%
Other securities	**65.05%**	71.10%
	100.00%	100.00%

The principal assumptions used as of January 1, 2013 and 2012 in determining pension cost obligation for the Company's plans are as follows:

	2013	2012
Discount rate	**5-7%**	6-7%
Future salary rate increases	**10.00%**	10.00%

Discount rate prevailing as at December 31, 2013 ranges from 5% to 7%.

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

The fair values of plan assets are as follows:

	December 31, 2013	December 31, 2012
Cash in banks		
MBTC	**₱6,561**	₱1,687
BDO	**1,628**	5,332
Receivables - net of payables		
MBTC	**637**	633
BDO	**688**	2,068
Investments held for trading		
MBTC	**112,912**	130,154
BDO	**100,075**	118,520
	₱222,501	₱258,394

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

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

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

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

The Retirement Plan has investment in shares of stock of the Parent Company amounting to ₱59.6 million, ₱97.2 million and nil as at December 31, 2013 and 2012 and January 1, 2012, respectively. The Company has also investment in ABS-CBN Philippine Depositary Receipts amounting to ₱0.1 million as at December 31, 2013.

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

There are no outstanding balances arising from transactions between the Retirement Plan and the Company as at December 31, 2013 and 2012. Except as stated above, there were no other transactions entered into during the year by the Retirement Plan relating to the Company.

In 2013, the sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation
Discount rate	+100	(₱270,962)
	-100	322,627
Future salary increases	+100	272,519
	-100	(320,025)
Turnover rate	+100	290,455
	-100	298,978

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

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

Year	**2013**	2012
Less than 1 year	**₱–**	₱490
More than 1 year to 5 years	**160,079**	162,109
More than 5 years to 10 years	**44,178**	56,442
More than 10 years to 15 years	**171,331**	167,503
More than 15 years to 20 years	**168,927**	225,268
More than 20 years	**587,024**	484,929

b. Other Employee Benefits

Other employee benefits consists of accumulated employee sick and vacation leave entitlement amounting to ₱10.6 million, ₱2.7 million and ₱7.3 million for the years ended December 31, 2013, 2012 and 2011, respectively (see Notes 21 and 22). The present value of the defined benefit obligation of other employee benefits amounted to ₱50.1 million and ₱25.9 million as at December 31, 2013 and 2012, respectively (see Notes 16 and 17).

In 2013, the sensitivity analysis below has been determined based on reasonably possible changes of salary increase rate on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation
Future salary increases	+200	₱31,982
	-300	22,705

24. Income Taxes

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

	2013	2012 (As restated – see Note 3)	2011 (As restated – see Note 3)
Current income tax	**₱371,294**	₱326,809	₱431,013
Deferred income tax	**210,862**	110,826	(139,968)
	₱582,156	₱437,635	₱291,045

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

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

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

	December 31, 2013	December 31, 2012 (As restated – see Note 3)	January 1, 2012 (As restated – see Note 3)
Deferred tax liabilities:			
Unrealized gain on real estate	**₱395,857**	₱147,902	₱25,228
Capitalized interest	**75,646**	78,902	82,084
Unrealized gain on available-for-sale investments	**527**	527	67
Unrealized foreign exchange gain	**–**	454	1,661
Overfunded pension costs	**–**	5,016	–
	472,030	232,801	109,040
Deferred tax assets:			
Deferred lease income	**26,803**	25,657	24,156
Share-based payment expense	**22,574**	–	–
Unfunded pension costs	**21,621**	–	1,728
Other employee benefits	**15,031**	7,768	6,953

(Forward)

	December 31, 2013	December 31, 2012 (As restated – see Note 3)	January 1, 2012 (As restated – see Note 3)
Unamortized past service cost	**₱10,755**	₱13,543	₱16,332
Allowance for doubtful accounts and others	**4,165**	4,208	4,164
NOLCO	**3,729**	845	–
Unrealized foreign exchange loss	**224**	–	–
	104,902	52,021	53,333
	₱367,128	₱180,780	₱55,707

The details of the subsidiaries' deductible temporary differences, NOLCO and MCIT for which no deferred tax assets are recognized since management believes that there are no sufficient taxable profits against which the deferred tax assets can be utilized are as follows:

	December 31, 2013	December 31, 2012 (As restated – see Note 3)	January 1, 2012 (As restated – see Note 3)
NOLCO	**₱35,107**	₱65,485	₱83,606
Unfunded pension obligation	**16,092**	22,671	2,743
Allowance for doubtful accounts	**2,274**	2,474	3,508
MCIT	**2,173**	808	690
Unearned service fees	**–**	2,169	–
	₱55,646	₱93,607	₱90,547

As at December 31, 2013, MCIT of a subsidiary which can be claimed as deduction from regular taxable income due as follows:

Date Paid	Expiry Date	Amount
December 31, 2011	December 31, 2014	₱298
December 31, 2012	December 31, 2015	335
December 31, 2013	December 31, 2016	1,540
		₱2,173

MCIT amounting to ₱0.2 million expired in 2013 and 2012 and ₱0.1 million in 2011.

As at December 31, 2013, NOLCO of a subsidiary can be carried forward and claimed as deduction against regular taxable income as follows:

Date Incurred	Expiry Date	Amount
December 31, 2011	December 31, 2014	₱27,216
December 31, 2012	December 31, 2015	7,891
		₱35,107

Amount of NOLCO applied in 2013 as deduction against normal taxable income amounted to ₱8.82 million. NOLCO amounting to ₱21.56 million, ₱26.01 million and ₱28.02 million expired in 2013, 2012 and 2011, respectively.

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

	December 31, 2013	December 31, 2012 (As restated – see Note 3)	January 1, 2012 (As restated – see Note 3)
Statutory income tax rate	**30.0%**	30.0%	30.0%
Additions to (deductions from) income tax resulting from:			
Share in net income of joint venture	**(1.4)**	(1.9)	(2.0)
Nondeductible expenses	**0.7**	1.8	0.1
Nontaxable income and others	**–**	(1.9)	(3.8)
Effective income tax rate	**29.3%**	28.0%	24.3%

Revenue Memorandum Circular (RMC) No. 35-2012

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

In accordance with this RMC, Rockwell Club pays output VAT under protest starting August 3, 2012 and income tax effective January 1, 2013.

25. Related Party Transactions

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

The following table summarizes these significant transactions with related parties:

Related Parties	Relationship	Nature of Transaction	Period	Transaction Amount	Amounts Owed (to) from Related Parties (see Notes 7 and 16)	Terms	Conditions
Rockwell-Meralco BPO	Joint venture	Advances (see Note 16)	**2013**	**₱–**	**(₱120,000)**	90-day; non-interest bearing	Unsecured
			2012	120,000	(120,000)		
			2011	–	–		
		Advances (see Note 9)	**2013**	**39,098**	**39,098**	90-day; non-interest bearing	Unsecured; no impairment
			2012	3,150	3,150		
			2011	–	–		
		Dividend income	**2013**	**–**	**–**		
			2012	12,681	–		
			2011	–	–		
Advances to officers and employees		Advances (see Note 7)	**2013**	**49,910**	**20,127**	30-day; non-interest bearing	Unsecured; no impairment
			2012	65,775	12,448		
			2011	25,241	9,730		
FPHC	Parent	Charges for construction of Lopez Tower (see Note 16)	**2013**	**18,155**	**(18,155)**	On demand; non-interest bearing	Unsecured
			2012	–	–		
			2011	–	–		
Meralco	Parent company until May 2012; JV Partner	Utilities	**2013**	**–**	**–**	30-day; non-interest bearing	Unsecured
			2012	86,781	–		
			2011	324,750	(18,733)		

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

Terms and Conditions of Transactions with Related Parties

Purchases from related parties are made at normal market prices. Outstanding balances at year-end are unsecured, interest-free, settlement occurs in cash and collectible/payable on demand. There have been no guarantees provided for or received for any related party receivables or payables. For the years ended December 31, 2013, 2012 and 2011, 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

	2013	2012 (As restated – see Note 3)	2011 (As restated – see Note 3)
Short-term employee benefits	**₱63,984**	₱62,249	₱47,913
Post-employment pension and other benefits	**15,836**	12,202	10,237
Total compensation attributable to key management personnel	**₱79,820**	₱74,451	₱58,150

26. Derivative Financial Instruments

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

Fair Value Changes on Derivatives

In 2011, the movement in fair value changes of all derivative instruments follows:

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

27. Commitments and Contingencies

Operating Lease Commitments

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

2014	405,711
2015	108,025
2016	47,372
2017	39,280
2018 and after	38,001
	₱638,389

Capital Commitments

a. The Parent 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 nearing completion. As at December 31, 2013, ₱1.4 billion has been incurred and paid.

b. The Parent Company entered into contract covering superstructure works related to "The Grove Phase 1" project with Hilmarc's Construction Corporation. The contract sum for the work amounted to ₱1.9 billion, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of the work. Superstructure works commenced in 2010 and is completed as at December 31, 2013. As at December 31, 2013, total amount paid related to this contract amounted to ₱1.8 billion.

c. The Parent Company entered into contract covering substructure works related to "The Grove Phases 2 and 3" with Hilmarc's Construction Corporation. The contract sum for the work is ₱249.0 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Superstructure works commenced in 2012 and is currently ongoing. As at December 31, 2013, ₱234.1 million has been incurred and paid.

d. The Parent Company entered into various contracts covering superstructure works related to "205 Santolan" project with Pacific Summit Construction Group Inc., Omicron Construction, Hi Integra Incorporated and Interfield Construction Corporation. The contract sum for the work amounted to ₱450.0 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of the work. Superstructure works commenced in July 2012 and is currently nearing completion. As of December 31, 2013, total amount paid related to this contract amounted to ₱331.9 million.

e. The Parent Company entered into various contracts covering superstructure works related to "Alvendia" project with Pacific Summit Construction Group Inc. The contract sum for the work amounted to ₱125.0 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of the work. Superstructure works commenced in July 2013 and is currently ongoing. As at December 31, 2013, total amount paid related to this contract amounted to ₱49.5 million.

f. Primaries Development Corporation entered into contracts covering labor supply works related to "53 Benitez" project with HM Sanchez Builders and Hi Integra Incorporated. The contract sum for the work amounted to ₱190.3 million, inclusive of all pertinent local and national taxes and all cost necessary for the proper execution of the work. Labor supply works commenced in September 2013 and is currently ongoing. As at December 31, 2013, total amount paid related to this contract amounted to ₱5.3 million.

g. The Parent Company entered into contract covering superstructure works related to "Lopez Tower" with Hilmarc's Construction Corporation. The contract sum awarded for the work amounted to ₱655.4 million, inclusive of all pertinent local and national taxes, overhead and cost labor and materials and all cost necessary for the proper execution of the work. Superstructure works commenced in January 2013. As of December 31, 2013, ₱258.9 million has been incurred and paid.

h. The Parent Company entered into contracts covering substructure works related to "Proscenium" with IPM Construction and Development Corp. and Advanced Foundation Construction Systems Corp. The contract sum awarded for the work amounted to ₱235.0 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all costs necessary for the proper execution of works. Substructure works commenced in June 2013. As of December 31, 2013, ₱99.8 million has been incurred and paid.

Contingencies

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

28. Financial Risk Management Objectives and Policies

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

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

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

Cash Flow Interest Rate Risk

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

The Company's policy is to manage its interest cost using a mix of fixed and variable rate debts. As at December 31, 2013 and 2012, approximately 100% 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, 2013				
	Within 1 Year	**1-2 Years**	**2-3 Years**	**More than 3 Years**	**Total**
Fixed Rate					
Interest-bearing loans and borrowings	**₱412,000**	**₱1,612,000**	**₱1,612,000**	**₱11,364,000**	**₱15,000,000**
Short-term investments	**8,716,726**	**-**	**-**	**-**	**8,716,726**

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

Interest on financial instruments is fixed until the maturity of the instrument. The other financial instruments of the Company that are not included in the above tables are noninterest-bearing and are therefore not subject to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's December 31, 2011 income before income tax (through the impact on floating rate borrowings). There is no impact on the Company's equity other than those already affecting the income. The Company has no floating rate loans as at December 31, 2013 and 2012.

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

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

Foreign Currency Risk

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

Foreign Currency-Denominated Asset

	December 31, 2013		December 31, 2012		January 1, 2012	
	US$	**Peso**	US$	Peso	US$	Peso
Cash and cash equivalents	**US$138**	**₱6,227**	US$499	₱20,480	US$70	₱3,067

As at December 31, 2013 and 2012, the exchange rate was ₱44.40 to US$1.00 and ₱41.05 to US$1.00, respectively. Net foreign exchange gain amounted to ₱2.7 million, ₱4.0 million and ₱3.8 million in 2013, 2012 and 2011, respectively.

The following tables demonstrate the sensitivity to a reasonably possible change in the US$ exchange rate with respect to Peso, with all other variables held constant, of the Company's December 31, 2013 and 2012 income before income tax (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Company's equity other than those already affecting the income.

	December 31, 2013	
	Increase/Decrease in US$ Rate (in %)	**Effect on Income Before Income Tax**
Foreign currency-denominated financial assets	**+5%**	**₱0.31 million**
	-5%	**(₱0.31 million)**

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

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

Credit Risk

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

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

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

The table below summarizes the maximum exposure to credit risk of each class of financial assets.

	December 31, 2013		
	Gross Maximum Exposure	**Net Exposure**	**Financial Effect of Collateral or Credit Enhancement**
Cash and cash equivalents*	**₱8,971,621**	**₱8,944,566**	**₱27,055**
Trade receivables from:			
Sale of condominium units	**5,935,286**	**59,432**	**5,875,854**
Lease	**106,110**	**16,331**	**89,779**
Advances to officers and employees	**20,127**	**-**	**20,127**
Other receivables**	**102,042**	**102,042**	**-**
Available-for-sale investments:			
Quoted	**12,000**	**12,000**	**-**
Unquoted	**3,308**	**3,308**	**-**
Refundable deposits***	**33,428**	**33,428**	**-**
Restricted cash	**14,693**	**14,693**	**-**
	₱15,198,615	**₱9,185,800**	**₱6,012,815**

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

**Excluding cash on hand amounting to ₱394 and ₱313 as at December 31, 2013 and 2012, respectively.*

***Excluding other receivables, which are nonfinancial assets, amounting to ₱9,614 and ₱3,755 as at December 31, 2013 and 2012, respectively.*

**** Presented as part of "Other current assets" account in the consolidated statements of financial position. Excluding other deposits, which are nonfinancial assets, amounting to ₱65 as of December 31, 2013 and 2012.*

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, 2013		
	A Rating	**B Rating**	**Total**
Cash and cash equivalents	**₱8,971,621**	**₱–**	**₱8,971,621**
Trade receivables from:			
Sale of condominium units	**4,756,177**	**1,141,931**	**5,898,108**
Lease	**55,136**	**50,974**	**106,110**
Advances to officers and employees	**20,127**	**–**	**20,127**
Other receivables	**102,042**	**–**	**102,042**
Available-for-sale investments:			
Quoted	**12,000**	**–**	**12,000**
Unquoted	**3,308**	**–**	**3,308**
Restricted cash	**14,693**	**–**	**14,693**
Refundable deposits	**–**	**33,428**	**33,428**
	₱13,935,104	**₱1,226,333**	**₱15,161,437**

	December 31, 2012 (As restated – see Note 3)		
	A Rating	B Rating	Total
Cash and cash equivalents	₱532,841	₱–	₱532,841
Trade receivables from:			
Sale of condominium units	2,538,320	686,499	3,224,819
Lease	62,432	38,979	101,411
Advances to officers and employees	12,448	–	12,448
Other receivables	76,005	809	76,814
Available-for-sale investments:			
Quoted	12,000	–	12,000
Unquoted	3,308	–	3,308
Restricted cash	2,897	–	2,897
Refundable deposits	–	25,228	25,228
	₱3,240,251	₱751,515	₱3,991,766

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 at December 31, 2013 and 2012, the analyses of the age of financial assets are as follows:

	December 31, 2013						
	Neither Past Due nor Impaired	**Past Due but not Impaired**				**Impaired Financial Assets**	**Total**
		Less than 30 Days	**31 to 60 Days**	**61 to 90 Days**	**More than 90 Days**		
Cash and cash equivalents	**₱8,972,015**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱8,972,015**
Trade receivables from:							
Sale of condominium units	**5,898,108**	**33,560**	**579**	**216**	**2,823**	**–**	**5,935,286**
Lease	**103,004**	**2,484**	**580**	**42**	**–**	**–**	**106,110**
Advances to officers and employees	**20,127**	**–**	**–**	**–**	**–**	**–**	**20,127**
Other receivables	**102,042**	**–**	**–**	**–**	**–**	**5,181**	**107,223**
Available-for-sale investments:							
Quoted	**12,000**	**–**	**–**	**–**	**–**	**–**	**12,000**
Unquoted	**3,308**	**–**	**–**	**–**	**–**	**–**	**3,308**
Refundable deposits	**10,661**	**7,651**	**54**	**570**	**14,492**	**–**	**33,428**
Restricted cash	**14,693**	**–**	**–**	**–**	**–**	**–**	**14,693**
	₱15,135,958	**₱43,695**	**₱1,213**	**₱828**	**₱17,315**	**₱5,181**	**₱15,204,190**

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

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 ₱28.5 billion and ₱18.3 billion as at December 31, 2013 and 2012, respectively. The fair value of the club shares amounted to ₱6.3 million and ₱6.6 million as at December 31, 2013 and 2012, 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.

No provision for impairment was made for trade receivables from sale of condominium units 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. 3% and 9% of the Company's debt will mature in less than one year as of December 31, 2013 and 2012, 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, 2013 and 2012 based on contractual undiscounted payments.

	December 31, 2013				
	On Demand	**Due Within 3 Months**	**Due Between 3 and 12 Months**	**Due After 12 Months**	**Total**
Trade and other payables	**₱–**	**₱260,512**	**₱4,127,825**	**₱–**	**₱4,388,337**
Interest-bearing loans and borrowings*	**–**	**193,289**	**946,985**	**17,541,306**	**18,681,580**
Installment payable	**–**	**–**	**799,755**	**1,455,554**	**2,255,309**
Retention payable**	**–**	**7,002**	**227,357**	**283,902**	**518,261**
Security deposits**	**17,747**	**13,158**	**151,378**	**79,665**	**261,948**
	₱17,747	**₱473,961**	**₱6,253,300**	**₱19,360,427**	**₱26,105,435**

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

*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 at December 31:

	December 31, 2013					
	On Demand	**Within 30 Days**	**31 to 60 Days**	**61 to 90 Days**	**Over 90 Days**	**Total**
Cash and cash equivalents	**₱372,909**	**₱8,437,418**	**₱161,688**	**₱–**	**₱–**	**₱8,972,015**
Trade receivables from:						
Sale of condominium units	**298,748**	**427,951**	**68,989**	**24,178**	**91,144**	**911,010**
Lease	**103,003**	**2,484**	**580**	**43**	**–**	**106,110**
Available-for-sale investments	**–**	**–**	**–**	**–**	**15,308**	**15,308**
	₱774,660	**₱8,867,853**	**₱231,257**	**₱24,221**	**₱106,452**	**₱10,004,443**

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

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, 2013 and 2012.

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 1.0x.

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

	December 31, 2013	December 31, 2012
Interest-bearing loans and borrowings	**₱14,867,108**	₱4,431,988
Less cash and cash equivalents	**8,972,015**	533,154
Net	**5,895,093**	3,898,834
Equity	**11,366,081**	10,121,205
Net debt-to-equity ratio	**0.52**	0.39

29. Fair Value Measurement

Set out below is a comparison by class of carrying values and fair values of the Company's assets and liabilities that are carried in the consolidated financial statements as at December 31, 2013 and 2012.

	December 31, 2013				
	Carrying Value	**Fair Value**	**Level 1**	Level 2	Level 3
Assets					
Loans and receivables:					
Trade receivables from:					
Sale of condominium units (including noncurrent portion)	**₱5,935,286**	**₱9,228,782**	**₱–**	**₱9,228,782**	**₱–**
Investment properties	**4,934,200**	**10,853,100**	**–**	**1,817,000**	**9,036,100**
Available-for-sale financial assets	**12,000**	**12,000**	**12,000**	**–**	**–**
	₱10,881,486	**₱20,093,882**	**₱12,000**	**₱11,045,782**	**₱9,036,100**
Liabilities					
Other financial liabilities:					
Interest-bearing loans and borrowings (including noncurrent portion)	**₱14,867,108**	**₱15,586,075**	**₱–**	**₱–**	**₱15,586,075**
Installment payable	**1,854,712**	**2,056,454**	**–**	**–**	**2,056,454**
Retention payable (including noncurrent portion)	**518,261**	**501,682**	**–**	**–**	**501,682**
Security deposits (including noncurrent portion)	**261,948**	**256,051**	**–**	**–**	**256,051**
	₱17,502,029	**₱18,400,262**	**₱–**	**₱–**	**₱18,400,262**

	December 31, 2012 (As restated – see Note 3)				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets					
Loans and receivables:					
Trade receivables from:					
Sale of condominium units (including noncurrent portion)	₱3,320,980	₱7,542,292	₱–	₱7,542,292	₱–
Investment properties	4,953,882	10,111,426	–	1,726,780	8,384,646
Available-for-sale financial assets	12,000	12,000	12,000	–	–
	₱8,286,862	₱17,665,718	₱12,000	₱9,269,072	₱8,384,646
Liabilities					
Other financial liabilities:					
Interest-bearing loans and borrowings (including noncurrent portion)	₱4,431,988	₱4,587,569	₱–	₱–	₱4,587,569
Installment payable	2,501,797	2,737,173	–	–	2,737,173
Retention payable (including noncurrent portion)	342,961	332,512	–	–	332,512
Security deposits (including noncurrent portion)	242,403	248,174	–	–	248,174
	₱7,519,149	₱7,905,428	₱–	₱–	₱7,905,428

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

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

Trade Receivables from Sale of Condominium Units. The fair values of trade receivables from sale of condominium units were calculated by discounting the expected future cash flows at prevailing credit adjusted PDEx interest rates ranging from 0.3% to 4.6% as at December 31, 2013 and 1.8% to 4.9% as at December 31, 2012.

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

Interest-bearing Loans and Borrowings. 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 4.2% to 5.3% as at December 31, 2013 and 1.9% to 6.9% as at December 31, 2012.

Installment Payable. The fair value of installment payable were calculated by discounting the expected cash flows at prevailing credit adjusted PDEx interest rates ranging from 1.2% to 4.4% as at December 31, 2013 and 1.6% to 4.9% as at December 31, 2012.

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 1.0% to 4.7% as at December 31, 2013 and 2.0% to 7.9% as at December 31, 2012.

For the years ended December 31, 2013 and 2012, 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.

30. Basic/Diluted Earnings Per Share Computation

	December 31, 2013	December 31, 2012 (As restated – see Note 3)	January 1, 2012 (As restated – see Note 3)
Net income attributable to the Parent Company	**₱1,402,138**	₱1,123,221	₱909,556
Dividends on preferred shares	**(1,650)**	(1,338)	(1,650)
Net income attributable to common shares (a)	**1,400,488**	1,121,883	907,906
Common shares at beginning of year	**6,101,762,198**	6,228,382,344	6,228,382,344
Weighted average of 126,620,146 treasury shares acquired on May 11, 2012	**–**	(81,175,655)	–
Weighted average of 15,000,000 stock options exercised in September 2013	**5,000,000**	–	–
Weighted average number of common shares – basic (b)	**6,106,762,198**	6,147,206,689	6,228,382,344
Dilutive potential common shares under the ESOP	**26,297,085**	–	–
Weighted average number of common shares – diluted (c)	**6,133,059,283**	6,147,206,689	6,228,382,344
Per share amounts:			
Basic (a/b)	**₱0.2293**	₱0.1825	₱0.1458
Diluted (a/c)	**₱0.2284**	₱0.1825	₱0.1458

31. Segment Information

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

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

The Company manages its operations under the following business segments:

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

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

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

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

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

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

Business Segments

The following tables present information regarding the Company's residential development and commercial leasing business segments:

	December 31, 2013		
	Residential Development	**Commercial Leasing**	**Total**
Revenue	**₱6,814,488**	**₱1,015,025**	**₱7,829,513**
Costs and expenses	**(5,053,611)**	**(277,784)**	**(5,331,395)**
Share in net income of joint venture	**–**	**93,261**	**93,261**
Other income – net	**5,162**	**–**	**5,162**
EBITDA	**1,766,039**	**830,502**	**2,596,541**
Depreciation and amortization			**(265,206)**
Interest expense			**(345,223)**
Provision for income tax			**(582,156)**
Consolidated net income	**₱1,766,039**	**₱830,502**	**₱1,403,956**
Assets and Liabilities			
Segment assets	**₱24,901,128**	**₱579,782**	**₱25,480,910**
Investment properties	**1,600,380**	**3,333,820**	**4,934,200**
Investment in joint venture	**–**	**2,282,152**	**2,282,152**
Property and equipment	**1,595,290**	**127,855**	**1,723,145**
Total assets	**₱28,096,798**	**₱6,323,609**	**₱34,420,407**
Segment liabilities	**₱22,621,107**	**₱433,219**	**₱23,054,326**

	December 31, 2012 (As restated – see Note 3)		
	Residential Development	Commercial Leasing	Total
Revenue	₱5,876,030	₱965,741	₱6,841,771
Costs and expenses	(4,614,449)	(253,466)	(4,867,915)
Share in net income of joint venture	–	98,470	98,470
Other income – net	15,238	–	15,238
EBITDA	1,276,819	810,745	2,087,564
Depreciation and amortization			(260,434)
Interest expense			(266,214)
Provision for income tax			(437,635)
Consolidated net income	₱1,276,819	₱810,745	₱1,123,281
Assets and Liabilities			
Segment assets	₱11,479,176	₱1,328,787	₱12,807,963
Investment properties	1,490,957	3,462,925	4,953,882
Investment in joint venture	–	2,188,891	2,188,891
Property and equipment	604,732	170,580	775,312
Total assets	₱13,574,865	₱7,151,183	₱20,726,048
Segment liabilities	₱9,793,048	₱811,795	₱10,604,843

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

32. 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 January 1, 2012 (see Note 15).

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Our ability to imagine

beyond the limits of the sky

is what makes us

Rockwell Land.

ROCKWELL LAND