Rockwell Land

2018

ANNUAL REPORT

Who knew we could live this way?

Seamlessly dancing in between business and pleasure

Walking into pockets of inspiration at any moment

Feeling the innate traces of refinement

in every enjoyable, extraordinary square inch of

what could have been just...space.

Rockwell Land knew. Rockwell Land did.

ABOUT THIS REPORT

The paper used for the cover of this annual report is FSC-certified, while the inside pages are PEFC-certified. They are materials that come from responsibly and sustainably managed forests that provide environmental, social and economic benefits.

Kodak Sonora process - free plates, soy-based ink and a Heidelberg carbon neutral offset press were utilized in the printing of this annual report.

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MESSAGE OF THE CHAIRMAN

Our 2018 net income after tax (NIAT) is at Php 2.5 billion, an increase of 22% from the previous year, setting another record high for the company.

Rockwell Land Corporation has consistently raised the bar for brighter visions to become reality, as we've continuously challenged ourselves to pursue newer goals after each triumph and push the boundaries. But as we approach our 25th year in the industry, we also take the time to celebrate our current milestone projects that have gradually begun to take shape simultaneously.

Last 2018, we benchmarked the successful launch of our exquisite properties. It started with our first residential-resort development in the Queen City of the South, **Aruga Resort and Residences - Mactan**, which was welcomed with strong reception by our clientele. This was followed by the most iconic Rockwell yet - **Proscenium's** turnover of its first three towers: Sakura, Kirov, and Lincoln.

With our current developments beginning to materialize while showcasing a point of strength for the company, we have even more to look forward to as the year unfolds. We've not only expanded our reach geographically, but are growing in size.

For one, we are excited to launch our first high-end horizontal development in Canlubang, Laguna by the 4th quarter of 2019. **Rockwell South**, 63-hectares large, will initially offer its future residents over 250 lots in a lush community that can only be distinctly Rockwell. For another, we will be giving **Bacolod** more reasons to smile, as we'll be launching our 10.9 hectare mid-rise development also by year-end.

As we've slowly but surely made our mark in key development cities, we have also never been more optimistic to keep exploring potential projects that will strengthen our company's value in the industry. With these in motion, we've been driven to explore yet another promising landmark destination in Central Luzon where many more opportunities will emerge.

We will continue to foster our company's vision - one that cultivates constant innovation and maintains unwavering stability, and where only the best is yet to come with Rockwell.

We look forward to what the future has in store for us, and beyond ordinary communities we will shape with it.

Amb. Manuel M. Lopez
Chairman of the Board

REPORT OF THE PRESIDENT

On the move to our 25th year, what Rockwell has put into motion 5 years ago is now crystallizing.

The Rockwell brand has been in full form in Makati, Pasig, Quezon City, San Juan and recently, in Cebu. This year, 2019, we will welcome over 70 hectares of new landmark developments in thriving cities, carrying the lifestyle only Rockwell has envisioned.

Forging New Beyond Ordinary Communities

We will launch our latest milestone development by the 4th quarter of this year in Canlubang, Laguna. Aptly called **Rockwell South**, the 63-hectare phase 1 of the project will allow us to bring the Rockwell experience to our first and biggest premium horizontal neighborhood. We will initially offer over 250 lots ranging from 650 to 1,000 sqm each, carrying the signature vision of Rockwell and featuring generous open spaces and amenities residents can indulge in.

We are also happy to have a new home and bring Rockwell's exclusive lifestyle to heritage-rich **Bacolod**. Launching by year-end, this new 10.9-hectare development will be comprised of mid-rise residential towers, inclusive of a 2.1-hectare expanse where the community can enjoy retail destinations and events.

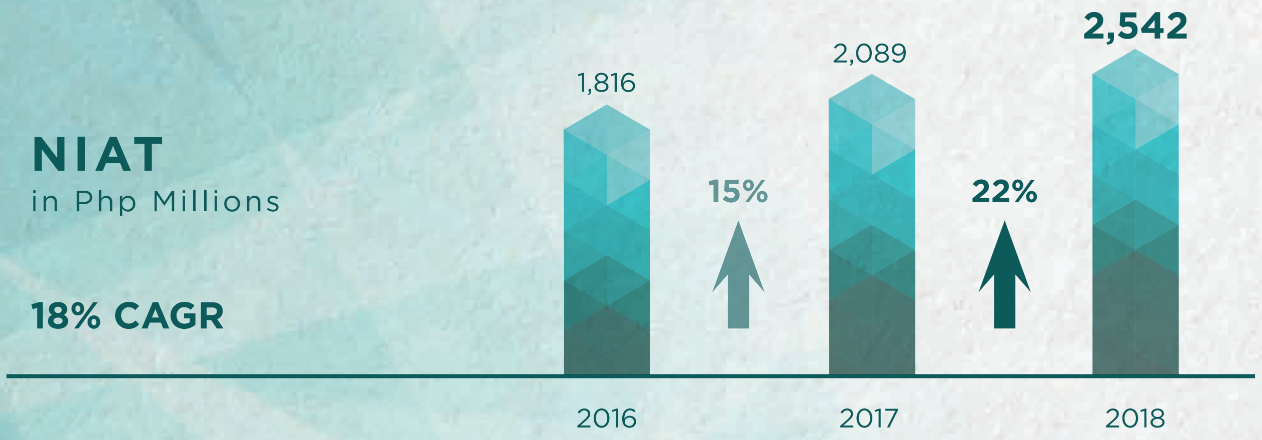
After 205 Santolan and The Alvendia, the convenience of condominium living and the luxury of townhomes will converge in a new premier address. **Benitez Suites by Rockwell** in Southern Quezon City, will be launched by 4th quarter 2019.

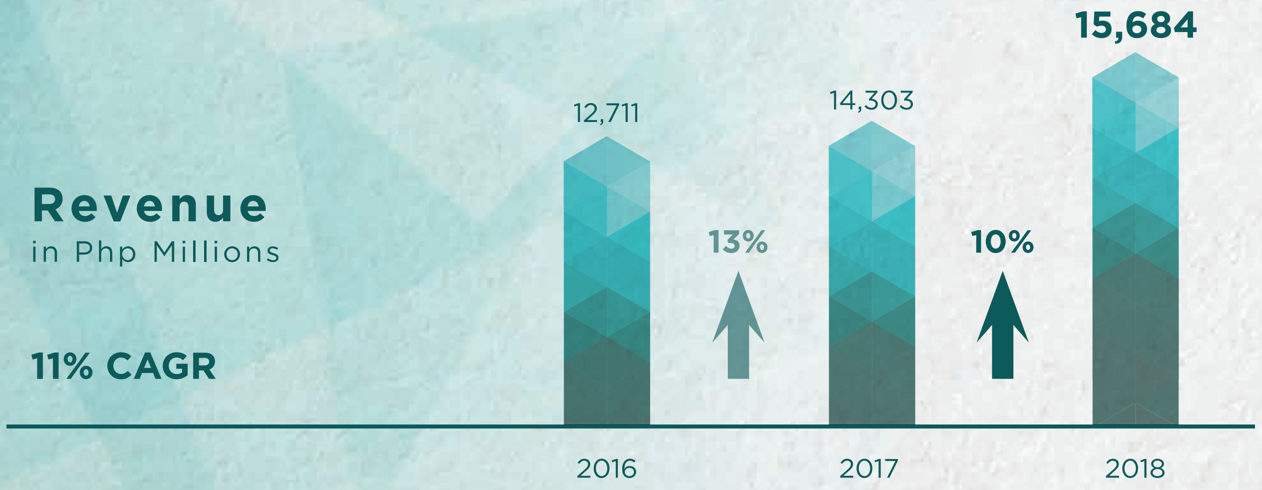
To follow the opening of the East Bay Retail Row and Amenity Deck last year, **East Bay Residences** will launch its second tower by 3rd Quarter of 2019. With its first tower, Fordham, now 85% sold, the second tower is also poised to be a stand out in the Sucat, Muntinlupa area. It will feature a skydeck, sun lounge and more diverse unit cuts.

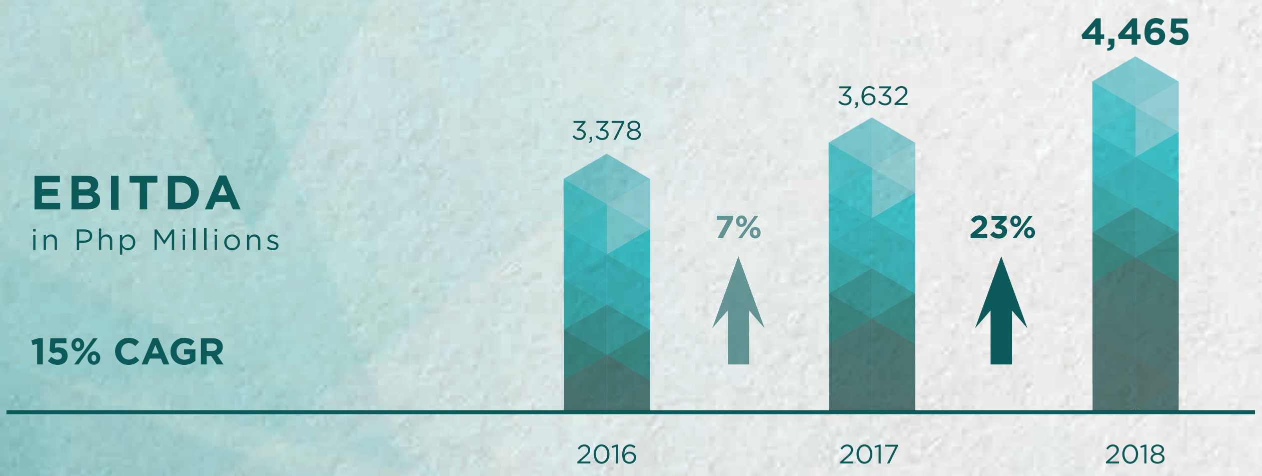
Crystals Taking Shape

The heightened momentum of achieving our milestones in 2018 has led us to a surge of optimism for our 2019 launches.

Our 2018 net income after tax (NIAT) is another record high at Php 2.5 billion, an increase of 22% from previous year. Our revenues hit Php 15.7 billion while EBITDA grew by 23% to Php 4.5 billion. Recurring EBITDA reached Php 1.6 billion, and posted a growth of 27%.







The robust demand for our on going and newly launched projects resulted in a 30% growth in reservation sales, reaching an all-time high of Php 14.9 billion.

We started turnover of **The Proscenium** last November 2018. Several happy unit owners now reside in the **Kirov**, **Sakura** and **Lincoln Towers,** and are thrilled to be in a community that embodies the Rockwell brand at its best.

Our first resort development, **Aruga Resort and Residences – Mactan** in Cebu, was launched in August 2018 and has performed beyond expectations. Unit owners can boast of a 300-meter beachfront in this 5-hectare community.

The Arton by Rockwell, our 3-tower high-rise development in Katipunan, also saw strong sales, when it launched last June 2018 its second tower, **Arton North**, which has stunning views of the Sierra Madre Mountain Range and the Ortigas skyline.

Last October 2018, we also launched a pioneering Rockwell development in Lipa, Batangas catering to the mid-market. A future community inspired by nature, **Terreno South** offers prime open lots ranging from 120-300 sqm for its first phase. Because of its strong market reception, over 250 new lots will be offered to the market in the second half of this year.

The Power Plant Mall Expansion further took shape in 2018, with an additional 5,000 sqm of leasable area, bringing in a new experience to Rockwell shoppers, with 47 new brands including the locally conceptualized flagship stores of Saddle Row and Harlan + Holden, and a new dining destination, The Grid.

We also opened the doors of our new events hall last November 2018. **The Fifth at Rockwell**, in the Power Plant Mall, is over 1,000 sqm, with a 320 sqm pre-function area and a well-equipped kitchen, ideal for private celebrations, banquets, conferences and corporate events. It offers the largest LED wall in Southeast Asia on top of state-of-the-art light and sound equipment.

Shaping a Sharper Future

While Rockwell's crystal clear vision remains the same, it continuously takes shape in many different landscapes across more and more communities. As the company soon marks its 25th anniversary, we have expanded our reach and established our growth through time with the support of our stakeholders. We are now primed to shape a sharper future for Rockwell.

Nestor J. Padilla
President & Chief Executive Officer

BUSINESS PORTFOLIO

CRYSTALS IN FULL FORM

ROCKWELL CENTER

The iconic lights that paint the Makati skyline each night belong to Rockwell Land's flagship community. The first to stand in this marvel was the West Block. Towering here are Rizal Tower, Hidalgo Place, Luna Gardens, and Amorsolo Square.

Soon after, Rockwell Center grew to house the East Block. A fine addition that included the more contemporary designs of the Joya Lofts and Towers, The Manansala, and One Rockwell. Eventually, these were followed by the Edades Tower and Garden Villas and the Edades Suites.

THE GROVE BY ROCKWELL

The rising urban developments in Ortigas were given a breath of fresh air by the formation of The Grove, a 6-tower residential community. A Retail Row with several restaurants and convenience establishments find home in this nature-inspired oasis within the busy commercial district.

205 SANTOLAN

Quezon City houses Rockwell's first townhome development called 205 Santolan. Homes here are perfect for families that wish to enjoy a serene community within the busy metro.

THE ALVENDIA BY ROCKWELL

Standing out among other townhomes in San Juan is The Alvendia. With this development, Rockwell gave new meaning to security and exclusivity.

53 BENITEZ

This proud creation was the first project of Rockwell Primaries. Homes found in this mid-rise development in New Manila offer top quality comfort and convenience for those who enjoy living in a harmonious and tight-knit community.

POWER PLANT MALL

With a recent addition of 5,000 square meters of leasable area, Power Plant Mall continues to grow and bring joy to both new and old visitors. Explore over 70 brands, including new and unique ones like The Grid, Othello, Whisenhunt, Tim Tam Ong, Patty Ang, Vania Romoff, Comme Ci, Carmen's Best, Tryst, Signet, Karen Millen, Nespresso, Corner Tree Café, Elbert's Sandwiches, and the flagship stores of Saddle Row and Harlan + Holden. Each visit to the Power Plant Mall is guaranteed to be a fresh and memorable experience.

BUSINESS PORTFOLIO

CRYSTALS IN FULL FORM

8 ROCKWELL

Truly a beacon of prestige, 8 Rockwell provides the ideal space for any business that wishes to call it home. These include multinational companies like Pfizer, Wyeth, Ogilvy, Estee Lauder, IQVIA, IKEA, and Common Ground. Commercial establishments can also be found at the ground floor to provide comfort and leisure to the busy workers within Rockwell Center.

ROCKWELL BUSINESS CENTER - ORTIGAS

Rockwell brought to life its first office project with Rockwell Business Center 10 years ago. Its open space design and select range of commercial establishments provide an easy, and inspiring working environment for tenants like First Philippine Holdings, Real Page, and Teleperformance, and would best be able to explain the corporate hub's remarkable 100% occupancy rate for the past years.

ROCKWELL BUSINESS CENTER - SHERIDAN

This two-tower development aimed to rejuvenate the business and retail district of Mandaluyong with Rockwell Business Center - Sheridan. Several companies like UNICEF, World Food Programme, Ridley, Global Payments, and Teledirect are happy to call this their corporate home. Employees enjoy a taste of work-life balance with several dining and shopping options, topped with a relaxing view at the garden amenity deck.

SANTOLAN TOWN PLAZA

A balance of work and play was the concept for Santolan Town Plaza. Experience convenient shopping at your favorite stores like Marketplace by Rustan's, True Value, and Fully Booked. Or, enjoy a day of leisure as you catch the latest blockbuster at one of the four theaters in the cinema. Several renowned companies enjoy business in this community such as Megawide, Shellsoft, and Mineski.

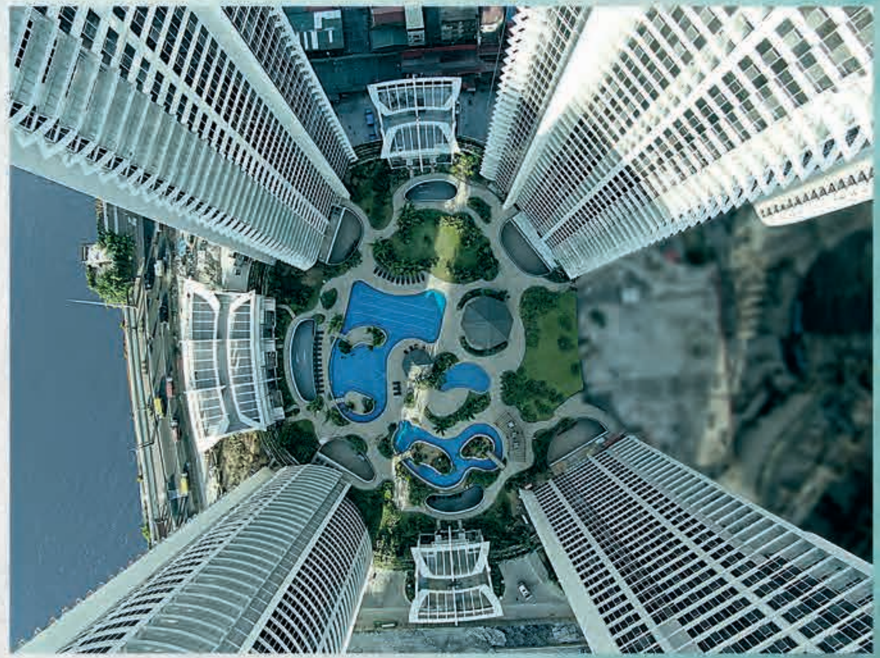
ARUGA SERVICED APARTMENTS

Within the Edades Tower, you will find the Aruga Serviced Apartments. These are over 100 units where guests, transients and executives alike, enjoy quality Filipino hospitality with Rockwell's signature curated service and amenities.

CRYSTALS IN FORMATION

THE PROSCENIUM AT ROCKWELL

When ambition takes form, a work of art is born. From the great mind of Architect Carlos Ott, The Proscenium took Rockwell Land to a whole new level. This breathtaking creation houses 5 residential towers with over a hectare of indoor and outdoor amenities and the Rockwell Performing Arts Theater. The stage has been set as handovers to its first residents began last November 2018.



BUSINESS PORTFOLIO

CRYSTALS IN FORMATION

ARUGA RESORT AND RESIDENCES - MACTAN

Rockwell Land dives into the business of resort development as it proudly launched Aruga Resort and Residences - Mactan last August 2018. This paradise is 5 hectares large with over 270 units. Enjoy the best sun and sand that Cebu has to offer. Here, Rockwell creates a whole other league of resort-like living.

32 SANSON BY ROCKWELL

32 Sanson is Rockwell Land's first project outside of Metro Manila. This 3.2 hectare of a wonder is located in Cebu with the goal of creating peaceful homes within the busy city. The community continues to grow with residents in its first 3 towers – Raffia, Gmelina, and Buri. Solihiya, the fourth tower is scheduled for handover in December 2020.

THE VANTAGE AT KAPITOLYO

Rockwell Primaries wanted to give Kapitolyo a taste of the Rockwell lifestyle; thus, The Vantage was launched in 2015. A two-tower development situated within range of 4 major business districts. Last 2018, The Vantage Gallery was added to enrich the community, featuring UCC Clockwork on the second floor. Its Lifestyle Lounge has hosted exciting events like Seek the Uniq's Pop-up, Hurray Manila Talks & Pop-up, and The Vantage Holiday Fair.

THE ARTON BY ROCKWELL

A joint venture with Mitsui Fudosan, (Asia) Ptd. Ltd., one of Japan's largest real estate companies, The Arton in Katipunan, Quezon City launched its West Tower last June 2017. After a year, the North Tower was launched in 2018 which will house the main pool, gym and function room. From it lies stunning views of the Sierra Madre Mountain Range and the Ortigas skyline.

TERRENO SOUTH

Bask in the clean and green air of Terreno South found in Lipa City, Batangas. This 38-hectare residential community delivers a 1:1 house to tree ratio, on top of thousands of full-grown trees dispersed all throughout the open areas onsite. The first phase consisting of 130 prime lots was launched in October 2018 and 264 more will be opened by the second half of 2019. Finally, the community will be complemented by a dedicated two-hectare of open space for amenities and one hectare to serve as its community retail.

STONEWELL

Rockwell Land expanded to a broader market with Stonewell's affordable housing. After the success of Acacia Homes, Stonewell launched Mahogany Homes last September 2018. The new community is three hectares of two-storey houses that will provide Filipinos with over 400 dream homes.

BUSINESS PORTFOLIO

CRYSTALS TO ARISE

ROCKWELL SOUTH

Rockwell brings to Laguna its signature lifestyle and nurturing community. Soon to be realized within the 63 hectares in the solace of Laguna, Rockwell South will feature a residential haven complete with upscale function rooms, pocket gardens, dog parks, a multipurpose court, and other recreational facilities.

ROCKWELL IN BACOLOD

We are coming to the Sugar Bowl of the Philippines by year-end! Rockwell in Bacolod is going to be sweet as it is large. This 10.9-hectare development is Rockwell's promise of luxury, security and exclusivity in the region. It will feature vertical residential condominiums, and 2.1 hectares will be an activity and retail center, which will also hold Rockwell's headquarters in the area.

BENITEZ SUITES BY ROCKWELL

Targeted to launch towards the fourth quarter of 2019, Benitez Suites will bring together the convenience of condominium living and the luxury of townhouse living in Southern Quezon City. This mid-rise low-density premium development promises the Rockwell experience of exclusivity to all who will call it home.

EAST BAY RESIDENCES

With the launch of the Fordham Tower in 2016 and the new Amenity Deck in 2018, East Bay Residences by Rockwell Primaries will finally open its second tower by 3rd Quarter 2019. Families of various ages and sizes will find themselves the Rockwell life in its wide range of unit types and designs.

ARUGA HOTEL

The Aruga Hotel is hospitality manifested. This 21-storey creation will boast of almost 200 guest rooms and suites combined, five fully-equipped meeting rooms, a lobby lounge, two fine restaurants, a fitness gym, plus a rooftop swimming pool and sky bar. By end 2020, relax in the busy metro at this urban-themed resort atop the Power Plant Mall.

BOARD OF DIRECTORS

Wise decision-making takes form
from years of experience.
This is how our leaders guarantee
that all our developments are always
the best that they could be.

Jose Valentin A. Pantangco, Jr.
DIRECTOR
2018 - PRESENT

Director
- First Balfour, Inc.
- First Philippine Industrial Park
- First Philippine Realty Corporation

Vice President
- First Philippine Holdings Corporation

Miguel Ernesto L. Lopez
SENIOR VICE PRESIDENT, TREASURER AND DIRECTOR
2010 - PRESENT

Executive Vice President
- Lopez Holdings Corporation

Director
- Rockwell Leisure Club, Inc.
- Rockwell Center Association, Inc.

Board of Trustee
- Eugenio Lopez Foundation, Inc.

Adviser
- Lopez Group Foundation, Inc.

Francis Giles B. Puno
DIRECTOR
2013 - PRESENT

President & COO
- First Gen Corporation
- First Philippine Holdings Corporation

President
- First Philippine Industrial Park, Inc.

Director
- Energy Development Corporation
- First Balfour, Inc.
- First Philippine Electric Corp.

Eugenio L. Lopez III
DIRECTOR
1995 - PRESENT

Chairman Emeritus
- ABS-CBN Corporation

Chairman
- ABS-CBN Lingkod Kapamilya Foundation, Inc.
- Sky Cable Corporation
- Lopez Inc.
- Ang Misyon Inc.
- Play Innovations, Inc.
- INAEC Aviation Corp.
- Infopro Business Solutions Inc.

Chairman & CEO
- ADTEL

Vice Chairman
- Knowledge Channel
- Lopez Holdings Corporation

Director
- ABS-CBN Film Production, Inc. (Star Cinema)
- Asian Eye Institute, Inc.
- First Gen Corporation
- First Philippine Holdings Corporation
- Endeavor Philippines
- OML Center

Trustee
- Eugenio Lopez Foundation, Inc.
- Beacon Academy

Oscar M. Lopez
CHAIRMAN EMERITUS
2012 - PRESENT

Chairman Emeritus
- Lopez Holdings Corporation
- Lopez Inc.
- First Philippine Holdings Corporation
- Energy Development Corporation
- First Gen Corporation
- First Balfour, Inc.
- First Philippine Electric Corporation
- First Philippine Industrial Corporation
- First Philippine Realty and Development Corporation
- INAEC Aviation Corp.

Chairman
- Eugenio Lopez Foundation
- Lopez Group Foundation
- ABS-CBN Holdings Corp.

Director
- ABS-CBN Corporation
- Asian Eye Institute, Inc.
- ADTEL

Amb. Manuel M. Lopez
CHAIRMAN OF THE BOARD
1995 - PRESENT

Former Philippine Ambassador to Japan (2011-2016)
- Awarded the Rank of Grand Cross, Gold Distinction, Datu, Katangiang Ginto to the Order of Sikatuna

Chairman and CEO
- Lopez Holdings Corporation

Chairman of the Board
- Rockwell Leisure Club, Inc.
- Sky Vision Corporation
- Bayan Telecommunications Holdings Corporation

Vice Chairman
- First Philippine Holdings Corporation
- Lopez Inc.

President
- Eugenio Lopez Foundation, Inc.

Director
- ABS-CBN Corporation
- First Philippine Realty Corp.
- Lopez Group Foundation Inc.

Federico R. Lopez
VICE CHAIRMAN
2012 - PRESENT

Chairman and CEO
- First Philippine Holdings Corporation
- First Gen Corporation
- Energy Development Corporation

Chairman
- First Philec, Inc.
- First Balfour, Inc.
- First Philippine Electric Corporation
- First Philippine Industrial Park, Inc.
- First Philippine Realty Corporation
- Terraprime, Inc.
- Thermaprime Drilling Corp
- FP Island Energy Corporation
- First Industrial Science and Technology School, Inc.
- OML Center for Climate Change Adaptation and Disaster Risk Management Foundation, Inc.
- Sikat Solar Challenge Foundation, Inc.
- Pi Energy Inc.
- Pi Healthy Inc.

President
- Ang Misyon, Inc.

Director
- ABS-CBN Corporation
- Lopez Inc.
- Asian Eye Institute

Trustee
- Philippine Forest Foundation Philippines
- World Wildlife Fund Philippines
- Philippine Disaster Resilience Foundation

Nestor J. Padilla
PRESIDENT & CEO, DIRECTOR
1995 - PRESENT

Chairman
- Brightnote Assets Corporation

Vice Chairman
- Rockwell Center Association, Inc.

President
- Rockwell Primaries Development Corporation
- Rockwell Hotels and Leisure Management Corporation
- Rockwell Integrated Properties Services, Inc.
- Rockwell MFA Corporation

Senior Vice President
- First Philippine Holdings Corporation

Oscar J. Hilado
INDEPENDENT DIRECTOR
2015 - PRESENT

Chairman
- Philippine Investment Management (PHINMA), Inc.
- Phinma Corporation
- Phinma Property Holdings Corp.

Vice Chairman
- Phinma Energy Corporation
- Union Galvasteel Corporation
- Phinma Power Generation Corporation

Director
- Philex Mining Corporation
- Smart Communications, Inc.
- A. Soriano Corporation
- Roxas Holdings, Inc.
- Phil Cement Corp.
- Digital Telecommunications Phils., Inc. (DIGITEL)
- Phinma Renewable Energy Corporation
- Phinma Solar Energy Corporation
- Phinma Education Holdings, Inc.
- Beacon Property Ventures, Inc.
- Manila Cordage Company
- Pueblo de Oro Development Corporation
- Seven Seas Resorts and Leisure, Inc.
- Microtel Inns & Suites (Pilipinas) Inc.
- Several state & private universities

Albert F. Del Rosario
INDEPENDENT DIRECTOR
2017 - PRESENT

Former Secretary of Foreign Affairs of the Philippines (2011-2016)
- Awarded the Order of Lakandula with a Rank of Grand Cross (Bayani)

Former Philippine Ambassador to the United States of America (2001-2006)
- Awarded the Order of Sikatuna, Rank of Datu

Chairman
- Philippine Stratbase Consultancy, Inc.
- Stratbase ADR Institute, Inc.
- Citizens Fund for Human Rights, Inc.

Director
- PLDT, Inc.
- Metro Pacific Investments Corporation
- Metro Pacific Tollways Corporation
- Metro Pacific Resources, Inc.
- Metro Pacific Holdings, Inc.
- Metro Pacific Asset Holdings, Inc.
- First Pacific Company
- Philippine Telecommunications Investment Corporation
- Asia insurance (Phil.) Corp.
- Gotauco del Rosario Insurance Brokers, Inc.
- Enterprise Investment Holdings, Inc.

Trustee
- Carlos P. Romulo Foundation for Peace & Development
- Philippine Cancer Society, Inc.
- CSIS Southeast Asia Program

Board Advisor
- Metrobank Foundation, Inc.

Monico V. Jacob
INDEPENDENT DIRECTOR
APRIL 2016 - PRESENT

President and CEO
- STI Education Systems Holdings, Inc.

President
- Philplans First, Inc.

Chairman
- Total Consolidated Asset Management, Inc.
- Philippine Life Financial Assurance, Inc.
- Rosehills Memorial Management, Inc.
- Global Resource for Outsourced Workers, Inc.
- GROW-Vite

Vice Chairman and CEO
- STI Education Services Group

Director
- iAcademy
- PhilCare

Independent Director
- Lopez Holdings Corporation
- Jollibee Foods Corp.
- Phoenix Petroleum Philippines, Inc.

MANAGEMENT TEAM

Our leaders work tirelessly to guarantee that each crystallization brings out the best that is Rockwell Land.

Nestor J. Padilla
President and
Chief Executive Officer

Ma. Lourdes L. Pineda
Senior Vice President,
Business Development

Davy T. Tan
Senior Vice President,
Project and Business Development

Valerie Jane L. Soliven
Executive Vice President
and Chief Revenue Officer

Ellen V. Almodiel
Executive Vice President,
Chief Finance and Compliance Officer

Baldwin T. Chua
Senior Vice President,
Hotel & Leisure Development

Miguel L. Lopez
Treasurer
and Senior Vice President,
Office Development

Rozana G. Pecson
Vice President,
Human Resources

Jovie Jade V. Lim-Dy
Vice President,
Residential Sales

Jesse S. Tan
Vice President,
Commercial Development

Estela Y. Dasmariñas
Vice President,
Human Resources

Manuel L. Lopez Jr.
President, Rockwell Leisure Club, Inc. and Adviser to the Board of Directors

Christine T. Coqueiro
Vice President, Retail Development

Angela Marie B. Pagulayan
Vice President, Hotel & Leisure Development

Adela D. Flores
Senior Consultant, Property Management

John M. Mearns
Senior Consultant, Project Development

Belen C. Nones
Consultant, Office Development and Cinema Management

Adolfo O. Granados
Senior Consultant, Finance and Accounting

Rica L. Bajo
Assistant Vice President, Finance & Accounting, Chief Risk Officer and Data Privacy Officer

Geraldine B. Brillantes
Assistant Vice President, General Manager for Rockwell Leisure Club, Inc.

Romeo G. Del Mundo
Assistant Vice President, Internal Audit and Chief Audit Officer

Atty. Enrique I. Quiason
Corporate Secretary

Atty. Esmeraldo C. Amistad
Assistant Corporate Secretary

ASSISTANT VICE PRESIDENTS

The crystals that are our projects, are solidified by the deep bench of thinkers and doers bringing their talents and energies towards more dynamic, innovative and courageous goals.

Rachel M. Quinto Project Director Rockwell Primaries

Eric R. Potente Project Development

Marco N. Vinluan Affordable Housing

Tracey G. Castillo Marketing

Annabelle A. Ong-Tuñacao Human Resources

Alex S. Diesmos Project Development

Vienn C. Tionglico-Guzman Project Director The Arton

Luck G. Damaso Project Development

Kate Y. Teyu-Caga Leasing and Secondary Sales

Chris B. Gecha Project Development

Mona K. Manalang-Narciso Consultant, After Sales Services

Rinna L. Tiu Business Development

ASSISTANT VICE PRESIDENTS

Albert M. Loberes
Legal

Thony A. Monsayac
Project Development

Sherry I. Lorenzo
Finance and Accounting

Jeff M. Torres
Information Technology

Wheng U. David
Finance and Accounting

Salva R. Catacutan
Consultant, Housekeeping Services

Jacko M. Zialcita
Consultant, Design and Planning

Carol G. Pinoy
Head of Legal

Benjie C. Gannod
Property Management

Andre A. Lopez
Project Development

Joy Z. Herrera
Property Management

Rochelle C. Baylon
Design and Planning

Benito P. Japitana
Finance and Accounting

CORPORATE GOVERNANCE

COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

Rockwell Land adopted its Manual on Corporate Governance (the "Manual") on May 2, 2012. An amended report was published last July 31, 2014 and May 31, 2017, respectively. The Company, its directors, officers and employees complied with the leading practices and principles on good governance as embodied in the Manual of Corporate Governance.

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

A. 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 the violations of the Corporate Governance Manual and recommended to the Chairman of the Board of Directors the appropriate actions for such violations;

B. 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 interest 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;

C. Creation of Board Committees, such as the Audit Committee, the Corporate Governance Committee, Risk Oversight Committee, and Related Party Transactions Committee;

D. Appointment of an External 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 the 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 business culture the volume, size and complexity of the transactions, the degree of centralization and delegation of authority, the extent and effectiveness of information technology and the extent of regulatory compliance;

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

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

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

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

Rockwell Land continues to abide by all the governance regulatory requirements. It has filed the Certificate required by the SEC certifying it, as well as its directors, officers and employees, compliance with the manual last April 19, 2017 when we filed our definitive information statement. Rockwell Land submitted to the Philippine Stock Exchange its responses to the Disclosure Template on Corporate Governance for Listed Companies last March 31, 2017. In December 2017, the SEC mandated all companies to submit an Integrated Annual Corporate Governance Repot (I-ACGR) by May 31, 2018 in lieu of several reports required in the past years. As of printing of the date of this annual report for the year end December 31, 2017, Rockwell Land is still in the process of compliance for the I-ACGR.

Apart from the 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.

Pursuant to the Manual of Corporate Governance, the Board has formed committees: Audit, Corporate Governance, Risk Oversight and Related Party Transactions Committees. Rockwell Land also has an Internal Audit Group (IAG) composed of Certified Public Accountants. The AIG reports to the Board through the Audit Committee. The IAG provides assurance and consulting functions for Rockwell Land in the areas of internal control, corporate governance and risk management. It conducts its internal audit activities in accordance with the International Standards for Professional Practice of Internal Auditing (ISPPIA) under the Internal Professional Practices Framework.

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

The appointments of Rockwell Land's Chief Compliance, Chief Risk, Chief Revenue, Chief Audit, and Data Privacy Officers in June and August 2017 further increases governance for the protection of the rights of all the stakeholders of the company.

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 Corporate Governance Committee should they have recommendations and/or nominations for the board of directorship.

COMMUNITY BUILDING

We bring our neighborhoods closer together through gatherings and events that crystallize camaraderie, friendly competition, and fun.

BUNNY BOOT CAMP

Easter 2018 was a fun-filled day of activities thanks to the Bunny Boot Camp. Over 600 children from Rockwell Center in Makati and The Grove had the joy of experiencing being cadets and troopers for a day. Kids were playing and laughing all day with all the games, activities, and exciting performances. We offer nothing short of the best for our precious little ones.

CHINESE NEW YEAR 2018 CELEBRATION

Rockwell welcomes the Year of the Pig with the Lion Dance Celebration at all of our locations. Colorful costumes, fierce choreography, and lively music were enjoyed by residents and tenants alike. This day of festivities definitely brought in good fortune and prosperity to all of Rockwell.

THE 2018 ROCKWELL CUP

With a growing number of participants each year, there is a reason the Rockwell Cup is one of our most anticipated events. Hosted by Rockwell Land Chairman, Ambassador Manolo Lopez, last February 23, 2018, the sixth annual tournament brings all Rockwell golf lovers new and seasoned alike closer together.

THE 2018 ROCKWELL COMMUNITY CHARITY DINNER

Over 350 attendees gathered at the prestigious Rockwell Cup Community Charity Dinner in 8 Rockwell last February 24, 2018. Mr. Jojo Guingona was awarded as the Overall Winner, while Ms. Karen Kime won Low Gross Champion. Our most recent beneficiaries included Mary's Way Foundation, Missionaries of the Child Jesus, Ginto Foundation, Missionaries of Mary Mother of the Poor, Inc., and the Phil Asia Assistance Foundation, Inc.

TIKI TREAT

The Grove had something different in store for children last Halloween. This Hawaiian-themed celebration had 300 children experiencing fun island adventures while wearing tiki masks of their own creation. The event was graced by hula dancers and Lilo and Stich performances, as well.

VIVA LA ROCA

The day of the dead was beyond festive thanks to our Coco-inspired Halloween celebration for the Rockwell Center kids at the 8 Rockwell Penthouse. Classic party games were played by over 300 children. They made their journey to the land of the dead, designed their own cupcakes, and even got their faces painted. The event concluded with a fantastic sing-a-long and an adorable dog show.

CORPORATE SOCIAL RESPONSIBILITY

We crystallize compassion through acts of charity that grow year after year.

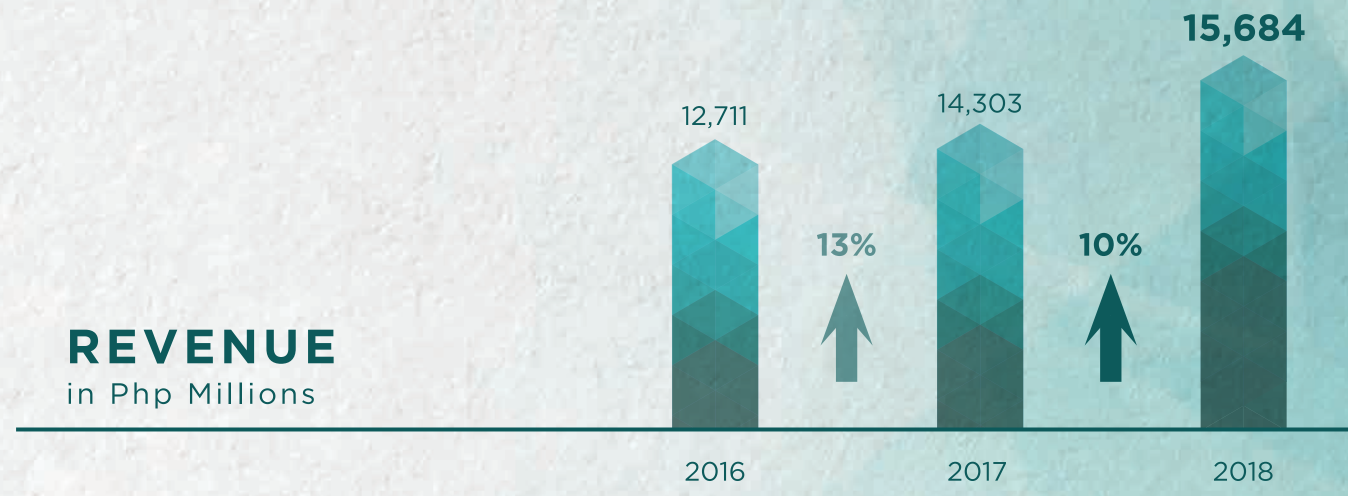
ALL HANDS ON DECK FOR THE CHILDREN OF MARAWI SERVATHON

Marawi suffered great loss and Rockwell wanted to play a part in its recovery. Rockwell employees volunteered to aid marginalized and at-risk children as they distributed donations. Personalized alphabet and number books were also given with the help of the Community and Family Services International, Library Renewal Project, and Sinagtala. This was made possible by the Hands on Manila Foundation, Inc.

SIMULTANEOUS FEEDING PROGRAM

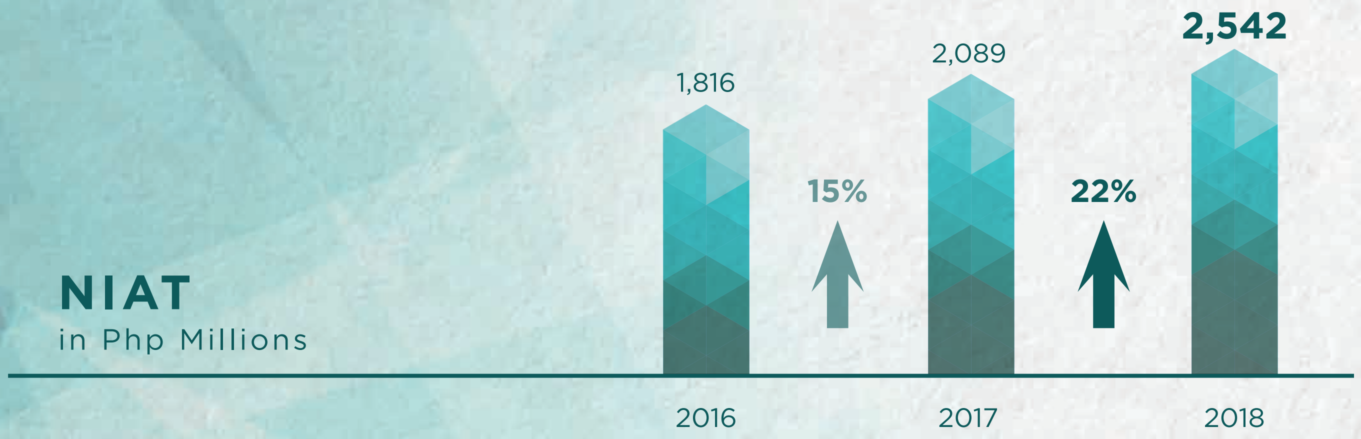
On November 24, 2018, Rockwell Land partnered with the Immaculate Conception Cathedral, St. John the Baptist, Our Lady of Miraculous Medal, Saints Peter & Paul, Our Lady of Fatima, and Holy Family to organize a feeding program. This was done for over 900 children from the communities near several Rockwell projects. With the help of over 600 Rockwell families, toys, school supplies, and groceries were donated to bring even more joy to those who need it most.

2018 PERFORMANCE REVIEW



RESULTS OF OPERATIONS

Rockwell Land Corporation's net income after tax (NIAT) grew by 22% from Php 2.1 billion in 2017 to Php 2.5 billion in 2018, posting a compounded annual growth rate of 18% from 2016.



Consolidated revenues reached Php 15.7 billion, a 10% growth from the previous year. Revenues were comprised of 86% Residential Development, 13% Commercial Development, and 2% Hotel Operations. Below is a table showing the breakdown of total consolidated revenues.

	2018	% to Total	**2017**	% to Total	**2016**	% to Total
Residential Development	13,411	86%	12,567	88%	11,040	87%
Commercial Development	1,990	13%	1,424	10%	1,324	10%
Hotel Operations	283	2%	313	2%	347	3%
Total Consolidated Revenues	**15,684**	**100%**	**14,303**	**100%**	**12,711**	**100%**
Share in Net Income in JV	271		265		254	

Sale of condominium units hit Php 11.4 billion, 5% higher than the previous year, while accretion of interest income increased by 20% to Php 1.8 billion. The growth of the residential segment's revenue was largely driven by substantial construction accomplishment for Edades Suites and Rockwell Primaries' The Vantage as well as higher bookings from The Proscenium Residences, 32 Sanson, The Grove, and The Vantage. Reservation sales, on the other hand, surged to a record-high of Php 14.9 billion, 30% greater than last year.

Commercial Development revenues grew by 40% to Php 2.0 billion. Lease income, which accounted for bulk of the segment's revenues, saw a 49% boost from Php 1.0 billion to Php 1.5 billion, mainly due to the significant increase in the occupancy of Power Plant Mall Expansion, RBC Sheridan and Santolan Town Plaza.

Revenues from retail operations amounted to Php 1.2 billion and comprised 7% of total consolidated revenues. The 26% growth from last year's Php 909.5 million was driven by the opening of Power Plant Mall Expansion which added 5,600 sqm of leasable area to the segment's portfolio. Cinema Operations, on the other hand, contributed Php 277.7 million or 2% of the total consolidated revenues and posted a 31% year-on-year growth, on the back of the opening of six (6) new cinemas. Moreover, revenues from office leasing, which includes those from units located in 8 Rockwell and RBC Sheridan, more than doubled in 2018, reaching Php 451.0 million from Php 198.8 million last year, due to sizable increase in occupancy.

The share in net income of joint venture, which pertains to RBC Ortigas, operated under the Rockwell-Meralco BPO venture, increased by 2%. Gross revenues of the JV also grew by 2%, from Php 689.4 million in 2017 to Php 704.2 million in 2018, due to annual rent escalation. At a 70% share, the Company generated revenues of Php 493.0 million and share in net income of Php 270.6 million.

Revenues from Hotel Operations, which accounted for 2% of total consolidated revenues, saw a 9% drop from Php 312.7 million in 2017 to Php 283.5 million in 2018. However, the segment's EBITDA only saw a 2% dip from Php 75.4 million to Php 73.7 million due to lower operating expenses from the discontinuance of The Grove Serviced Apartments. As of end 2018, about half of The Grove Serviced Apartments were sold and the remainder were held for long-term lease arrangements.

Consolidated EBITDA amounted to Php 4.5 billion, a 23% growth from the previous year's Php 3.6 billion. Residential development, commercial development and hotel operations contributed 65%, 33% and 2% to total EBITDA in 2018, respectively. EBITDA from recurring business reached Php 1.6 billon, posting a faster growth of 27% vs. residential development's 21%.

General and administrative expenses amounted to Php 2.2 billion, equivalent to 14% of total revenues. The 20% increase in expenses from last year's Php 1.8 billion is mainly attributable to additional expenses incurred from taxes due to higher collections in 2017 and increase in operational costs related to newly launched retail and office projects. RBC Sheridan had its first year of full operations in 2018 while Power Plant Mall Expansion and Santolan Town Plaza ramped up occupancy from early 2018.

CASH FLOWS AND FUNDING

The Company spent a total of Php 12.7 billion, gross of VAT, for project and capital expenditures in 2018. This was essentially comprised of land acquisitions, development costs of Proscenium, Aruga Hotel in Makati, The Vantage and final payments for new retail and office projects in 2018. Capital expenditures were funded through a combination of internally generated funds and debt availments.

The Company declared and paid dividends amounting to Php 419.0 million to its shareholders, 15% higher than the previous year's Php 365.0 million payout.

FINANCIAL POSITION

Total Assets as of December 31, 2018 amounted to Php 57.0 billion. The 17% increase from the previous year was due to completed and ongoing construction of residential development projects, Aruga Hotel in Makati and several investment properties, as well as recognition of trade receivables following the completion progress of ongoing residential projects (Edades Suites and The Vantage).

Total Liabilities as of December 31, 2018 amounted to Php 37.7 billion, 21% higher than last year's Php 31.2 billion. The increase was primarily attributable to the availment of loans to fund construction of both residential and commercial projects.

Total Equity as of December 31, 2018 amounted to Php 19.3 billion, a growth of 9% from the previous year. This increase was mainly driven by the Php 2.5 billion NIAT in 2018.

KEY PERFORMANCE INDICATORS

	2018	2017	2016
EBITDA[1] (Php billions)	4.46	3.63	3.38
Current Ratio[2] (x)	2.19	2.96	3.01
Net Debt to Equity Ratio[3] (x)	1.15	0.98	0.91
Asset to Equity Ratio[4] (x)	2.95	2.76	2.58
Interest Cover[5] (x)	3.85	4.73	4.54
ROA[6]	4.8%	4.7%	4.8%
ROE[7]	13.7%	12.5%	12.2%
EPS[8], (Php)	0.42	0.34	0.30

Notes:

(1) EBITDA [Net Income + (Interest Expense, Provision for Income Tax, Depreciation & Amortization)]
(2) Current ratio [Current assets/Current liabilities]
(3) Net debt to equity ratio [(Total Interest bearing debt)-(Cash and cash equivalents)/Total Equity]
(4) Assets to equity ratio [Total Assets/Total Equity]
(5) Interest coverage ratio [EBITDA/Total interest payments]
(6) ROA [Net Income/Average Total Assets]
(7) ROE [Net Income/Average Total Equity]
(8) EPS [Net Income/number of common shares outstanding]

FINANCIAL STATEMENTS

Statement of Management's Responsibility to Financial Statements

The management of **ROCKWELL LAND CORPORATION AND SUBSIDIARIES** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors (Trustees) is responsible for overseeing the Company's financial reporting process.

The Board of Directors (Trustees) reviews and approves the financial statements including the schedules attached therein and submits the same to the stockholders or members.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with 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 audit.

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

Signed this 10th day of April 2019.

SUBSCRIBED AND SWORN to before me this day 10 April 2019 at Makati City, affiant exhibiting to me his/her Passport as follows:

NAME	PASSPORT NO.	DATE ISSUED	PLACE ISSUED
Manuel M. Lopez	EC4033188	25 April 2015	DFA MANILA
Nestor J. Padilla	P3279524A	03 June 2017	DFA NCR CENTRAL
Ellen V. Almodiel	EC3260629	26 January 2015	DFA NCR CENTRAL

Doc No. 112;
Page No. 24;
Book No. 10;
Series of 2019.

JOSE FERNANDO B. CUENCA
Notary Public for Makati City
Until December 31, 2019
Roll of Attorneys No. 61174
IBP No. 034123 / 03.01.18 / Negros Occidental
PTR No. 6699416 / 02.28.18 /Makati City
MCLE Compliance No. V-0013260

SGV
Building a better working world

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Philippines

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

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Rockwell Land Corporation

Opinion

We have audited the consolidated financial statements of Rockwell Land Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Adoption of PFRS 15, Revenue from Contracts with Customers

Effective January 1, 2018, the Group adopted the new revenue recognition standard, PFRS 15, *Revenue from Contracts with Customers*, under the modified retrospective approach. The adoption of PFRS 15 resulted in significant changes in the Group's revenue process, policies and procedures and revenue recognition accounting policy. The following matters are significant to our audit because these involve application of significant judgment and estimation: (1) identification of the contract for sale of real estate property that would meet the requirements of PFRS 15; (2) assessment of the probability that the entity will collect the consideration from the buyer; (3) determination of the transaction price; (4) application of the output method as the measure of progress in determining real estate revenue; (5) determination of the actual costs incurred as cost of real estate; and (6) recognition of cost to obtain a contract.

The Group identifies the contract that meets all the criteria required under PFRS 15 for a valid revenue contract. In the absence of a signed contract to sell, the Group identifies alternative documentation that are enforceable and that contains each party's rights regarding the real estate property to be transferred, the payment terms and the contract's commercial substance.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer's initial payments in relation to the total contract price (or buyer's equity). Collectability is also assessed by considering factors such as past history with the buyer, age and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs if it would still support its current threshold of buyers' equity before commencing revenue recognition.

In determining the transaction price, the Group considers the selling price of the real estate property and other fees and charges collected from the buyers that are not held on behalf of other parties.

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by the Group's specialists (project engineers). This is based on the weekly project accomplishment report prepared by the project inspector as approved by the project engineer which integrates the surveys of progress to date of the construction activities for both sub-contracted and those that are fulfilled by the Group itself.

In determining the actual costs incurred to be recognized as cost of sales, the Group estimates costs incurred on materials, labor and overhead which have not yet been billed by the contractors and suppliers.

The Group identifies sales commission after contract inception as the cost of obtaining the contract. For contracts which qualified for revenue recognition, the Group capitalizes the total sales commission due to sales agent as cost to obtain contract and recognizes the related commission payable.

The Group uses percentage of completion (POC) method in amortizing sales commission consistent with the Group's revenue recognition policy.

The adoption of PFRS 15 resulted to transition adjustments in the opening balance of retained earnings amounting to ₱548.4 million as at January 1, 2018.

The disclosures related to the adoption of PFRS 15 are included in Notes 3, 5 and 21 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's revenue recognition process, including the process of implementing the new revenue recognition standard and tested relevant controls. We reviewed the PFRS 15 adoption papers and accounting policies prepared by management, including revenue streams identification and scoping, and contract analysis.

For the identification of the alternative documentation for sale of real estate property (in the absence of a signed contract to sell) that would meet the requirements of PFRS 15, our audit procedures include, among others, involvement of our internal specialist in reviewing the Group's legal basis regarding the enforceability of the alternative documentation against previous court decisions, buyers' behavior and industry practices.

For the buyers' equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales collections from buyers with accumulated payments above the collection threshold. We traced the analysis to supporting documents such as request for cancellation form and notice of cancellation.

For the determination of the transaction price, we obtained an understanding of the nature of other fees charged to the buyers. For selected contracts, we agreed the amounts excluded from the transaction price against the expected amounts required to be remitted to the government based on existing tax rules and regulations (e.g., documentary stamp taxes, transfer taxes and real property taxes).

For the application of the output method, in determining real estate revenue, we obtained an understanding of the Group's processes for determining the POC. We obtained the certified POC reports prepared by the project engineers and assessed their competence and objectivity by reference to their professional qualifications, experience and reporting responsibilities. For selected projects, we conducted ocular inspections, made relevant inquiries and obtained the supporting details of POC reports showing the completion of the major activities of the project construction.

For the cost of real estate, we obtained an understanding of the Group's cost accumulation process and performed tests of the relevant controls. For selected projects, we traced costs accumulated, including those incurred but not yet billed costs, to supporting documents such as progress billings, progress payment certificates and quantity surveyor reports prepared by project engineers.

For the recognition of cost to obtain a contract, we obtained an understanding of the sales commission process. For selected contracts, we agreed the basis for calculating the sales commission capitalized and portion recognized in profit or loss, particularly (a) the percentage of commission due against contracts with sales agents, (b) the total commissionable amount (e.g., net contract price) against the related contract to sell and (c) the POC used in amortizing sales commission against the POC used in recognizing the related revenue from real estate sales.

We test computed the transition adjustments and evaluated the disclosures made in the financial statements on the adoption of PFRS 15.

Adoption of PFRS 9, Financial Instruments

On January 1, 2018, the Group adopted PFRS 9, *Financial Instruments*. PFRS 9, which replaced PAS 39, *Financial Instruments: Recognition and Measurement*, introduces a forward-looking expected credit loss model to assess impairment on debt financial assets not measured at fair value through profit or loss. The Group adopted the modified retrospective approach in adopting PFRS 9.

The Group's adoption of the ECL model is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's credit risk exposures, determining the method to estimate lifetime ECL, defining default, determining assumptions to be used in the ECL model such as the expected life of the financial asset and timing and amount of expected net recoveries from defaulted accounts, and incorporating forward-looking information (called overlays) in calculating ECL.

The application of the ECL model did not have a material impact to the consolidated financial statements as at January 1, 2018. Provision for credit losses in 2018 using the ECL model is not material to the consolidated financial statements.

The disclosures on the PFRS 9 ECL model adoption are included in Notes 3 and 5 to the consolidated financial statements.

Audit Response

We obtained an understanding of the approved methodologies and models used for the Group's different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, the time value of money and, the best available forward-looking information. We also inspected and considered the results of PFRS 9 model validation performed by management's specialist.

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) checked the methodology used in applying the simplified approach by evaluating the key inputs, assumptions, and formulas used; (c) compared the definition of default against historical analysis of accounts and credit risk management policies and practices in place, (d) tested loss given default by inspecting historical recoveries including the timing, related direct costs, and write-offs; (e) evaluated the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's lending portfolios and broader industry knowledge; and (f) tested the effective interest rate, or an approximation thereof, used in discounting the expected loss.

Further, we checked the data used in the ECL models, such as the historical analysis of defaults, and recovery data, by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We recalculated impairment provisions on a sample basis. We test computed the transition adjustments and evaluated the disclosures made in the financial statements on allowance for credit losses using the ECL model.

We involved our internal specialists in the performance of the above procedures.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Gaile A. Macapinlac.

SYCIP GORRES VELAYO & CO.

Gaile A. Macapinlac

Gaile A. Macapinlac
Partner
CPA Certificate No. 98838
SEC Accreditation No. 1621-A (Group A),
March 21, 2017, valid until March 20, 2020
Tax Identification No. 205-947-572
BIR Accreditation No. 08-001998-126-2017,
February 9, 2017, valid until February 8, 2020
PTR No. 7332571, January 3, 2019, Makati City

March 13, 2019

ROCKWELL LAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2018	2017 (As restated - Note 3)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7, 30 and 31)	**₱2,055,480**	₱2,562,942
Trade and other receivables (Notes 3, 8, 16, 21, 30 and 31)	**4,262,292**	13,371,478
Contract asset (Notes 3, 8, 21 and 30)	**11,034,645**	-
Real estate inventories (Notes 3, 6, 9, 16, 17, 19 and 29)	**10,795,787**	10,368,987
Advances to contractors (Note 9)	**1,740,863**	2,296,859
Other current assets (Notes 3, 10, 17, 30 and 31)	**1,288,983**	1,528,160
Total Current Assets	**31,178,050**	30,128,426
Noncurrent Assets		
Investment properties (Notes 3, 12 and 16)	**12,517,057**	12,098,266
Property and equipment (Notes 13 and 16)	**3,899,687**	2,841,446
Investment in joint venture and associate (Note 14)	**3,357,375**	2,881,116
Contract asset - net of current portion (Notes 3, 8 and 21)	**5,158,949**	-
Noncurrent trade receivables (Notes 8, 30 and 31)	**-**	717,319
Investment in equity instruments at FVOCI (Notes 11, 30 and 31)	**23,308**	-
Available-for-sale investments (Notes 11, 30 and 31)	**-**	19,658
Deferred tax assets - net (Note 26)	**272,736**	694
Other noncurrent assets (Notes 12 and 17)	**573,739**	212,072
Total Noncurrent Assets	**25,802,851**	18,770,571
	₱56,980,901	₱48,898,997
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 3, 9, 15, 18, 25, 30 and 31)	**₱9,064,040**	₱8,148,916
Current portion of interest-bearing loans and borrowings (Notes 6, 8, 9, 12, 13, 16, 30 and 31)	**5,173,729**	2,020,014
Total Current Liabilities	**14,237,769**	10,168,930
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Notes 8, 9, 12, 13, 16, 30 and 31)	**19,053,087**	17,888,752
Deferred tax liabilities - net (Note 26)	**1,577,222**	1,066,216
Installment payable (Note 17)	**571,748**	544,957
Pension liability - net (Note 25)	**97,000**	102,634
Deposits and other liabilities (Notes 3, 9, 15, 18, 25, 30 and 31)	**2,155,622**	1,412,750
Total Noncurrent Liabilities	**23,454,679**	21,015,309
Total Liabilities	**37,692,448**	31,184,239

(Forward)

	December 31	
	2018	2017 (As restated - Note 3)
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Notes 19 and 20)	**₱6,270,882**	₱6,270,882
Additional paid-in capital	**28,350**	28,350
Other comprehensive income (Note 11)	**11,618**	8,516
Other equity adjustments (Note 20)	**291,162**	291,162
Share-based payments (Note 19)	**69,700**	69,700
Retained earnings (Note 20):		
Appropriated	**7,000,000**	5,000,000
Unappropriated	**5,234,655**	5,659,266
	18,906,367	17,327,876
Less cost of treasury shares (Notes 1 and 20)	**(185,334)**	(185,334)
Total Equity Attributable to Equity Holders of the Parent Company	**18,721,033**	17,142,542
Non-controlling interests (Note 6)	**567,420**	572,216
Total Equity	**19,288,453**	17,714,758
	₱56,980,901	₱48,898,997

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		
	2018	2017	2016
REVENUE			
Sale of condominium units (Note 21)	**₱11,360,387**	₱10,777,599	₱9,602,054
Interest income (Notes 7, 8 and 22)	**1,781,008**	1,479,907	1,323,216
Lease income (Note 13)	**1,499,103**	1,006,952	914,783
Room revenue (Notes 13 and 21)	**220,194**	285,730	325,951
Cinema revenue (Note 21)	**277,697**	211,316	220,226
Others (Notes 14 and 21)	**545,906**	541,889	325,073
	15,684,295	14,303,393	12,711,303
EXPENSES			
Cost of real estate (Notes 3, 9 and 23)	**9,031,544**	8,739,992	7,777,643
General and administrative expenses (Notes 13, 23, 24 and 25)	**2,155,287**	1,809,269	1,565,741
Selling expenses (Notes 3, 23 and 24)	**964,918**	877,702	748,202
	12,151,749	11,426,963	10,091,586
INCOME BEFORE OTHER INCOME (EXPENSES)	**3,532,546**	2,876,430	2,619,717
OTHER INCOME (EXPENSES)			
Interest expense (Notes 16 and 23)	**(309,173)**	(250,983)	(389,848)
Share in net income of joint venture (Note 14)	**270,595**	264,763	254,231
Foreign exchange gain - net (Note 30)	**3,273**	(1,378)	4,026
Gain on sale of property and equipment	**-**	-	5
	(35,305)	12,402	(131,586)
INCOME BEFORE INCOME TAX	**3,497,241**	2,888,832	2,488,131
PROVISION FOR INCOME TAX (Note 26)	**955,190**	799,661	671,897
NET INCOME	**2,542,051**	2,089,171	1,816,234
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Net gain on equity instruments designated at FVOCI (Note 11)	**3,650**	-	-
Remeasurement gain (loss) on employee benefits (Note 25)	**(5,204)**	42,515	7,792
Income tax effect	**1,013**	(12,755)	3,938
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Unrealized gain on AFS investments (Note 11)	**-**	2,850	1,000
Income tax effect	**-**	(427)	(100)
	(541)	32,183	12,630
TOTAL COMPREHENSIVE INCOME	**₱2,541,510**	₱2,121,354	₱1,828,864
Net Income Attributable To			
Equity holders of the Parent Company	**₱2,546,847**	₱2,110,245	₱1,823,981
Non-controlling interests	**(4,796)**	(21,074)	(7,747)
	₱2,542,051	₱2,089,171	₱1,816,234
Total Comprehensive Income Attributable To			
Equity holders of the Parent Company	**₱2,546,306**	₱2,142,428	₱1,836,184
Non-controlling interests	**(4,796)**	(21,074)	(7,320)
	₱2,541,510	₱2,121,354	₱1,828,864
Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 32)			
Basic	**₱0.4161**	₱0.3447	₱0.2979
Diluted	**₱0.4153**	₱0.3442	₱0.2977

See accompanying Notes to Consolidated Financial Statements.

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent Company										
	Capital Stock (Note 20)	Additional Paid-in Capital	Other Comprehensive Income (Note 11)	Other Equity Adjustments (Note 20)	Share-based Payments (Note 19)	Retained Earnings (Note 20) Appropriated	Retained Earnings (Note 20) Unappropriated	Treasury Shares (Notes 1 and 20)	Total	Non-controlling Interests (Note 6)	Total Equity
Balance at December 31, 2017, as previously reported	**₱6,270,882**	**₱28,350**	**₱8,516**	**₱291,162**	**₱69,700**	**₱5,000,000**	**₱5,659,266**	**(₱185,334)**	**₱17,142,542**	**₱572,216**	**₱17,714,758**
Effect of adoption of new accounting standard (Note 3)	-	-	-	-	-	-	**(548,390)**	-	**(548,390)**	-	**(548,390)**
Balance at December 31, 2017, as restated	**₱6,270,882**	**₱28,350**	**₱8,516**	**₱291,162**	**₱69,700**	**₱5,000,000**	**₱5,110,876**	**(₱185,334)**	**₱16,594,152**	**₱572,216**	**₱17,166,368**
Net income	-	-	-	-	-	-	**2,546,847**	-	**2,546,847**	**(4,796)**	**2,542,051**
Other comprehensive loss (Notes 11 and 25)	-	-	**3,102**	-	-	-	**(3,643)**	-	**(541)**	-	**(541)**
Total comprehensive income	-	-	-	-	-	-	**2,543,204**	-	**2,546,306**	**(4,796)**	**2,541,510**
Appropriation, net of reversal (Note 20)	-	-	-	-	-	**2,000,000**	**(2,000,000)**	-	-	-	-
Cash dividends (Note 20)	-	-	-	-	-	-	**(419,425)**	-	**(419,425)**	-	**(419,425)**
Balance at December 31, 2018	**₱6,270,882**	**₱28,350**	**₱11,618**	**₱291,162**	**₱69,700**	**₱7,000,000**	**₱5,234,655**	**(₱185,334)**	**₱18,721,033**	**₱567,420**	**₱19,288,453**
Balance at December 31, 2016	₱6,270,882	₱28,350	₱6,093	₱291,162	₱69,700	₱3,000,000	₱5,884,246	(₱185,334)	₱15,365,099	₱313,290	₱15,678,389
Net income	-	-	-	-	-	-	2,110,245	-	2,110,245	(21,074)	2,089,171
Other comprehensive income (Notes 11 and 24)	-	-	2,423	-	-	-	29,760	-	32,183	-	32,183
Total comprehensive income	-	-	2,423	-	-	-	2,140,005	-	2,142,428	(21,074)	2,121,354
Appropriation (Note 20)	-	-	-	-	-	2,000,000	(2,000,000)	-	-	-	-
Cash dividends (Note 20)	-	-	-	-	-	-	(364,985)	-	(364,985)	-	(364,985)
Non-controlling interests arising from incorporation of a subsidiary	-	-	-	-	-	-	-	-	-	280,000	280,000
Balance at December 31, 2017	₱6,270,882	₱28,350	₱8,516	₱291,162	₱69,700	₱5,000,000	₱5,659,266	(₱185,334)	₱17,142,542	₱572,216	₱17,714,758
Balance at December 31, 2015	₱6,270,882	₱28,350	₱5,193	₱291,162	₱69,700	₱-	₱7,379,082	(₱185,334)	₱13,859,035	₱320,610	₱14,179,645
Net income	-	-	-	-	-	-	1,823,981	-	1,823,981	(7,747)	1,816,234
Other comprehensive income (Notes 11 and 25)	-	-	900	-	-	-	11,303	-	12,203	427	12,630
Total comprehensive income	-	-	900	-	-	-	1,835,284	-	1,836,184	(7,320)	1,828,864
Appropriation (Note 20)	-	-	-	-	-	3,000,000	(3,000,000)	-	-	-	-
Cash dividends (Note 20)	-	-	-	-	-	-	(330,120)	-	(330,120)	-	(330,120)
Balance at December 31, 2016	₱6,270,882	₱28,350	₱6,093	₱291,162	₱69,700	₱3,000,000	₱5,884,246	(₱185,334)	₱15,365,099	₱313,290	₱15,678,389

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2018	2017 (As restated - Note 3)	2016 (As restated - Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱3,497,241**	₱2,888,832	₱2,488,131
Adjustments for:			
Interest income (Notes 7, 8 and 22)	**(1,781,008)**	(1,479,907)	(1,323,216)
Depreciation and amortization (Note 23)	**658,585**	491,711	500,265
Interest expense (Notes 16 and 23)	**309,173**	250,983	389,848
Share in net income of joint venture (Note 14)	**(270,595)**	(264,763)	(254,231)
Pension expense, net of contributions (Note 25)	**(10,838)**	(31,320)	(3,236)
Unrealized foreign exchange gain - net	**(3,273)**	1,378	(4,026)
Gain on sale of property and equipment	**-**	-	(5)
Operating income before working capital changes	**2,399,285**	1,856,914	1,793,530
Decrease (increase) in:			
Trade and other receivables	**11,600,909**	(3,398,673)	689,594
Contract assets	**(16,193,594)**	-	-
Real estate inventories	**150,813**	763,129	(1,687,758)
Advances to contractors	**555,996**	340,821	(1,079,003)
Other current assets	**29,883**	485,613	(291,161)
Increase in trade and other payables	**936,493**	1,449,808	813,292
Net cash generated from (used for) operations	**(520,215)**	1,497,612	238,494
Income taxes paid	**(715,213)**	(638,511)	(590,617)
Interest paid	**(1,159,738)**	(162,311)	(383,093)
Net cash provided by (used in) operating activities	**(2,395,166)**	696,790	(735,216)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Investment properties (Note 12)	**(793,453)**	(3,800,533)	(1,604,177)
Property and equipment (Note 13)	**(1,342,164)**	(733,323)	(558,814)
Investment in associate (Note 14)	**(450,000)**	-	-
Dividends received (Note 14)	**244,336**	262,896	405,445
Decrease (increase) in other noncurrent assets	**(361,667)**	1,055	(2,427)
Interest received	**6,604**	12,611	30,987
Proceeds from sale of property and equipment	**-**	5,199	-
Net cash used in investing activities	**(2,696,344)**	(4,252,095)	(1,728,986)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of loans and borrowings (Note 16)	**7,237,600**	6,250,000	5,000,000
Payments of:			
Interest-bearing loans and borrowings (Note 16)	**(2,918,976)**	(1,968,527)	(3,213,954)
Debt issue cost (Note 16)	**(38,516)**	(35,000)	(20,000)
Dividends (Note 20)	**(415,100)**	(362,355)	(309,171)
Increase in deposits and other liabilities	**715,767**	514,647	194,950
Subsidiary's issuance of shares to non-controlling interest	**-**	280,000	-
Net cash provided by financing activities	**4,580,775**	4,678,765	1,651,825
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**3,273**	(1,378)	4,026
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(507,462)**	1,122,082	(808,351)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,562,942**	1,440,860	2,249,211
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱2,055,480**	₱2,562,942	₱1,440,860

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 Parent Company's corporate life is 50 years and can be extended for another 50 years on or within five years before the expiration of its term.

Effective April 18, 2017, the Parent Company's principal office address changed from The Garage at Rockwell, Estrella St., Rockwell Center, Makati City to 2F 8 Rockwell, Hidalgo Drive, Rockwell Center, Makati City.

Rockwell Land became a public company in 2012 following the declaration of 51% ownership by Manila Electric Company (Meralco) as property dividend in favor of common stockholders, except for foreign common shareholders who were paid the cash equivalent of the property dividend (see Note 20).

As at December 31, 2018 and 2017, First Philippine Holdings Corporation (FPHC) owns 86.58% of Rockwell Land and the rest by the public. Lopez, Inc. is the ultimate parent company.

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 13, 2019.

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 investment in equity instruments at FVOCI in 2018 and available-for-sale investments in 2017 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.

Statement of Compliance
The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS also includes Philippine Accounting Standards (PAS), including Interpretations issued by the Financial Reporting Standards Council.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of Rockwell Land and its subsidiaries (collectively referred to as the "Group"). Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if, and only if, the Parent Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Parent Company's voting rights and potential voting rights.

The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Parent Company's accounting policies. All intra-group assets and liabilities, equity, income and expenses and cash flows relating to transactions among members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Parent Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resulting gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

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.

The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries it controls:

		Percentage of Ownership		
Subsidiaries	Nature of Business	**2018**	2017	2016
Rockwell Integrated Property Services, Inc.	Service provider	**100.0**	100.0	100.0
Rockwell Primaries Development Corporation (Rockwell Primaries)	Real estate development	**100.0**	100.0	100.0
Stonewell Property Development Corporation	Real estate development	**100.0**	100.0	100.0
Primaries Properties Sales Specialists Inc.	Marketing	**100.0**	100.0	100.0
Rockwell Hotels & Leisure Management Corp.	Hotel management	**100.0**	100.0	100.0
Rockwell Leisure Club, Inc. (Rockwell Club)	Leisure club	**76.4**	76.4	76.7
Retailscapes Inc. (Retailscapes)	Commercial development	**100.0**	100.0	100.0
Rockwell Primaries South Development Corporation (Rockwell Primaries South)	Real estate development	**60.0**	60.0	60.0
Rockwell MFA Corp. (Rock MFA)*	Real estate development	**80.0**	80.0	-

Incorporated in August 2017

All subsidiaries are incorporated in the Philippines.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

3. Changes in Accounting Policies and Disclosures

Changes in Accounting Policies
The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year, except for the adoption of the following new accounting standards and amendments which were adopted effective beginning January 1, 2018. Except as otherwise indicated, adoption of the new standards and amendments has no significant impact on the Group's consolidated financial statements.

- Amendments to PFRS 2, Share-based Payment, Classification and Measurement of Share-based Payment *Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

  The amendments did not have any impact on the consolidated financial statements.

- PFRS 9, *Financial Instruments*

  PFRS 9 *Financial Instruments* replaces PAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

  The Group applied PFRS 9 using the modified retrospective method of adoption, with an initial application date of January 1, 2018. The Group has not restated the comparative information, which continues to be reported under PAS 39. The adoption of PFRS 9 did not have material impact on the consolidated financial statements.

  a) Classification and measurement

  Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

  The assessment of the Group's business model was made as of the date of initial application, January 1, 2018 and then applied retrospectively to those financial assets that were not derecognized before January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

  The classification and measurement requirements of PFRS 9 did not have a significant impact to the Group. The Group continued measuring at amortized cost all financial assets previously carried at amortized cost and continued measuring at fair value all financial assets previously held at fair value under PAS 39.

  The following are the changes in the classification of the Group's financial assets:

  - Cash and cash equivalents, trade receivables and refundable deposits classified as loans and receivables as at December 31, 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortized cost beginning January 1, 2018.

  - Equity investments classified as available-for-sale financial assets as at December 31, 2017 are classified and measured as financial assets designated at fair value through other comprehensive income (FVOCI) beginning January 1, 2018.

  The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

  In summary, upon the adoption of PFRS 9, the Group had the following required or elected reclassifications as at January 1, 2018.

		PFRS 9 Measurement Category	
PAS 39 Measurement Category	Balance	Amortized Cost	FVOCI
Loans and receivables:			
Cash and cash equivalents	₱2,562,942	₱2,562,942	₱-
Trade and other receivables	13,371,478	13,371,478	-
Noncurrent trade receivables	717,319	717,319	-
Available-for-sale investments –			
Investment in quoted and unquoted equity instruments	19,658	–	19,658
		₱16,651,739	₱19,658

  b) Impairment

  The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Group to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The expected net cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For installment contracts receivables (ICR) presented under trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established vintage that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group used the vintage analysis accounts for expected credit losses by calculating the cumulative loss rates of a given ICR pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the probability model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

In addition to life of loan loss data, primary drivers like macroeconomic indicators of qualitative factors such as forward-looking data on growth rates of Consumer Price Index ("CPI"), and Household Final Consumption Expenditure ("HFCE") for individual accounts, and growth rate of CPI Housing Philippines for corporate accounts were added to the expected loss calculation to reach a forecast supported by both quantitative and qualitative data points.

The key inputs in the model include the Group's definition of default and historical data of four to eight years for the origination, maturity and default dates. The Group considers an ICR in default when monthly payment of individual customers is 90 days past due (i.e., issuance of final notice of cancellation "FNOC"), or when monthly payment of corporate customers is 30 days past due, and there is an issuance of FNOC.

However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The probability of default is applied to the estimate of the loss arising on default which is based on the difference between the contractual cash flows due and those that the Group would expect to receive, net of cash outflows. For purposes of calculating loss given default, accounts are segmented per project, and per completion status. In calculating the recovery rates, the Group considered subsequent cash collections once resold, or as-if deemed sale fair value if not yet resold, net of direct costs of obtaining and selling the real estate properties after the default event such as remaining costs to complete, payment/refund required under Maceda law and refunds as deemed necessary by management.

As these are future cash flows, these are discounted back to the time of default using the appropriate effective interest rate, usually being the original EIR or an approximation thereof.

For cash and cash equivalents, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). The Group applies the low credit risk simplification in determining significant increase in credit risk since initial recognition. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

Upon adoption of PFRS 9 the Group did not recognize additional impairment on the Group's cash and cash equivalents and trade receivables. The adjustment in the impairment of cash and cash equivalents and trade receivables as a result of the adoption of PFRS 9 does not significantly impact the financial statements as at December 31, 2018

The ending impairment allowance in the Group's financial assets in accordance with PAS 39 is the same with the opening loss allowances determined in accordance with PFRS 9.

Under PFRS 9, the level of provision for credit and impairment losses did not increase after incorporation of forward-looking information in determining provisions. Further, since the implementation of PFRS 9, all financial assets except installment contract receivables are assessed for at least 12-month ECL and the population of financial assets to which the lifetime ECL applies is larger than the population for which there is objective evidence of impairment in accordance with PAS 39.

- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

  The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 supersedes PAS 11 *Construction Contracts*, PAS 18 *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

PFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

On February 14, 2018, the Philippines Interpretation Committee (PIC) issued PIC Q&A 2018-12 (PIC &A) which provides guidance on some implementation issues of PFRS 15 affecting real estate industry. On October 25, 2018 and February 8, 2019, the Philippine Securities and Exchange Commission (SEC) issued SEC Memorandum Circular No. 14 Series of 2018 and SEC Memorandum Circular No. 3, Series of 2019, respectively, providing relief to the real estate industry by deferring the application of the following provisions of the above PIC Q&A for a period of 3 years:

a. Exclusion of land and uninstalled materials in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E
b. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
c. Accounting to Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H

Under the same SEC Memorandum Circular No. 3, Series of 2019, the adoption of PIC Q&A No. 2018-14: PFRS 15 – Accounting for Cancellation of Real Estate Sales was also deferred.

The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

a. The accounting policies applied
b. Discussion of the deferral of the subject implementation issues in the PIC Q&A
c. Qualitative discussion of the impact in the financial statements had the concerned application guideline in the PIC Q&A been adopted.
d. Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

Except for the CUSA charges discussed under PIC Q&A No. 2018-12-H which applies to leasing transactions, the above deferral will only be applicable for real estate sales transactions.

Effective January 1, 2021, real estate companies will adopt PIC Q&A No. 2018-12 and PIC Q&A No. 2018-14 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

The Group availed of the deferral of adoption of the above specific provisions of PIC Q&A, except for the exclusion of land in the determination of POC as the provision is consistent with the Group's practice. Had these provisions been adopted, it would have the following impact in the financial statements:

a) The exclusion of uninstalled materials in the determination of POC would reduce the percentage of completion of real estate projects resulting in a decrease in retained earnings as at January 1, 2018 as well as a decrease in the revenue from real estate sales in 2018.
b) The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell would constitute a significant financing component. Interest income would have been recognized for contract assets and interest expense for contract liabilities using effective interest rate method and this would have impacted retained earnings as at January 1, 2018 and the revenue from real estate sales in 2018. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.
c) The Group is acting as a principal for the provision of air-conditioning services, common use service services and administration and handling services. This would have resulted to the gross presentation of the related revenue and the related expenses and cost. Currently, the related revenue is presented net of costs and expenses. These would not result to any adjustment in the retained earnings as at January 1, 2018 and net income.
d) Upon sales cancellation, the repossessed inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been opted). This would have increased retained earnings as at January 1, 2018 and gain from repossession in 2018. Currently, the Group records the repossessed inventory at cost.

The Group adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under the modified retrospective method, the standard can be applied either to those contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to those contracts not completed as at January 1, 2018. The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under PAS 11, PAS 18 and related Interpretations.

The effect of adopting PFRS 15 at January 1, 2018 follows:

	As previously reported, December 31, 2017	Reference	Adjustment	As restated, January 1, 2018
ASSETS				
Trade and other receivables	₱13,371,478	(c)	(₱10,736,709)	₱2,634,769
Contract asset	–	(c)	11,885,141	11,885,141
Real estate inventories	10,368,987	(a)	(484,422)	9,884,565
Other current assets	1,528,160	(b)	(298,992)	1,229,168
Total Current Assets	**30,128,426**		**365,018**	**30,493,444**
Noncurrent trade receivables	717,319	(c)	(717,319)	–
Contract asset - net of current portion	–	(c)	717,319	717,319
Total Noncurrent Assets	**18,770,571**	(c)	**–**	**18,770,571**
Total Assets	**₱48,898,997**		**₱365,018**	**₱49,264,015**
LIABILITIES AND EQUITY				
Trade and other payables	₱8,148,916	(c)	₱1,148,432	₱9,297,348
Deferred tax liabilities - net	1,066,216	(d)	(235,024)	831,192
Total Liabilities	**31,184,239**		**913,408**	**32,097,647**
Unappropriated retained earnings	5,659,266	(a)(b)(d)	(548,390)	5,110,876
Total Equity	**₱17,714,758**		**(₱548,390)**	**₱17,166,368**

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended December 31, 2018 as a result of the adoption of PFRS 15. The adoption of PFRS 15 did not have a material impact on other comprehensive income (OCI) or the Group's operating, investing and financing cash flows. The first column shows amounts prepared under PFRS 15 and the second column shows what the amounts would have been had PFRS 15 not been adopted.

Consolidated Statement of Comprehensive Income for the Year Ended December 31, 2018

	Reference	Amounts prepared under PFRS 15	Amounts prepared under Previous PFRS	Increase (Decrease)
Revenue		₱15,684,295	₱15,684,295	₱-
Expenses				
Cost of real estate	(a)	9,031,544	9,474,959	(443,415)
General and administrative expenses		2,155,287	2,155,287	-
Selling expenses	(b)	964,918	1,091,168	(126,250)
		12,151,749	12,721,414	(569,665)
Income before other income (expenses)	(a)(b)	3,532,546	2,962,881	569,665
Other income (expenses)		(35,305)	(35,305)	-
Income before income tax	(d)	3,497,241	2,927,576	569,665
Provision for income tax	(d)	955,190	784,290	170,900
Net income	(d)	₱2,542,051	₱2,143,286	₱398,765

Consolidated Statement of Financial Position as at December 31, 2018

	Reference	Amounts prepared under PFRS 15	Amounts prepared under Previous PFRS	Increase (Decrease)
ASSETS				
Trade and other receivables	(c)	₱4,262,292	₱14,211,431	(₱9,949,139)
Contract asset	(c)	11,034,645	-	11,034,645
Real estate inventories	(a)	10,795,787	10,352,372	443,415
Other current assets	(b)	1,288,983	1,074,550	214,433
Total Current Assets	**(a)-(c)**	**31,178,050**	**29,434,696**	**1,743,354**
Contract asset - net of current portion	(c)	5,158,949	-	5,158,949
Noncurrent trade receivables	(c)	-	5,158,949	(5,158,949)
Deferred tax assets - net	(d)	272,736	283,980	(11,244)
Total Noncurrent Assets	(c)-(d)	**25,802,851**	**25,814,095**	**(11,244)**
Total Assets	**(a)-(d)**	**₱56,980,901**	**₱55,248,791**	**₱1,732,110**
LIABILITIES AND EQUITY				
Trade and other payables	(b)-(c)	₱9,064,040	₱7,890,351	₱1,173,689
Deferred tax liabilities - net	(d)	1,577,222	1,417,566	159,656
Total Liabilities	**(b)-(d)**	**37,692,448**	**36,359,103**	**1,333,345**
Unappropriated retained earnings	(a)(b)(d)	5,234,656	4,835,891	398,765
Total Equity	**(a)(b)(d)**	**₱19,288,453**	**₱18,889,688**	**₱398,765**

The nature of the adjustments as at January 1, 2018 and the reasons for the significant changes in the statement of financial position as at December 31, 2018 and the consolidated statement of comprehensive income for the year ended December 31, 2018 are described below:

a) The Group is required to recognize costs of real estate relating to satisfied or partially satisfied performance obligations as incurred. The Group is precluded from deferring costs merely to normalize profit margins throughout a contract by allocating revenue and costs evenly over the life of the contract. As such, contract fulfillment costs such as land is recognized as expense as the work to which they relate is performed using the percentage of completion. All other development costs allocated to sold units are recognized as cost of real estate sold as incurred.

Before PFRS 15, 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.

The above resulted to decrease in real estate inventories by ₱484.4 million as at January 1, 2018; and increase in real estate inventories as at December 31, 2018 by ₱443.4 million and decrease in cost of real estate sold by ₱443.4 million for the year ended December 31, 2018.

b) The Group has sales agents who are responsible for the marketing and sale of its real estate projects. These real estate sales agents typically receive sales commission equivalent to a certain percentage of the total contract price, paid based on milestone of payments by the customers. These are recorded as cost to obtain contract and are fully accrued based on the total expected payment. Contract cost is amortized using the percentage of completion method consistent with the measure of progress for revenue recognition. The Group also incurs other pre-selling costs for the sale of its real estate projects. These are recorded as expense since these are not directly related to the purchase of the condominium unit and parking lot.

Before PFRS 15, sales commission and other pre-selling costs are capitalized up to the start of revenue recognition and expensed as incurred after the pre-selling stage and there is no accrual for the unpaid portion of the total expected payment upon entering into the contract.

The above resulted to decrease in deferred selling expense (under "Other current assets" account) amounting to ₱299.0 million as at January 1, 2018; increase in deferred selling expense of ₱214.4 million and increase in accrued selling expense (under "Trade and other payables" account) amounting to ₱88.2 million as at December 31, 2018; and net decrease in selling expense amounting to ₱126.3 million for the year ended December 31, 2018.

c) The Group records any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as installment contract receivables, as contract asset while the excess of collection/receivable over progress of work is recorded as contract liability.

Before the adoption of PFRS 15, contract asset is not presented separately from installment contracts receivables while contract liabilities are presented as deposits from pre-selling of condominium units. Those receivables without explicit interest rate stated in the contract were recorded at fair value at initial recognition and the related interest is accreted using effective interest rate method.

The above resulted to (i) recording of contract assets amounting to ₱12,602.5 million decreasing "Trade and other receivables" account by ₱10,736.7 million and "Noncurrent trade receivables" account by ₱717.3 million as at January 1, 2018; recording of contract assets amounting to ₱16,193.6 million decreasing "Trade and other receivables" account by ₱9,949.1 million and "Noncurrent trade receivables" account by ₱5,158.9 million as at December 31, 2018; and (ii) classification of deposits from pre-selling of condominium units, excess of collections over receivables and advance payments from members and customers, under "Trade and other payables" account, as contract liabilities totaling to ₱1,811.5 million increasing "Trade and other payables" account by ₱1,148.4 million as at January 1, 2018; and classification of deposits from pre-selling of condominium units, excess of collections over receivables and advance payments from members and customers, under "Trade and other payables" account, as contract liabilities totaling to ₱1,885.2 million increasing "Trade and other payables" account by ₱1,085.5 million as at December 31, 2018.

d) In addition to the adjustments described above, other items in the financial statements were adjusted to decrease deferred tax liability by ₱235.0 million and decrease in retained earnings by ₱548.4 million as at January 1, 2018. As at December 31, 2018, PFRS 15 increased deferred tax liability and provision for tax expense by ₱170.9 million and increased retained earnings by ₱398.8 million.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to* PFRSs 2014 - 2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. Retrospective application is required.

  The amendments have no impact on the Group's consolidated financial statements.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

  Since the Group's current practice is in line with the clarifications issued, adoption of these amendments did not have impact on the Group's financial statements.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

  Since the Group's current practice is in line with the clarifications issued, the Group did not have any effect on the consolidated financial statements upon adoption of this interpretation.

- PIC Q&A on Advances to Contractors and PIC Q&A on Land Classification

  The Group adopted PIC Q&A 2018-11, *Classification of Land by Real Estate Developer* and PIC Q&A 2018-15, *PAS 1- Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current* starting January 1, 2018. The impact of adoption is applied retrospectively which resulted to the following reclassifications in the statement of financial position. A third consolidated statement of financial position as at January 1, 2017 is not presented as the restatement affects limited accounts only as described below.

December 31, 2017

	Reference	Current Assets	Noncurrent Assets
Land held for future development	(a)	₱–	(₱1,190,715)
Real estate inventories	(a)	760,692	–
Investment properties	(a)	–	430,023
Advances to contractors	(b)	(469,711)	469,711
		₱290,981	(₱290,981)

January 1, 2017

	Reference	Current Assets	Noncurrent Assets
Land held for future development	(a)	₱–	(₱1,168,767)
Real estate inventories	(a)	1,017,819	–
Investment properties	(a)	–	150,948
Advances to contractors	(b)	(117,477)	117,477
		₱900,342	(₱900,342)

a) Land held for future development, previously presented separately in the consolidated statement of financial position as noncurrent asset includes land which the Board of Directors has previously approved to be developed into residential development for sale. Before the adoption of PIC Q&A 2018-11, the classification was based on the Group's timing to start the development of the property. This was reclassified to "Real estate inventories" amounting to ₱760.7 million and ₱1,017.8 million as at December 31, 2017 and January 1, 2017, respectively. The remaining balance was retained under noncurrent assets and was reclassified to "Investment properties" amounting to ₱430.0 million and ₱150.9 million as at December 31, 2017 and January 1, 2017, respectively.

b) Advances to contractors previously presented under current assets, representing prepayments for the construction of investment property and property and equipment were reclassified to noncurrent asset as part of "Oher noncurrent assets" account. Before the adoption of PIC Q&A 2018-15, the classification of the Group is based the timing of application of these advances against billings and timing of delivery of goods and services. This interpretation aims to classify the prepayment based on the actual realization of such advances based on the determined usage/realization of the asset to which it is intended for (e.g., inventory, investment property and property and equipment).

<u>Standards Issued but not yet Effective</u>
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on the consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- Amendments to PAS 28, *Long-term* Interests *in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Parent Company does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on the consolidated financial statements.

- Philippine Interpretation IFRIC-23, Uncertainty *over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 (*Income Taxes*), and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  This interpretation is not relevant to the Group because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred taxes as at December 31, 2018 and 2017.

Annual Improvements to PFRSs 2015-2017 Cycle

- Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

  The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

  A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

  An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as* Equity

  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  Since the Group's current practice is in line with these amendments, the Group does not expect any effect on the consolidated financial statements upon adoption.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, Definition *of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance* Contracts

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

  This new standard will not impact the consolidated financial statements.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets* between *an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

  The amendments may apply to future transactions of the Group.

4. Summary of Significant Accounting Policies

Current Versus Non-current Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification.

An asset is current when:

- It is expected to be realized or intended to be sold or consumed in the normal operating cycle
- It is held primarily for the purpose of trading
- It is expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Fair Value Measurement
The Group measures financial instruments at fair value at each financial reporting date. The fair value information of certain financial and nonfinancial assets and liabilities are also required to be disclosed in the consolidated 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 Group.

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 Group 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 consolidated 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 Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group 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 Group 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.

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 Group determines the appropriate method of recognizing the Day 1 profit amount. The Group 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.

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 Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Accounting Policies Starting January 1, 2018

Financial Assets

- *Initial recognition and measurement*

  Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

  The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or which the Group has applied the practical expedient are measured at transaction price determined under PFRS 15. Refer to the accounting policy in section *"Revenue"*.

  In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

  The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

- *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss (FVPL)

The Group has no financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments) and financial assets at FVPL as at December 31, 2018.

- *Financial assets at amortized cost (debt instruments).* This category is most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

  - The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
  - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

  Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in the statements of comprehensive income when the asset is derecognized, modified or impaired.

  The Group's financial assets at amortized cost includes cash and cash equivalents, trade receivables from sale of condominium units and lease, other receivables, restricted cash and refundable deposits as at December 31, 2018.

- *Financial assets designated at fair value through OCI (equity instruments).* Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

  Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

  The Group elected to classify irrevocably its quoted and unquoted equity securities under this category as at December 31, 2018.

- *Impairment of financial assets*
PFRS 9 introduces the single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.

The Group recognizes expected credit losses (ECL) for the following financial assets that are not measured at FVTPL:

- debt instruments that are measured at amortized cost;
- loan commitments; and
- financial guarantee contracts.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL
For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL – not credit-impaired
For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL – credit-impaired
Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

Loss allowance
Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:
- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The loss allowance recognized in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stage 2 and 3 due to the financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL.
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments derecognized in the period;
- Impact on the measurement of ECL due to changes in PDs, LGDs and EADs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to passage of time, as ECL is measured on a present value basis;
- Financial assets derecognized during the period and write-offs of allowances related to assets that were written off during the period.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

General approach. Under the general approach, at each reporting date, the Group recognizes a loss allowance based on either 12-month ECLs or Lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition. The changes in the loss allowance balance are recognized in profit or loss as an impairment gain or loss. The Group has leveraged on available market data for cash and cash equivalents to calculate the ECL.

Simplified approach. For receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are over 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual cash flows in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Accounting Policies Prior to January 1, 2018

Financial Assets

- *Initial Recognition and Measurement.* Financial assets are classified as financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at FVPL, transaction costs that are attributable to the acquisition of the financial asset.

  The Group has no financial assets at FVPL, HTM investments and AFS financial assets as at December 31, 2017.

- *Subsequent Measurement.* The subsequent measurement of financial assets depends on their classification as described below:

  - *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 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 Group's cash and cash equivalents, trade receivables from sale of condominium units and lease, other receivables and refundable deposits as at December 31, 2017.

  - *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 other income (expenses) 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 Group 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 investments in Manila Polo Club shares and Meralco preferred shares as at December 31, 2017.

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

  - *Loans and Receivables.* If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the 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 charged to current operations.

    The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant 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.

    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 statement of comprehensive income to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

  - *Available-for-Sale Financial Assets.* The Group 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 as recognized in the consolidated statement of comprehensive income.

Accounting Policies Applicable to All Periods Presented

a. Derecognition of Financial Assets

   A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

   - the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

   - the Group has transferred its right to receive cash flows from the asset and either: (a) 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.

   Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

b. Financial Liabilities

   - *Initial Recognition and Measurement.* Financial liabilities are classified at initial recognition as financial liabilities at FVPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

     All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

     The Group's financial liabilities include trade and other payables (excluding statutory payables), interest-bearing loans and borrowings, installment payable, retention payable and security deposits as at December 31, 2018 and 2017.

   - *Subsequent Measurement.* After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in the statements of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

- *Derecognition.* A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

  Where 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, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

c. Classification of Financial Instruments Between Liability and Equity

A financial instrument is classified as a liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity; or
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

d. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the 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. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Real Estate Inventories
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 specifically identifiable estimated costs of completion and the estimated costs of sale. As at year-end, real estate inventories are stated at cost.

Advances to Contractors
Advances to contractors represent advance payments on services to be incurred in connection with 's operations. These are capitalized to projects under "Real estate inventories" account in the consolidated statement of financial position. 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"), 8 Rockwell, other structures held for lease within the Rockwell Center, The Grove, Santolan Town Plaza, 53 Benitez, RBC Sheridan, East Bay, The Vantage Gallery, The Arton Strip 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.

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

Property Acquisition
When property is acquired, through corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business.

When such an acquisition is not judged to be an acquisition of a business, it is not treated as a business combination. Rather, the cost to acquire the entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

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.

Investment in Associate
Investment in associate is accounted for under the equity method of accounting. An associate is an entity over which the Group has significant influence or the power to participate in the financial and operating policy decisions of the investee, but has no control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

Under the equity method, investment in associates is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither nor individually tested for impairment. The consolidated statement of income reflects the share on the financial performance of an associate. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share in any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

The associate is prepared for the same reporting year as the Parent Company, using consistent accounting policies. Unrealized intercompany profits arising from the transactions with the associate are eliminated to the extent of the interest in the associate.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

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 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 5 to 25 years.

Impairment of Nonfinancial Assets
The Group assesses at each reporting date whether there is an indication that a nonfinancial asset (e.g., investment properties, investment in joint venture and associate and property and equipment) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group 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 Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group'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 effective January 1, 2018

Revenue from Contract with Customers
The Group primarily derives its real estate revenue from the sale of vertical and horizontal real estate projects. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the provisioning of water, electricity, air-conditioning and common use service area in its mall retail spaces and office leasing activities, wherein it is acting as agent.

The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 5 to the consolidated financial statements.

Real estate sales. The Group derives its real estate revenue from sale of lots, house and lot and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses output method. The Group recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date/ milestones reached/ time elapsed. This is based on the monthly project accomplishment report prepared by the project inspector as approved by the project manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Estimated development costs of the real estate project include costs of land, land development, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as installment contract receivables, under trade receivables, is included in the "Contract asset" account in the asset section of the consolidated statement of financial position.

Any excess of collections over the total of recognized installment contract receivables is included in the "Trade and other payables" account in the liabilities section of the consolidated statement of financial position.

Room Revenue. Room revenue is recognized when services are performed. Deposits received from customers in advance on rooms or other services are recorded as liabilities until services are provided to the customers.

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 liabilities 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.

Room, cinema, mall and other revenues, membership dues and income from recreational facilities are recognized at a point in time.

Interest Income
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. Unearned discount is recognized as income over the terms of the related financial assets at amortized cost (i.e., loans and receivables) using the effective interest method and is shown as deduction to the related financial assets.

Lease Income
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.

Cost recognition
The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land and connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

In addition, the Group recognizes as an asset only costs that give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.

Contract Balances

Receivables. A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract asset. A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liability. A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

Costs to obtain contract. The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Real estate costs and expenses" account in the consolidated statement of income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Contract fulfillment assets. Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Group firstly considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15.

If other standards are not applicable to contract fulfillment costs, the Group applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of this criteria requires the application of judgment, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

The Group's contract fulfillment assets pertain to connection fees and land acquisition costs.

Amortization, de-recognition and impairment of contract fulfillment assets and capitalized costs to obtain a contract.

The Group amortizes contract fulfillment assets and capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included under cost of real estate.

A contract fulfillment asset or capitalized costs to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Group determines whether there is an indication that contract fulfillment asset or cost to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgment is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, there judgments are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Revenue and Cost Recognition prior to January 1, 2018
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group 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 Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group 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 Group assesses whether it is probable that the economic benefits will flow to the Group 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 Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering and design work, execution of construction contracts, site clearance and preparation, excavation, and completion of the building foundation are finished), and the costs incurred or to be incurred can be reliably measured. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

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

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.

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. Capitalized selling costs shall be charged to expense in the period in which the related revenue is recognized as earned.

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. Unearned discount is recognized as income over the terms of the related financial assets at amortized cost (i.e., loans and receivables) using the effective interest method and is shown as deduction to the related financial assets.

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.

Room Revenue. Room revenue is recognized when services are performed. Deposits received from customers in advance on rooms or other services are recorded as liabilities until services are provided to the customers.

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 liabilities 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 Group 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.

As a lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statement of comprehensive income or capitalized in the consolidated statement of financial position (in case of leases directly related to construction) on a straight-line basis over the lease term.

As a lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Equity
When the Parent 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 sold of the non-controlling interests.

Retained earnings represent the Group's accumulated earnings, net of dividends declared. This includes the accumulated equity in undistributed earnings of the consolidated subsidiaries which are not available for dividends until declared by the subsidiaries.

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" 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 consolidated statement of comprehensive income as part of "Personnel expenses" account under "General and administrative expenses" account.

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 32).

Pension Costs and Other Employee Benefits
The Group 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 and selling expenses in the consolidated statement 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 statement 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. Remeasurements recognized in other comprehensive income are closed to retained earnings at the end of every reporting period.

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 Group'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 benefits of unused net operating loss carryover (NOLCO) and excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused NOLCO and excess of MCIT over RCIT 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 future 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 on share-based payments is recognized 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 relating 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 Group'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 Group 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 Group 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 Group 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 Group'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 equity holders of the Parent Company by the weighted average number of common shares issued and outstanding.

Diluted earnings per share attributable to equity holders of the Parent Company is calculated in the same manner assuming that, the weighted average number of common shares outstanding is adjusted for potential common shares from the assumed exercise of convertible stock options. Outstanding convertible stock options will have a dilutive effect only when the average market price of the underlying common shares during the year exceeds the exercise price of the option. Where the outstanding convertible stock options have no dilutive effect, diluted earnings per share is the same as basic earnings per share attributable to equity holders of the Parent Company.

Segment Reporting
The Group's operating businesses are organized and managed separately into three business activities. Such business segments are the bases upon which the Group reports its operating segment information. The Group operates in one geographical area where it derives its revenue. Financial information on segment reporting is presented in Note 33.

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

Judgments upon adoption of PFRS 9

Determination of Business Models. The Group determines its business model at the level that best reflects how it manages groupings of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Definition of default and credit-impaired financial assets. The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- *Quantitative criteria*
  - Installment contracts receivable
    - For individual customers - upon issuance of Final Notice of Cancellation ("FNOC") when monthly payments are 90 days past due
    - For corporate customers – when monthly payments are 30 days past due, and upon issuance of FNOC.

- *Qualitative criteria*

  The customer meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty. These are instances where:

  a. The customer is experiencing financial difficulty or is insolvent

b. The customer is in breach of financial covenant(s)
c. An active market for that financial assets has disappeared because of financial difficulties
d. Concessions have been granted by the Group, for economic or contractual reasons relating to the customer's financial difficulty
e. It is becoming probable that the customer will enter bankruptcy or other financial reorganization

The criteria above have been applied to the financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Group's expected loss calculation.

Significant increase in credit risk. The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors.

The Group's cash and cash equivalents and accounts receivable are graded in the top investment category by globally recognized credit rating agencies such as S&P, Moody's and Fitch and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from these credit rating agencies both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs

Using its expert credit judgment and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not other otherwise be fully reflected in its quantitative analysis on a timely basis.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:
- the criteria are capable of identifying significant increase in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset falls below an investment grade; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

Real estate revenue recognition upon adoption of PFRS 15

Existence of a contract. The Group's primary document for a contract with a customer is a signed contract to sell. It has determined, however, that in cases wherein contract to sell are not signed by both parties, the combination of its other signed documentation such as reservation agreement, official receipts, quotations sheets and other documents, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

Revenue recognition method, measure of progress and timing of revenue recognition. The Group concluded that revenue for real estate sales is to be recognized over time because (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right to payment for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date.

The Group has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers.

The Group concluded that rooms, cinema and other revenues are to be recognized at a point in time because the Group has a right to payment for the service once the customer obtains the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset in exchange.

Revenue from sale of condominium units recognized over time amounted to ₱11.4 billion while room, cinema and other revenues recognized at a point in time amounted to ₱1,0 billion in 2018 (see Note 21).

Identifying performance obligation. The Group has contracts to sell covering the sale of condominium unit and parking lot. The Group concluded that there is one performance obligation in these contracts because, the developer has the obligation to deliver the condominium unit and parking lot duly constructed in a specific lot and fully integrated into the serviced land in accordance with the approved plan. Included also in this performance obligation is the Group's service is to transfer the title of the real estate unit to the customer.

Operating Lease Commitments. The Group has entered into commercial property leases on its investment property portfolio. The Group 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 ₱1,499.1 million, ₱1,007.0 million and ₱914.8 million in 2018, 2017 and 2016, respectively (see Note 12).

Transfers of Investment Properties. The Group has made transfers to investment properties after determining that 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 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 made to investment properties amounted to nil and ₱406.7 million in 2018 and 2017, respectively (see Notes 9, 12 and 13).

Interest in a Joint Venture. Management has assessed that it has joint control in its joint venture agreement with Meralco 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 Joint 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 14).

Interest in an Associate. The Parent Company owns 15% as at December 31, 2018. The contractual arrangement relative to the JV Agreement with Carmelray shareholders does not give two or more of those parties joint control over the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. However, considering the percentage shareholdings of each party to the JVA and the agreement on quorum and voting, multiple combinations of parties could collectively control the arrangement.

PAS 28 provides that if an investor holds, directly or indirectly, less than 20.00% of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated. Hence, the Parent Company's management has assessed that it has significant influence in its joint venture agreement with Carmelray shareholders as the Parent Company has representation in the BOD of the joint venture company, participation in the policy-making processes and provision of essential technical information as the sole project developer and marketing and sales agent (see Note 14).

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 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 Group's financial assets and liabilities are set out in Note 31.

Contingencies. The Group 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 Group 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 29). No provision for contingencies was recognized in 2018, 2017 and 2016.

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 Group 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 Group. Such changes are reflected in the assumptions when they occur.

Estimates upon adoption of PFRS 9

Measurement of expected credit losses. ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- *Financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.

- *Financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.

Except for installment contracts receivable, the Group uses low credit risk operational simplification to identify whether the credit risk of financial assets has significantly increased.

Inputs, assumptions and estimation techniques. The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), defined as follows:

- *Probability of default*

  The PD represents the likelihood of a customer defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

  The 12-months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.

- *Loss given default*

  Loss Given Default represents the Group's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

- *Exposure at default*

  EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime. For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

  The ECL is determined by projecting the PD, LGD, and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or the customer's borrowing rates.

  The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio. This is supported by historical analysis.

  The 12-month and lifetime EADs are determined based on the contractual repayments owed by the customer. Early repayment/refinance assumptions, when allowed, are also incorporated into the calculation.

  The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by project and by completion status.

General approach for cash and cash equivalents. The Group recognizes a loss allowance based on either 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition. The changes in the loss allowance balance are recognized in profit or loss as an impairment gain or loss. The Group uses external credit rating approach to calculate ECL for cash and cash equivalents, accounts receivable and receivable from ultimate parent. This approach leverages on available market data (i.e., S&P and Moody's and Fitch credit ratings for default rates). S&P, Moody's, Fitch and Reuters are reliable market data sources that provide default and recovery rate data. These information are widely used by investors and stakeholders in decision-making in terms of investment, credit activities, etc.

Simplified approach for installment contracts receivable. The Group uses vintage analysis to calculate ECLs for installment contracts receivable. The PD rates using vintage analysis are based on default counts of contract issuances in a given period for groupings of various customer segments that have similar loss patterns (i.e., individual, and corporate).

The vintage analysis is initially based on the Group's historical observed default rates. The Group will calibrate the matrices to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., CPI) are expected to deteriorate over the next year which can lead to an increased number of defaults in the real estate sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the relationship between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Incorporation of forward-looking information. The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Group considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Group's evaluation and assessment and after taking into consideration external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past one year and three months. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Group has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

Grouping of instruments for losses measured on collective basis. For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogenous. In performing this grouping, there must be sufficient information for the Group to be statistically credible. Where sufficient information is not available internally, the Group has considered benchmarking internal/external supplementary data to use for modelling purposes.

The Group grouped its installment contracts receivable for collective measurement into (i) individual and (ii) corporate customers. No impairment losses were recognized in 2018.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's investment grade criteria are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month ECL. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria of the Group in accordance with externally available ratings.

Revenue and Cost Recognition (prior to PFRS 15 adoption). The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. This is generally driven by the buyer's commitment to pay and percentage of completion.

The Group'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.

The Group has set a certain percentage of collection over the total selling price in demonstrating the buyer's commitment to pay. The percentage is representative of the buyer's substantial investment that gives the buyer a stake in the project sufficient that the risk of loss through default motivates the buyer to honor its obligation to the Group.

In addition, the Group's project development costs used in the computation of the cost of real estate sold are based on estimated cost components determined by the Group's project development engineers. There is no assurance that such use of estimates may not result to material adjustments in future periods.

Revenue from sale of condominium units amounted to ₱10.8 billion and ₱9.6 billion in 2017 and 2016, respectively, while the cost of real estate sold amounted to ₱8.6 billion and ₱7.6 billion in 2017 and 2016, respectively (see Note 9).

Impairment of Financial Assets prior to PFRS 9 Adoption. The Group 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 Group'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 Group'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 amounted to ₱0.06 million in 2017 and ₱1.2 million in 2016 (see Note 23). Trade and other receivables (including noncurrent trade receivables), net of allowance for doubtful accounts, amounted to ₱14.1 billion as at December 31, 2017 (see Note 8).

Evaluation of Net Realizable Value of Real Estate Inventories. Real estate inventories are carried at the lower of cost or NRV. The carrying value of real estate inventories are adjusted when the NRV becomes lower than cost due to changes in estimated selling prices less cost to sell. Real estate inventories, stated at cost, amounted to ₱10,795.8 million and ₱10,369.0 million as at December 31, 2018 and 2017, respectively.

Estimating Useful Lives of Investment Properties and Property and Equipment. The useful life of each of the Group'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 2018, 2017 and 2016.

Investment properties, net of accumulated depreciation, (excluding investment properties in progress) amounted to ₱12.4 billion and ₱11.9 billion as at December 31, 2018 and 2017, respectively (see Note 12).

Property and equipment, net of accumulated depreciation and amortization, (excluding construction in progress) amounted to ₱2.4 billion and ₱2.5 billion as at December 31, 2018 and 2017, 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 Group 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 Group.

The preparation of estimated future cash flows involves significant judgment and estimations. While the Group 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:

	2018	2017
Investment properties (see Note 12)	**₱12,517,057**	₱12,098,266
Property and equipment (see Note 13)	**3,899,687**	2,841,446
Investment in joint venture and associate (see Note 14)	**3,357,375**	2,881,116

The fair value of the investment properties amounted to ₱25.7 billion and ₱21.9 billion as at December 31, 2018 and 2017, respectively (see Note 12).

No impairment loss was recognized in 2018, 2017 and 2016.

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

Deferred tax assets recognized in the consolidated statements of financial position amounted to ₱239.4 million and ₱164.4 million as at December 31, 2018 and 2017, respectively. Unrecognized deferred tax assets amounted to ₱25.4 million and ₱23.0 million as at December 31, 2018 and 2017, respectively (see Note 26).

Pension Costs and Other Employee Benefits. The determination of the Group'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 24 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.

Pension liability and other employee benefits amounted to ₱161.9 million and ₱164.7 million as at December 31, 2018 and 2017, respectively. Since there is no minimum funding requirement, the resulting net asset or net liability recognized in the consolidated statements 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 Group (see Note 25).

6. Non-controlling Interests

a. Acquisition of Majority Interest in Rockwell Primaries South

On December 22, 2014, Rockwell Primaries entered into a Memorandum of Agreement with ATR Holdings, Inc. and Dragon Eagle International Limited for the joint and collective investment in and acquisition of all of the outstanding common shares of Maybank ATR Kim Eng Capital Partners, Inc. (Maybank ATR) in Rockwell Primaries South, the developer of East Bay Residences (East Bay) project. Rockwell Primaries acquired 1,860,000 common shares, equivalent to 60% ownership interest, through a Deed of Absolute Sale for a consideration of ₱591.1 million (initial consideration of ₱561.6 million plus payment of indemnity premium of ₱29.5 million). Initial payment representing 25% of the purchase price was made at closing date and the remaining 75% is payable over five years with 5% interest per annum (see Notes 5 and 9). The unpaid purchase price of ₱92.6 million and ₱180.9 million as at December 31, 2018 and 2017, respectively, is presented as part of "Notes payable" under "Interest-bearing loans and borrowings" account in the consolidated statements of financial position (see Note 16).

Non-controlling interest in Rockwell Primaries South amounted to ₱266.8 million and ₱279.9 million as at December 31, 2018 and 2017, respectively.

b. Incorporation of Rock MFA

On July 14, 2017, the Parent Company entered into a Joint Venture Agreement with Mitsui Fudosan (Asia) Pte. Ltd. (Mitsui) to develop the residential component of its project in Quezon City called "The Arton by Rockwell". In accordance with the Agreement, Rock MFA was incorporated on August 22, 2017 by the Parent Company and Mitsui through SEAI Metro Manila One, Inc. (MFAP) to handle the development of "The Arton by Rockwell". As at December 31, 2018 and 2017, the Parent Company owns 80% interest in Rock MFA.

Non-controlling interest in Rock MFA amounted to ₱287.5 million and ₱282.0 million as at December 31, 2018 and 2017, respectively.

7. Cash and Cash Equivalents

This account consists:

	2018	2017
Cash on hand and in banks	**₱646,204**	₱1,157,297
Short-term investments	**1,409,276**	1,405,645
	₱2,055,480	₱2,562,942

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 Group, and earn interest at the respective short-term investment rates.

Interest income earned from cash in banks and short-term investments amounted to ₱5.0 million, ₱10.2 million and ₱17.1 million in 2018, 2017 and 2016 respectively (see Note 22).

8. Trade and Other Receivables and Contract Asset

Trade and other receivables consist of:

	2018	2017
Trade and other receivables:		
Trade receivables from:		
Sale of condominium units - net of noncurrent portion (see Note 21)	**₱3,677,506**	₱12,506,927
Lease	**378,403**	235,571
Advances to officers and employees (see Note 28)	**43,067**	60,110
Others - net of allowance for doubtful accounts of ₱2.0 million in 2018 and 2017	**163,316**	568,870
	4,262,292	13,371,478
Noncurrent portion of trade receivables from sale of condominium units	**-**	717,319
	₱4,262,292	₱14,088,797

Trade receivables from sale of condominium units consist of installment contract receivables from real estate customers. Installment contract receivables are collectible in equal monthly installments with terms typically up to five years for high-rise projects and up to three years for horizontal projects. These are noninterest-bearing and are carried at amortized cost. The fair value at initial recognition is derived using discounted cash flow model.

As of December 31, 2018, contract asset consists of:

	Amount
Current	₱11,034,645
Noncurrent	5,158,949
	₱16,193,594

Contract asset represents excess of recognized revenues from contracts with real estate customers determined based on percentage of completion against amounts billed to customers. As at December 31, 2018, the movement of contract asset is due to the reclassifications from current and noncurrent trade receivables from sale of condominium units upon adoption of PFRS 15 as at January 1, 2018 and unbilled revenues recognized for the year amounting to ₱12,602.5 million and ₱3,591.1 million, respectively (see Note 21).

Interest income earned from sale of real estate amounted to ₱1.8 billion, ₱1.5 billion and ₱1.3 billion in 2018, 2017 and 2016, respectively. Unamortized unearned interest on these receivables and contract asset amounted to ₱3.2 billion and ₱3.1 billion as at December 31, 2018 and 2017, respectively.

Movements of unearned interest on trade receivables from sale of condominium units and contract asset follow:

	2018	2017
Trade receivables/contract asset at nominal amount	**₱23,017,504**	₱16,336,289
Less unearned interest:		
Balance at beginning of year	**3,112,043**	4,117,923
Unearned interest	**1,803,792**	461,158
Amortization (see Note 22)	**(1,769,431)**	(1,467,038)
Balance at end of year	**3,146,404**	3,112,043
Trade receivables/contract asset at discounted amount	**₱19,871,100**	₱13,224,246

Trade receivables and contract asset were subjected to expected credit loss assessment in 2018. No expected credit losses on trade receivables and contract asset were recognized in 2018.

Trade receivables were collectively assessed for impairment in 2017 and 2016. No impairment losses on trade receivables were recognized in 2017 and 2016.

In 2018, the Group entered into loan financing agreements with financial institutions whereby the Group assigned its installment contracts receivables on a with recourse basis. These receivables are used as collateral to secure the corresponding loans payable obtained. The Group still retains the assigned receivables in the trade receivables account and recognizes the proceeds from the loan availment as loans payable. As at December 31, 2018, the carrying value of installment contracts receivables and contract asset, and the corresponding loans payable amounted to ₱4,403.3 million and ₱4,496.1 million, respectively (see Note 16).

Trade receivables from lease represent short-term receivables from the "Power Plant" Mall tenants and from other commercial establishments on properties held for lease within the Rockwell Center, The Grove, The Rockwell Business Center (RBC) Sheridan and Santolan Town Plaza which are normally collectible within 30 days from billing date.

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. These are noninterest-bearing and are due and demandable.

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

	2018	2017
Balance at beginning of year	**₱2,010**	₱3,307
Provision (see Note 23)	**-**	64
Reversal of provision	**-**	(1,223)
Write-off	**-**	(138)
Balance at end of year	**₱2,010**	₱2,010

9. Real Estate Inventories

This account consists of:

	2018	2017 (As restated - see Note 3)
Land and development costs:		
Proscenium (see Note 17)	**₱3,021,290**	₱3,461,074
East Bay Residences (see Note 6)	**1,448,641**	1,263,038
Mactan	**1,261,177**	871,660
The Arton	**1,247,618**	1,042,055
The Vantage	**459,643**	866,404

(Forward)

	2018	2017 (As restated - see Note 3)
32 Sanson Phase 2 & 3	**₱411,373**	₱583,412
Stonewell	**203,659**	180,199
Edades Suites	**128,150**	440,142
Land held for future development and other developments costs	**2,370,182**	943,614
Condominium units for sale	**244,054**	717,389
	₱10,795,787	₱10,368,987

The rollforward analysis of this account follows:

	2018	2017
At January 1, as previously reported	**₱9,608,295**	₱9,922,454
Add effect of adoption of:		
PFRS 15 (see Note 3)	**(484,422)**	-
PIC Q&A 2018-11 (see Note 3)	**760,692**	1,017,819
At January 1, as restated	**9,884,565**	10,940,273
Cost of real estate sold (shown as part of cost of real estate)	**(8,656,882)**	(8,550,674)
Construction/development costs incurred (see Note 28)	**6,929,399**	7,424,307
Land acquired during the year	**1,721,997**	245,911
Borrowing costs capitalized (see Notes 15, 16 and 18)	**916,708**	500,548
Net transfers to investment properties (see Note 12)	**-**	(189,647)
Transfer to property and equipment (see Note 14)	**-**	(1,731)
Balance at end of year	**₱10,795,787**	₱10,368,987

Details related to on-going projects as at December 31 are as follows:

Project	Structure and Location	Expected Completion Date	Construction Stage*	Estimated Cost to Complete 2018	2017
Proscenium:					
Kirov	Highrise condominium, Rockwell Center	2019	Superstructure	**₱157,188**	₱1,125,173
Sakura	Highrise condominium, Rockwell Center	2019	Superstructure	**77,966**	927,153
Lincoln	Highrise condominium, Rockwell Center	2019	Superstructure	**356,522**	601,477
Lorraine	Highrise condominium, Rockwell Center	2019	Superstructure	**356,543**	880,919
Garden Villas	Midrise condominium, Rockwell Center	2019	Superstructure	**40,023**	70,965
Residences	Highrise condominium, Rockwell Center	2021	Superstructure	**2,240,195**	3,304,759
East Bay Residences	Midrise condominium, Muntinlupa City	2021	Substructure	**1,031,401**	1,113,670
32 Sanson:					
Buri and Solihiya	Low rise residential buildings, Cebu City	2020	Superstructure	**677,333**	761,722
The Vantage	Midrise condominium, Pasig City	2021	Superstructure	**1,087,494**	1,967,486
Stonewell	Low rise residential buildings, Batangas	2019	Superstructure	**29,516**	43,032
Edades Suites	Highrise condominium, Rockwell Center	2019	Superstructure	**672,484**	1,279,011
The Arton - West	Highrise condominium, Quezon City	2021	Substructure	**1,990,790**	2,188,444
The Arton - North	Highrise condominium, Quezon City	2022	Excavation	**2,686,926**	-
				₱11,404,381	₱14,263,811

**Construction stage as at December 31, 2018.*

As at December 31, 2018, land held for future development and other development costs mainly pertain to land acquisitions for Mactan, Bluroze, New Manila, C. Benitez, Iloilo and Bacolod projects. As at December 31, 2017, land held for future development and other development costs mainly pertain to land acquisition for Bluroze, Iloilo and Batangas projects.

As at December 31, 2018 and 2017, advances to contractors, shown separately in the consolidated statements of financial position, mainly pertain to advances related to the development of "Proscenium", "32 Sanson Phase 2", "The Arton", "Edades Suites", "The Vantage", "Eastbay" and "Stonewell" projects; and advances related to the development of "Proscenium", "32 Sanson Phase 2", "Edades Suites", "The Vantage" and "Stonewell" projects, respectively.

The cost of real estate inventories (i.e., land and development costs and condominium units for sale) consists of the costs of land, direct development costs and capitalized borrowing costs incurred in connection to its development.

General borrowing costs on interest-bearing loans and borrowings capitalized as part of development costs amounted to ₱862.8 million and ₱466.1 million in 2018 and 2017, respectively. Average capitalization rate used for capitalized borrowing costs in 2018 and 2017 is 5.44% and 5.03%, respectively (see Note 16).

Amortization of discount on retention payable, capitalized as part of development costs, amounted to ₱27.1 million and ₱10.5 million in 2018 and 2017, respectively (see Note 19). Accretion of interest from installment payable amounted to ₱26.8 million and ₱23.9 million in 2018 and 2017, respectively (see Note 18).

Total cash received from pre-selling activities amounted to ₱788.0 million and ₱262.7 million as at December 31, 2018 and 2017, respectively (see Notes 15 and 18).

10. Other Current Assets

This account consists of:

	2018	2017
Restricted cash (see Note 14)	**₱400,000**	₱-
Creditable withholding tax	**331,807**	239,398
Input VAT	**232,132**	206,522
Prepaid costs (see Note 21)	**197,945**	850,842
Refundable deposits	**78,368**	174,103
Supplies	**29,802**	19,138
Others	**18,929**	38,157
	₱1,288,983	₱1,528,160

As at December 31, 2018, restricted cash represents funds in escrow initially intended as the Parent Company's contribution to the Joint Venture Agreement (JV Agreement) with Carmelray shareholders (see Note 14). Actual disbursement was made by the Parent Company from another bank account in December 2018. The escrow fund was released in January 2019 following the actual disbursement.

Prepaid costs primarily pertain to costs to obtain a contract which consist of sales commission pertaining to real estate sold capitalized as deferred selling expense (see Note 21).

Refundable deposits mainly consist of deposits for various planned property acquisitions for future development.

11. Investment in Equity Instruments at FVOCI and Available-for-sale Investments

As at December 31, this account consists of:

	2018	2017
Investment in equity instruments at FVOCI:		
Quoted	**₱20,000**	₱–
Unquoted	**3,308**	–
Available-for-sale investments		
Quoted	**-**	16,350
Unquoted	**-**	3,308
	₱23,308	₱19,658

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

	2018	2017
Balance at beginning of year	**₱16,350**	₱13,500
Unrealized gain on fair value adjustments (gross of tax effect of ₱548 in 2018 and ₱427 in 2017)	**3,650**	2,850
Balance at end of year	**₱20,000**	₱16,350

Unquoted Equity Shares
Unquoted equity securities consist of investments in Meralco preferred shares which were issued to the Parent Company when Meralco meters were connected and will only be disposed of upon termination of service. These shares have no quoted market price and any fair value gain or loss on these investments is not material to the consolidated financial statements. As at financial reporting date, the Parent Company has no plans of disposing these unquoted equity securities.

12. Investment Properties

The rollforward analysis of this account follows:

	2018			
	Land	**Buildings and Improvements**	**Investment Properties in Progress**	**Total**
At January 1, 2018, net of accumulated depreciation and amortization, as previously reported	**₱2,192,971**	**₱9,278,880**	**₱196,392**	**₱11,668,243**
Add effect of adoption of PIC Q&A 2018-11 (see Note 3)	**430,023**	**-**	**-**	**430,023**
At January 1, 2018, net of accumulated depreciation and amortization, as restated	**2,622,994**	**9,278,880**	**196,392**	**12,098,266**
Construction costs (see Note 29)	**-**	**646,605**	**146,848**	**793,453**
Reclassification	**-**	**196,392**	**(196,392)**	**-**
Depreciation and amortization (see Note 23)	**-**	**(374,662)**	**-**	**(374,662)**
At December 31, 2018, net of accumulated depreciation and amortization	**₱2,622,994**	**₱9,747,215**	**₱146,848**	**₱12,517,057**

	2018			
	Land	**Buildings and Improvements**	**Investment Properties in Progress**	**Total**
At January 1, 2018:				
Cost, as previously reported	**₱2,192,971**	**₱11,535,681**	**₱196,392**	**₱13,925,044**
Add effect of adoption of PIC Q&A 2018-11 (see Note 3)	**430,023**	**-**	**-**	**430,023**
Cost, as restated	**2,622,994**	**11,535,681**	**196,392**	**14,355,067**
Accumulated depreciation and amortization	**-**	**(2,256,801)**	**-**	**(2,256,801)**
Net carrying amount	**₱2,622,994**	**₱9,278,880**	**₱196,392**	**₱12,098,266**
At December 31, 2018:				
Cost	**₱2,622,994**	**₱12,378,678**	**₱146,848**	**₱15,148,520**
Accumulated depreciation and amortization	**-**	**(2,631,463)**	**-**	**(2,631,463)**
Net carrying amount	**₱2,622,994**	**₱9,747,215**	**₱146,848**	**₱12,517,057**

	2017 (As restated – see Note 3)			
	Land	Buildings and Improvements	Investment Properties in Progress	Total
At January 1, 2017, net of accumulated depreciation and amortization, as previously reported	₱2,191,469	₱2,451,453	₱3,286,523	₱7,929,445
Add effect of adoption of PIC Q&A 2018-11 (see Note 3)	150,948	-	–	150,948
At January 1, 2017, net of accumulated depreciation and amortization, as restated	2,342,417	2,451,453	3,286,523	8,080,393
Additions:				
Land acquisition	279,075	-		279,075
Construction costs (see Note 29)	–	3,396,636	8,534	3,405,170
Borrowing costs (see Note 16)	–	-	116,288	116,288
Transfers from property and equipment (see Note 13)	–	217,011	–	217,011
Transfers from land and development costs (see Note 9)	1,502	188,145	–	189,647
Reclassification	–	3,214,953	(3,214,953)	–
Depreciation (see Note 23)	–	(189,318)	–	(189,318)
At December 31, 2017, net of accumulated depreciation and amortization	₱2,622,994	₱9,278,880	₱196,392	₱12,098,266

	2017 (As restated – see Note 3)			
	Land	Buildings and Improvements	Investment Properties in Progress	Total
At January 1, 2017:				
Cost, as previously reported	₱2,191,469	₱4,508,085	₱3,286,523	₱9,986,077
Add effect of adoption of PIC Q&A 2018-11 (see Note 3)	150,948	-	–	150,948
Cost, as restated	2,342,417	4,508,085	3,286,523	10,137,025
Accumulated depreciation and amortization	–	(2,056,632)	–	(2,056,632)
Net carrying amount	₱2,342,417	₱2,451,453	₱3,286,523	₱8,080,393
At December 31, 2017:				
Cost, as previously reported	₱2,192,971	₱11,535,681	₱196,392	₱13,925,044
Add effect of adoption of PIC Q&A 2018-11 (see Note 3)	430,023	-	–	430,023
Cost, as restated	2,622,994	11,535,681	196,392	14,355,067
Accumulated depreciation and amortization	–	(2,256,801)	–	(2,256,801)
Net carrying amount	₱2,622,994	₱9,278,880	₱196,392	₱12,098,266

Investment properties are carried at cost. Investment properties consist of the "Power Plant" Mall (₱3.8 billion as at December 31, 2018 and 2017), other investment properties held for lease within the Rockwell Center, The Grove, Santolan Town Plaza, 53 Benitez, RBC Sheridan, East Bay, The Vantage Gallery and The Arton Strip (₱8.0 billion as at December 31, 2018 and ₱7.5 billion as at December 31, 2017) and land held for appreciation (₱800.6 million as at December 31, 2018 and 2017, respectively).

Investment properties in progress include costs incurred for the construction of Proscenium offices and Arton Strip in 2018 and 2017. General borrowing costs capitalized as part of investment properties amounted to nil and ₱116.3 million in 2018 and 2017, respectively (see Note 16).

Average capitalization rates used for all ongoing projects are 5.44% and 5.03% in 2018 and 2017, respectively.

As at December 31, 2018 and 2017, unamortized borrowing costs capitalized as part of investment properties amounted to ₱587.7 million and ₱605.0 million, respectively.

As at December 31, 2018 and 2017, advances to contractors, included under "Other noncurrent assets" account in the consolidated statements of financial position, amounting to ₱386.8 million and ₱469.7 million, respectively, primarily pertain to advances related to the development of "Mall Expansion" project.

Lease income earned from investment properties amounted to ₱1,499.1 million, ₱1,007.0 million and ₱914.8 million in 2018, 2017 and 2016, respectively. Direct operating expenses incurred amounted to ₱596.8 million, ₱398.4 million and ₱349.2 million in 2018, 2017 and 2016, respectively.

The aggregate fair value of the Group's Power Plant Mall and Mall Expansion amounted to ₱12.5 billion and ₱11.4 billion as at December 31, 2018 and 2017, respectively. The aggregate fair value of other investment properties held for lease within the Rockwell Center, The Grove, RBC Sheridan, 8 Rockwell, Santolan Town Plaza and 53 Benitez, and land held for appreciation amounted to ₱13.2 billion and ₱10.5 billion as at December 31, 2018 and 2017, respectively.

The fair value as at December 31, 2018 and 2017 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 and investment properties held for lease within the Rockwell Center, The Grove, RBC Sheridan, Santolan Town Plaza and The Vantage Gallery 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. This is included under Level 3 in the fair value hierarchy (see Note 31).

The value of land held for appreciation and land component of assets under construction 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. This is included under Level 2 in the fair value hierarchy (see Note 31).

The value of assets recently completed and undergoing construction was arrived at through the use of the "Cost Approach". "Cost Approach" is based on the amount required to replace the service capacity of an asset (frequently referred to as current replacement cost). This approach is applied by estimating the amount that currently would be required to construct a substitute software asset of comparable utility. This is included under Level 3 in the fair value hierarchy (see Note 31).

13. Property and Equipment

The rollforward analysis of this account follows:

	2018					
	Land	**Buildings and Improvements**	**Office Furniture and Other Equipment**	**Transportation Equipment**	**Construction in Progress**	**Total**
Cost						
At January 1	**₱155,781**	**₱2,508,473**	**₱1,670,726**	**₱294,434**	**₱376,487**	**₱5,005,901**
Additions during the year	–	**86,782**	**116,876**	**47,609**	**1,090,897**	**1,342,164**
Disposals	–	–	**(24,510)**	**(18,614)**	–	**(43,124)**
At December 31	**155,781**	**2,595,255**	**1,763,092**	**323,428**	**1,467,384**	**6,304,941**
Accumulated Depreciation and Amortization						
At January 1	–	**708,188**	**1,229,559**	**226,708**	–	**2,164,455**
Depreciation and amortization (see Note 22)	–	**99,617**	**146,684**	**37,622**	–	**283,923**
Disposals	–	–	**(24,510)**	**(18,614)**	–	**(43,124)**
At December 31	–	**807,805**	**1,351,733**	**245,716**	–	**2,405,254**
Net Book Value at December 31	**₱155,781**	**₱1,853,838**	**₱433,488**	**₱77,713**	**₱1,467,384**	**₱3,899,687**

	2017					
	Land	Buildings and Improvements	Office Furniture and Other Equipment	Transportation Equipment	Construction in Progress	Total
Cost						
At January 1	₱155,781	₱2,591,778	₱1,557,090	₱214,239	₱–	₱4,518,888
Additions during the year	–	131,975	113,636	111,226	376,487	733,324
Reclassifications from land and development costs (see Note 9)	–	1,731	–	–	–	1,731
Reclassifications to investment properties (see Note 12)	–	(217,011)	–	–	–	(217,011)
Disposals	–	–	–	(31,031)	–	(31,031)
At December 31	155,781	2,508,473	1,670,726	294,434	376,487	5,005,901
Accumulated Depreciation and Amortization						
At January 1	–	505,095	1,219,061	163,737	–	1,887,893
Depreciation and amortization (see Note 22)	–	203,093	10,498	88,802	–	302,393
Disposals	–	–	–	(25,831)	–	(25,831)
At December 31	–	708,188	1,229,559	226,708	–	2,164,455
Net Book Value at December 31	₱155,781	₱1,800,285	₱441,167	₱67,726	₱376,487	₱2,841,446

Property and equipment account includes the portion of Edades used in the hotel operations. The net book value of Edades Serviced Apartments included in property and equipment account amounted to ₱638.4 million and ₱653.8 million as at December 31, 2018 and 2017, respectively.

Borrowing costs capitalized as part of property and equipment amounted to ₱34.4 million and ₱2.5 million in 2018 and 2017, respectively (see Note 16).

14. Investment in Joint Venture and Associate

This account consists of:

	2018	2017
Investment in:		
Joint venture	**₱2,907,375**	₱2,881,116
Associate	**450,000**	–
	₱3,357,375	₱2,881,116

Investment in Joint Venture
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 ₱11.4 million, ₱9.7 million and ₱5.3 million in 2018, 2017 and 2016, respectively (see Note 28). 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 statements of financial position include the following:

	2018	2017
Current assets	**₱857,592**	₱760,867
Noncurrent assets	**3,741,084**	3,799,749
Current liabilities	**162,178**	256,994
Noncurrent liabilities	**283,106**	187,742
Cash and cash equivalents	**684,649**	608,409
Current financial liabilities (excluding trade and other payables and provisions)	**58,289**	46,647
Noncurrent financial liabilities (excluding trade and other payables and provisions)	**123,826**	137,610

The joint venture's statements of comprehensive income include the following:

	2018	2017	2016
Revenue	**₱704,283**	₱689,392	₱672,765
General and administrative expenses	**31,247**	30,117	24,903
Depreciation and amortization expense	**175,609**	175,609	178,703
Interest income	**10,675**	9,046	11,255
Interest expense	**-**	-	2,488
Provision for income tax	**123,565**	114,479	114,739
Total comprehensive income/ net income	**385,990**	378,233	363,187

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

	2018	2017
Cost	**₱2,536,691**	₱2,536,691
Accumulated share in net income:		
Balance at beginning of year	**344,425**	342,558
Share in net income	**270,595**	264,763
Dividend distribution	**(244,336)**	(262,896)
Balance at end of year	**370,684**	344,425
Carrying value	**₱2,907,375**	₱2,881,116

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

	2018	2017
Net assets of the unincorporated JV	**₱4,153,392**	₱4,115,880
Interest of the Parent Company in the net asset of the unincorporated JV	**70%**	70%
Carrying amount of the investment in joint venture	**₱2,907,375**	₱2,881,116

As at December 31, 2018 and 2017, the unincorporated JV has no commitments and contingencies.

Investment in Associate
In August 2018, the Parent Company entered into a JV Agreement with Carmelray shareholders, through the Carmelray Property Holdings, Inc. ("JV Co."), a newly incorporated entity, to jointly develop lots, house and lots, townhouses, and midrise condominium in Calamba, Laguna.

As at December 31, 2018, Rockwell Land contributed ₱450.0 million to the JV Co. in exchange for 44.1 million preferred shares and 900,000 common shares for a total ownership of 14.7%. An escrow account was initially established for the purpose of the contribution (see Note 10).

The Parent Company and Carmelray shareholders will eventually own 70% and 30% of JV Co., respectively. The shareholding of the shareholders shall be adjusted to approximate the actual capital contribution in the JV Co.

The Parent Company assessed that it has significant influence over the JV Co. as at December 31, 2018 and accounted for its investment as an associate.

The Parent Company's share in the profit or loss/total comprehensive income of the associate in 2018 is not material to the consolidated financial statements.

15. Trade and Other Payables

This account consists of:

	2018	2017
Trade	**₱626,706**	₱943,085
Accrued expenses:		
Project costs	**2,369,177**	3,053,104
Taxes and licenses	**489,243**	61,803
Interest	**386,515**	412,209
Selling, marketing and promotions	**63,806**	32,218
Utilities	**59,777**	26,748
Repairs and maintenance	**29,764**	22,240
Producers' share	**24,735**	31,749
Others (see Notes 18 and 25)	**113,227**	458,164
Due to related parties (see Note 28)	**611,851**	527,655
Deferred output VAT	**2,061,559**	1,317,208
Contract liabilities:		
Excess of collections over recognized receivables (see Notes 4 and 21)	**1,085,506**	389,498
Deposits from pre-selling of condominium units (see Notes 9 and 21)	**436,359**	262,726
Advance payments from members and customers (see Note 21)	**11,727**	10,826
Current portions of:		
Security deposits (see Note 18)	**221,259**	286,723
Retention payable (see Note 18)	**146,427**	125,138
Deferred lease income (see Note 18)	**114,210**	105,178
Output VAT	**187,855**	68,111
Others	**24,337**	14,533
	₱9,064,040	₱8,148,916

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.

Excess of collections over recognized receivables as at December 31, 2018 pertain to 32 Sanson Phases 2 and 3, Proscenium, Edades Suites, and The Vantage. Excess of collections over recognized receivables as at December 31, 2017 pertain to Edades Suites, Proscenium Lorraine and Proscenium Residences.

Deposits from pre-selling of condominium units represent cash received from buyers of certain projects with pending recognition of revenue. These are expected to be applied against receivable from sale of condominium units the following year (see Note 9).

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

16. Interest-bearing Loans and Borrowings

This account consists of:

	Effective Interest Rate	**2018**	2017
Current			
Corporate notes	5.1%, 4.8%, 4.7% fixed	**₱1,612,000**	₱1,612,000
Term loan	5.6%, 4.4%, 5.9%, 5.8%, 5.6%, 6.0%, 6.1%, 6.7% fixed, 4.3% floating, 4.8% floating	**836,123**	315,125
CTS loans	6.0%, 5.9%, 5.7%, 5.5%, 5.3%, 5.0% fixed	**837,775**	-
Short-term loans	6.3%, 6.1%, 5.8%, 5.0%, 4.9% fixed	**1,800,000**	-
Notes payable	5.0% fixed	**117,446**	111,854
		5,203,344	2,038,979
Less unamortized loan transaction costs		**29,615**	18,965
		₱5,173,729	₱2,020,014
Noncurrent			
Corporate notes	5.1%, 4.8%, 4.7% fixed	**₱1,528,000**	₱3,140,000
Term loan	5.6%, 4.4%, 5.9%, 5.8%, 5.6%, 6.0%, 6.1%, 6.7% fixed, 4.3% floating, 4.8% floating	**8,910,216**	9,684,875
Bonds payable	5.3% fixed	**5,000,000**	5,000,000
CTS loans	6.0%, 5.9%, 5.7%, 5.5%, 5.3%, 5.0% fixed	**3,658,364**	-
Notes payable	5.0% fixed	**-**	117,446
		19,096,580	17,942,321
Less unamortized loan transaction costs		**43,493**	53,569
		₱19,053,087	₱17,888,752

Corporate Notes

On November 27, 2012, the Parent Company entered into a Fixed Rate Corporate Notes Facility Agreement ("the Notes") with First Metro Investment Corporation (FMIC), PNB Capital and Investment Corporation, Metropolitan Bank and Trust Company (MBTC) - Trust Banking Group, and Philippine National Bank (PNB) - Trust Banking Group 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. Details of the drawdown is as follows:

Drawdown	Drawdown Date	Amount (in billions)
1	January 7, 2013	₱4.0
2	March 7, 2013	2.0
3	May 2013	1.0
4	July 26, 2013	1.5
5	August 27, 2013	1.5
		₱10.0

The Notes are payable in 22 quarterly payments which started in October 2014. A portion of Tranche 2 amounting to ₱1.2 billion is 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. The Notes contain a negative pledge.

Interest is fixed up to maturity at 75 to 90 bps over the seven-year or ten-year PDST-F, grossed-up for gross receipts tax.

Term Loan
On May 25, 2016, the Parent Company entered into a credit facility with PNB amounting to ₱5.0 billion. The Parent Company will pay 70% of the loan amount quarterly over the term of the loan and the balance upon maturity. Details of drawdowns are as follows:

Drawdown	Drawdown Date	Maturity	Start of Principal Payment	No. of Quarterly Payments	Amount (in billions)
1	May 2016	10 years	August 2018	31	₱1.0
2	August 2017	7 years	August 2019	20	1.0
3	September 2017	7 years	September 2019	20	1.0
4	October 2017	7 years	October 2019	20	1.0
5	December 2017	7 years	December 2019	20	1.0
					₱5.0

On June 14, 2016, the Parent Company entered into a credit facility with MBTC amounting to ₱4.0 billion. The Parent Company will pay 70% of the loan amount quarterly over the term of the loan and the balance upon maturity. Schedule of drawdowns are shown below.

Drawdown	Drawdown Date	Maturity	Start of Principal Payment	No. of Quarter Payments	Amount (in billions)
1	June 2016	7 years	September 2018	19	₱1.0
2	June 2016	10 years	September 2018	31	1.0
3	September 2016	7 years	December 2018	19	0.5
4	June 2017	10 years	September 2018	31	1.0
5	October 2017	10 years	September 2018	31	0.5
					₱4.0

On June 14, 2016, Retailscapes entered into a credit facility with MBTC amounting to ₱1.0 billion to finance the development of Santolan Town Plaza. Retailscapes will pay 70% of the loan amount quarterly over the term of the loan and the balance upon maturity.

Drawdown	Drawdown Date	Maturity	Start of Principal Payment	No. of Quarterly Payments	Amount (in billions)
1	June 2016	10 years	September 2018	31	₱0.5
2	May 2017	10 years	September 2018	31	0.5
					₱1.0

On June 5, 2018, Rockwell MFA entered into a shareholder loan agreement with the Parent Company and Mitsui, through SEAI Metro Manila One, Inc., for the purpose of funding "The Arton by Rockwell" project.

As at December 31, 2018, Rockwell MFA received loan proceeds from the Parent Company and SEAI Metro Manila One, Inc. amounting to ₱164.0 million and ₱41.0 million, respectively. The loan bears an interest rate equal to the base rate plus the applicable spread of 150 bps. The base rate may be any benchmark rate relevant to the currency and term of the loan. The outstanding loan shall be payable in lumpsum on December 31, 2022.

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 is 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, not required to be bifurcated and accounted for separately from the host contract.

Notes Payable
On December 22, 2014, Rockwell Primaries issued promissory notes to Maybank ATRKE Capital for the remaining unpaid balance of the acquisition cost of 60% interest in Rockwell Primaries South amounting to ₱421.2 million (see Note 6). Said notes are payable over five years and bear interest of 5% per annum and are not secured by collateral.

In 2018 and 2017, Rockwell Primaries made principal payments on the loan amounting to ₱88.3 million and ₱84.0 million, respectively. In 2018 and 2017, interest expense incurred and paid amounted to ₱9.0 million and ₱13.2 million, respectively, as part of interest expense (see Note 23).

On December 23, 2014, Rockwell Primaries South obtained a loan from Maybank ATRKE Capital in the aggregate principal amount of ₱112.7 million to pay off its obligations to a third party pursuant to the termination of the existing Joint Venture Agreement. Said notes are payable over five years and bear interest of 5% per annum and are not secured by collateral.

In 2018 and 2017, Rockwell Primaries South made principal payments on the loan amounting to ₱88.2 million and ₱22.5 million, respectively. In 2018 and 2017, interest expense incurred and paid amounted to ₱9.0 million and ₱3.5 million, respectively (see Note 23).

Contracts to Sell (CTS) Loan Financing
In 2018, the Group entered into loan financing agreements with financial institutions to fund the ongoing construction of its projects whereby the Group assigned its installment contracts receivables under its CTS on a with recourse basis. These receivables are used as collateral to secure the corresponding loans obtained (see Note 8).

The CTS loans bear fixed interest rates ranging from 5.0% to 6.0%. Principal payments on the loan amounting to ₱350.5 million were made in 2018.

Schedule of drawdowns are set out below:

Drawdown	Drawdown Date	Maturity	Start of Principal Payment	No. of Payments	Amount (in billions)
1	March 2018	3 years	June 2018	12	0.54
2	March 2018	2 years	Mar 2019	2	0.57
3	March 2018	2 years	Mar 2018	22	0.32
4	April 2018	3 years	Jul 2018	12	0.29
5	April 2018	2 years	Apr 2019	2	0.43
6	May 2018	3 years	Jun 2018	36	0.53
7	June 2018	3 years	Jul 2018	36	0.47
8	July 2018	3 years	Oct 2018	12	0.16
9	August 2018	3 years	Sep 2018	40	0.22
10	August 2018	3 years	-	Lumpsum	0.42
11	August 2018	3 years	Sep 2018	36	0.36
12	September 2018	3 years	-	Lumpsum	0.21
13	October 2018	3 years	-	Lumpsum	0.33
					₱4.85

Short-term Loans
In 2018, the Parent Company obtained short-term loans from various financial institutions bearing interest rates ranging from 3.5% to 6.1% with terms of two months up to one year. Outstanding short-term debt as at December 31, 2018 amounted to ₱1.8 billion.

Loan Transaction Costs. As at December 31, 2018 and 2017, 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:

	2018	2017
Balance at beginning of year	**₱72,534**	₱65,881
Additions	**38,516**	35,000
Amortization (see Note 23)	**(37,942)**	(28,347)
Balance at end of year	**₱73,108**	₱72,534

Interest expense on interest-bearing loans and borrowings amounted to ₱271.2 million, ₱221.3 million and ₱370.0 million in 2018, 2017 and 2016, respectively (see Note 23). Interest expense capitalized as part of real estate inventories amounted to ₱862.8 million and ₱455.4 million in 2018 and 2017, respectively (see Note 9). Interest expense capitalized as part of investment properties amounted to nil and ₱116.3 million in 2018 and 2017, respectively (see Note 12). Interest expense capitalized as part of property and equipment amounted to ₱34.4 million and ₱2.5 million in 2018 and 2017, respectively (see Note 13).

The principal repayments of all loans and borrowings based on existing terms are scheduled as follows:

Year	Amount
2019	₱5,203,344
2020	4,280,821
2021	8,280,988
2022	1,379,123
2023 and onwards	5,155,649
	₱24,299,925

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, 2018 and 2017, the Group has complied with these covenants (see Note 30).

17. 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 is the location where the "Proscenium" Project of the Parent Company is being constructed (see Note 9).

Under the Deed of Sale, the Parent Company will pay for the cost of the property in installment until 2015 and a one-time payment in 2020. As at December 31, 2018 and 2017, the remaining undiscounted installment payable due in June 2020 amounted to ₱655.8 million.

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 amounting to ₱26.8 million and ₱23.9 million in 2018 and 2017, respectively, was capitalized as part of land and development costs (see Note 9).

As at December 31, 2018 and 2017, the carrying value of the installment payable amounted to ₱571.7 million and ₱545.0 million, respectively.

Installment payable is secured by Stand-By Letters of Credit (SBLC) from MBTC and FMIC totaling ₱2.4 billion until 2020. 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 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. As at December 31, 2018 and 2017, the Parent Company has not drawn from the facility.

Unamortized prepaid premium on the SBLC as at December 31, 2018 and 2017 amounting to ₱0.4 million, is presented as part of "Prepaid costs" under "Other current assets" account in the consolidated statements of financial position (see Note 10).

As at December 31, 2018 and 2017, the related deferred input VAT amounting to ₱70.3 million 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.

18. Deposits and Other Liabilities

This account consists of:

	2018	2017
Retention payable - net of current portion of ₱146.4 million in 2018 and ₱125.1 million in 2017 (see Note 15)	**₱1,224,578**	₱1,034,896
Security deposits - net of current portion of ₱221.3 million in 2018 and ₱286.7 million in 2017 (see Note 15)	**258,731**	234,747
Deferred lease income - net of current portion of ₱114.2 million in 2018 and ₱105.2 million in 2017 (see Note 15)	**158,709**	110,844
Contract liability -		
Deposits from pre-selling of condominium units - net of current portion of ₱436.6 million in 2018 (see Notes 9 and 15)	**351,588**	–
Condominium and utility deposits	**73,512**	–
Others (see Notes 15 and 25)	**88,504**	32,263
	₱2,155,622	₱1,412,750

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 Group 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 statements of financial position as a reduction from "Real estate inventories". The retention payable is carried at amortized cost using effective interest method. The amortization of discount on retention payable is capitalized as part of real estate inventories while the related project's construction is in progress (see Note 9).

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

	2018	2017
Balance at beginning of year	**₱54,449**	₱20,414
Additions	**32,680**	44,502
Amortization (see Note 9)	**(27,104)**	(10,467)
Balance at end of year	**₱60,025**	₱54,449

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.

19. 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 Parent 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	63,918,000
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 option grants were incorporated into the measurement of the fair value of the options.

There were no share options granted or exercised in 2018 and 2017.

As at December 31, 2018 and 2017, the outstanding ESOP shares are as follows:

	2018	2017
Number of grants	**63,918,000**	63,918,000
Cancellations	**(3,186,000)**	(2,732,000)
Exercised	**(15,000,000)**	(15,000,000)
Remaining shares	**45,732,000**	46,186,000

As at December 31, 2018 and 2017, 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 statements of financial position.

20. Equity

a. Capital Stock

As at December 31, 2018 and 2017, capital stock consists of:

	Number of Shares	Amount
Authorized		
Common - ₱1 par value	8,890,000,000	₱8,890,000
Preferred - ₱0.01 par value	11,000,000,000	110,000
	19,890,000,000	₱9,000,000

	Number of Shares	Amount
Issued		
Common - ₱1 par value	6,243,382,344	₱6,243,382
Preferred - ₱0.01 par value	2,750,000,000	27,500
	8,993,382,344	₱6,270,882

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 track record of issuance of the Parent Company's common stock:

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 20)	-	15,000,000	
	8,890,000,000	6,243,382,344	

As of December 31, 2018, and 2017, the Parent Company has total shareholders of 46,772 and 47,330, respectively, on record. For this purpose, public shares held under PCD Nominee are counted as two (one for PCD Nominee - Filipino and another for PCD Nominee - Foreign).

b. 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 amounting to ₱291.2 million as at December 31, 2018 and 2017.

c. Treasury Shares

In May 2012, Rockwell Land acquired 126,620,146 common shares from Meralco, representing the foreign shareholders' entitlement from property dividend distribution made by Meralco, at ₱1.4637 per share (see Note 1).

d. Retained Earnings

As at December 31, 2018 and 2017, the unappropriated consolidated retained earnings include undistributed net earnings of subsidiaries amounting to ₱426.3 million and ₱193.2 million, respectively. Such undistributed net earnings are not currently available for dividend distribution unless declared by the BOD of the subsidiaries.

The Parent Company's BOD approved the appropriation of retained earnings amounting to ₱7.0 billion (after reversal of ₱5.0 billion appropriation) and ₱2.0 billion in 2018 and 2017, respectively, for capital expenditures and asset acquisitions to be implemented in the next 2 years. As at December 31, 2018 and 2017, appropriated retained earnings amounted to ₱7.0 billion and ₱5.0 billion, respectively.

e. Dividends

On July 19, 2018, the Parent Company's BOD approved the declaration of a regular cash dividend of ₱0.0683 per share to all common shareholders of record as at August 3, 2018 amounting to ₱417.7 million and 6% per annum cumulative cash dividend from July 1, 2017 to June 30, 2018 to all preferred shareholders amounting to ₱1.7 million. Payments of cash dividends for common shares were made on August 17, 2018.

On June 8, 2017, the Parent Company's BOD approved the declaration of a regular cash dividend of ₱0.0594 per share to all common shareholders of record as at June 23, 2017 amounting to ₱363.3 million and 6% per annum cumulative cash dividend from July 1, 2016 to June 30, 2017 to all preferred shareholders amounting to ₱1.7 million. Payments of cash dividends for common shares were made on July 19, 2017.

On July 28, 2016, the Parent Company's BOD approved the declaration of a regular cash dividend of ₱0.0537 per share to all common shareholders of record as at August 11, 2016 amounting to ₱328.4 million and 6% per annum cumulative cash dividend from July 1, 2015 to June 30, 2016 to all preferred shareholders amounting to ₱1.7 million. Payments of cash dividends for common shares were made on September 6, 2016.

As at December 31, 2018 and 2017, unpaid cumulative dividends on preferred shares amounted to ₱0.8 million for each year.

21. Revenue from Contracts with Customers

Disaggregated Revenue Information

The Group derives revenue from the transfer of goods and services over time and at a point in time, in different product types and in geographical locations within the Philippines. The Group's disaggregation of revenue from contracts with customers by primary geographical market and major products/service lines and the reconciliation of the disaggregated revenue with the Group's three strategic divisions are presented below (excluding interest and lease income):

	December 31, 2018		
	Residential Development	**Commercial Development**	**Hotel**
Primary geographical markets			
National Capital Region	**₱11,047,210**	**₱319,726**	**₱220,194**
Cebu	**690,794**	**-**	**-**
Batangas	**126,260**	**-**	**-**
	₱11,864,264	**₱319,726**	**₱220,194**
Major product/service lines			
Sale of high-end residential units	**₱11,192,098**	**₱42,029**	**₱-**
Sale of affordable housing units	**126,260**	**-**	**-**
Room revenue	**-**	**-**	**220,194**
Cinema revenue	**-**	**277,697**	**-**
Others	**545,906**	**-**	**-**
	₱11,864,264	**₱319,726**	**₱220,194**
Timing of revenue recognition			
Transferred at a point in time	**₱545,906**	**₱277,697**	**₱220,194**
Transferred over time	**11,318,358**	**42,029**	**-**
	₱11,864,264	**₱319,726**	**₱220,194**

Contract Balances

The table below shows the contract balances arising from revenue from contracts with customers as at December 31, 2018 and January 1, 2018.

	December 31, 2018	January 1, 2018
Trade receivables* (see Notes 3 and 8)	**₱3,677,506**	1,770,218
Contract asset (see Notes 3 and 8)	**16,193,594**	12,602,460
Deposits from pre-selling of condominium units** (see Notes 3, 15 and 18)	**787,947**	262,726
Excess of collections over recognized receivables** (see Note 15)	**1,085,506**	1,537,930
Advances payments from members and customers** (see Note 15)	**11,727**	10,826

*Included under "Trade and other receivables" account
**Included under "Trade and other payables" and "Deposits and other liabilities" accounts

Trade receivables consist of installment contract receivables from sale of condominium units and house and lot. Installment contracts receivables arising from real estate sales are collectible in equal monthly installments with various terms up to a maximum of five years. These are recognized at amortized cost using the effective interest method. The corresponding titles to the residential units sold under this arrangement are transferred to the customers only upon full payment of the contract price. The movement in installment contracts receivables is mainly due to billings to customers during the year. Trade receivables arising from room revenue, cinema revenue and other service income are noninterest-bearing and are generally on terms of 30 days.

Contract assets represent the right to consideration that was already delivered by the Group in excess of the amount recognized as installment contracts receivable. This is reclassified as installment contracts receivable when the monthly amortization of the customer is already due for collection. The movement in contract asset is mainly due to revenue recognized relative to the increase in percentage of completion of Proscenium, Edades Suites, 32 Sanson Phase 2, and The Vantage projects.

No allowance for expected credit losses related to trade receivables and contract assets was recognized as at December 31, 2018 and January 1, 2018.

Contract liabilities consist of deposits from pre-selling of condominium units (i.e., collections from real estate customers which have not reached the equity threshold to qualify for revenue recognition, excess of collections over recognized receivables (i.e., excess of collections over the goods and services transferred by Group based on percentage of completion) and advance payments from members and customers (membership dues received but are not yet due as at reporting period). The movement in contract liability is mainly due to additional deposits received from pre-selling of condominium units in the "The Arton by Rockwell" and "Aruga by Rockwell in Mactan" projects.

Revenue recognized from amounts included in contract liabilities at the beginning of the year amounted to ₱8,588.8 million. For the year ended December 31, 2018, revenue recognized from performance obligations satisfied in previous periods amounted to nil.

Performance Obligations

Information about the Group's performance obligations are summarized below:

Real estate sales

The Group entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration. The sale of real estate unit may cover either the (i) house and lot; and (ii) condominium unit and parking lot, and the Group concluded that there is one performance obligation in each of these contracts. The Group recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include payment of 10% of the contract price spread over a period of one year at a fixed monthly payment with the remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from two (2) to five (5) years with fixed monthly payment. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either a contract asset or contract liability.

After the delivery of the completed real estate unit, the Group provides one year warranty to repair minor defects on the delivered serviced lot and house and condominium unit. This is assessed by the Group as a quality assurance warranty and not treated as a separate performance obligation.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at December 31 follows:

	Amount
Within one year	₱6,837,645
More than one year	6,615,460
	₱13,453,105

The remaining performance obligations expected to be recognized within one year and in more than one year relate to the continuous development of the Group's real estate projects. The Group's condominium units are expected to be completed within three to four years from start of construction.

Room, cinema and other revenues

The performance obligation is satisfied as the related services are rendered.

Costs to Obtain Contract and Contract Fulfillment Assets

The Group pays sales commission to its brokers and sales agents for each contract that they obtain from real estate customers. This sales commission is considered incremental costs of obtaining the contract and has been capitalized in accordance with PFRS 15 since the Group expects that sales commission is recoverable.

As at December 31 and January 1, 2018, sales commission pertaining to real estate sold capitalized as deferred selling expense as part of "Prepaid costs" included under "Other current assets" in the consolidated statements of financial position amounted to ₱412.6 million and ₱367.2 million, respectively (see Note 10). For the year ended December 31, 2018, the amortization related to incremental costs to obtain a contract recorded under "Selling expenses" in the consolidated statements of comprehensive income amounted to ₱413.6 million (see Note 23). No impairment loss was recognized in the consolidated statements of comprehensive income for the year ended December 31, 2018 related to the Group's incremental costs to obtain a contract.

The Group considers land as contract fulfillment asset. Additions to land is disclosed in Note 9 to the consolidated financial statements. No impairment on contract fulfillment asset was recognized for the year ended December 31, 2018 and as at January 1, 2018.

In preparing the consolidated financial statements, the Group undertook a comprehensive review of its major contracts to identify indicators of impairment of contract fulfilment assets. The Group determined whether or not the contract fulfilment assets were impaired by comparing the carrying amount of the asset to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group used the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price were removed for the impairment test.

In line with the Group's accounting policy, as set out in Note 4, if a contract or specific performance obligation exhibited marginal profitability or other indicators of impairment, judgment was applied to ascertain whether or not the future economic benefits from these contracts were sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific key performance indicators that could trigger variable consideration, or service credits.

22. Interest Income

This account consists of:

	2018	2017	2016
Interest income from:			
Amortization of unearned interest (see Note 8)	**₱1,769,431**	₱1,467,038	₱1,286,111
Cash and cash equivalents (see Note 7)	**5,000**	10,185	17,107
In-house financing	**4,783**	1,014	2,035
Penalty charges	**1,794**	1,670	17,963
	₱1,781,008	₱1,479,907	₱1,323,216

23. Expenses

Depreciation and amortization

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

	2018	2017	2016
Included in:			
Cost of real estate (see Note 12)	**₱374,662**	₱189,318	₱212,451
General and administrative expenses (see Note 13)	**283,923**	302,393	287,814
	₱658,585	₱491,711	₱500,265

General and Administrative Expenses

General and administrative expenses pertain to the following businesses:

	2018	2017	2016
Real estate	**₱1,745,684**	₱1,406,303	₱1,113,221
Cinema	**260,984**	186,408	190,213
Hotel	**148,619**	216,558	262,307
	₱2,155,287	₱1,809,269	₱1,565,741

a. Real Estate

	2018	2017	2016
Taxes and licenses	**₱455,060**	₱258,122	₱155,609
Personnel (see Notes 24 and 25)	**416,804**	346,684	319,757
Depreciation and amortization (see Note 13)	**237,644**	248,379	219,147
Repairs and maintenance	**97,621**	80,171	6,407
Rent expense	**64,019**	9,456	4,613
Professional fees	**61,741**	73,629	37,592
Entertainment, amusement and recreation	**60,241**	92,709	93,287
Utilities	**54,660**	38,433	49,022
Contracted services	**53,512**	41,570	39,312
Fuel and oil	**36,993**	20,834	9,926
Dues and subscriptions	**36,167**	26,308	16,169
Marketing and promotions	**29,256**	36,956	94,845
Insurance	**18,804**	16,423	10,643
Security services	**17,913**	34,425	10,220
Bank charges	**11,388**	7,832	7,884
Office supplies	**7,315**	7,077	5,384
Transportation and travel	**4,016**	5,108	2,304
Others	**82,530**	62,187	31,100
	₱1,745,684	₱1,406,303	₱1,113,221

b. Cinema

	2018	2017	2016
Producers' share	**₱108,314**	₱83,527	₱88,150
Utilities	**52,569**	27,595	20,863
Snack bar	**25,390**	14,120	16,402
Depreciation and amortization (see Note 13)	**21,477**	21,637	18,149
Amusement tax	**18,774**	14,590	15,551
Contracted services	**18,218**	11,030	6,676
Personnel (see Notes 24 and 25)	**8,061**	6,837	2,542
Others	**8,181**	7,072	21,880
	₱260,984	₱186,408	₱190,213

c. Hotel

	2018	2017	2016
Depreciation and amortization (see Note 13)	**₱24,802**	₱32,377	₱50,518
Personnel (see Notes 24 and 25)	**26,002**	12,393	30,636
Utilities	**19,293**	24,217	27,050
Accommodations	**15,564**	17,647	25,146
Contracted services	**11,231**	33,128	9,133
Rental expense	**10,012**	35,652	59,411
Dues and subscriptions	**8,205**	17,121	13,532
Taxes and licenses	**6,108**	8,325	6,099
Supplies	**4,706**	8,665	11,247
Security services	**4,280**	6,549	6,588
Insurance	**1,377**	1,844	1,354
Others	**17,039**	18,640	21,593
	₱148,619	₱216,558	₱262,307

Selling expenses
Selling expenses are comprised of:

	2018	2017	2016
Commissions and amortization of prepaid costs (see Notes 3, 4 and 10)	**₱413,587**	₱514,392	₱525,805
Marketing and promotions (see Note 3)	**382,630**	184,472	83,616
Personnel (see Notes 24 and 25)	**112,190**	116,919	89,365
Contracted services	**12,093**	12,290	6,509
Usufruct	**3,404**	2,668	6,673
Utilities	**886**	6,768	12,890
Others	**40,128**	40,193	23,344
	₱964,918	₱877,702	₱748,202

Interest Expense
Interest expense is comprised of:

	2018	2017	2016
Interest expense on interest-bearing loans and borrowings (see Note 16)	**₱271,231**	₱221,321	₱370,035
Amortization of loan transaction costs (see Note 16)	**37,942**	28,347	19,227
Amortization of deferred security deposit	**-**	1,315	586
	₱309,173	₱250,983	₱389,848

24. Personnel Expenses

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

	2018	2017	2016
Salaries and wages and other employee benefits (see Notes 23 and 25)	**₱508,167**	₱429,211	₱385,536
Pension costs (see Note 25)	**54,889**	53,622	56,764
	₱563,056	₱482,833	₱442,300

25. Pension Costs and Other Employee Benefits

a. Pension Costs

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

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 Group's retirement plan meets the minimum retirement benefit specified under Republic Act 7541.

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

Net Pension Costs

	2018	2017	2016
Current service cost	**₱49,995**	₱45,688	₱47,426
Interest cost	**4,894**	7,934	9,338
Net pension cost	**₱54,889**	₱53,622	₱56,764

Pension Liability

	2018	2017
Present value of benefit obligation	**₱625,760**	₱596,808
Fair value of plan assets	**(528,760)**	(494,174)
Pension liability	**₱97,000**	₱102,634

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

	2018	2017
Defined benefit obligation at beginning of year	**₱596,808**	₱522,311
Current service cost	**49,995**	45,688
Interest cost	**26,911**	22,394
Actuarial loss (gain) in other comprehensive income/loss due to:		
Experience adjustments	**18,285**	21,600
Change in assumptions	**(62,158)**	(15,185)
Benefits paid	**(4,081)**	-
Defined benefit obligation at end of year	**₱625,760**	₱596,808

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

	2018	2017
Fair values of plan assets at beginning of year	**₱494,174**	₱345,843
Interest income included in net interest cost	**22,017**	14,460
Actual contributions	**65,727**	84,941
Gain (loss) on return on plan assets in other comprehensive income/loss	**(49,077)**	48,930
Benefits paid	**(4,081)**	-
Fair values of plan assets at end of year	**₱528,760**	₱494,174

The Group expects to contribute ₱83.3 million to its pension plan in 2019.

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

	2018	2017
Investments in:		
Government securities	**35.71%**	32.45%
Loans and debt instruments	**2.56%**	2.25%
Other securities	**61.73%**	65.30%
	100.00%	100.00%

The principal assumptions used as at December 31, 2018 and 2017 in determining pension cost obligation for the Group's plans are as follows:

	2018	2017
Discount rate	**7.39%-7.42%**	5.78%-5.80%
Future salary rate increases	**10.00%**	10.00%

The plan assets of the Group are maintained by the trustee banks, BDO Unibank, Inc. (BDO) and MBTC.

As at December 31, the carrying values of the plan approximate their fair values:

	2018	2017
Cash in banks:		
MBTC	**₱26,978**	₱16,600
BDO	**10,335**	5
Receivables - net of payables:		
MBTC	**3,345**	9,184
BDO	**664**	3,366
Investments held for trading:		
MBTC	**308,624**	270,632
BDO	**178,814**	194,387
	₱528,760	₱494,174

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 1 to 25 years with interest rates ranging from 3.20% to 9.12%.
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 7 to 10 years with interest rates ranging from 4.41% 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 ₱80.4 million and ₱84.8 million as at December 31, 2018 and 2017, respectively.

The Group'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 Group as at December 31, 2018 and 2017. Except as stated above, there were no other transactions entered into during the year by the Retirement Plan relating to the Group.

In 2018, the sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at 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	(₱37,562)
	-100	44,885
Future salary increases	+100	47,733
	-100	(45,360)

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

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

Year	2018	2017
Less than 1 year	**₱258,070**	₱258,070
More than 1 year to 5 years	**66,203**	58,765
More than 5 years to 10 years	**126,906**	142,455
More than 10 years to 15 years	**447,504**	333,784
More than 15 years to 20 years	**451,528**	411,763
More than 20 years	**2,832,406**	2,404,649

b. Other Employee Benefits

Other employee benefits consist of accumulated employee vacation and sick leave benefit amounted to ₱7.3 million and ₱8.9 million in 2018 and 2017, respectively (see Notes 23 and 24).

The present value of the defined benefit obligation of other employee benefits amounted to ₱64.9 million and ₱62.1 million as at December 31, 2018 and 2017, respectively (see Notes 15 and 18).

26. **Income Taxes**

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

	2018	2017	2016
Current	**₱715,213**	₱638,511	₱671,017
Deferred	**239,977**	161,150	880
	₱955,190	₱799,661	₱671,897

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

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

	2018	2017
Deferred tax liabilities:		
Unrealized gain on real estate	**₱1,387,479**	₱1,160,457
Deferred selling expense	**88,263**	-
Capitalized interest	**60,061**	63,178
Collections after the ITH period on low-cost housing project (Stonewell)	**5,089**	5,089
Unrealized gain on available-for-sale investments	**1,991**	1,104
Unrealized foreign exchange gain	**1,031**	115
	1,543,914	1,229,943
Deferred tax assets:		
Deferred lease income	**70,830**	58,242
Unfunded pension costs	**25,594**	29,766
Share-based payment	**22,574**	22,574
Other employee benefits	**19,448**	30,437
Unamortized past service cost	**14,995**	13,431
Allowance for doubtful accounts and others	**5,140**	4,714
NOLCO	**77,011**	4,411
MCIT	**3,836**	839
Unrealized foreign exchange loss	**-**	7
	239,428	164,421
	₱1,304,486	₱1,065,522

The above components of deferred tax assets and liabilities are presented in the consolidated statements of financial position as follows:

	2018	2017
Deferred tax assets - net	**₱272,736**	₱694
Deferred tax liabilities - net	**(1,577,222)**	(1,066,216)
	(₱1,304,486)	(₱1,065,522)

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:

	2018	2017
Advances from members	**₱14,257**	₱11,377
MCIT	**2,301**	3,495
Unfunded pension costs	**8,013**	7,566
NOLCO	**229**	46
Allowance for doubtful accounts	**553**	559
	₱25,353	₱23,043

As at December 31, 2018, MCIT of a subsidiary which can be claimed as deduction from regular taxable income due as follows:

Year Paid	Expiry Year	Amount
2016	2019	₱1,234
2017	2020	1,454
2018	2021	3,449
		₱6,137

MCIT amounting to ₱1.2 million, ₱1.5 million and ₱1.5 million expired in 2018, 2017 and 2016, respectively.

As at December 31, 2018, NOLCO of certain subsidiaries can be carried forward and claimed as deduction against regular taxable income as follows:

Year Incurred	Expiry Date	Amount
2016	2019	₱37
2017	2020	631
2018	2021	256,264
		₱256,932

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:

	2018	2017	2016
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	**(2.3%)**	(2.7%)	(3.1%)
Nontaxable income and others	**(0.4%)**	0.4%	0.1%
Effective income tax rate	**27.3%**	27.7%	27.0%

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.

27. Registration with the Board of Investments

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 (ITH) of four years reckoning on February 2014.

On May 27, 2014, the BOI approved the amendments of specific terms and conditions under the Certificate of Registration particularly the registered capacity to cover 94 serviced apartment units and the corresponding change in projections.

Commercial operations of Edades Serviced Apartments started on July 1, 2014. ITH incentive enjoyed by the Parent Company amounted to ₱12.5 million and ₱12.3 million in 2018 and 2017, respectively (see Note 26).

On January 8, 2015, Rockwell Land requested for amendments of investment and project timetable and sales revenue projection under the above mentioned BOI certification due to unforeseen circumstances affecting the construction and changes from projected launch. The request was approved on April 13, 2015.

On June 24, 2015, request for status upgrade of said BOI registration from Non-pioneer to Pioneer status was made. The Parent Company's request for status upgrade for its Edades Serviced Apartments, under BOI Certificate of Registration No 2013-121, was approved on November 4, 2015. Consequently, the ITH period was also amended from 4 years (February 2014-January 2016) to 6 years (February 2014-January 2020).

28. 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 from (to) Related Parties	Terms	Conditions
Rockwell - Meralco BPO	Joint venture	Advances (see Note 15)	**2018**	**₱84,196**	**(₱611,851)**	90-day; noninterest-bearing	Unsecured
			2017	22,931	(527,655)		
			2016	267,840			
		Management fee (see Note 14)	**2018**	**11,387**	**19,589**	On demand; non-interest-bearing	Unsecured, no impairment
			2017	9,684	8,202		
			2016	5,311			
Advances to officers and employees		Advances (see Note 8)	**2018**	**(19,268)**	**40,842**	30-day; noninterest-bearing	Unsecured; no impairment
			2017	14,125	60,110		
			2016	18,261			

Other transactions with related parties pertain to the Project Development and JV Agreement with Meralco (see Note 15).

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, 2018, 2017 and 2016, the Group 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 Group

	2018	2017	2016
Short-term employee benefits	**₱93,283**	₱84,203	₱73,353
Post-employment pension and other benefits (Note 25)	**37,551**	38,144	36,919
Total compensation attributable to key management personnel	**₱130,834**	₱122,347	₱110,272

29. Commitments and Contingencies

Operating Lease Commitments
The Group has entered into agreements for the lease of land to be used for various commercial projects. These noncancellable leases have remaining terms of between two and twenty 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 payments are as follows:

Year	Amount (in thousands)
2018	₱32,925
2019	34,554
2020	35,743
2021	36,973
2022 and after	2,093,444
	₱2,233,639

Capital Commitment

a. The Group entered into contract covering Substructure works related to "Proscenium Substructure and Podium" with Megawide Construction Corporation. The contract sum awarded for the work amounted to ₱980.0 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Substructure works commenced in July 2014. Megawide has a deductive change order of ₱527.9 million but with an additional of ₱173.0 million. As at December 31, 2018 and 2017, ₱593.8 million and ₱576.0 million, respectively, has been incurred and paid.

b. The Group entered into contract covering Superstructure works related to "Proscenium Phase 1B" with Megawide Construction Corporation. The contract sum awarded for the work amounted to ₱2.1 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 works. Superstructure works commenced in October 2015. As at December 31, 2018 and 2017, ₱1.8 billion and ₱1.3 billion, respectively, has been incurred and paid.

c. The Group entered into contract covering Superstructure works related to "Proscenium Phase 1A" with Phenix Garuda Construction and Development Corporation. The contract sum awarded for the work amounted to ₱2.4 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 works. Superstructure works commenced in May 2015. As at December 31, 2018 and 2017, ₱1.98 billion and ₱1.4 million, respectively, has been incurred and paid.

d. The Group entered into contract covering Excavation works related to "Proscenium Phase 2" with IPM Construction and Development Corp. The contract sum awarded for the work amounted to ₱61.0 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Excavation works commenced in August 2015. IPM has an additive change order of 11M. As at December 31, 2018 and 2017, ₱61.0 million and ₱57 million, respectively, has been incurred and paid.

e. The Group entered into contract covering Substructure and Superstructure works related to "Proscenium Phase 2" with Phenix Garuda Construction and Development Corporation. The contract sum awarded for the work amounted to ₱2.0 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 works. Superstructure works commenced in May 2016. As at December 31, 2018 and 2017, ₱1.27 billion and ₱593.53 million, respectively, has been incurred and paid.

f. The Group entered into contract covering Superstructure works (Ground - 7th floor) related to "Mall Expansion and Aruga Hotel" with Phenix Garuda Construction and Development Corporation. The contract sum awarded for the work amounted to ₱459.1 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. Phenix has an additive change order of ₱344.1 million. Superstructure works commenced in October 2015. As at December 31, 2018 and 2017, ₱784.9 million and ₱609.7 million has been incurred and paid.

g. The Group entered into contract covering Superstructure works (8th floor-Roof deck) related to "Aruga Hotel" with Phenix Garuda Construction and Development Corporation. The contract sum awarded for the work amounted to ₱300.0 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. Phenix has an additive change order of ₱37.6 million. Superstructure works commenced in October 2016. As at December 31, 2018 and 2017, ₱297.3 million and ₱124.8 million has been incurred and paid.

h. The Group entered into contract covering General Construction works related to "Rockwell Business Center Sheridan" with Phenix Garuda Construction and Development Corporation. The contract sum awarded for the work amounted to ₱900.0 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. Phenix has an additive change order of ₱42.03 million. General Construction Works commenced in October 2015. As at December 31, 2018 and 2017, ₱918.2 million and ₱846.7 million, respectively, has been incurred and paid.

i. The Group entered into contract covering General Construction Works: Structural and Architectural Works - Buri (Basement – Roof Deck level to 9th Story Bldg) related to "32 Sanson by Rockwell" with Omicron Construction. The contract sum awarded for the work amounted to ₱127.9 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and consumable materials and all cost necessary for the proper execution of works. Superstructure works commenced in November 2016. As at December 31, 2018 and 2017, ₱123.4 million and ₱66.5 million has been incurred and paid.

j. The Group entered into contract covering General Construction Works: Structural and Architectural Works - Solihiya (Basement – Roof Deck level to 9th Story Bldg) related to "32 Sanson by Rockwell" with Omicron Construction. The contract sum awarded for the work amounted to 140 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and consumable materials and all cost necessary for the proper execution of works. Superstructure works commenced in May 2018. As at December 31, 2018, 36.38 million has been incurred and paid.

k. The Group entered into contract covering General Construction works related to "Santolan Town Plaza" with Omicron Construction. The contract sum awarded for the work amounted to ₱401.6 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. Omicron has an additive change order of ₱237.8 million. General Construction Works commenced in November 2015. As at December 31, 2018 and 2017, ₱597.1 million and ₱404.0 million has been incurred and paid, respectively.

l. The Group entered into a contract with Millennium Erectors Corporation in 2016 covering structural and building enclosure works related to "The Vantage" Project. The contract amounted to a fixed fee of ₱460.0 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 works. Structural and building enclosure works commenced in 2016. Millenium Erectors Corporation has an additive/deductive change order with net additional of ₱176.03 million. As at December 31, 2018 and 2017, ₱418.7 million and ₱258.8 million has been incurred and paid, respectively.

m. The Group entered into a contract with Omicron Construction in 2018 covering structural and building enclosure works related to "Fordham Tower" Project. The contract amounted to a fixed fee of ₱233.3 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and consumables and all cost necessary for the proper execution of the works. Structural and building enclosure works commenced in 2018. As at December 31, 2018, ₱16.97 million has been incurred and paid.

n. The Group entered into contract covering General Construction Works related to "Edades Suites" with Megawide Construction Corporation. The contract sum awarded for the work amounted to ₱413.0 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. General Construction Works commenced in March 2017. As at December 31, 2018, ₱296.7 million, has been incurred and paid.

o. The Group entered into contract covering General Construction Works related to "Arton Strip" with Phenix Garuda Construction and Development Corporation. The contract sum awarded for the work amounted to ₱164.9 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. General Construction Works commenced in May 2018. As at December 31, 2018, ₱67.1 million, has been incurred and paid.

p. The Group entered into contract covering General Construction Works related to "The Arton" with Phenix Garuda Construction and Development Corporation. The contract sum awarded for the work amounted to ₱670.9 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. General Construction Works commenced in July 2018. As at December 31, 2018, ₱38.81 million, has been incurred and paid.

Contingencies
The Group 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.

30. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, investment in equity instruments at FVOCI/available-for-sale investments, and interest-bearing loans and borrowings. The main purpose of these financial instruments is to finance the Group's operations. The Group 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 Group 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 Group'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 Group's exposure to the risk for changes in market interest rates relates primarily to the Group's interest-bearing loans and borrowings.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. As at December 31, 2018 and 2017, approximately 94% of the Group's borrowings are at a fixed rate of interest.

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

	2018				
	Within 1 Year	**1-2 Years**	**2-3 Years**	**More than 3 Years**	**Total**
Fixed Rate					
Interest-bearing loans and borrowings	**₱5,039,743**	**₱4,116,821**	**₱8,116,888**	**₱5,589,871**	**₱22,863,323**
Floating Rate					
Interest-bearing loans and borrowings	**163,600**	**164,000**	**164,100**	**944,900**	**1,436,600**
Short-term investments	**1,317,872**	**-**	**-**	**-**	**1,317,872**

	2017				
	Within 1 Year	1-2 Years	2-3 Years	More than 3 Years	Total
Fixed Rate					
Interest-bearing loans and borrowings	₱2,023,755	₱2,399,515	₱2,548,868	₱11,509,162	₱18,481,300
Floating Rate					
Interest-bearing loans and borrowings	104,584	164,007	164,007	1,067,402	1,500,000
Short-term investments	1,405,645	-	-	-	1,405,645

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

	2018 Effect on income before income tax increase (decrease)	
Change in basis points	**+100 basis points**	**-100 basis points**
Floating rate borrowings	(8,641)	8,641

	2017 Effect on income before income tax increase (decrease)	
Change in basis points	+100 basis points	-100 basis points
Floating rate borrowings	(15,208)	15,208

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 Group's significant marketing operations in the United States in the past, the Group's consolidated statement of financial position can be affected significantly by movements in the US$ exchange rates.

Foreign Currency-Denominated Asset

	2018		2017	
	US$	**Peso**	US$	Peso
Cash and cash equivalents	**$459**	**₱24,158**	$667	₱33,297

As at December 31, 2018 and 2017, the exchange rate was ₱52.58 to US$1.00 and ₱49.92 to US$1.00, respectively. Net foreign exchange gain (loss) amounted to ₱3.3 million, (₱1.4 million) and ₱4.0 million in 2018, 2017 and 2016, 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 Group's December 31, 2018 and 2017 income before income tax (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Group's equity other than those already affecting the income.

	2018	
	Increase/Decrease in US$ Rate (in %)	**Effect on Income Before Income Tax**
Foreign currency-denominated financial assets	+5%	**₱1,207**
	-5%	**(₱1,207)**

	2017	
	Increase/Decrease in US$ Rate (in %)	Effect on Income Before Income Tax
Foreign currency-denominated financial assets	+5%	₱1,665
	-5%	(₱1,665)

Foreign exchange gain or loss is computed for the year based on management's best estimate that the Peso-US$ conversion rate may strengthen or weaken using the year end balances of dollar-denominated cash and cash equivalents. 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 Group is exposed to credit risks from its operating activities (primarily from trade receivables and loans) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group trades only with recognized, creditworthy third parties. It is the Group'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 Group 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 Group, these are also monitored regularly with the result that the Group'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. For other receivables, since the Group 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.

	2018		
	Gross Maximum Exposure	**Net Exposure**	**Financial Effect of Collateral or Credit Enhancement**
Cash and cash equivalents*	**₱2,053,688**	**₱2,038,518**	**₱15,170**
Trade receivables from:			
Sale of condominium units	**3,677,506**	**258,910**	**3,418,596**
Lease	**378,403**	**18,032**	**360,371**
Other receivables	**163,316**	**163,316**	**-**
Investment in equity instruments at FVOCI:			
Quoted	**20,000**	**20,000**	**-**
Unquoted	**3,308**	**3,308**	**-**
Refundable deposits**	**78,368**	**78,368**	**-**
Restricted cash**	**400,000**	**350,000**	**50,000**
	₱6,774,589	**₱2,930,452**	**₱3,844,137**

	2017		
	Gross Maximum Exposure	Net Exposure	Financial Effect of Collateral or Credit Enhancement
Cash and cash equivalents*	₱2,561,224	₱2,547,062	₱14,162
Trade receivables from:			
Sale of condominium units	13,224,246	340,827	13,039,553
Lease	235,571	78,310	157,261
Other receivables	634,857	634,857	-
Investment in equity instruments at FVOCI:			
Quoted	13,500	13,500	-
Unquoted	3,308	3,308	-
Refundable deposits**	162,240	162,240	-
	₱16,895,056	₱3,780,104	₱13,271,086

*Excluding cash on hand amounting to ₱1,792 and ₱1,718 as at December 31, 2018 and 2017, respectively.
**Presented as part of "Other current assets" account in the consolidated statements of financial position.

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

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

	2018		
	A Rating	**B Rating**	**Total**
Cash and cash equivalents	**₱2,055,480**	**₱-**	**₱2,055,480**
Trade receivables from:			
Sale of condominium units	**3,288,046**	**389,460**	**3,677,506**
Lease	**311,483**	**66,920**	**378,403**
Advances to officers and employees	**43,067**	**-**	**43,067**
Other receivables	**163,316**	**-**	**163,316**
Investment in equity instruments at FVOCI:			
Quoted	**20,000**	**-**	**20,000**
Unquoted	**3,308**	**-**	**3,308**
Refundable deposits	**78,368**	**-**	**62,131**
Restricted cash	**400,000**	**-**	**400,000**
	₱6,363,068	**₱456,380**	**₱6,803,211**

	2017		
	A Rating	B Rating	Total
Cash and cash equivalents	₱2,562,942	₱-	₱2,562,942
Trade receivables from:			
Sale of condominium units	11,997,392	1,037,427	13,034,819
Lease	201,565	34,006	235,571
Advances to officers and employees	60,110	-	60,110
Other receivables	634,857	-	634,857
Available-for-sale investments:			
Quoted	13,500	-	13,500
Unquoted	3,308	-	3,308
Refundable deposits	162,240	-	162,240
	₱15,635,914	₱1,071,433	₱16,707,347

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, 2018 and 2017, the analyses of the age of financial assets are as follows:

	2018						
	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	₱2,055,480	₱-	₱-	₱-	₱-	₱-	₱2,055,480
Trade receivables from:							
Sale of condominium units	3,378,973	121,064	26,462	14,601	136,406	-	3,677,506
Lease	336,227	37,795	3,154	-	1,227	-	378,403
Advances to officers and employees	43,067	-	-	-	-	-	43,067
Other receivables	163,316	-	-	-	-	-	163,316
Investment in equity instruments at FVOCI:		-	-	-	-	-	
Quoted	20,000	-	-	-	-	-	20,000
Unquoted	3,308	-	-	-	-	-	3,308
Refundable deposits	22,505	4,096	46,377	67	5,323	-	78,368
	₱6,022,876	₱162,955	₱75,993	₱14,668	₱142,956	₱-	₱6,419,448

	2017						
	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	₱2,562,942	₱-	₱-	₱-	₱-	₱-	₱2,562,942
Trade receivables from:							
Sale of condominium units	13,034,819	41,425	5,395	6,846	135,761		13,224,246
Lease	221,915	12,969	678	-	9		235,571
Advances to officers and employees	60,110	-	-	-	-	-	60,110
Other receivables	566,860	-	-	-	2,010	-	568,870
Available-for-sale investments:		-	-	-	-	-	
Quoted	13,500	-	-	-	-	-	13,500
Unquoted	3,308	-	-	-	-	-	3,308
Refundable deposits	16,369	10,695	121,102	176	13,899		162,240
	₱15,074,028	₱1,470,734	₱127,175	₱7,022	₱151,679	₱-	₱16,830,787

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 ₱21.9 billion and ₱23.3 billion as at December 31, 2018 and 2017, respectively. The fair value of the club shares amounted to ₱0.2 million and ₱0.2 million as at December 31, 2018 and 2017.

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.

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using vintage analysis in 2018:

	High-end	Affordable	Total
Expected credit loss rate	0.0%	0.0%	0.0%
Estimated total gross carrying amount at default	₱19,797,103	₱73,997	₱19,871,100

Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. As at December 31, 2018 and 2017, 21% and 11% of the Group's debt will mature in less than one year as at December 31, 2018 and 2017, respectively.

The liquidity risk of the Group arises from their financial liabilities. The tables below summarized the maturity profile of the Group's financial liabilities at December 31, 2018 and 2017 based on contractual undiscounted payments.

	2018				
	On Demand	Due Within 3 Months	Due Between 3 and 12 Months	Due After 12 Months	Total
Trade and other payables*	₱-	₱2,527,453	₱4,459,181	₱-	₱6,986,634
Interest-bearing loans and borrowings**	-	1,550,322	3,653,021	19,096,580	24,299,923
Installment payable	-	-	-	571,748	571,748
Retention payable***	-	-	146,427	1,224,578	1,371,005
Security deposits***	-	-	221,259	258,731	479,990
	₱-	₱4,077,775	₱8,479,888	₱21,201,887	₱33,759,550

	2017				
	On Demand	Due Within 3 Months	Due Between 3 and 12 Months	Due After 12 Months	Total
Trade and other payables*	₱-	₱2,714,519	₱4,370,312	₱-	₱7,084,831
Interest-bearing loans and borrowings**	-	412,000	1,608,014	17,888,762	19,908,776
Installment payable	-	-	-	544,957	544,957
Retention payable***	-	-	271,912	815,735	1,087,646
Security deposits***	-	-	76,876	230,627	307,503
	₱-	₱3,126,519	₱6,327,114	₱19,480,081	₱28,933,713

**Excluding the current portion of retention payable and security deposits, deposits from pre-selling of condominium units and excess of collections over recognized receivables and other statutory payables.*

***Principal 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 and Contract Asset Held for Liquidity Purposes

The table below shows the maturity profile of the Group's financial assets and contract asset based on contractual undiscounted cash flows as at December 31:

	2018					
	On Demand	Within 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Cash and cash equivalents	₱646,204	₱1,409,276	₱-	₱-	₱-	₱2,055,480
Trade receivables from:						
Sale of condominium units	-	3,677,506	-	-	-	3,677,506
Lease	336,227	37,795	3,154	-	1,227	378,403
Contract assets	-	336,126	2,530,540	667,538	19,483,301	23,017,505
Investment in equity instruments at FVOCI	-	-	-	-	23,308	23,308
	₱982,431	₱5,460,703	₱2,533,694	₱667,538	₱19,507,836	₱29,152,202

	2017					
	On Demand	Within 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Cash and cash equivalents	₱1,157,147	₱1,405,645	₱-	₱-	₱-	₱2,562,942
Trade receivables from:						
Sale of condominium units	16,446,995	1,014,941	164,840	152,897	896,675	18,676,348
Lease	221,915	12,969	678	-	9	235,571
Available-for-sale investments	-	-	-	-	16,808	16,808
	₱17,826,057	₱2,433,555	₱165,518	₱152,897	₱913,492	₱21,491,669

Capital Management Policy
The primary objective of the Group'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 Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group 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, 2018 and 2017.

The Group 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 Group's policy is to limit the net debt-to-equity ratio to 1.0x.

The Group 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 Group (see Note 16).

	2018	2017
Interest-bearing loans and borrowings	**₱24,226,816**	₱19,908,766
Less cash and cash equivalents	**2,055,480**	2,562,942
Net	**22,171,336**	17,345,824
Equity	**19,288,453**	17,714,758
Net debt-to-equity ratio	**1.15**	0.98

31. Fair Value Measurement

Set out below is a comparison by class of carrying values and fair values of the Group's assets and liabilities for which fair values are determined for measurement and/or disclosure as at December 31, 2018 and 2017.

			2018		
	Carrying Value	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Assets					
Investment properties (see Note 12)	**₱12,517,057**	**₱25,723,787**	**₱-**	**₱8,391,472**	**₱17,730,000**
Investment in equity instruments at FVOCI	**23,308**	**23,308**	**20,000**	**-**	**3,308**
	₱12,540,365	**₱25,747,095**	**₱20,000**	**₱8,391,472**	**₱17,733,308**
Liabilities					
Interest-bearing loans and borrowings (including noncurrent portion)	**₱24,226,816**	**₱21,888,599**	**₱-**	**₱-**	**₱21,888,599**
Installment payable	**571,748**	**583,511**	**-**	**-**	**583,511**
Retention payable (including noncurrent portion)	**1,371,005**	**1,210,777**	**-**	**-**	**1,210,777**
Security deposits (including noncurrent portion)	**479,990**	**343,241**	**-**	**-**	**343,241**
	₱26,649,559	**₱24,026,129**	**₱-**	**₱-**	**₱24,026,129**

			2017		
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets					
Loans and receivables:					
Sale of condominium units (including noncurrent portion)	₱13,224,246	₱23,339,483	₱-	₱23,339,483	₱-
Investment properties (see Note 12)	11,668,243	28,677,869		8,391,472	20,286,397
Available-for-sale financial assets	16,808	16,808	13,500	-	3,308
	₱24,909,297	₱52,034,160	₱13,500	₱31,730,955	₱20,289,705
Liabilities					
Other financial liabilities:					
Interest-bearing loans and borrowings (including noncurrent portion)	₱19,908,776	₱20,656,835	₱-	₱-	₱20,656,835
Installment payable	544,957	576,502	-	-	576,502
Retention payable (including noncurrent portion)	1,087,645	1,006,973	-	-	1,006,973
Security deposits (including noncurrent portion)	307,503	317,314	-	-	317,314
	₱21,848,881	₱22,557,624	₱-	₱-	₱22,557,624

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 Sale of Condominium Units, Trade Receivables from Lease, Other Receivables, Restricted Cash, 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 at financial reporting period.

Investments in Equity Securities. The fair values of quoted equity securities were determined by reference to published two-way quotes of brokers as at financial reporting date. Unquoted equity securities for which no other reliable basis for fair value measurement is available, were valued at cost, net of impairment, if any.

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 BVAL interest rates ranging from 5.4% to 7.5% as at December 31, 2018 and credit adjusted PDEx interest rates from 3.2% to 5.7% as at December 31, 2017.

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 5.4% to 7.5% as at December 31, 2018 and from 3.2% to 5.7% as at December 31, 2017.

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 5.4% to 7.5% as at December 31, 2018 and from 3.2% to 5.7% as at December 31, 2017.

For the years ended December 31, 2018 and 2017, 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.

32. Basic/Diluted Earnings Per Share Computation

	2018	2017	2016
	(In Thousands, Except Numbers of Shares and Per Share Data)		
Net income attributable to equity holders of the Parent Company	**₱2,546,847**	₱2,110,245	₱1,823,981
Dividends on preferred shares	**(1,650)**	(1,650)	(1,650)
Net income attributable to common shares (a)	**2,545,197**	2,108,595	1,822,331
Common shares at beginning of year	**6,116,762,198**	6,116,762,198	6,116,762,198
Weighted average number of common shares – basic (b)	**6,116,762,198**	6,116,762,198	6,116,762,198
Dilutive potential common shares under the ESOP	**12,158,791**	9,513,500	4,183,823
Weighted average number of common shares – diluted (c)	**6,128,920,989**	6,126,275,698	6,120,946,021
Per share amounts:			
Basic (a/b)	**₱0.4161**	₱0.3447	₱0.2979
Diluted (a/c)	**₱0.4153**	₱0.3442	₱0.2977

33. Segment Information

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

For management purposes, the Group'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 Group 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 Group. It also includes the operations of the Rockwell Club.
- *Commercial Development* is engaged in the sale, 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.
- *Hotel* segment is engaged in leasing of serviced apartments and management of hotel and resort operations. Its hotel portfolio includes serviced apartments located in Edades Towers and Garden Villas, and The Grove and Joya Lofts and Towers until 2017 where its operations were discontinued.

The Group does not have any customers which constitutes 10% or more of the Group'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 Group 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 Group's existing business portfolio.

The President, the Group'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.

Disclosure of the geographical information regarding the Group's revenues from external customers and total assets have not been provided since all of the Group's consolidated revenues are derived from operations within the Philippines.

Business Segments

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

	2018			
	Residential Development	**Commercial Development**	**Hotel**	**Total**
Revenue	**₱13,411,276**	**₱1,989,530**	**₱283,489**	**₱15,684,295**
Costs and expenses	**(10,508,472)**	**(774,885)**	**(209,807)**	**(11,493,164)**
Share in net income of a joint venture	**-**	**270,595**	**-**	**270,595**
Other income - net	**3,175**	**77**	**21**	**3,273**
EBITDA	**2,905,979**	**1,485,317**	**73,703**	**4,464,999**
Depreciation and amortization				**(658,585)**
Interest expense				**(309,173)**
Provision for income tax				**(955,190)**
Consolidated net income				**₱2,542,051**
Assets and Liabilities				
Segment assets	**₱36,273,899**	**₱586,061**	**₱346,822**	**₱37,206,782**
Investment properties	**-**	**12,517,057**	**-**	**12,517,057**
Investment in joint venture and associate	**-**	**3,357,375**	**-**	**3,357,375**
Property and equipment	**2,457,215**	**735,640**	**706,832**	**3,899,687**
Total assets	**₱38,731,114**	**₱17,196,133**	**₱1,053,654**	**₱56,980,901**
Segment liabilities	**₱32,509,116**	**₱3,476,518**	**₱129,592**	**₱36,115,226**
Deferred tax liabilities -net	**1,577,222**	**-**	**-**	**1,577,222**
	₱34,086,338	**₱3,476,518**	**₱129,592**	**₱37,692,448**

	2017			
	Residential Development	Commercial Development	Hotel	Total
Revenue	₱12,566,999	₱1,423,700	₱312,694	₱14,303,393
Costs and expenses	(10,189,897)	(508,093)	(237,262)	(10,935,252)
Share in net income of a joint venture	-	264,763	-	264,763
Other income - net	(1,377)	-	(1)	(1,378)
EBITDA	2,375,725	1,180,370	75,431	3,631,526
Depreciation and amortization				(491,711)
Interest expense				(250,983)
Provision for income tax				(799,661)
Consolidated net income				₱2,089,171
Assets and Liabilities				
Segment assets	₱30,493,074	₱422,139	₱592,979	₱31,508,190
Investment properties	813,542	10,650,215	204,486	11,668,243
Investment in joint venture	-	2,881,116	-	2,881,116
Property and equipment	1,498,014	716,782	626,650	2,841,446
Total assets	₱32,804,630	₱14,670,252	₱1,424,115	₱48,898,997
Segment liabilities	₱26,792,169	₱3,154,420	₱171,434	₱30,118,023
Deferred tax liabilities -net	1,066,216	-	-	1,066,216
	₱27,858,385	₱3,154,420	₱171,434	₱31,184,239

	2016			
	Residential Development	Commercial Development	Hotel	Total
Revenue	₱11,040,158	₱1,324,416	₱346,729	₱12,711,303
Costs and expenses	(8,876,504)	(456,690)	(258,127)	(9,591,321)
Share in net income of joint venture	-	254,231	-	254,231
Other income - net	4,031	-	-	4,031
EBITDA	2,167,685	1,121,957	88,602	3,378,244
Depreciation and amortization				(500,265)
Interest expense				(389,848)
Provision for income tax				(671,897)
Consolidated net income				₱1,816,234

34. Supplemental Disclosure of Cash Flow Information

The changes in the Group's liabilities arising from financing activities are as follows:

	January 1, 2018	**Cash Flows**	**Reclassification from Noncurrent to Current**	**Net Amortization of Discount**	**December 31, 2018**
Current portion of interest-bearing loans and borrowings	**₱2,020,014**	**(₱2,020,014)**	**₱5,173,729**	**₱-**	**₱5,173,729**
Interest-bearing loans and borrowings - net of current portion	**17,888,752**	**6,336,834**	**(5,173,729)**	**1,230**	**19,053,087**
Installment payable	**544,957**	**-**	**-**	**26,971**	**571,748**
Total liabilities from financing activities	**₱20,453,723**	**₱4,319,279**	**₱-**	**₱28,201**	**₱24,798,564**

	January 1, 2017	Cash Flows	Reclassification from Noncurrent to Current	Net Amortization of Discount	December 31, 2017
Current portion of interest-bearing loans and borrowings	₱1,711,506	(₱1,711,506)	₱2,020,014	₱-	₱2,020,014
Interest-bearing loans and borrowings - net of current portion	13,922,440	5,992,979	(2,020,014)	6,653	17,888,752
Installment payable	521,054	-	-	23,903	544,957
Total liabilities from financing activities	₱16,155,000	₱4,281,473	₱-	₱30,556	₱20,453,723

35. Events after Reporting Period

On March 13, 2019, Rockwell Primaries' BOD approved the subscription to 1,000,000 Series A shares of Rockwell Primaries South at par value of ₱100.00 each for a total amount of ₱100.0 million by way of conversion of advances into equity.

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The progress, the growth is tangible.
There is no denying it.
What Rockwell Land has put in motion is now crystallizing.
The future is clearer, sharper, and even more precious,
as Rockwell's signature vision continually
and more prominently takes shape
in landmark developments across lines of business.
Across borders beyond the metro.
Across our islands.
With sprawling, stylish spaces that continue to elevate
the experience of leisure, work and residential living.
Every promise is being realized slowly but surely,
in a way that only Rockwell can.

ROCKWELL LAND