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An aerial night view of a city skyline. Several tall skyscrapers are visible, with their facades and edges illuminated by warm, golden-yellow lights. The lights create a glowing outline effect on the buildings. The sky is dark, and the overall scene conveys a sense of urban vibrancy and architectural grandeur.

We drew in the stars

and outlined the night with an

iconic skyline.

This is where it all began.

Driven by a vision of hope,

we look forward to a Rockwell Center  
that's ready to evolve for its community

and serve like it has always done.

Overcoming adversity like before,  
accepting challenges like today and  
providing hope for tomorrow.





## MESSAGE OF THE CHAIRMAN

It hasn't been business as usual and we constantly realize that the work we do every day and the decisions we set forth are partnered with risks. Yet, I am most grateful to see the traces of hope brought about by the values of teamwork, excellence and unity — values that our company has always advocated.

Coming from our strongest year yet in 2019, with our highest ever Php 3.0 billion net income after tax, we envisioned our 25th year in the industry to be one filled with optimism for the successful launches of our breakthrough developments in and outside of Metro Manila. Despite these paused milestones brought about by the pandemic, we are determined more than ever to keep the momentum going as we uphold our promise of building more communities that remain consistent with our vision.

Since last year, we have been grateful for the very warm reception as we set foot in two new key locations which will be home to future Rockwell flagship communities, namely Bacolod and Laguna.


We unmasked **Nara Residences**, in the City of Smiles. Given our shared passion for creating strong ties in a community and a deep appreciation for culture and heritage, Rockwell's signature touch in Bacolod will raise the bar for our niche clientele. In Laguna, **Rockwell South at Carmelray** continues to exceed expectations with the sounding success of its first cluster of generous sized residential lots. With the welcome addition of Cluster 2 only three months after, we are excited for our well-heeled market to indulge in this product type that is a first for us.

Guided by our vision and perseverance, the communities and exceptional living spaces we create allow us to look forward to a more optimistic path for the company.

While the world battles instability, our company's employees and service partners remain reliable and undaunted to selflessly keep the promise of service to everyone, to our stakeholders. Their drive and tenacity have inspired me to relentlessly take action without fear and dream of what more we can conquer together.

As proven over the last two and a half decades, we will anchor Rockwell Land's ability to overcome adversity on the resilience and malasakit of our employees — values that our company continues to live by and which I will always be most proud of.

Maraming Salamat sa tiwala at suporta.

  
**AMB. MANUEL M. LOPEZ**  
CHAIRMAN OF THE BOARD



# REPORT OF THE PRESIDENT

Twenty-five years ago, we started with a vision to create communities beyond ordinary. Today, it is our source of pride to be able to continue to deliver and commit to our vision.

We remain on the front row of heightened uncertainties due to the pandemic and realize that there is no adequate playbook to guide us. We have had to rely on our confidence that our people will continue to deliver despite the very real fear and threat to their own safety. We needed to trust our instincts, borne out of the culture we have developed through the years. This gave us focus and inspiration that allowed us to continuously provide safe experiences in our communities in Makati, Pasig, San Juan, Mandaluyong, Quezon City, Batangas and Cebu.

While the end to this crisis may not be in sight, the past months have strengthened our resolve to keep delivering beyond ordinary experiences to our stakeholders and, while in the process, touch more lives, including those of our front liners, our heroes, who continue to fight for us.

Meanwhile, we continue to flex and bend. As change happens, we redesign and remodel, in order to adapt to the drastically changing needs of the communities we serve.

And through all these, we will forge ahead with courage.





# REPORT OF THE PRESIDENT

## INSPIRED BY THE EXTRAORDINARY

We will tread carefully moving forward knowing that we can evolve, just as we have overcome past adversities. Our continuous growth since then is a testament to what we can hope for in a future that is bigger than all these challenges.

This growth was evident in the previous year which we ended on an inspired note.

2019 saw yet another record high net income after tax (NIAT) for Rockwell Land. We hit Php 3.0 billion NIAT, an increase of 17% from 2018. Our revenues reached Php 15.7 billion and EBITDA was at Php 6.0 billion, a 13% growth from previous year.



With new pioneer Rockwell developments launching in 2019, we garnered strong reception from the market resulting in reservation sales amounting to a record Php 16.7 billion, a 12% year-on-year growth.

Our first premium horizontal development, **Rockwell South at Carmelray**, is our biggest project to date at 63 hectares in Calamba, Laguna. Cluster 1, launched last September 2019, featured residential lots ranging from 656 sqm to up to over 1,000 sqm. With more than 50% already sold by year-end, we were poised to offer more lots in Cluster 2 with lots sized 300 sqm to over 400 sqm last December. All residents of this signature Rockwell neighborhood will enjoy not only a hectare of Central Amenities, but also seven recreational parks generously designed for the discerning family.


We excitedly ended 2019 by officially bringing Rockwell’s iconic lifestyle to Bacolod. Proving that Rockwell and Bacolod are meant to be, **Nara Residences by Rockwell** launched last December with its first two mid-rise residential towers to start off the 10.9 - hectare community.

Up to this day, we continue to be overwhelmed with the warm reception of our pioneer development in Lipa, Batangas. **Terreno South** launched more residential lots to the mid-market last July 2019. Aside from more lot options, Phase 2 introduced the prime amenity lots with its coveted distance to the Central Amenity Area. Boasting of a unique 1:1 tree to house ratio, we are confident to continue receiving good feedback as we soon launch a new product offering in the Terreno South community towards the end of this year.

## A BRAND THAT WILL PERSIST

Our envisioned communities in Bacolod, Cebu, Southern Quezon City, North of Metro Manila and Iloilo are still clear in our future, ready to continue the promise of providing safe living experiences.

This year marks our 25th anniversary and what could have been another milestone. I choose to see it as a very opportune time to further elevate our commitment to always be at our best for all our stakeholders, most especially our company’s front liners, employees and service partners, our commercial tenants, and our residents, who are giving selfless support through these disruptive times. By being at our best, we can then continue outlining more skylines in the country and serve our communities unwaveringly.

  
**NESTOR J. PADILLA**  
PRESIDENT AND  
CHIEF EXECUTIVE OFFICER



# BUSINESS PORTFOLIO

## A LEGACY OF REACHING BEYOND



After over two decades of redefining the landscape of prime living, we look back on our legacy to face new horizons and reach beyond as we always have.

From the beginning, we strove to do things the Rockwell way. It began by transforming an unused thermal powerplant into what is now a 19.1-hectare community. The iconic **Rockwell Center** includes the distinct **Power Plant Mall**, prime corporate spaces, and pioneer residential developments such as **Rizal, Luna, Amorsolo, Hidalgo, Joya, Manansala, One Rockwell, Edades**, and the newest **Proscenium and Edades Suites**. As the shape of our flagship space continued to expand along the Makati skyline, so did we set new benchmarks for retail and lifestyle in the heart of the city.

We took our first confident steps outside of Makati to bring new Rockwell communities to other cities in the Metro. With this vision, we created what would be known as some of our most recognized, comfortable spaces as seen in **The Grove by Rockwell** in Pasig City, and the townhomes

projects - **205 Santolan** in Quezon City, and **The Alvendia** in San Juan.

The Rockwell touch continued to expand, eventually being within closer reach for the modern Filipino family with the birth of Rockwell Primaries. Its first project, **53 Benitez**, launched in Quezon City which once again set a new standard for safety, security, and comfort. Rockwell Primaries has since launched **The Vantage at Kapitolyo** which will bring yet another distinct self-sustaining community to Pasig City.

As we continued to plot prime locations throughout the metro, we also ventured into new territory and created coveted office spaces and communities with our signature touch. From **Rockwell Business Centers** in **Ortigas** and **Sheridan**, **Santolan Town Plaza** in San Juan, and **8 Rockwell** in Makati, each marked a new milestone for what Rockwell could achieve.



With our reach expanding above and beyond, we looked to Makati once more for our first step into hotel and leisure. **The Aruga by Rockwell in Edades Tower** would become one of our prime examples of fine living and sophistication for transients and semi-permanent residents who wished to experience some of the best that Rockwell had to offer.



# BUSINESS PORTFOLIO

## FACING NEW HORIZONS

### THE PROSCENIUM AT ROCKWELL

Live in the vibrance of Rockwell and witness a spectacle that goes beyond the standards of metropolitan city living. Designed by world-renowned architect Carlos Ott, the Proscenium at Rockwell is a thriving community with five residential towers and already over 300 residents in the Rockwell Center that stands at the peak of premium residential developments in the Philippines.



### ARUGA RESORT AND RESIDENCES-MACTAN

One of our crowning developments, the Aruga Resort and Residences – Mactan marks another milestone for Rockwell and its brand of premium living. The 5-hectare beachfront development takes the best elements of resort relaxation and combines it with our signature touch for a truly unique tropical paradise that goes beyond what we could have imagined.

With a generous 270m wide beachfront, premium amenities, and stunning island views, this jewel of Mactan promises nothing but Rockwell life by the shores.



### 32 SANSON BY ROCKWELL

The birth of 32 Sanson was yet another step for Rockwell to go beyond. It marked a beautiful beginning for us and Cebuanos as we created a tranquil sanctuary in the Queen City of the South.

Located in Lahug within Cebu, 32 Sanson and its four mid-rise towers have formed a community with lush landscapes, exclusive amenities, and vast open spaces ever since opening its doors to residents in December 2016. There's always room for more Sanson stories to be born as we look to begin welcoming residents to the Solihiya Tower starting December 2020.



### THE ARTON BY ROCKWELL

In 2017, Rockwell opened the doors of The Arton — a unique joint development venture with Mitsui Fudosan of Japan that took the Rockwell touch to startling new heights. The result was a distinct, exclusive, and fitting new home for those in the North of Metro Manila.

The Arton has expanded the Rockwell touch to its community in Katipunan, Quezon City even further by opening Arton Strip last September 2019, which serves as the neighborhood's growing retail destination to fit any resident's lifestyle.





# BUSINESS PORTFOLIO

## FACING NEW HORIZONS



### EAST BAY RESIDENCES: FORDHAM TOWER

Once again, Rockwell Primaries reinvents the modern urban community with its first project located in Sucat, Muntinlupa — East Bay Residences. With a drive to provide its residents a lifestyle beyond the norm, we've created a vibrant but distinctly laid-back and self-sustaining neighborhood not too far from the heart of Metro Manila.

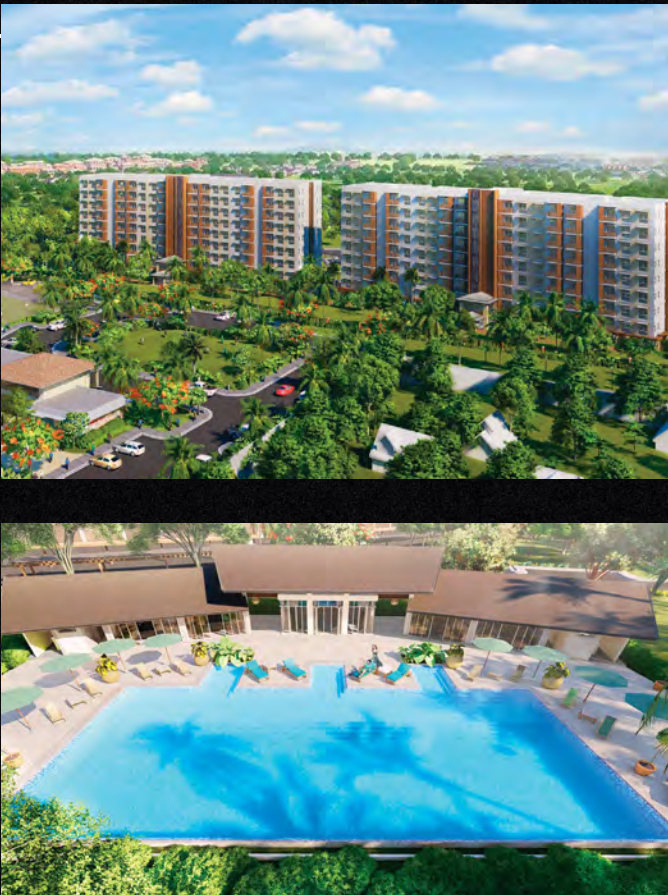
Its first tower, Fordham, is currently in its pre-selling stage and promises residents that touch of Rockwell with sprawling amenities, dependable management, and fitting retail options nearby.

### NARA RESIDENCES BY ROCKWELL

The future is looking sweeter for Bacolodnons as we take them beyond with our first high-end residential development in Negros made up of 80% open spaces — Nara Residences.

We launched the first phase of Nara in December 2019, with two mid-rise residential buildings housing a total of 248 units. This would be the first chapter of a safe, luxurious, and exclusive community with well-designed amenities and exciting retail options to match the progressive lifestyle of its residents.

As we enter a new dawn, so can the City of Smiles expect something new from Rockwell as it begins to introduce another master-planned community in the city, just a short ride away from Nara Residences.



### ROCKWELL SOUTH AT CARMELRAY

Rockwell goes South and then beyond. We aim to go above the norm of tasteful living once more with our first premium horizontal community spanning a vast 63 hectares nestled in Calamba, Laguna.

Rockwell South at Carmelray launched its first cluster in September 2019 featuring residential lots that ranged from 656 sqm to over 1000 sqm and then a second, more diverse cluster in December 2019 with 300 sqm to over 400 sqm lots.

These lots, together with the seven masterfully designed recreational parks and other amenities across the property, allow any family to embrace the beauty of the South with a touch of Rockwell.



### TERRENO SOUTH

Rockwell continues to plant its seeds across the South with its pioneering foray into horizontal development in Lipa City, Batangas — Terreno South. The development launched its first phase with 130 lots before expanding to its second phase with an additional 240, creating a vast and open neighborhood.

Terreno boasts a unique touch even among other Rockwell developments, featuring a 1:1 house to tree ratio with the presence of thousands of fully-grown, mature trees to paint the landscape in different shades of green.

Days are looking brighter for the vibrant 38-hectare residential community with plans to expand further and diversify its offerings to match the growing market demand.



### STONEWELL

No stone lies unturned when ensuring the Rockwell touch in every one of our projects, and this is no more apparent than our first venture into more affordable housing — Stonewell.

This venture began with the launch of Stonewell Acacia Homes in Sto. Tomas, Batangas before expanding to Stonewell Mahogany and Stonewell Royal Palm. Each location helped us establish a line of comfortable and affordable dream homes with no compromises for the modern family.

The future looks promising for the development as we plan to create another safe, uniquely Rockwell community in Lipa City, Batangas.





# BOARD OF DIRECTORS

With the hope of a brighter, boundless tomorrow, our leaders share a vision for taking Rockwell beyond anything we've ever seen before.



<b>OSCAR J. HILADO</b> <i>Independent Director</i> 2015 - Present	<b>JOSE VALENTIN A. PANTANGCO, JR.</b> <i>Director</i> 2018 - Present	<b>FRANCIS GILES B. PUNO</b> <i>Director</i> 2013 - Present	<b>EUGENIO L. LOPEZ III</b> <i>Director</i> 1995 - Present	<b>OSCAR M. LOPEZ</b> <i>Chairman Emeritus</i> 2012 - Present	<b>AMB. MANUEL M. LOPEZ</b> <i>Chairman of the Board</i> 1995 - Present	<b>FEDERICO R. LOPEZ</b> <i>Vice-Chairman</i> 2012 - Present	<b>NESTOR J. PADILLA</b> <i>President &amp; CEO, Director</i> 1995 - Present	<b>ALBERT F. DEL ROSARIO</b> <i>Independent Director</i> 2017 - Present	<b>MIGUEL ERNESTO L. LOPEZ</b> <i>Senior Vice-President, Treasurer &amp; Director</i> 2010 - Present	<b>MONICO V. JACOB</b> <i>Independent Director</i> April 2016 - Present
<b>Chairman</b> <ul style="list-style-type: none"><li>Philippine Investment Management (PHINMA), Inc.</li><li>Phinma Corporation</li><li>Phinma Property Holdings Corporation</li></ul> <b>Vice-Chairman</b> <ul style="list-style-type: none"><li>Union Galvasteel Corporation</li></ul> <b>Director</b> <ul style="list-style-type: none"><li>Philex Mining Corporation</li><li>Smart Communications, Inc.</li><li>A. Soriano Corporation</li><li>Roxas Holdings, Inc.</li><li>Phil Cement Corporation</li><li>Digital Telecommunications Phils., Inc. (DIGITEL)</li><li>Phinma Solar Energy Corporation</li><li>Phinma Education Holdings, Inc.</li><li>Phinma Hospitality, Inc.</li><li>Phinma Microtel Hotels, Inc.</li><li>Beacon Property Ventures, Inc.</li><li>Manila Cordage Company</li><li>Pueblo de Oro Development Corporation</li><li>Seven Seas Resorts and Leisure, Inc.</li><li>Cebu Light Industrial Park, Inc.</li><li>United Pulp and Paper Company, Inc.</li><li>Araullo University, Inc.</li><li>Cagayan de Oro College, Inc.</li><li>University of Iloilo, Inc.</li><li>University of Pangasinan, Inc.</li><li>Southwestern University</li><li>St. Jude College, Manila</li></ul>	<b>Director</b> <ul style="list-style-type: none"><li>First Balfour, Inc.</li><li>First Philippine Industrial Park</li><li>First Philippine Realty Corporation</li></ul> <b>Vice President</b> <ul style="list-style-type: none"><li>First Philippine Holdings Corporation</li></ul> <b>President &amp; COO</b> <ul style="list-style-type: none"><li>First Gen Corporation</li><li>First Philippine Holdings Corporation</li></ul> <b>Director</b> <ul style="list-style-type: none"><li>Energy Development Corporation</li></ul> <b>Chairman Emeritus</b> <ul style="list-style-type: none"><li>ABS-CBN Corporation</li></ul> <b>Chairman</b> <ul style="list-style-type: none"><li>ABS-CBN Lingkod Kapamilya Foundation, Inc.</li><li>Lopez Inc.</li><li>Ang Misyon, Inc.</li><li>Play Innovations, Inc.</li><li>INAEC Aviation Corporation</li><li>Infopro Business Solutions, Inc.</li></ul> <b>Chairman &amp; CEO</b> <ul style="list-style-type: none"><li>ADTEL</li></ul> <b>Vice Chairman</b> <ul style="list-style-type: none"><li>Knowledge Channel</li><li>Lopez Holdings Corporation</li></ul> <b>Director</b> <ul style="list-style-type: none"><li>ABS-CBN Film Production, Inc. (Star Cinema)</li><li>Asian Eye Institute, Inc.</li><li>First Gen Corporation</li><li>First Philippine Holdings Corporation</li><li>OML Center</li><li>Sky Cable Corporation</li></ul> <b>Trustee</b> <ul style="list-style-type: none"><li>Eugenio Lopez Foundation, Inc.</li><li>Beacon Academy</li></ul>	<b>Chairman Emeritus</b> <ul style="list-style-type: none"><li>First Philippine Holdings</li><li>Energy Development Corporation</li><li>First Gen Corporation</li><li>First Balfour, Inc.</li><li>First Philippine Electric Corporation</li><li>First Philippine Industrial Corporation</li><li>First Philippine Realty Corporation</li><li>First Philippine Realty and Development Corporation</li><li>First Philippine Industrial Park, Inc.</li></ul> <b>Chairman</b> <ul style="list-style-type: none"><li>ABS-CBN Lingkod Kapamilya Foundation, Inc.</li><li>Lopez Inc.</li><li>Ang Misyon, Inc.</li><li>Play Innovations, Inc.</li><li>INAEC Aviation Corporation</li><li>Infopro Business Solutions, Inc.</li></ul> <b>Chairman &amp; CEO</b> <ul style="list-style-type: none"><li>ADTEL</li></ul> <b>Vice Chairman</b> <ul style="list-style-type: none"><li>Knowledge Channel</li><li>Lopez Holdings Corporation</li></ul> <b>Director</b> <ul style="list-style-type: none"><li>ABS-CBN Film Production, Inc. 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CEO</b> <ul style="list-style-type: none"><li>First Philippine Holdings Corporation</li><li>First Gen Corporation</li><li>Energy Development Corporation</li></ul> <b>Chairman</b> <ul style="list-style-type: none"><li>First Philec, Inc.</li><li>First Balfour, Inc.</li><li>First Philippine Electric Corporation</li><li>First Philippine Industrial Park, Inc.</li><li>First Philippine Realty Corporation</li><li>Terraprima, Inc.</li><li>Thermaprime Drilling Corporation</li><li>FP Island Energy Corporation</li><li>First Industrial Science and Technology School, Inc.</li><li>OML Center for Climate Change Adaptation and Disaster Risk Management Foundation, Inc.</li><li>Sikat Solar Challenge Foundation, Inc.</li><li>Pi Energy, Inc.</li><li>Pi Health, Inc.</li></ul> <b>President</b> <ul style="list-style-type: none"><li>Ang Misyon, Inc.</li></ul> <b>Director</b> <ul style="list-style-type: none"><li>ABS-CBN Corporation</li><li>Lopez Inc.</li><li>Asian Eye Institute</li></ul> <b>Trustee</b> <ul style="list-style-type: none"><li>Philippine Forest Foundation Philippines</li><li>Philippine Disaster Resilience Foundation</li></ul>	<b>Chairman</b> <ul style="list-style-type: none"><li>Brightnote Assets Corporation</li></ul> <b>Vice Chairman</b> <ul style="list-style-type: none"><li>Rockwell Center Association, Inc.</li></ul> <b>Senior Vice President</b> <ul style="list-style-type: none"><li>First Philippine Holdings Corporation</li></ul> <b>Previous Directorships</b> <ul style="list-style-type: none"><li>Rockwell Leisure Club, Inc.</li><li>First Philippine Industrial Park, Inc.</li><li>First Philippine Realty Corporation</li><li>FPIP Property Developers and Management Corporation</li><li>FPIP Utilities Incorporated</li><li>First Batangas Hotel Corporation</li><li>Grand Batangas Resort Development, Inc.</li><li>Terraprima, Inc.</li><li>FPH Land Ventures, Inc.</li></ul> <b>President</b> <ul style="list-style-type: none"><li>Ang Misyon, Inc.</li></ul> <b>Director</b> <ul style="list-style-type: none"><li>ABS-CBN Corporation</li><li>Lopez Inc.</li><li>Asian Eye Institute</li></ul> <b>Trustee</b> <ul style="list-style-type: none"><li>Philippine Forest Foundation Philippines</li><li>Philippine Disaster Resilience Foundation</li></ul>	<b>Former Secretary of Foreign Affairs of the Philippines, 2011 - 2016</b> Awarded the Order of Lakandula with a Rank of Golden Cross (Bayani) <b>Former Philippine Ambassador to the United States of America, 2001 - 2006</b> Awarded the Order of Sikatuna, Rank of Datu <b>Chairman</b> <ul style="list-style-type: none"><li>Philippine Stratbase Consultancy, Inc.</li><li>Gotuaco del Rosario Insurance Brokers, Inc.</li><li>Stratbase ADR Institute, Inc.</li><li>Citizens Fund for Human Rights, Inc.</li></ul> <b>Director</b> <ul style="list-style-type: none"><li>PLDT, Inc.</li><li>Metro Pacific Investments Corporation</li><li>Metro Pacific Tollways Corporation</li><li>Metro Pacific Resources, Inc.</li><li>Metro Pacific Holdings, Inc.</li><li>Metro Pacific Asset Holdings, Inc.</li><li>Philippine Telecommunications Investment Corporation</li><li>Asia Insurance (Phil.) Corporation</li><li>Gotuaco del Rosario Insurance Brokers, Inc.</li><li>Enterprise Investment Holdings, Inc.</li></ul> <b>Trustee</b> <ul style="list-style-type: none"><li>Carlos P. Romulo Foundation for Peace and Development</li><li>Philippine Cancer Society, Inc.</li><li>CSIS Southeast Asia Program</li></ul> <b>Board Advisor</b> <ul style="list-style-type: none"><li>Metrobank Foundation, Inc.</li></ul>	<b>Executive Vice-President</b> <ul style="list-style-type: none"><li>Lopez Holdings Corporation</li></ul> <b>Director</b> <ul style="list-style-type: none"><li>Rockwell Leisure Club, Inc.</li><li>Rockwell Center Association, Inc.</li></ul> <b>Board of Trustee</b> <ul style="list-style-type: none"><li>Eugenio Lopez Foundation, Inc.</li></ul> <b>Adviser</b> <ul style="list-style-type: none"><li>Lopez Group Foundation, Inc.</li></ul> <b>Chairman</b> <ul style="list-style-type: none"><li>Total Consolidated Asset Management, Inc.</li><li>Philippine Life Financial Assurance, Inc.</li><li>Rosehills Memorial Management, Inc.</li><li>Global Resource for Outsourced Workers, Inc.</li><li>GROW-Vite</li><li>STI West Negros University</li></ul> <b>Vice Chairman &amp; CEO</b> <ul style="list-style-type: none"><li>STI Education Services Group</li></ul> <b>Director</b> <ul style="list-style-type: none"><li>iAcademy</li><li>PhilCare</li></ul> <b>Independent Director</b> <ul style="list-style-type: none"><li>Lopez Holdings Corporation</li><li>Jollibee Foods Corporation</li><li>Asian Terminals</li><li>Phoenix Petroleum Philippines, Inc.</li></ul>		



# MANAGEMENT TEAM

Through their vast experience and unmatched drive, our management team strives to reach even greater heights for Rockwell.



**NESTOR J. PADILLA**  
PRESIDENT AND CHIEF EXECUTIVE OFFICER





**MA. LOURDES L. PINEDA**  
Senior Vice President,  
Rockwell Bacolod

**DAVY T. TAN**  
Senior Vice President,  
Project and Business  
Development

**VALERIE JANE L. SOLIVEN**  
Executive Vice President,  
Chief Revenue Officer

**MIGUEL L. LOPEZ**  
Treasurer and  
Senior Vice President,  
Office Development

**ELLEN V. ALMODIEL**  
Executive Vice President,  
Chief Finance and  
Compliance Officer



**ANGELA MARIE B. PAGULAYAN**  
Vice President, Hotel &  
Leisure Development

**MANUEL L. LOPEZ JR.**  
President, Rockwell Leisure  
Club, Inc. and Advisor to the  
Board of Directors

**ESTELA Y. DASMARIÑAS**  
Vice President,  
Human Resources

**JOVIE JADE V. LIM-DY**  
Vice President and  
Project Director,  
Rockwell South

**JESSE S. TAN**  
Vice President,  
Office Development

## MANAGEMENT TEAM

## MANAGEMENT TEAM



MANAGEMENT TEAM



**ROMEO G. DEL MUNDO** | Assistant Vice President, Internal Audit and Chief Audit Officer  
**ALEXIS NIKOLAI S. DIESMOS** | Vice President, Project Development  
**RICA L. BAJO** | Assistant Vice President, Finance & Accounting, Chief Risk and Data Officer  
**GERALDINE B. BRILLANTES** | Assistant Vice President, General Manager for Rockwell Leisure Club, Inc.  
**CHRISTINE T. COQUEIRO** | Vice President, Retail Development

MANAGEMENT TEAM



**JOSE CARLO S. CONSUNJI** | Consultant, Marketing  
**ADOLFO O. GRANADOS** | Senior Consultant, Finance and Accounting  
**ADELA D. FLORES** | Senior Consultant, Property Management  
**BELEN C. NONES** | Consultant, Office Development and Cinema Management  
**JOHN MEARNs** | Senior Consultant, Project Development



**ATTY. ENRIQUE I. QUIASON** | Corporate Secretary  
**ATTY. ESMERALDO C. AMISTAD** | Assistant Corporate Secretary



## ASSISTANT VICE PRESIDENTS

As we venture beyond, so do we entrust our future to the capable hands of our rising leaders.



**MONA K. MANALANG - NARCISO**

**RACHEL M. QUINTO**

**TRACEY G. CASTILLO**

**ANNABELLE A. ONG - TUÑACAO**

**MARCO N. VINLUAN**

**VIENN C. TIONGLICO - GUZMAN**

| Consultant, After Sales Services

| Project Director, Rockwell Primaries

| Marketing

| Human Resources

| Affordable Housing

| Project Director, Rockwell Cebu





**ASSISTANT  
VICE  
PRESIDENTS**

- WHENG U. DAVID | Finance and Accounting
- RINNA L. TIU | Business Development
- SHERRY I. LORENZO | Finance and Accounting
- BENITO P. JAPITANA | Finance and Accounting
- ELLA A. BONTUYAN | Human Resources



**ASSISTANT  
VICE  
PRESIDENTS**

- CAROL G. PINOY | Legal
- SALVA R. CATACUTAN | Consultant, Housekeeping Services
- BENJIE C. GANNOD | Property Management
- JOY Z. HERRERA | Property Management
- ALBERT M. LOBERES | Legal
- TONI C. SISON | Property Management





**ASSISTANT  
VICE  
PRESIDENTS**

- BYRON M. RIMAS | Project Development
- CHRIS B. GECHA | Project Development
- LUCK G. DAMASO | Project Development
- VERGEL V. RAPE | Project Development
- JEFF R. CARONAN | Project Development



**ASSISTANT  
VICE  
PRESIDENTS**

- ERIC R. POTENTE | Project Development
- RINA C. ARNAIZ | Consultant, Project Development
- JACKO M. ZIALCITA | Design and Planning
- THONY A. MONSAYAC | Design and Planning
- ANDRE A. LOPEZ | Design and Planning



## 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 recommend 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 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 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 Report (I-ACGR) by 31 May of each year in lieu of several reports required in the past years. The Company has submitted its I-ACGR annually starting 30 May 2018.

Apart from the mandated Manual, Rockwell 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 also has an Internal Audit Group (“IAG”) composed of Certified Public Accountants. The IAG reports to the Board through the Audit Committee. The IAG provides assurance and consulting functions for Rockwell 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’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 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

The core of Rockwell lies in the communities and people we foster, so we continually aim to go beyond their expectations for timeless experiences together.



## CHINESE NEW YEAR

Last February 5, 2019, fortune smiled upon the entire Rockwell community when they gathered for the annual Lion and Dragon Dance to celebrate Chinese New Year. Family, friends, and our beloved patrons from Metro Manila to the South and beyond came together to experience the vivid colors and impassioned movement of our parade.



## EASTER: THE EGGCHANTED FOREST

On April 21, 2019, The Fifth at Rockwell was taken beyond to the magical Eggchanted Forest for a one-of-a-kind Easter celebration. The event saw elves, fairies, and excited woodland beings come together for otherworldly fun with potions, sweets, flower crowns, and elf hats. The magical troupe then ventured into the mystical woods for games galore before being treated to a stunning fairy performance and an enlightening edutainment session.

## 2019 ROCKWELL CUP & COMMUNITY CHARITY DINNER

Every year, Rockwell residents, club members, and guests gather around for a classic display of sportsmanship, camaraderie, and charity — this is the community tradition that has turned into the anticipated Rockwell Cup. The 2019 cup took place on February 7 and was a flurry of exciting activity for everyone involved. The next day brought even more cause for celebration as we held the Rockwell Cup Community Charity Dinner at The Fifth at Rockwell, an event that brought the spirit of community and charity to new heights by raising awareness for present beneficiaries and recognizing the outstanding performance of star players.



## HALLOWEEN: LEGENDS OF ROCK EGYPT

October 26 didn't just mark one of our signature Halloween adventures, it turned into an event of uncovering ancient hieroglyphics, exploring unknown sands, and more. We turned The Fifth at Rockwell into the Ancient Land of Rock, Egypt where little adventurers were treated to action-packed games and activities that brought out their inner explorers and artists. Their journey continued to a land of delicious treats and mysterious arts as a magician and acrobats wowed the crowd with a pyramid-sized performance.





# 2019 PERFORMANCE REVIEW

## RESULT OF OPERATIONS

Rockwell Land Corporation’s consolidated net income after tax (NIAT) hit a record-high of Php 3.0 billion in 2019, posting a 17% increase from Php 2.6 billion in 2018 and a 3-year compounded annual growth rate of 18%.

Consolidated revenues reached Php 15.7 billion in 2019 with Residential Development accounting for 82% of the total amount and Commercial Development and Hotel Operations contributing 16% and 2%, respectively. Below is a table showing the breakdown of total consolidated revenues.

	2019	% TO TOTAL	2018	% TO TOTAL	2017	% TO TOTAL
Residential Development	12,938	82%	13,411	86%	12,567	88%
Commercial Development	2,482	16%	1,990	13%	1,424	10%
Hotel Operations	290	2%	283	2%	313	2%
<b>Total Consolidated Revenues</b>	<b>15,709</b>	<b>100%</b>	<b>15,684</b>	<b>100%</b>	<b>14,303</b>	<b>100%</b>
Share in Net Income of JV and Associate	323		271		265	

Residential Development revenues of Php 12.9 billion include sales of condominium units and accretion of interest income. The slight decrease from the previous year by 4% was mainly due to lower project construction accomplishments of Proscenium and The Vantage, both of which saw substantial completion in 2018.

Reservation sales, on the other hand, surged to Php 16.7 billion, posting a 12% year-on-year growth. This was mainly driven by the strong performance of Rockwell South and Nara Residences, both launched in 2019, as well as Lorraine and Sakura towers of The Proscenium at Rockwell.

Commercial Development revenues grew by 25% to Php 2.5 billion. Lease income, which accounted

for the bulk of the segment’s revenues, saw a year-on-year increase of 23% from Php 1.5 billion to Php 1.8 billion, mainly due to improved occupancy of Power Plant Mall Expansion, RBC Sheridan, and Santolan Town Plaza.

Revenues from retail operations amounted to Php 1.4 billion and comprised 9% of total consolidated revenues. The 19% growth from last year’s Php 1.2 billion was largely driven by the sizable increase in occupancy of Santolan Town Plaza. Cinema operations, on the other hand, contributed Php 278.4 million or 2% of the total consolidated revenues in 2019.

Office leasing revenues, which cover units located in 8 Rockwell, RBC Sheridan, and Santolan Town Plaza, increased by 34% to Php 602.9 million from Php 451.2 million last year, on the back of improved average occupancy to 99%, from 71% in 2018.

Share in net income of joint venture and associate reached Php 322.7 million in 2019, 19% higher than the previous year. This pertains to Rockwell’s share in the operations of RBC Ortigas, under the Rockwell-Meralco BPO venture, and Rockwell South, under the newly-formed Rockwell Carmelray Development Corporation (RCDC).

Gross revenues of RBC Ortigas grew by 5% from Php 704.2 million in 2018 to Php 738.6 million in 2019 due to rent escalation. At a 70% share, the JV contributed revenues of Php 517.0 million and share in net income of Php 307.9 million. On the other hand, from the 14.7% share in RCDC, profit or total comprehensive income of the associate amounted to Php 14.9 million for the period ended on December 31, 2019.

Hotel revenues, which accounted for 2% of total consolidated revenues, saw a 2% increase from Php 283.5 million in 2018 to Php 289.9 million in 2019 due to improved occupancy and room rates of Edades Serviced Apartments.

Consolidated EBITDA amounted to Php 6.0 billion, a 13% growth from the previous year’s Php 5.4 billion. Residential Development contributed 63% while Commercial Development and Hotel Operations accounted for 35% and 2% of total EBITDA in 2019, respectively.

EBITDA from recurring businesses grew to Php 2.2 billion, posting a 44% year-on-year increase coming from the full year impact of the additional leasable commercial spaces completed in early 2018.



General and administrative expenses (GAE) amounted to Php 2.1 billion in 2019, a 2% decrease from the previous year’s Php 2.2 billion. Likewise, the GAE ratio decreased to 13% in 2019 from 14% in 2018.

CASH FLOW AND FUNDING

The company spent a total of Php 11.1 billion, gross of VAT, for project and capital expenditures in 2019. Bulk of the expenditures pertain to development costs of Proscenium, The Arton, Aruga Hotel in Makati, Aruga Resort and Residences - Mactan, and cost to acquire properties in Bacolod and Iloilo. Capital expenditures were funded through a combination of internally generated funds and debt availments.

The company declared and paid dividends amounting to Php 504.9 million to its shareholders, 20% higher than the previous year’s Php 419.4 million payout.

FINANCIAL POSITION

Total assets as of December 31, 2019 amounted to Php 63.5 billion, a 12% increase from the previous year. The uptick was largely due to the completion and substantial construction accomplishment of residential development projects and several investment properties, as well as recognition of trade receivables following the completion progress of ongoing residential projects. In addition, the company started consolidating RCDC with the increased investment during the year.

Total Liabilities as of December 31, 2019 amounted to Php 39.2 billion, 4% higher than last year’s Php 37.6 billion. The slight increase was primarily attributable to the availment of loans to fund construction of both residential and commercial projects.

Total Equity as of December 31, 2019 amounted to Php 24.3 billion, a growth of 28% from the previous year. This was mainly driven by the Php 3.0 billion NIAT and the Php 2.8 billion non-controlling interests of RCDC in 2019.

KPI	2019	2018	2017
EBITDA <sup>1</sup> ( PHP BILLIONS)	6.0	5.4	4.2
Current Ratio <sup>2</sup> (x)	2.47	2.17	2.85
Net DE Ratio <sup>3</sup> (x)	0.82	1.16	1.02
Asset to Equity Ratio <sup>4</sup> (x)	2.61	2.97	2.82
Interest Coverage Ratio <sup>5</sup> (x)	4.17	4.62	5.49
ROA <sup>6</sup>	5.00%	4.91%	4.92%
ROE <sup>7</sup>	13.85%	14.26%	13.31%
EPS <sup>8</sup> (PHP)	0.48	0.42	0.36

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

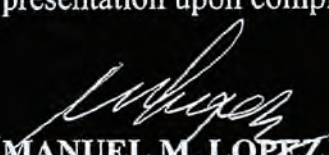
The management of **ROCKWELL LAND CORPORATION AND SUBSIDIARIES** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting 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.

  
**MANUEL M. LOPEZ**  
Chairman of the Board

  
**NESTOR J. PADILLA**  
Chief Executive Officer


  
**ELLEN V. ALMODIEL**  
Chief Financial Officer

Signed this JUN 25 2020 day of June 2020.

SUBSCRIBED AND SWORN to before me this day JUN 25 2020 at Makati City, affiant exhibiting to me his/her Passport as follows:

NAME	PASSPORT NO.	DATE ISSUED	PLACE ISSUED
Manuel M. Lopez	P1793181B	30 May 2019	DFA Manila
Nestor J. Padilla	P3279524A	03 June 2017	DFA NCR Central
Ellen V. Almodiel	P2373847B	29 June 2019	DFA NCR East

Doc No. 162 ;  
Page No. 34 ;  
Book No. XV ;  
Series of 2020.

  
**MA. FE CAROLYN GO-PINOY**  
Notary Public for Makati City  
Appointment No. M-338 until December 31, 2020  
Roll of Attorneys No. 39698  
IBP Lifetime No. 014554/ Zamboanga  
PTR No. 8138670/ 01.14.2020/ Makati City  
MCLE Compliance No. VI-0025386  
8 Rockwell, Higayon Drive, Makati City



SyCip Gorres Velayo & Co.  
6760 Ayala Avenue  
1226 Makati City  
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, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 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.



### ***Real Estate Revenue and Cost Recognition***

The Group's revenue recognition process, policies and procedures are significant to our audit because these involve application of significant judgment and estimation: (1) assessment of the probability that the entity will collect the consideration from the buyer; (2) determination of the transaction price; (3) application of the output method as the measure of progress in determining real estate revenue; (4) determination of the actual costs incurred as cost of real estate sold; and (5) recognition of cost to obtain a contract.

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 performance 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 real estate sold, the Group estimates costs incurred on materials, labor and overhead which have not yet been billed by the contractors.

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 method (POC) in amortizing sales commission consistent with the Group's revenue recognition policy.

The disclosures related to the real estate revenue and cost are included in Notes 5, 21 and 23 to the consolidated financial statements.

### ***Audit Response***

We obtained an understanding of the Group's revenue recognition process.

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 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 sold, 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 and progress payment certificates.

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 against the POC used in recognizing the related revenue from real estate sales.

### **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, 2019, 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, 2019 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.

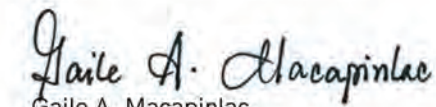
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Partner

CPA Certificate No. 98838

SEC Accreditation No. 1621-AR-1 (Group A),  
November 11, 2019, valid until November 10, 2022

Tax Identification No. 205-947-572

BIR Accreditation No. 08-001998-126-2019,  
November 27, 2019, valid until November 26, 2022

PTR No. 8125254, January 7, 2020, Makati City

June 25, 2020



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

	December 31	
	2019	2018 (As restated - Note 3)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 7, 30 and 31)	<b>₱5,705,862</b>	₱2,055,480
Trade and other receivables (Notes 8, 16, 21, 30 and 31)	<b>4,822,557</b>	4,262,292
Contract assets (Notes 8, 21 and 30)	<b>6,873,196</b>	11,034,645
Real estate inventories (Notes 3, 9 and 29)	<b>12,017,060</b>	10,486,706
Advances to contractors (Note 9)	<b>1,565,150</b>	1,740,863
Other current assets (Notes 3, 10, 17, 30 and 31)	<b>2,118,503</b>	1,288,983
Total Current Assets	<b>33,102,328</b>	30,868,969
<b>Noncurrent Assets</b>		
Investment properties (Notes 3, 11 and 16)	<b>14,412,263</b>	12,517,057
Property and equipment (Notes 12 and 16)	<b>5,618,342</b>	3,899,687
Investment in joint venture and associate (Note 13)	<b>2,943,581</b>	3,357,375
Contract assets - net of current portion (Notes 8, 21 and 30)	<b>6,278,211</b>	5,158,949
Investment in equity instruments at FVOCI (Notes 14, 30 and 31)	<b>41,519</b>	23,308
Deferred tax assets - net (Notes 3 and 26)	<b>45,862</b>	272,736
Other noncurrent assets (Notes 3, 11, 12, 17, 28, 30 and 31)	<b>1,062,750</b>	573,739
Total Noncurrent Assets	<b>30,402,528</b>	25,802,851
	<b>₱63,504,856</b>	₱56,671,820
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Notes 3, 9, 15, 18, 21, 25, 30 and 31)	<b>₱7,488,329</b>	₱9,064,040
Current portion of interest-bearing loans and borrowings (Notes 6, 8, 11, 12, 16, 30 and 31)	<b>5,238,844</b>	5,173,729
Installment payable (Note 17)	<b>599,975</b>	-
Income tax payable	<b>73,111</b>	-
Total Current Liabilities	<b>13,400,259</b>	14,237,769
<b>Noncurrent Liabilities</b>		
Interest-bearing loans and borrowings - net of current portion (Notes 8, 11, 12, 16, 30 and 31)	<b>20,496,901</b>	19,053,087
Deferred tax liabilities - net (Notes 3 and 26)	<b>1,735,851</b>	1,484,498
Installment payable (Note 17)	<b>-</b>	571,748
Lease liabilities - net of current portion (Notes 3, 15, 29, 30 and 31)	<b>605,952</b>	-
Pension liability - net (Note 25)	<b>211,465</b>	97,000
Deposits and other liabilities (Notes 3, 9, 15, 18, 25, 30 and 31)	<b>2,705,634</b>	2,155,622
Total Noncurrent Liabilities	<b>25,755,803</b>	23,361,955
Total Liabilities	<b>39,156,062</b>	37,599,724

(Forward)

	December 31	
	2019	2018 (As restated - Note 3)
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
Capital stock (Notes 19 and 20)	<b>₱6,270,882</b>	₱6,270,882
Additional paid-in capital	<b>28,350</b>	28,350
Other comprehensive income (Note 14)	<b>16,719</b>	11,618
Other equity adjustments (Note 20)	<b>540,323</b>	291,162
Share-based payments (Note 19)	<b>69,700</b>	69,700
Retained earnings (Notes 3 and 20):		
Appropriated	<b>7,000,000</b>	7,000,000
Unappropriated	<b>7,393,978</b>	5,018,298
	<b>21,319,952</b>	18,690,010
Less cost of treasury shares (Notes 1 and 20)	<b>185,334</b>	185,334
Total Equity Attributable to Equity Holders of the Parent Company	<b>21,134,618</b>	18,504,676
Non-controlling interests (Note 6)	<b>3,214,176</b>	567,420
Total Equity	<b>24,348,794</b>	19,072,096
	<b>₱63,504,856</b>	₱56,671,820

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		
	2019	2018 (As restated - Note 3)	2017 (As restated - Note 3)
<b>REVENUE</b>			
Revenue from sale of real estate (Note 21)	₱10,825,267	₱11,360,387	₱10,777,599
Lease income (Note 11)	1,845,204	1,499,103	1,006,952
Interest income (Notes 7, 8 and 22)	1,720,776	1,781,008	1,479,907
Cinema revenue (Note 21)	278,410	277,697	211,316
Room revenue (Notes 12 and 21)	221,326	220,194	285,730
Others (Notes 13 and 21)	818,483	545,906	541,889
	15,709,466	15,684,295	14,303,393
<b>EXPENSES</b>			
Cost of real estate (Notes 3, 9, 11 and 23)	7,722,698	8,143,738	8,156,696
General and administrative expenses (Notes 3, 11, 12, 13, 23, 24 and 25)	2,112,637	2,155,287	1,809,269
Selling expenses (Notes 23 and 24)	1,063,192	964,918	877,702
	10,898,527	11,263,943	10,843,667
<b>INCOME BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX</b>	<b>4,810,939</b>	<b>4,420,352</b>	<b>3,459,726</b>
<b>OTHER INCOME (EXPENSES)</b>			
Interest expense (Notes 3, 16, 23 and 29)	(1,357,301)	(1,161,879)	(718,013)
Share in net income of joint venture and associate (Note 13)	322,737	270,595	264,763
Gain on bargain purchase (Note 6)	191,069	-	-
Gain on remeasurement of previously held interest (Note 6)	58,509	-	-
Foreign exchange gain (loss) - net	(162)	3,273	(1,378)
	(785,148)	(888,011)	(454,628)
<b>INCOME BEFORE INCOME TAX</b>	<b>4,025,791</b>	<b>3,532,341</b>	<b>3,005,098</b>
<b>PROVISION FOR INCOME TAX</b> (Note 26)	<b>1,018,942</b>	<b>965,720</b>	<b>834,541</b>
<b>NET INCOME</b>	<b>3,006,849</b>	<b>2,566,621</b>	<b>2,170,557</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Net gain on equity instruments designated at FVOCI (Note 14)	6,211	3,650	-
Remeasurement gain (loss) on employee benefits (Note 25)	(147,877)	(5,204)	42,515
Income tax effect	40,680	1,013	(12,755)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Unrealized gain on AFS investments	-	-	2,850
Income tax effect	-	-	(427)
	(100,986)	(541)	32,183
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱2,905,863</b>	<b>₱2,566,080</b>	<b>₱2,202,740</b>

	Years Ended December 31		
	2019	2018 (As restated - Note 3)	2017 (As restated - Note 3)
<b>Net Income Attributable To</b>			
Equity holders of the Parent Company	₱2,956,553	₱2,571,417	₱2,191,631
Non-controlling interests	50,296	(4,796)	(21,074)
	₱3,006,849	₱2,566,621	₱2,170,557
<b>Total Comprehensive Income Attributable To</b>			
Equity holders of the Parent Company	₱2,855,900	₱2,570,876	₱2,223,814
Non-controlling interests	49,963	(4,796)	(21,074)
	₱2,905,863	₱2,566,080	₱2,202,740
<b>Earnings Per Share Attributable to Equity Holders of the Parent Company</b> (Note 32)			
Basic	₱0.4831	₱0.4201	₱0.3580
Diluted	₱0.4819	₱0.4193	₱0.3575

*See accompanying Notes to Consolidated Financial Statements.*



ROCKWELL LAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

(Amounts in Thousands)

Equity Attributable to Equity Holders of the Parent Company										
	Capital Stock (Notes 19 and 20)	Additional Paid-in Capital	Comprehensive Income (Note 14)	Other Equity Adjustments (Note 20)	Share-based Payments (Note 19)	Retained Earnings (Notes 3 and 20)		Treasury Shares (Notes 1 and 20)	Non-controlling Interests (Note 6)	
						Appropriated	Unappropriated		Total	
Balance at December 31, 2018, as previously reported	₱6,270,882	₱28,350	₱11,618	₱291,162	₱69,700	₱7,000,000	₱5,234,655	(₱185,334)	₱18,721,033	₱567,420
Effect of adoption of new accounting standards (Note 3)	-	-	-	-	-	-	-	(186,530)	-	-
Balance at December 31, 2018, as restated	6,270,882	28,350	11,618	291,162	69,700	7,000,000	5,048,125	(185,334)	18,534,503	567,420
Net income	-	-	-	-	-	-	2,956,553	-	2,956,553	50,296
Other comprehensive loss (Notes 14 and 25)	-	-	5,101	-	-	-	(105,754)	-	(100,653)	(333)
Total comprehensive income	-	-	5,101	-	-	-	2,850,799	-	2,855,900	49,963
Cash dividends (Note 20)	-	-	-	-	-	-	(504,946)	-	(504,946)	-
Acquisition of non-controlling interests (Note 6)	-	-	-	249,161	-	-	-	-	249,161	(249,161)
Non-controlling interests arising from acquisition of a subsidiary (Note 6)	-	-	-	-	-	-	-	-	-	-
Balance at December 31, 2019	₱6,270,882	₱28,350	₱16,719	₱540,323	₱69,700	₱7,000,000	₱7,393,978	(₱185,334)	₱21,134,618	₱3,214,176
									₱24,348,794	
Balance at December 31, 2017, as previously reported	₱6,270,882	₱28,350	₱8,516	₱291,162	₱69,700	₱5,000,000	₱5,110,876	(₱185,334)	₱16,594,152	₱572,216
Effect of adoption of new accounting standard (Note 3)	-	-	-	-	-	-	-	(240,927)	-	-
Balance at December 31, 2017, as restated	6,270,882	28,350	8,516	291,162	69,700	5,000,000	4,869,949	(185,334)	16,353,225	572,216
Net income	-	-	-	-	-	-	2,571,417	-	2,571,417	(4,796)
Other comprehensive loss (Notes 14 and 25)	-	-	3,102	-	-	-	(3,643)	-	(541)	-
Total comprehensive income	-	-	3,102	-	-	-	2,567,774	-	2,570,876	(4,796)
Appropriation, net of reversal (Note 20)	-	-	-	-	-	2,000,000	(2,000,000)	-	-	-
Cash dividends (Note 20)	-	-	-	-	-	-	(419,425)	-	(419,425)	-
Balance at December 31, 2018	₱6,270,882	₱28,350	₱11,618	₱291,162	₱69,700	₱7,000,000	₱5,018,298	(₱185,334)	₱18,504,676	₱567,420
									₱19,072,096	

	Equity Attributable to Equity Holders of the Parent Company								Total	Non-controlling Interests (Note 6)	Total Equity
	Capital Stock (Notes 19 and 20)	Additional Paid-in Capital	Comprehensive Income (Note 14)	Other Equity Adjustments (Note 20)	Share-based Payments (Note 19)	Retained Earnings (Notes 3 and 20)		Treasury Shares (Notes 1 and 20)			
						Appropriated	Unappropriated				
Balance at December 31, 2016, as previously reported	₱6,270,882	₱28,350	₱6,093	₱291,162	₱69,700	₱3,000,000	₱5,884,246	(₱185,334)	₱15,365,099	₱313,290	₱19,101,923
Effect of adoption of new accounting standard (Note 3)	-	-	-	-	-	-	-	(290,158)	(290,158)	-	(290,158)
Net income	-	-	6,093	291,162	69,700	3,000,000	5,594,088	(185,334)	15,074,941	313,290	18,811,765
Other comprehensive income	-	-	2,423	-	-	-	2,191,631	-	2,191,631	(21,074)	2,170,557
Total comprehensive income	-	-	2,423	-	-	-	29,760	-	32,183	-	32,183
Appropriation (Note 20)	-	-	-	-	-	-	2,221,391	-	2,223,814	(21,074)	2,202,740
Non-controlling interests arising from incorporation of a subsidiary	-	-	-	-	-	2,000,000	(2,000,000)	-	-	-	-
	-	-	-	-	-	-	(364,985)	-	(364,985)	-	(364,985)
Balance at December 31, 2017	₱6,270,882	₱28,350	₱8,516	₱291,162	₱69,700	₱5,000,000	₱5,450,494	(₱185,334)	₱16,933,770	₱572,216	₱20,649,520



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

Years Ended December 31			
	2019	2018 (As restated - Note 3)	2017 (As restated - Note 3)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>₱4,025,791</b>	₱3,532,341	₱3,005,098
Adjustments for:			
Interest income (Notes 7, 8 and 22)	<b>(1,720,776)</b>	(1,781,008)	(1,479,907)
Interest expense (Notes 3, 16, 23 and 29)	<b>1,357,301</b>	1,161,879	718,013
Depreciation and amortization (Notes 11, 12 and 23)	<b>902,091</b>	658,585	491,711
Share in net income of joint venture (Note 14)	<b>(322,737)</b>	(270,595)	(264,763)
Gain on bargain purchase (Note 6)	<b>(191,069)</b>	-	-
Gain on remeasurement of previously held interest (Note 6)	<b>(58,509)</b>	-	-
Pension expense, net of contributions (Note 25)	<b>(33,412)</b>	(10,838)	(31,320)
Unrealized foreign exchange loss (gain) - net	<b>162</b>	(3,273)	1,378
Operating income before working capital changes	<b>3,958,842</b>	3,287,091	2,440,210
Decrease (increase) in:			
Trade and other receivables	<b>1,505,950</b>	11,600,909	(3,398,673)
Contract assets	<b>3,042,187</b>	(16,193,594)	-
Real estate inventories	<b>638,493</b>	(736,993)	179,833
Advances to contractors	<b>175,713</b>	555,996	340,821
Other current assets	<b>(716,527)</b>	29,883	485,613
Increase (decrease) in trade and other payables	<b>(1,727,315)</b>	936,493	2,055,471
Net cash generated from (used for) operations	<b>6,877,343</b>	(520,215)	2,103,275
Income taxes paid	<b>(571,287)</b>	(715,213)	(638,511)
Interest paid	<b>(1,448,315)</b>	(1,159,738)	(767,974)
Net cash provided by (used in) operating activities	<b>4,857,741</b>	(2,395,166)	696,790
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of:			
Investment properties (Note 12)	<b>(1,775,871)</b>	(793,453)	(3,800,533)
Property and equipment (Note 13)	<b>(1,257,713)</b>	(1,342,164)	(733,323)
Investment in associate (Note 14)	<b>-</b>	(450,000)	-
Acquisition of a subsidiary, net of cash received (Note 6)	<b>478,384</b>		
Acquisition of a non-controlling interests (Note 6)	<b>(208,000)</b>		
Dividends received (Note 14)	<b>271,661</b>	244,336	262,896
Decrease (increase) in other noncurrent assets	<b>(91,511)</b>	(361,667)	1,055
Interest received	<b>69,211</b>	6,604	12,611
Proceeds from sale of property and equipment	<b>-</b>	-	5,199
Net cash used in investing activities	<b>(2,513,839)</b>	(2,696,344)	(4,252,095)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from availments of loans and borrowings (Note 16)	<b>6,071,382</b>	7,237,600	6,250,000
Payments of:			
Interest-bearing loans and borrowings (Note 16)	<b>(4,558,725)</b>	(2,918,976)	(1,968,527)
Debt issue cost (Note 16)	<b>(40,546)</b>	(38,516)	(35,000)
Dividends (Note 20)	<b>(499,367)</b>	(415,100)	(362,355)
Lease liabilities (Notes 15 and 29)	<b>(33,520)</b>		
Increase in deposits and other liabilities	<b>533,894</b>	715,767	514,647
Advances to non-controlling interest (Note 28)	<b>(400,000)</b>		
Subsidiary's issuance of shares to non-controlling interest	<b>233,524</b>	-	280,000
Net cash provided by financing activities	<b>1,306,642</b>	4,580,775	4,678,765
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(162)</b>	3,273	(1,378)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>3,650,382</b>	(507,462)	1,122,082
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>2,055,480</b>	2,562,942	1,440,860
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)</b>	<b>₱5,705,862</b>	₱2,055,480	₱2,562,942

See accompanying Notes to Consolidated Financial Statements.

**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Amounts in Thousands, Except Number of Shares, Earnings Per Share Value and Unless Otherwise Specified)**

**1. Corporate Information**

Rockwell Land Corporation (Rockwell Land or the Parent Company) is incorporated in the Philippines and is engaged in real estate development and sale or lease of condominium and commercial units and lots. The 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.

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, 2019 and 2018, 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 Parent Company's principal office address is 2F 8 Rockwell, Hidalgo Drive, Rockwell Center, Makati City.

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on June 25, 2020.

**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 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), which include the availment of the relief granted by the SEC under Memorandum Circular Nos. 14-2018 and 3-2019 as of 2018 for the following implementation issues of PFRS 15 affecting the real estate industry:

- Exclusion of land in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E
- Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
- Accounting to Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H
- Adoption of PIC Q&A No. 2018-14: PFRS 15 – Accounting for Cancellation of Real Estate Sales

PFRS also includes Philippine Accounting Standards (PAS), including Philippine Interpretations based on equivalent interpretations of International Financial Reporting Interpretations Committee (IFRIC) 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:

Subsidiaries	Nature of Business	Percentage of Ownership		
		2019	2018	2017
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	76.4
Retailscapes Inc. (Retailscapes)	Commercial development	100.0	100.0	100.0
Rockwell Primaries South Development Corporation (Rockwell Primaries South) (through Rockwell Primaries)	Real estate development	100.0	60.0	60.0
Rockwell MFA Corp. (Rock MFA)	Real estate development	80.0	80.0	80.0
Rockwell Carmelray Development Corporation (RCDC, formerly Carmelray Property Holdings, Inc.)*	Real estate development	52.3	14.7	-

*\*Incorporated in July 2018; Became a subsidiary in December 2019*

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 are consistent with those of the previous financial year, except for the adoption of the following new accounting pronouncements starting January 1, 2019. Adoption of these pronouncements did not have any significant impact on the Group’s consolidated financial position or performance unless otherwise indicated.

- Adoption of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (IAS 23, *Borrowing Cost*) for the Real Estate Industry

In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under par. 35(c) of PFRS 15. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under IAS 23 considering that these inventories are ready for their intended sale in their current condition.

The IFRIC agenda decision would change the Group’s current practice of capitalizing borrowing costs on real estate projects with pre-selling activities.

On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4, Series of 2020, providing relief to the Real Estate Industry by deferring the implementation of the above IFRIC Agenda Decision until December 31, 2020. Effective January 1, 2021, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC agenda decision.

For real estate companies that avail of the deferral, the SEC requires disclosure in the Notes to the Financial Statements of the accounting policies applied, a discussion of the deferral of the subject implementation issues, and a qualitative discussion of the impact in the financial statements had the IFRIC agenda decision been adopted.

The Group did not avail of the relief provided by the SEC and instead adopted the IFRIC agenda decision retrospectively effective January 1, 2019. Accordingly, prior year consolidated financial statements have been restated to recognize as “Interest expense” and “Interest income” previously capitalized interest (net of interest income) as part of “Real estate inventories” account in 2018 and 2017. A third consolidated statement of financial position as at January 1, 2018 is not presented as the restatement affects limited accounts only as described below.

The effect of implementing the requirements of the IFRIC Agenda Decision as at December 31, 2018 and 2017 (January 1, 2018) and for the years ended December 31, 2018 and 2017 follows:

Consolidated Statements of Financial Position

	As previously reported, December 31, 2018	Adjustment Increase (Decrease)	As restated, January 1, 2019
Real estate inventories	₱10,795,787	(₱309,081)	₱10,486,706
Deferred tax liabilities - net	1,577,222	(92,724)	1,484,498
Unappropriated retained earnings	5,234,655	(216,357)	5,018,298*

*\*before impact of adoption of PFRS 16, Leases*



	As previously reported, December 31, 2017	Adjustment Increase (Decrease)	As restated, January 1, 2018
Real estate inventories	₱9,884,565	(₱344,181)	₱9,540,384
Deferred tax liabilities - net	1,066,216	(103,254)	962,962
Unappropriated retained earnings	5,110,876	(240,927)	4,869,949

	As previously reported, December 31, 2016	Adjustment Increase (Decrease)	As restated, January 1, 2017
Unappropriated retained earnings	5,884,246	(290,158)	5,594,088

*Consolidated Statements of Comprehensive Income*

	As previously reported, December 31, 2018	Adjustment Increase (Decrease)	As restated, December 31, 2018
Cost of real estate	₱9,031,544	(₱887,806)	₱8,143,738
Interest expense	309,173	852,706	1,161,879
Provision for income tax	955,190	10,530	965,720

	As previously reported, December 31, 2017	Adjustment Increase (Decrease)	As restated, December 31, 2017
Cost of real estate	₱8,739,992	(₱583,296)	₱8,156,696
Interest expense	250,983	467,030	718,013
Provision for income tax	799,661	34,880	834,541

- PFRS 16, *Leases*

PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

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. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted PFRS 16 using the modified retrospective approach upon adoption of PFRS 16 in 2019 and elects to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17 and Philippine Interpretation IFRIC-4.

The effect of adoption of PFRS 16 as at January 1, 2019 is as follows:

	Increase (Decrease)
Assets:	
Investment properties	₱524,486
Other current assets	(13,279)
Other noncurrent assets	(2,500)
Deferred tax assets - net	1,710

	Increase (Decrease)
Liabilities:	
Lease liabilities	₱627,520
Deferred tax liabilities - net	(28,117)
Trade and other payables	(116,313)
Total adjustment on equity	
Retained earnings	29,827

Based on the above, as at January 1, 2019:

- Investment properties were recognized amounting to ₱524.5 million, representing the amount of right-of-use assets set up on transition date.
- Lease liabilities of ₱627.5 million were recognized.
- Prepaid costs (included under the “Other current assets” account in the consolidated statement of financial position) of ₱13.3 million and trade and other payables of ₱116.3 million related to previous operating leases arising from straight lining under PAS 17 were derecognized.
- Deferred tax liabilities decreased by ₱29.8 million because of the deferred tax impact of the changes in assets and liabilities.
- The net effect of these adjustments had been adjusted to retained earnings amounting to ₱29.8 million.

The Group has lease contracts for land and machinery and equipment. Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 4 for the accounting policy prior to January 1, 2019.

Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. Refer to Note 4 for the accounting policy beginning January 1, 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

*Leases previously accounted for as operating leases*

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for all leases were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application.

The lease liabilities at as January 1, 2019 reconciled to the operating lease commitments as of December 31, 2018 follows:

Operating lease commitments as at December 31, 2018	₱2,218,904
Weighted average incremental borrowing rate at January 1, 2019	7.57%
Discounted operating lease commitments at January 1, 2019	₱627,520
Lease liabilities recognized at January 1, 2019	₱627,520

Due to the adoption of PFRS 16, the Group’s operating profit in 2019 will improve while its interest expense will increase. This is due to the change in the accounting for rent expense related to leases that were classified as operating leases under PAS 17.

- 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.

The Group determined, based on its tax compliance review and assessment, and in consultation with its tax counsel, that it is probable that its tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statements of the Group.

• 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.

These amendments had no impact on the consolidated financial statements of the Group.

• 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 had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

• 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*.

These amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in its associate and joint venture.

• *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 had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

- 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 had no impact on the consolidated financial statements of 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, they had no impact on the consolidated financial statements of the Group.



<p><b>Standards Issued but not yet Effective</b></p> <p>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.</p> <p><i>Effective beginning on or after January 1, 2020</i></p> <ul style="list-style-type: none"><li>Amendments to PFRS 3, <i>Definition of a Business</i></li></ul> <p>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.</p> <p>An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.</p> <p>These amendments will apply on future business combinations of the Group.</p> <ul style="list-style-type: none"><li>Amendments to PAS 1, <i>Presentation of Financial Statements</i>, and PAS 8, <i>Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material</i></li></ul> <p>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 judgements.</p> <p>An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.</p> <p><i>Effective beginning on or after January 1, 2021</i></p> <ul style="list-style-type: none"><li>PFRS 17, <i>Insurance Contracts</i></li></ul> <p>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, <i>Insurance Contracts</i>. 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.</p> <p>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:</p> <ul style="list-style-type: none"><li>A specific adaptation for contracts with direct participation features (the variable fee approach)</li><li>A simplified approach (the premium allocation approach) mainly for short-duration contracts</li></ul> <p>PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.</p> <p><i>Deferred effectivity</i></p> <ul style="list-style-type: none"><li>Amendments to PFRS 10, <i>Consolidated Financial Statements</i>, and PAS 28, <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i></li></ul> <p>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</p>	
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<p>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.</p> <p>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.</p>	
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<p><b>4. Summary of Significant Accounting Policies</b></p>	
<p><b>Business Combinations</b></p> <p>Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.</p> <p>When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.</p> <p>If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. It is then considered in the determination of goodwill.</p> <p>Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, <i>Financial Instruments</i>, is measured at fair value with the changes in fair value recognized in the statement of profit or loss in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.</p> <p>Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.</p> <p>After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.</p> <p>Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.</p> <p>If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because the fair values to be assigned to the acquiree’s identifiable assets and liabilities can be determined only provisionally, the Group accounts for the</p>	



combination using provisional values. Adjustments to those provisional values as a result of completing the initial accounting shall be made within twelve (12) months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date. Goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

#### Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent 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, 2019 and 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 and other receivables, restricted cash and refundable deposits as at December 31, 2019 and 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, 2019 and 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

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), lease liabilities, interest-bearing loans and borrowings, installment payable, retention payable and security deposits as at December 31, 2019 and trade and other payables (excluding statutory payables), interest-bearing loans and borrowings, installment payable, retention payable and security deposits as at December 31, 2018.

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 of Financial Instruments

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.

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.

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.

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

Real estate inventories consist of condominium units, house and lots for sale and development. 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 and development
- Planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs; and
- Borrowing costs capitalized prior to start of pre-selling activities for the real estate project.

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 the Group’s operations. These are capitalized to projects under “Real estate inventories”, “Investment properties” and “Property and equipment” accounts in the consolidated statement of financial position upon actual receipt of services. 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 Retail Row, 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.

Effective January 1, 2019, it is the Group’s policy to classify right-of-use assets as part of investment properties. Prior to that date, all of the Group’s leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded in the consolidated statement of financial position. The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use



assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets of 35 years. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

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 comprehensive 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 the 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 assets" 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.

##### *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 Assets.* 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.

In September 2019, the Philippine Interpretations Committee (PIC) issued additional guidance to the real estate industry on the implementation of PFRS 15, including guidance on the recording of the difference between the consideration received from the customer and the transferred goods to the customer (i.e., measured based on percentage-of-completion). The PIC allowed real estate companies to recognize the difference as either a contract asset or unbilled receivable. If presented as a contract asset, the disclosures required under PFRS 15 should be complied with. Otherwise, the disclosures required under PFRS 9 should be provided.

The Group opted to retain its existing policy of recording the difference between the consideration received from the customer and the transferred goods to the customer as contract asset.

*Contract Liabilities.* 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, Derecognition 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 Real Estate.* 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.

#### Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### *Group as a Lessor prior to and upon Adoption of PFRS 16*

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.

#### *Group as a Lessee upon Adoption of PFRS 16*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

*Lease Liabilities.* At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease

payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

*Short-term Leases and Leases with Low-value Assets.* The Group applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

#### *Group as a Lessee Prior to Adoption of PFRS 16*

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. 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.

#### 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.

#### 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.



<p><u>Value-added Tax (VAT)</u></p> <p>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.</p> <p>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.</p> <p>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.</p> <p><u>Foreign Currency-Denominated Transactions</u></p> <p>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.</p> <p><u>Borrowing Costs</u></p> <p>Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets (included in “Property and equipment” and “Investment properties” accounts in the consolidated statement of financial position). Capitalization ceases when pre-selling of real estate inventories under construction commences. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.</p> <p>The interest capitalized is calculated using the Group’s weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment.</p> <p>The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.</p> <p><u>Provisions</u></p> <p>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.</p> <p><u>Contingencies</u></p> <p>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.</p>	
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<p><u>Events after the Reporting Period</u></p> <p>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.</p> <p><u>Basic/Diluted Earnings Per Share</u></p> <p>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.</p> <p>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.</p> <p><u>Segment Reporting</u></p> <p>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.</p>	
<p><b>5. Significant Accounting Judgments, Estimates and Assumptions</b></p> <p>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.</p> <p><u>Judgments</u></p> <p>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:</p> <p><i>Determination of Business Models.</i> 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:</p> <ul style="list-style-type: none"><li>▪ 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;</li><li>▪ 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</li><li>▪ The expected frequency, value and timing of sales are also important aspects of the Group’s assessment.</li></ul> <p>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.</p>	



*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 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).

*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 real estate recognized over time amounted to ₱10,825.3 million and ₱11,360.4 million in 2019 and 2018, respectively, while room, cinema and other revenues recognized at a point in time amounted to ₱1,318.2 million and ₱1,043.8 million in 2019 and 2018, respectively (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 (Group as a Lessor).* 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 ₱1,845.2 million, ₱1,499.1 million and ₱1,007.0 million in 2019, 2018 and 2017, respectively (see Note 11).

*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 13).

*Interest in an Associate.* The Parent Company owns 14.7% 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 13).

*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 2019, 2018 and 2017.

#### 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.

*Purchase Price Allocation in Business Combinations and Acquisition of Associate and Goodwill.* The Group accounts for the acquired businesses using the acquisition method which requires extensive use of accounting judgments and estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date. Any difference in the purchase price and the fair values of the net assets acquired is recorded as either goodwill, a separate account in the consolidated statement of financial position, or gain on bargain purchase in the consolidated statement of comprehensive income. Thus, the numerous judgments made in estimating the fair value to be assigned to the acquiree's assets and liabilities can materially affect the Group's financial position and performance.

The Group's acquisition of a subsidiary has resulted in recognition of gain on bargain purchase amounting to ₱191.1 million for the year ended December 31, 2019 (see Note 6).

#### *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. This information is 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) individuals and (ii) corporate customers. No impairment losses were recognized in 2019 and 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 real estate and cost of real estate sold amounted to ₱10,777.6 million and ₱8,156.7 million, respectively, in 2017.

*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.

*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.

*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 ₱12,017.1 million and ₱10,486.7 million as at December 31, 2019 and 2018, respectively (see Note 9).

*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 2019, 2018 and 2017.

Investment properties, net of accumulated depreciation, (excluding land and investment properties in progress) amounted to ₱11,414.2 million and ₱9,747.2 million as at December 31, 2019 and 2018, respectively (see Note 11).

Property and equipment, net of accumulated depreciation and amortization, (excluding land and construction in progress) amounted to ₱2,013.0 million and ₱2,276.5 million as at December 31, 2019 and 2018, respectively (see Note 12).

*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:

	2019	2018
Investment properties (see Note 11)	₱14,412,263	₱12,517,057
Property and equipment (see Note 12)	5,618,342	3,899,687
Investment in joint venture and associate (see Note 13)	2,943,581	3,357,375

The fair value of the investment properties amounted to ₱27.2 billion and ₱25.7 billion as at December 31, 2019 and 2018, respectively (see Note 11).

No impairment loss was recognized in 2019, 2018 and 2017.

*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 ₱45.9 million and ₱313.7 million as at December 31, 2019 and 2018, respectively. Unrecognized deferred tax assets amounted to ₱93.1 million and ₱25.4 million as at December 31, 2019 and 2018, 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 ₱287.9 million and ₱161.9 million as at December 31, 2019 and 2018, 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. Business Combination and Non-controlling Interests

a. RCDC

On August 8, 2018, the Parent Company entered into a Joint Venture Agreement with San Ramon Holdings, Inc., CVY Property Holdings, Inc. and various individuals (collectively “Carmelray shareholders”) to develop the residential project in Canlubang, Laguna called “Rockwell South at Carmelray”. Pursuant to the Agreement, RCDC was designated by the Parent Company and the Carmelray shareholders to handle the development of “Rockwell South at Carmelray” project. As at December 31, 2018, the Parent Company held 14.7% interest in RCDC, equivalent to 450,000 common shares (eventually converted into 44.1 million Class A redeemable preferred shares and 900,000 common shares on May 27, 2019), and was accounted for as an investment in associate (see Note 13).

On November 20, 2019, the Parent Company subscribed to an additional 240.9 million Class A redeemable preferred shares, representing 37.6% of the total issued and outstanding shares of RCDC, for a total purchase price of ₱2,409.0 million, subject to SEC approval of RCDC’s increase in authorized capital stock. On December 18, 2019, the SEC approval has been obtained and RCDC became Rockwell Land’s subsidiary

As a result, the Parent Company’s ownership interest in RCDC increased from 14.7% to 52.3% and the transaction was accounted for as a business combination using the acquisition method. Accordingly, the Parent Company’s previously held interest of 14.7% was remeasured at acquisition date resulting in recognition of gain on remeasurement of ₱58.5 million in the 2019 consolidated statement of comprehensive income.

The provisional fair values and the corresponding carrying amounts of the identifiable assets and liabilities of RCDC at acquisition date are as follows:

	Provisional Fair Value	Carrying Value
Cash and cash equivalents	₱1,080,634	₱1,080,634
Receivables and contract assets	2,215,644	2,215,644
Real estate inventories	3,120,964	2,543,464
Other current assets	126,271	126,271
Trade and other payables	440,701	440,701
Deferred tax liability (asset) - net	133,410	(39,840)
Net assets	5,969,402	₱5,565,152
Non-controlling interests (47.7% of fair value of net assets acquired)	(2,845,954)	
Fair value of previously held interest	(523,379)	
Gain on bargain purchase	(191,069)	
Consideration transferred	₱2,409,000	

The identifiable net assets included in the December 31, 2019 consolidated statement of financial position were based on a provisional assessment of their fair value while the Group sought an independent valuation for the real estate inventories of RCDC. The valuation had not been completed by June 25, 2020.

The receivables and contract assets have not been impaired and it is expected that the full contractual amounts can be collected.



The non-controlling interests were recognized as a proportion of the fair value of the identifiable net assets acquired.

Non-controlling interest in RCDC amounted to ₱2,846.0 million as at December 31, 2019.

RCDC did not contribute any revenues and net income to the 2019 consolidated revenues and consolidated net income of the Group. If the acquisition had taken place at the beginning of the year, RCDC’s contributions to the 2019 consolidated revenue and consolidated net income would have been ₱363.3 million and ₱151.8 million, respectively. Transaction costs incurred for the acquisition amounted to ₱24.1 million which were recorded as part of “Taxes and licenses” included under “General and administrative expenses” account in the 2019 consolidated statement of comprehensive income (see Note 23).

The gain on bargain purchase was the result of the higher increase in the fair value of RCDC’s real estate inventories as compared to the consideration transferred by the Parent Company.

As at and for the year ended December 31, 2019, RCDC’s summarized financial information follows:

	Amount
Current assets	₱5,564,259
Noncurrent assets	441,594
Current liabilities	411,933
Noncurrent liabilities	2,048
Revenues	363,287
Total comprehensive income	97,818
Cash flows:	
Operating	(205,225)
Financing	835,774

b. 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 ₱92.7 million as at December 31, 2018 is presented as part of “Notes payable” under “Interest-bearing loans and borrowings” account in the 2018 consolidated statement of financial position. The note payable was paid in full in 2019 (see Note 16).

On July 29, 2019, Rockwell Primaries, ATR Holdings, Inc. and Dragon Eagle International Limited entered into a Share Sale and Purchase Agreement wherein Rockwell Primaries will purchase the 1,240,000 common shares held by ATR Holdings, Inc. and Dragon Eagle International Limited, equivalent to 40% ownership interest, for a total consideration of ₱208.0 million. As a result, Rockwell Primaries South became a wholly owned subsidiary of Rockwell Primaries effective July 2019 and non-controlling interests was reduced by ₱249.2 million, representing the carrying value of non-controlling interests as of the date of additional acquisition. The difference between the consideration paid and carrying value of the non-controlling interest of ₱41.2 million, was credited to other equity adjustment. The total consideration was paid in full in 2019.

Non-controlling interest in Rockwell Primaries South amounted to ₱260.3 million as at December 31, 2018.

c. 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, 2019 and 2018, the Parent Company owns 80% interest in Rock MFA.

Non-controlling interest in Rock MFA amounted to ₱292.6 million and ₱287.5 million as at December 31, 2019 and 2018, respectively.

7. Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand and in banks	₱1,574,009	₱646,204
Short-term investments	4,131,853	1,409,276
	₱5,705,862	₱2,055,480

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 ₱26.0 million, ₱5.0 million and ₱10.2 million in 2019, 2018 and 2017 respectively (see Note 22).

8. Trade and Other Receivables and Contract Assets

Trade and other receivables consist of:

	2019	2018
Trade receivables from:		
Sale of real estate (see Note 21)	₱4,367,513	₱3,677,506
Lease	234,784	378,403
Advances to officers and employees (see Note 28)	44,736	43,067
Others - net of allowance for doubtful accounts of ₱2.0 million in 2019 and 2018	175,524	163,316
	₱4,822,557	₱4,262,292

Trade receivables from sale of real estate lots 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, contract assets consist of:

	2019	2018
Current	₱6,873,196	₱11,034,645
Noncurrent	6,278,211	5,158,949
	₱13,151,407	₱16,193,594

Contract assets represent 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, 2019, the movement in contract assets comprises of the reclassifications to installment contracts receivables from sale of real estate, and unbilled revenues recognized for the year amounting to ₱4,367.5 million and ₱13,151.4 million, respectively. As at December 31, 2018, the movement in contract assets is due to the reclassifications from current and noncurrent trade receivables from sale of real estate 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 ₱1.7 billion, ₱1.8 billion and ₱1.5 billion in 2019, 2018 and 2017, respectively (see Note 22). Unamortized unearned interest on these receivables and contract assets amounted to ₱2.5 billion and ₱3.2 billion as at December 31, 2019 and 2018, respectively.

Movements of unearned interest on trade receivables from sale of real estate and contract assets follow:

	2019	2018
Trade receivables/contract assets at nominal amount	₱19,993,913	₱23,017,504
Less unearned interest:		
Balance at beginning of year	3,146,404	3,112,043
Unearned interest	980,621	1,803,792
Amortization (see Note 22)	(1,652,032)	(1,769,431)
Balance at end of year	2,474,993	3,146,404
Trade receivables/contract assets at discounted amount	₱17,518,920	₱19,871,100

Trade receivables and contract assets were subjected to impairment assessment in 2019 and 2018 using ECL model. No expected credit losses on trade receivables and contract assets were recognized in 2019 and 2018.

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

In 2019 and 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, 2019, the carrying value of installment contracts receivables and contract assets, and the corresponding loans payable amounted to ₱4,657.9 million and ₱5,420.1 million, respectively (see Note 16). As at December 31, 2018, the carrying value of installment contracts receivables and contract assets, 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, Santolan Town Plaza, 53 Benitez, The Arton Strip, The Vantage Gallery and East Bay Retail Row 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.

There is no movement in the allowance for doubtful accounts on other receivables in 2019 and 2018.

9. Real Estate Inventories

This account consists of:

	2019	2018 (As restated - see Note 3)
Land and development costs:		
Rockwell South	₱3,120,964	₱-
The Arton	1,579,418	1,241,382
East Bay Residences (see Note 6)	1,167,581	1,448,641
Proscenium (see Note 17)	1,023,308	2,737,523
Mactan	826,461	1,261,177
Bacolod	361,249	-
Terreno South	357,725	-
32 Sanson	212,393	402,684
Stonewell	178,393	198,637
The Vantage	128,776	456,891
Edades Suites	7,638	128,150
Land held for future development and other developments costs	2,753,229	2,367,567
Condominium units for sale	299,925	244,054
	₱12,017,060	₱10,486,706

The rollforward analysis of this account follows:

	2019	2018 (As restated - see Note 3)
At January 1, as previously reported	₱10,795,787	₱9,884,565
Add effect of adoption of: IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (IAS 23, <i>Borrowing     Costs</i> ) for the Real Estate Industry (see Note 3)	(309,081)	(344,181)
At January 1, as restated	10,486,706	9,540,384
Cost of real estate sold (shown as part of “Cost of real estate” account in the consolidated statements of comprehensive income)	(7,327,049)	(7,769,076)
Effect of business combination (see Note 6)	3,120,964	-
Construction/development costs incurred (see Note 29)	5,440,607	6,993,401
Land acquired	1,247,949	1,721,997
Transfers to property and equipment (see Note 12)	(952,117)	-
Balance at end of year	₱12,017,060	₱10,486,706

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	
				2019	2018
The Arton:					
West	Highrise condominium, Quezon City	2022	Superstructure	₱1,544,990	₱2,016,559
North	Highrise condominium, Quezon City	2023	Substructure	2,126,939	2,414,719
East Bay Residences:					
Fordham	Midrise condominium, Muntinlupa City	2021	Superstructure	650,217	1,027,797
Larsen	Midrise condominium, Muntinlupa City	2023	Site development	1,179,575	1,213,163
Rockwell South:					
Cluster 1	Residential lots, Laguna	2022	Land development	1,150,713	-
Cluster 2	Residential lots, Laguna	2022	Site development	425,320	-

(Forward)



Project	Structure and Location	Expected Completion Date	Construction Stage*	Estimated Cost to Complete	
				2019	2018
Proscenium:					
Lorraine	Highrise condominium, Rockwell Center	2020	Superstructure	<b>₱305,938</b>	₱356,543
Residences	Highrise condominium, Rockwell Center	2022	Superstructure	<b>2,188,780</b>	2,240,195
32 Sanson Solihiya	Low rise condominium, Cebu City	2021	Superstructure	<b>293,803</b>	671,788
The Vantage					
West	Midrise condominium, Pasig City	2021	Superstructure	<b>262,477</b>	401,721
East	Midrise condominium, Pasig City	2021	Superstructure	<b>285,559</b>	456,016
Stonewell:					
Acacia	Low rise residential buildings, Batangas	2020	Superstructure	<b>3,513</b>	29,516
Royal Palms	Low rise residential buildings, Batangas	2022	Superstructure	<b>214,323</b>	-
Edades Suites	Highrise condominium, Rockwell Center	2020	Superstructure	<b>360,586</b>	672,484
Terreno South	Residential lots, Batangas	2022	Land development	<b>37,260</b>	-
				<b>₱11,029,993</b>	₱11,500,501

\*Construction stage as at December 31, 2019.

As at December 31, 2019 and 2018, land held for future development and other development costs mainly pertain to land acquisitions in Manila and certain provinces.

As at December 31, 2019 and 2018, advances to contractors, shown separately in the consolidated statements of financial position, mainly pertain to advances related to the development of various projects.

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

Total cash received from pre-selling activities amounted to ₱1,149.3 million and ₱788.0 million as at December 31, 2019 and 2018, respectively (see Notes 15, 18 and 21).

10. Other Current Assets

This account consists of:

	2019	2018
Creditable withholding tax	<b>₱774,761</b>	₱331,807
Prepaid costs (see Notes 17 and 21)	<b>608,855</b>	197,945
Input VAT	<b>586,681</b>	232,132
Refundable deposits	<b>73,594</b>	78,368
Supplies	<b>16,230</b>	29,802
Restricted cash (see Note 14)	<b>15,416</b>	400,000
Others	<b>42,966</b>	18,929
	<b>₱2,118,503</b>	₱1,288,983

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 security deposits and advance rent in accordance with lease agreement.

As at December 31, 2019, restricted cash represents funds in escrow intended for the payment of land acquired during the year. 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 13). 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.

11. Investment Properties

The rollforward analysis of this account follows:

2019					
	Land	Buildings and Improvements	Right-of-use Assets	Investment Properties in Progress	Total
At January 1, 2019, net of accumulated depreciation and amortization, as previously reported	<b>₱2,622,994</b>	<b>₱9,747,215</b>	<b>₱-</b>	<b>₱146,848</b>	<b>₱12,517,057</b>
Add effect of adoption of PFRS 16 (see Note 3)	-	-	<b>524,486</b>	-	<b>524,486</b>
At January 1, 2019, net of accumulated depreciation and amortization, as restated	<b>2,622,994</b>	<b>9,747,215</b>	<b>524,486</b>	<b>146,848</b>	<b>13,041,543</b>
Additions:					
Land acquisition	<b>154,160</b>	-	-	-	<b>154,160</b>
Construction costs (see Note 29)	-	<b>1,448,511</b>	-	<b>178,966</b>	<b>1,627,477</b>
Reclassification	-	<b>104,952</b>	-	<b>(104,952)</b>	-
Depreciation and amortization (see Note 23)	-	<b>(395,649)</b>	<b>(15,268)</b>	-	<b>(410,917)</b>
At December 31, 2019, net of accumulated depreciation and amortization	<b>₱2,777,154</b>	<b>₱10,905,029</b>	<b>₱509,218</b>	<b>₱220,862</b>	<b>₱14,412,263</b>

2019					
	Land	Buildings and Improvements	Right-of-use Assets	Investment Properties in Progress	Total
At January 1, 2019:					
Cost, as previously reported	<b>₱2,622,994</b>	<b>₱12,378,678</b>	<b>₱-</b>	<b>₱146,848</b>	<b>₱15,148,520</b>
Add effect of adoption of PFRS 16 (see Note 3)	-	-	<b>524,486</b>	-	<b>524,486</b>
Cost, as restated	<b>2,622,994</b>	<b>12,378,678</b>	<b>524,486</b>	<b>146,848</b>	<b>15,673,006</b>
Accumulated depreciation and amortization	-	<b>(2,631,463)</b>	-	-	<b>(2,631,463)</b>
Net carrying amount	<b>₱2,622,994</b>	<b>₱9,747,215</b>	<b>₱524,486</b>	<b>₱146,848</b>	<b>₱13,041,543</b>
At December 31, 2019:					
Cost	<b>₱2,777,154</b>	<b>₱13,932,141</b>	<b>₱524,486</b>	<b>₱220,862</b>	<b>₱17,454,643</b>
Accumulated depreciation and amortization	-	<b>(3,027,112)</b>	<b>(15,268)</b>	-	<b>(3,042,380)</b>
Net carrying amount	<b>₱2,777,154</b>	<b>₱10,905,029</b>	<b>₱509,218</b>	<b>₱220,862</b>	<b>₱14,412,263</b>

2018					
	Land	Buildings and Improvements		Investment Properties in Progress	Total
At January 1, 2018, net of accumulated depreciation and amortization	<b>₱2,622,994</b>	<b>₱9,278,880</b>		<b>₱196,392</b>	<b>₱12,098,266</b>
Construction costs (see Note 29)	-	<b>646,605</b>		<b>146,848</b>	<b>793,453</b>
Reclassification	-	<b>196,392</b>		<b>(196,392)</b>	-
Depreciation and amortization (see Note 23)	-	<b>(374,662)</b>		-	<b>(374,662)</b>
At December 31, 2018, net of accumulated depreciation and amortization	<b>₱2,622,994</b>	<b>₱9,747,215</b>		<b>₱146,848</b>	<b>₱12,517,057</b>

2018					
	Land	Buildings and Improvements		Investment Properties in Progress	Total
At January 1, 2018:					
Cost	<b>₱2,622,994</b>	<b>₱11,535,681</b>		<b>₱196,392</b>	<b>₱14,355,067</b>
Accumulated depreciation and amortization	-	<b>(2,256,801)</b>		-	<b>(2,256,801)</b>
Net carrying amount	<b>₱2,622,994</b>	<b>₱9,278,880</b>		<b>₱196,392</b>	<b>₱12,098,266</b>
At December 31, 2018:					
Cost	<b>₱2,622,994</b>	<b>₱12,378,678</b>		<b>₱146,848</b>	<b>₱15,148,520</b>
Accumulated depreciation and amortization	-	<b>(2,631,463)</b>		-	<b>(2,631,463)</b>
Net carrying amount	<b>₱2,622,994</b>	<b>₱9,747,215</b>		<b>₱146,848</b>	<b>₱12,517,057</b>



Investment properties are carried at cost. Investment properties consist of the “Power Plant” Mall (P3.8 billion as at December 31, 2019 and 2018), other investment properties held for lease within the Rockwell Center, The Grove, Santolan Town Plaza, 53 Benitez, RBC Sheridan, East Bay Retail Row, The Vantage Gallery and The Arton Strip (P9.6 billion and P8.0 billion as at December 31, 2019 and 2018, respectively) and land held for appreciation (P954.8 million and P800.6 million as at December 31, 2019 and 2018, respectively).

Investment properties in progress include costs incurred for the construction of One Proscenium in 2019 and One Proscenium and The Arton Strip in 2018. General borrowing costs capitalized as part of investment properties amounted to P11.1 million and nil in 2019 and 2018, respectively (see Note 16). Average capitalization rates used for all ongoing projects are 5.54% and 5.44% in 2019 and 2018, respectively. As at December 31, 2019 and 2018, unamortized borrowing costs capitalized as part of investment properties amounted to P570.1 million and P587.7 million, respectively.

Accretion of interest expense on installment payable, capitalized as part of construction costs, amounted to P3.0 million and P2.9 million in 2019 and 2018, respectively (see Note 17).

Amortization of discount on retention payable, capitalized as part of construction costs, amounted to P2.8 million in 2019 and 2018 (see Note 18).

As at December 31, 2019 and 2018, advances to contractors, included under “Other noncurrent assets” account in the consolidated statements of financial position, amounting to P349.9 million and P386.8 million, respectively, primarily pertain to advances related to the development of “Mall Expansion” and “One Proscenium” projects; and “Mall Expansion” project, respectively.

Lease income earned from investment properties amounted to P1,845.2 million, P1,499.1 million and P1,007.0 million in 2019, 2018 and 2017, respectively. Direct operating expenses incurred amounted to P633.6 million, P596.8 million and P398.4 million in 2019, 2018 and 2017, respectively.

The aggregate fair value of the Group’s Power Plant Mall and Mall Expansion amounted to P13.0 billion and P12.5 billion as at December 31, 2019 and 2018, 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, 53 Benitez, East Bay Retail Row, The Vantage Gallery, The Arton Strip and land held for appreciation amounted to P14.2 billion and P13.2 billion as at December 31, 2019 and 2018, respectively.

The fair value as at December 31, 2019 and 2018 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 fair value of the mall and investment properties held for lease within the Rockwell Center, The Grove, RBC Sheridan,8 Rockwell, Santolan Town Plaza, 53 Benitez, East Bay Retail Row, The Vantage Gallery and The Arton Strip 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 fair 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 fair 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).

12. Property and Equipment

The rollforward analysis of this account follows:

	2019					
	Land	Buildings and Improvements	Office Furniture and Other Equipment	Transportation Equipment	Construction in Progress	Total
Cost						
At January 1	P155,781	P2,595,255	P1,763,092	P323,428	P1,467,384	P6,304,940
Additions during the year	-	-	170,692	56,911	1,030,110	1,257,713
Transfers from real estate inventories (see Note 9)	952,117	-	-	-	-	952,117
Disposals	-	-	(12,518)	(11,838)	-	(24,356)
At December 31	1,107,898	2,595,255	1,921,266	368,501	2,497,494	8,490,414
Accumulated Depreciation and Amortization						
At January 1	-	807,805	1,351,733	245,716	-	2,405,254
Depreciation and amortization (see Note 22)	-	214,019	219,263	57,892	-	491,174
Disposals	-	-	(12,518)	(11,838)	-	(24,356)
At December 31	-	1,021,824	1,558,478	291,770	-	2,872,072
Net Book Value at December 31	P1,107,898	P1,573,431	P362,788	P76,731	P2,497,494	P5,618,342

	2018					
	Land	Buildings and Improvements	Office Furniture and Other Equipment	Transportation Equipment	Construction in Progress	Total
Cost						
At January 1	P155,781	P2,508,473	P1,670,726	P294,434	P376,487	P5,005,901
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	323,429	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	P155,781	P1,787,450	P411,359	P77,713	P1,467,384	P3,899,687

Property and equipment account includes the portion of Edades used in the hotel operations (referred to as “Edades Serviced Apartments”). The net book value of Edades Serviced Apartments included in property and equipment account amounted to P610.1 million and P638.4 million as at December 31, 2019 and 2018, respectively.

Borrowing costs capitalized as part of property and equipment amounted to P71.5 million and P34.4 million in 2019 and 2018, respectively (see Note 16). Average capitalization rates used are 5.54% and 5.44% in 2019 and 2018, respectively.

As at December 31, 2019 and 2018, advances to contractors, included under “Other noncurrent assets” account in the consolidated statements of financial position, amounting to P235.9 million and P116.4 million, respectively, primarily pertain to advances related to the development of “Aruga Makati” and “Mactan Hotel” projects; and “Aruga Makati” project, respectively.



13. Investment in Joint Venture and Associate

This account consists of:

	2019	2018
Investment in:		
Joint venture	<b>₱2,943,581</b>	₱2,907,375
Associate	-	450,000
	<b>₱2,943,581</b>	₱3,357,375

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 ₱8.3 million, ₱11.4 million and ₱9.7 million in 2019, 2018 and 2017, 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. Construction of the third tower was completed in December 2014.

The joint venture’s statements of financial position include the following:

	2019	2018
Current assets	<b>₱1,076,008</b>	₱857,592
Noncurrent assets	<b>3,712,320</b>	3,741,084
Current liabilities	<b>382,044</b>	162,178
Noncurrent liabilities	<b>201,168</b>	283,106
Cash and cash equivalents	<b>827,326</b>	684,649
Current financial liabilities (excluding trade and other payables and provisions)	<b>91,367</b>	58,289
Noncurrent financial liabilities (excluding trade and other payables and provisions)	<b>190,027</b>	123,826

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

	2019	2018	2017
Revenue	<b>₱738,588</b>	₱704,283	₱689,392
General and administrative expenses	<b>4,278</b>	31,247	30,117
Depreciation and amortization expense	<b>184,499</b>	175,609	175,609
Interest income	<b>19,788</b>	10,675	9,046
Provision for income tax	<b>129,789</b>	123,565	114,479
Total comprehensive income/net income	<b>439,810</b>	384,537	378,233

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

	2019	2018
Cost	<b>₱2,536,691</b>	₱2,536,691
Accumulated share in net income:		
Balance at beginning of year	<b>370,684</b>	344,425
Share in net income*	<b>307,867</b>	270,595
Dividend distribution	<b>(271,661)</b>	(244,336)
Balance at end of year	<b>406,890</b>	370,684
Carrying value	<b>₱2,943,581</b>	₱2,907,375

\*Shown as part of “Share in net income of joint venture and associate” account in the consolidated statements of comprehensive income.

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

	2019	2018
Net assets of the unincorporated JV	<b>₱4,205,116</b>	₱4,153,392
Interest of the Parent Company in the net asset of the unincorporated JV	<b>70%</b>	70%
Carrying amount of investment in joint venture	<b>₱2,943,581</b>	₱2,907,375

As at December 31, 2019 and 2018, the unincorporated JV has no commitments and contingencies.

Investment in Associate

On August 8, 2018, the Parent Company entered into a JV Agreement with Carmelray shareholders, through RCDC (formerly 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 450,000 common shares (eventually converted into 44.1 million Class A redeemable preferred shares and 900,000 common shares on May 27, 2019) 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.

On November 20, 2019, the Parent Company infused ₱602.3 million in RCDC for subscription to an additional 240,900,000 Class A redeemable preferred shares at an aggregate amount of ₱2,409.0 million, subject to SEC approval of RCDC’s increase in authorized capital stock. On December 18, 2019, the SEC approval has been obtained and RCDC became Rockwell Land’s subsidiary. Accordingly, the investment in associate was reclassified to investment in subsidiary and the additional subscription was accounted for as a business combination (see Note 6).

The Parent Company’s share in the profit or loss/total comprehensive income of the associate in 2019 prior to additional subscription amounting to ₱14.9 million is presented as part of the “Share in net income of joint venture and associate” account in the 2019 consolidated statement of comprehensive income. 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.



#### 14. Investment in Equity Instruments at FVOCI

As at December 31, this account consists of:

	2019	2018
Quoted	<b>P38,211</b>	P20,000
Unquoted	<b>3,308</b>	3,308
	<b>P41,519</b>	P23,308

##### Quoted Equity Shares

This primarily consists of investment in Manila Polo Club shares. Movement in the balance follows:

	2019	2018
Balance at beginning of year	<b>P20,000</b>	P16,350
Additional investment	<b>12,000</b>	-
Unrealized gain on fair value adjustments (gross of tax effect of P900 in 2019 and P548 in 2018)	<b>6,211</b>	3,650
Balance at end of year	<b>P38,211</b>	P20,000

##### 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.

#### 15. Trade and Other Payables

This account consists of:

	2019	2018
Trade	<b>P735,805</b>	P626,706
Accrued expenses:		
Project costs	<b>968,235</b>	2,369,177
Taxes and licenses	<b>654,162</b>	489,243
Selling, marketing and promotions	<b>303,877</b>	63,806
Interest	<b>176,345</b>	386,515
Utilities	<b>80,635</b>	59,777
Repairs and maintenance	<b>49,240</b>	29,764
Producers' share	<b>31,248</b>	24,735
Others (see Notes 18 and 25)	<b>105,750</b>	113,227
Due to related party (see Note 28)	<b>488,808</b>	611,851
Deferred output VAT	<b>1,765,746</b>	2,061,559
Contract liabilities:		
Excess of collections over recognized receivables (see Notes 18 and 21)	<b>940,957</b>	1,085,506
Deposits from pre-selling of condominium units (see Notes 9, 18 and 21)	<b>220,999</b>	436,359
Advance payments from members and customers (see Note 21)	<b>12,812</b>	11,727
Current portions of:		
Security deposits (see Note 18)	<b>262,024</b>	221,259
Retention payable (see Note 18)	<b>201,252</b>	146,427
Deferred lease income (see Note 18)	<b>162,882</b>	114,210
Lease liabilities (see Note 29)	<b>31,807</b>	-
Output VAT	<b>214,634</b>	187,855
Others	<b>81,111</b>	24,337
	<b>P7,488,329</b>	P9,064,040

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

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

Accrued expenses are normally settled within 12 months.

Deposits from pre-selling of condominium units represent cash received from buyers of certain projects with pending recognition of revenue. The current portion of these deposits are expected to be applied against receivable from sale of condominium units the following year (see Notes 9 and 21).

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	2019	2018
<b>Current</b>			
CTS loans	6.0%, 5.9%, 5.7%, 5.5%, 5.3%, 5.0%, 6.25% fixed	<b>P1,777,449</b>	P837,775
Corporate notes	5.1%, 4.8%, 4.7% fixed	<b>1,528,000</b>	1,612,000
Term loan	5.6%, 4.4%, 5.9%, 5.8%, 5.6%, 6.0%, 6.1%, 6.7% fixed, 4.1%, 5.6%, 4.5% floating	<b>1,202,259</b>	836,123
Short-term loans	6.3%, 6.1%, 5.8%, 5.0%, 4.9% fixed	<b>750,000</b>	1,800,000
Notes payable	5.0% fixed	-	117,446
		<b>5,257,708</b>	5,203,344
Less unamortized loan transaction costs		<b>18,864</b>	29,615
		<b>P5,238,844</b>	P5,173,729
<b>Noncurrent</b>			
Term loan	5.6%, 4.4%, 5.9%, 5.8%, 5.6%, 6.0%, 6.1%, 6.7% fixed, 4.1%, 5.6%, 4.5% floating	<b>P11,912,238</b>	P8,910,216
Bonds payable	5.3% fixed	<b>5,000,000</b>	5,000,000
CTS loans	6.0%, 5.9%, 5.7%, 5.5%, 5.3%, 5.0%, 6.25% fixed	<b>3,642,635</b>	3,658,364
Corporate notes	5.1%, 4.8%, 4.7% fixed	-	1,528,000
		<b>20,554,873</b>	19,096,580
Less unamortized loan transaction costs		<b>57,972</b>	43,493
		<b>P20,496,901</b>	P19,053,087

##### 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 P10.0 billion Notes for the purpose of refinancing the existing P4.0 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	P4.0
2	March 7, 2013	2.0
3	May 2013	1.0
4	July 26, 2013	1.5
5	August 27, 2013	1.5
		<b>P10.0</b>



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.

The outstanding balance of the Notes, net of unamortized loan transaction costs, amounted to ₱1,527.9 million and ₱3,136.8 million as of December 31, 2019 and 2018, respectively.

#### Term Loan

On May 25, 2016 and December 19, 2019, the Parent Company entered into credit facilities with PNB each amounting to ₱5.0 billion, for a total of ₱10.0 billion. The Parent Company will pay 70% of the loan amounts quarterly over the term of the loans 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
6	December 2019	7 years	December 2021	20	1.0
					₱6.0

As at December 31, 2019, the total undrawn amount from the credit facilities with PNB amounted to ₱4.0 billion. On November 18, 2019, the Parent Company entered into a credit facility with MBTC amounting to ₱5.0 billion. The Parent Company will pay 50% 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	November 2019	7 years	February 2022	19	₱2.0
2	December 2019	7 years	February 2022	19	1.0
					₱3.0

As at December 31, 2019, the total undrawn amount of this credit facility with MBTC amounted to ₱2.0 billion.

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.

Schedule of drawdowns are shown below.

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, the loan proceeds received by Rockwell MFA from the Parent Company and SEAI Metro Manila One, Inc. follow:

	2019	2018
Parent Company	₱422,400	₱164,000
SEAI Metro Manila One, Inc.	105,600	41,000
	₱528,000	₱205,000

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.

The outstanding balance of the term loans, net of unamortized loan transaction costs, amounted to ₱13,066.5 million and ₱9,720.8 million as of December 31, 2019 and 2018, respectively.

#### 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.

The outstanding balance of the bonds payable, net of unamortized loan transaction costs, amounted to ₱4,991.1 million and ₱4,983.6 million as of December 31, 2019 and 2018, respectively.

#### 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 2019 and 2018, Rockwell Primaries made principal payments on the loan amounting to ₱92.7 million and ₱88.3 million, respectively. In 2019 and 2018, interest expense incurred and paid amounted to ₱4.6 million and ₱9.0 million, respectively (see Note 23). The note payable was paid in full in 2019.

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 2019 and 2018, Rockwell Primaries South made principal payments on the loan amounting to ₱24.7 million and ₱88.2 million, respectively. In 2019 and 2018, interest expense incurred and paid amounted to ₱1.2 million and ₱9.0 million, respectively (see Note 23). The note payable was paid in full in 2019.

The outstanding balance of the notes payable, net of unamortized loan transaction costs, amounted to ₱117.4 million as of December 31, 2018.

#### Contracts to Sell (CTS) Loan Financing

In 2019 and 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 ₱1,060.8 million and ₱350.5 million were made in 2019 and 2018, respectively.

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
14	March 2019	3 years	Apr 2019	39	0.50
15	June 2019	3 years	Jul 2019	39	0.42
16	June 2019	3 years	Jul 2019	29	0.56
17	September 2019	2 years	-	Lumpsum	0.28
18	September 2019	2 years	-	Lumpsum	0.12
19	September 2019	2 years	-	Lumpsum	0.12
					<b>₱6.85</b>

The outstanding balance of the CTS loans, net of unamortized loan transaction costs, amounted to ₱5,350.2 million and ₱4,468.0 million as of December 31, 2019 and 2018, respectively.

#### Short-term Loans

In 2019 and 2018, the Parent Company obtained short-term loans from various financial institutions bearing interest rates ranging from 4.80% to 5.75% with terms of four to six months and ranging from 3.5% to 6.1% with terms of two months up to one year, respectively. As at December 31, 2019 and 2018, outstanding short-term loans amounted to ₱0.8 billion and ₱1.8 billion, respectively.

*Loan Transaction Costs.* As at December 31, 2019 and 2018, 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 movement in the balance of the capitalized loan transaction costs are as follows:

	2019	2018
Balance at beginning of year	<b>₱73,108</b>	₱72,534
Additions	<b>40,546</b>	38,516
Amortization (see Notes 3 and 23)	<b>(36,818)</b>	(37,942)
Balance at end of year	<b>₱76,836</b>	₱73,108

*Interest expense.* Interest expense on interest-bearing loans and borrowings amounted to ₱1,238.1 million, ₱1,081.2 million and ₱645.4 million in 2019, 2018 and 2017, respectively (see Note 23). Interest expense capitalized as part of investment properties amounted to ₱9.6 million and nil in 2019 and 2018, respectively (see Note 11). Interest expense capitalized as part of property and equipment amounted to ₱71.9 million and ₱34.4 million in 2019 and 2018, respectively (see Note 13).

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

Year	Amount
2020	₱5,257,308
2021	8,884,555
2022	2,580,958
2023	1,953,491
2024 and onwards	7,136,269
	<b>₱25,812,581</b>

*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, current ratio and debt service covenant ratio. As at December 31, 2019 and 2018, 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, 2019 and 2018, 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 on installment payable, capitalized as part of investment properties in the consolidated statements of financial position, amounted to ₱3.0 million and ₱2.9 million in 2019 and 2018, respectively (see Note 11). Accretion of interest expense amounting to ₱25.2 million and ₱23.9 million, ₱21.4 million in 2019, 2018 and 2017, respectively, was recognized as part of the “Interest expense” account in the consolidated statements of comprehensive income (see Note 23).

As at December 31, 2019 and 2018, the carrying value of the installment payable amounted to ₱600.0 million and ₱571.7 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, 2019 and 2018, the Parent Company has not drawn from the facility.

Unamortized prepaid premium on the SBLC as at December 31, 2019 and 2018 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, 2019 and 2018, 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:

	2019	2018
Retention payable - net of current portion of ₱201.3 million in 2019 and ₱146.4 million in 2018 (see Note 15)	<b>₱1,169,921</b>	₱1,224,578
Security deposits - net of current portion of ₱262.0 million in 2019 and ₱221.3 million in 2018 (see Note 15)	<b>252,298</b>	258,731
Deferred lease income - net of current portion of ₱162.9 million in 2019 and ₱114.2 million in 2018 (see Note 15)	<b>156,509</b>	158,709
Contract liabilities:		
Deposits from pre-selling of condominium units - net of current portion of ₱221.0 million in 2019 and ₱436.6 million in 2018 (see Notes 9, 15 and 21)	<b>928,261</b>	351,588
Excess of collections over recognized receivables - net of current portion of ₱941.0 million in 2019 (see Notes 15 and 21)	<b>21,505</b>	-
Condominium and utility deposits	<b>130,769</b>	73,512
Others (see Notes 15 and 25)	<b>46,371</b>	88,504
	<b>₱2,705,634</b>	₱2,155,622

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 expensed as part of the "Interest expense" account in the consolidated statements of comprehensive income (see Note 23).

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

	2019	2018
Balance at beginning of year	<b>₱19,675</b>	₱18,455
Additions	<b>24,434</b>	28,323
Amortization (see Notes 3, 11 and 23)	<b>(16,118)</b>	(27,104)
Balance at end of year	<b>₱27,991</b>	₱19,675

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 of the 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.

On April 25, 2019, the Parent Company's BOD approved the extension of plan expiry date of ESOP shares from December 31, 2022 to December 31, 2025.

There were no share options granted or exercised in 2019 and 2018.

As at December 31, 2019 and 2018, the outstanding ESOP shares are as follows:

	2019	2018
Number of grants	<b>63,918,000</b>	63,918,000
Cancellations	<b>(3,510,000)</b>	(3,186,000)
Exercised	<b>(15,000,000)</b>	(15,000,000)
Remaining shares	<b>45,408,000</b>	45,732,000

As at December 31, 2019 and 2018, 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, 2019 and 2018, 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
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 19)	-	15,000,000	
	8,890,000,000	6,243,382,344	

As of December 31, 2019, and 2018, the Parent Company has total shareholders of 46,339 and 46,772, 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, 2019 and 2018.

### 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, 2019 and 2018, the unappropriated consolidated retained earnings include undistributed net earnings of subsidiaries amounting to ₱865.8 million and ₱426.3 million, respectively. Such undistributed net earnings are not currently available for dividend distribution unless declared by the BOD of the subsidiaries. Retained earnings are further restricted to the extent of the cost of treasury shares.

In 2018, the Parent Company's BOD approved the appropriation of retained earnings amounting to ₱7.0 billion (after reversal of ₱5.0 billion appropriation) for capital expenditures and asset acquisitions to be implemented in the next 2 years. As at December 31, 2019 and 2018, appropriated retained earnings amounted to ₱7.0 billion.

On February 3, 2020, the Parent Company's BOD approved the appropriation of retained earnings amounting to ₱9.0 billion (after reversal of ₱7.0 billion appropriation) out of the total retained earnings as of December 31, 2019 to partially fund capital expenditure of the Parent Company.

### e. Dividends

On July 19, 2019, the Parent Company's BOD approved the declaration of a regular cash dividend of ₱0.0831 per share to all common shareholders of record as at August 2, 2019 amounting to ₱503.3 million and 6% per annum cumulative cash dividend from July 1, 2018 to June 30, 2019 to all preferred shareholders amounting to ₱1.7 million. Payments of cash dividends for common shares were made on August 29, 2019.

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.

As at December 31, 2019 and 2018, 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):

	2019		
	Residential Development	Commercial Development	Hotel
Primary geographical markets			
National Capital Region	₱10,138,116	₱585,981	₱221,326
Cebu	729,233	-	-
Laguna	318,302	-	-
Batangas	190,244	-	-
	₱11,375,895	₱585,981	₱221,326
Major product/service lines			
Sale of high-end residential condominium units	₱10,009,150	₱-	₱-
Sale of residential lots	393,337	-	-
Sale of affordable housing units	115,209	-	-
Sale of office spaces	-	307,571	-
Room revenue	-	-	221,326
Cinema revenue	-	278,410	-
Others	858,199	-	-
	₱11,375,895	₱585,981	₱221,326



	2019		
	Residential Development	Commercial Development	Hotel
Timing of revenue recognition			
Transferred over time	₱10,517,696	₱307,571	₱-
Transferred at a point in time	858,199	278,410	221,326
	₱11,375,895	₱585,981	₱221,326
	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 condominium units	₱11,192,098	₱-	₱-
Sale of affordable housing units	126,260	-	-
Sale of office spaces	-	42,029	-
Room revenue	-	-	220,194
Cinema revenue	-	277,697	-
Others	545,906	-	-
	₱11,864,264	₱319,726	₱220,194
Timing of revenue recognition			
Transferred over time	₱11,318,358	₱42,029	₱-
Transferred at a point in time	545,906	277,697	220,194
	₱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.

	2019	2018
Trade receivables* (see Note 8)	₱4,367,513	₱3,677,506
Contract assets (see Note 8)	13,151,407	16,193,594
Deposits from pre-selling of condominium units** (see Notes 15 and 18)	1,149,260	787,947
Excess of collections over recognized receivables** (see Note 15 and 18)	962,462	1,085,506
Advances payments from members and customers** (see Note 15)	12,812	11,727

\*Included under “Trade and other receivables” account

\*\*Included under “Trade and other payables” and “Deposits and other liabilities” accounts

As of December 31, 2019, trade receivables consist of installment contract receivables from sale of condominium units, house and lot and residential lots. As of December 31, 2018, 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. In 2019, the movement in contract assets is mainly due to revenue recognized relative to the increase in percentage of

completion of certain projects and the collection of outstanding receivables of completed residential condominium units. In 2018, the movement in contract assets is mainly due to revenue recognized relative to the increase in percentage of completion of certain projects.

No allowance for expected credit losses related to trade receivables and contract assets was recognized as at December 31, 2019 and 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). In 2019, the movement in contract liabilities is mainly due to additional deposits received from pre-selling of condominium units in the “Mactan” project, excess of collections over revenue recognized of certain projects and the collection of outstanding receivables of completed residential condominium units of certain projects. In 2018, the movement in contract liabilities is mainly due to additional deposits received from pre-selling of condominium units in the “The Arton” and “Mactan” projects.

Revenue recognized from amounts included in contract liabilities at the beginning of 2019 and 2018 amounted to ₱11,741.2 million and ₱8,588.8 million, respectively. For the year ended December 31, 2019 and 2018, revenue recognized from performance obligations satisfied in previous periods amounted to ₱18,339.7 million and nil, respectively.

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; (ii) condominium unit and parking lot; and (iii) residential 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 5% or 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:

	2019	2018
Within one year	₱8,651,715	₱6,837,645
More than one year	16,874,651	6,615,460
	₱25,526,366	₱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 and house and lots are expected to be completed within three to four years from start of construction while residential lots are expected to be completed within two 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, 2019 and 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 ₱526.8 million and ₱412.6 million, respectively (see Note 10). For the year ended December 31, 2019 and 2018, the amortization related to incremental costs to obtain a contract recorded under “Selling expenses” account in the consolidated statements of comprehensive income amounted to ₱497.1 million and ₱413.6 million, respectively (see Note 23). No impairment loss was recognized in the consolidated statements of comprehensive income for the year ended December 31, 2019 and 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, 2019 and 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:

	2019	2018	2017
Interest income from:			
Amortization of unearned interest (see Note 8)	₱1,652,032	₱1,769,431	₱1,467,038
Penalty charges	40,453	1,794	1,670
Cash and cash equivalents (see Note 7)	25,995	5,000	10,185
In-house financing	2,296	4,783	1,014
	₱1,720,776	₱1,781,008	₱1,479,907

23. Expenses

Depreciation and Amortization

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

	2019	2018	2017
Included in:			
General and administrative expenses (see Notes 11 and 12)	₱506,442	₱283,923	₱302,393
Cost of real estate (see Note 11)	395,649	374,662	189,318
	₱902,091	₱658,585	₱491,711

General and Administrative Expenses

General and administrative expenses pertain to the following businesses:

	2019	2018	2017
Real estate	₱1,718,710	₱1,745,684	₱1,406,303
Cinema	256,055	260,984	186,408
Hotel	137,872	148,619	216,558
	₱2,112,637	₱2,155,287	₱1,809,269

a. Real Estate

	2019	2018	2017
Depreciation and amortization (see Notes 11 and 12)	₱463,016	₱237,644	₱248,379
Taxes and licenses (see Note 6)	393,022	455,060	258,122
Personnel (see Notes 24 and 25)	348,241	416,804	346,684
Repairs and maintenance	101,705	97,621	80,171
Entertainment, amusement and recreation	62,775	60,241	92,709
Professional fees	62,027	61,741	73,629
Utilities	57,478	54,660	38,433
Contracted services	45,499	53,512	41,570
Fuel and oil	32,629	36,993	20,834
Dues and subscriptions	31,007	36,167	26,308
Marketing and promotions	29,603	29,256	36,956
Insurance	16,595	18,804	16,423
Security services	15,728	17,913	34,425
Office supplies	7,393	7,315	7,077
Bank charges	6,774	11,388	7,832
Transportation and travel	4,938	4,016	5,108
Rent expense (see Note 3)	-	64,019	9,456
Others	40,280	82,530	62,187
	₱1,718,710	₱1,745,684	₱1,406,303

b. Cinema

	2019	2018	2017
Producers’ share	₱107,238	₱108,314	₱83,527
Utilities	51,789	52,569	27,595
Personnel (see Notes 24 and 25)	23,492	26,279	17,867
Snack bar	23,040	25,390	14,120
Depreciation and amortization (see Note 12)	20,828	21,477	21,637
Amusement tax	19,105	18,774	14,590
Others	10,563	8,181	7,072
	₱256,055	₱260,984	₱186,408



c. Hotel

	2019	2018	2017
Personnel (see Notes 24 and 25)	<b>₱24,034</b>	₱26,002	₱12,393
Depreciation and amortization (see Note 12)	<b>22,598</b>	24,802	32,377
Utilities	<b>18,977</b>	19,293	24,217
Accommodations	<b>14,276</b>	15,564	17,647
Rental expense	<b>10,673</b>	10,012	35,652
Contracted services	<b>9,146</b>	11,231	33,128
Dues and subscriptions	<b>8,246</b>	8,205	17,121
Taxes and licenses	<b>7,057</b>	6,108	8,325
Supplies	<b>4,847</b>	4,706	8,665
Security services	<b>4,458</b>	4,280	6,549
Insurance	<b>1,289</b>	1,377	1,844
Others	<b>12,271</b>	17,039	18,640
	<b>₱137,872</b>	₱148,619	₱216,558

Selling expenses

Selling expenses are comprised of:

	2019	2018	2017
Commissions and amortization of prepaid costs (see Notes 4 and 10)	<b>₱497,104</b>	₱413,587	₱514,392
Marketing and promotions	<b>365,339</b>	382,630	184,472
Personnel (see Notes 24 and 25)	<b>111,376</b>	112,190	116,919
Contracted services	<b>14,583</b>	12,093	12,290
Usufruct	<b>4,176</b>	3,404	2,668
Utilities	<b>13,958</b>	886	6,768
Others	<b>56,656</b>	40,128	40,193
	<b>₱1,063,192</b>	₱964,918	₱877,702

Interest Expense

Interest expense is comprised of:

	2019	2018 (As restated - see Note 3)	2017 (As restated - see Note 3)
Interest expense on interest-bearing loans and borrowings (see Notes 3 and 16)	<b>₱1,238,145</b>	₱1,081,233	₱645,412
Interest expense on lease liabilities (see Notes 3 and 29)	<b>43,759</b>	-	-
Amortization of:			
Loan transaction costs (see Note 16)	<b>36,818</b>	37,942	28,347
Discount on installment payable (see Note 17)	<b>25,220</b>	23,936	21,357
Discount on retention payable (see Note 18)	<b>13,359</b>	18,768	21,582
Amortization of deferred security deposit	-	-	1,315
	<b>₱1,357,301</b>	₱1,161,879	₱718,013

24. Personnel Expenses

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

	2019	2018	2017
Salaries and wages and other employee benefits (see Notes 23 and 25)	<b>₱439,724</b>	₱508,168	₱429,211
Pension costs (see Notes 23 and 25)	<b>51,799</b>	54,889	53,622
	<b>₱491,523</b>	₱563,057	₱482,833

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

	2019	2018	2017
Current service cost	<b>₱48,065</b>	₱49,995	₱45,688
Interest cost	<b>3,734</b>	4,894	7,934
Net pension cost	<b>₱51,799</b>	₱54,889	₱53,622

Net Pension Liability

	2019	2018
Present value of benefit obligation	<b>₱869,851</b>	₱625,760
Fair value of plan assets	<b>(658,386)</b>	(528,760)
Net pension liability	<b>₱211,465</b>	₱97,000

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

	2019	2018
Defined benefit obligation at beginning of year	<b>₱625,760</b>	₱596,808
Current service cost	<b>48,065</b>	49,995
Interest cost	<b>34,435</b>	26,911
Actuarial loss (gain) in other comprehensive income/loss due to:		
Experience adjustments	<b>(22,303)</b>	18,285
Change in assumptions	<b>187,746</b>	(62,158)
Benefits paid	<b>(3,852)</b>	(4,081)
Defined benefit obligation at end of year	<b>₱869,851</b>	₱625,760



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

	2019	2018
Fair values of plan assets at beginning of year	<b>₱528,760</b>	₱494,174
Interest income included in net interest cost	<b>30,701</b>	22,017
Actual contributions	<b>85,211</b>	65,727
Gain (loss) on return on plan assets in other comprehensive income/loss	<b>17,566</b>	(49,077)
Benefits paid	<b>(3,852)</b>	(4,081)
Fair values of plan assets at end of year	<b>₱658,386</b>	₱528,760

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:

	2019	2018
Investments in:		
Government securities	<b>41.60%</b>	35.71%
Loans and debt instruments	<b>2.42%</b>	2.56%
Other securities	<b>55.98%</b>	61.73%
	<b>100.00%</b>	100.00%

The principal assumptions used as at December 31, 2019 and 2018 in determining pension cost obligation for the Group’s plans are as follows:

	2019	2018
Discount rate	<b>5.05%-5.19%</b>	7.39%-7.42%
Future salary rate increases	<b>10.00%</b>	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:

	2019	2018
Cash in banks:		
MBTC	<b>₱6,148</b>	₱26,978
BDO	<b>724</b>	10,335
Receivables - net of payables:		
MBTC	<b>12,544</b>	3,345
BDO	<b>371</b>	664
Investments held for trading:		
MBTC	<b>433,114</b>	308,624
BDO	<b>201,325</b>	178,814
	<b>₱654,226</b>	₱528,760

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 20 years with interest rates ranging from 3.00% to 10.125%.
- 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 1 to 5 years with interest rates ranging from 4.41% to 7.06%.
- 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 ₱73.8 million and ₱84.8 million as at December 31, 2019 and 2018, 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, 2019 and 2018. Except as stated above, there were no other transactions entered into during the year by the Retirement Plan relating to the Group.

In 2019, 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	(₱74,947)
	-100	91,698
Future salary increases	+100	91,527
	-100	(77,054)

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	2019	2018
Less than 1 year	<b>₱305,126</b>	₱296,568
More than 1 year to 5 years	<b>84,215</b>	66,203
More than 5 years to 10 years	<b>332,902</b>	126,906
More than 10 years to 15 years	<b>322,127</b>	447,504
More than 15 years to 20 years	<b>569,939</b>	451,528
More than 20 years	<b>3,848,183</b>	2,832,406

b. Other Employee Benefits

Other employee benefits consist of accumulated employee vacation and sick leave benefit amounting to ₱12.1 million and ₱7.3 million in 2019 and 2018, respectively (see Notes 23 and 24).

The present value of the defined benefit obligation of other employee benefits amounted to ₱85.7 million and ₱64.9 million as at December 31, 2019 and 2018, respectively (see Notes 15 and 18).

26. Income Taxes

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

	2019	2018 (As restated - see Note 3)	2017 (As restated - see Note 3)
Current	<b>₱644,398</b>	₱715,213	₱638,511
Deferred	<b>374,544</b>	250,507	196,030
	<b>₱1,018,942</b>	₱965,720	₱834,541

The provision for income current 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:

	2019	2018 (As restated - see Note 3)
Deferred tax liabilities:		
Unrealized gain on real estate	<b>₱2,071,777</b>	₱1,387,479
Excess of fair value over carrying value of asset acquired in a business combination	<b>173,250</b>	-
Deferred selling expense	<b>75,010</b>	88,263
Capitalized interest	<b>74,340</b>	77,457
Collections after the ITH period on low-cost housing project (Stonewell)	<b>2,896</b>	5,089
Unrealized gain on available-for-sale investments	<b>2,890</b>	1,991
Unrealized foreign exchange gain and others	<b>1,833</b>	1,031
	<b>2,401,996</b>	1,561,310
Deferred tax assets:		
Capitalized interest	<b>362,590</b>	110,119
Deferred lease income	<b>82,825</b>	70,830
Unfunded pension costs	<b>62,168</b>	25,594
NOLCO	<b>43,358</b>	77,011
Lease liabilities, net of right-of-use assets	<b>38,724</b>	-
Unrealized loss on real estate	<b>36,391</b>	-
Other employee benefits	<b>25,721</b>	19,449
Unamortized past service cost	<b>23,682</b>	14,995
Share-based payment	<b>22,574</b>	22,574
MCIT	<b>9,803</b>	3,836
Allowance for doubtful accounts and others	<b>4,143</b>	5,140
Unrealized foreign exchange loss	<b>28</b>	-
	<b>712,007</b>	349,548
	<b>₱1,689,989</b>	₱1,211,762

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

	2019	2018
Deferred tax assets - net	<b>₱45,862</b>	₱272,736
Deferred tax liabilities - net	<b>(1,735,851)</b>	(1,484,498)
	<b>(₱1,689,989)</b>	(₱1,211,762)

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:

	2019	2018
NOLCO	<b>₱25,596</b>	₱229
Advances from members	<b>15,286</b>	14,257
Unfunded pension costs	<b>6,271</b>	8,013
MCIT	<b>1,502</b>	2,301
Allowance for doubtful accounts	<b>731</b>	553
	<b>₱49,386</b>	₱25,353

As at December 31, 2019, MCIT of subsidiaries which can be claimed as deduction from regular taxable income due as follows:

Year Paid	Expiry Year	Amount
2017	2020	₱1,454
2018	2021	3,248
2019	2022	6,603
		<b>₱11,305</b>

MCIT amounting to ₱1.2 million, ₱1.2 million and ₱1.5 million expired in 2019, 2018 and 2017, respectively.

As at December 31, 2019, NOLCO of certain subsidiaries can be carried forward and claimed as deduction against regular taxable income as follows:

Year Incurred	Expiry Date	Amount
2017	2020	₱631
2018	2021	118,964
2019	2022	50,528
		<b>₱170,123</b>

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:

	2019	2018	2017
Statutory income tax rate	<b>30.0%</b>	30.0%	30.0%
Additions to (deductions from) income tax resulting from:			
Share in net income of joint venture and associate	<b>(2.41%)</b>	(2.3%)	(2.7%)
Nontaxable income and others	<b>(0.6%)</b>	(0.4%)	0.4%
Effective income tax rate	<b>26.9%</b>	27.3%	27.7%

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.

On August 13, 2019, the Supreme Court declared that membership fees, assessment dues and fees of similar nature collected by recreational clubs, which are organized and operated exclusively for pleasure, recreation and other nonprofit purposes, are not necessarily subject to income tax as well VAT. Accordingly, Rockwell Club ceased paying output VAT and income tax from its membership dues prospectively starting from August 2019.

## 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 ₱17.7 million and ₱12.5 million in 2019 and 2018, respectively (see Note 26).

On January 8, 2015, the Parent Company 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	Amounts Owed from (to) Related Parties		Terms	Conditions
				Transaction Amount	Related Parties		
Rockwell - Meralco BPO	Joint venture	Advances (see Note 15)	2019	(₱123,043)	(₱488,808)	90-day; noninterest-bearing	Unsecured
			2018	84,196	(611,851)		
			2017	22,931			
		Management fee (see Note 13)	2019	6,765	-	On demand; non-interest-bearing	Unsecured, no impairment
			2018	11,387	19,589		
			2017	9,684			
SEAI Metro Manila One, Inc.	Non-controlling shareholder	Loan payable (see Note 16): Principal	2019	64,600	(105,600)	Payable on December 31, 2022; interest-bearing	Unsecured
			2018	41,000	(41,000)		
			2017	-			
		Interest	2019	5,024	-		
			2018	1,446	-		
			2017	-			
Carmelray shareholders	Non-controlling shareholders	Advances (included under "Other noncurrent assets" account in the consolidated statement of financial position)	2019	400,000	400,000	3 years from the launch of the Phase 1 of the "Rockwell South" project; noninterest-bearing	Unsecured
Advances to officers and employees		Advances (see Note 8)	2019	3,894	44,736	30-day; noninterest-bearing	Unsecured; no impairment
			2018	(19,268)	43,067		
			2017	14,125			

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, 2019, 2018 and 2017, 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

	2019	2018	2017
Short-term employee benefits	₱102,213	₱93,283	₱84,203
Post-employment pension and other benefits (Note 25)	37,927	37,551	38,144
Total compensation attributable to key management personnel	₱140,140	₱130,834	₱122,347

29. Commitments and Contingencies

Lease Commitments

The Group has entered into agreements for the lease of land to be used for various commercial projects. These noncancelable leases have remaining terms of twenty-one years and are automatically renewable for additional ten to 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.

The Group also has certain leases of machinery and equipment with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The following are the amounts recognized in the 2019 consolidated statement of comprehensive income:

	Amount
Depreciation expense of right-of-use assets included in investment properties (see Notes 11 and 23)	₱15,268
Interest expense on lease liabilities (see Note 23)	43,759
Expenses relating to short-term leases (included under "General and administrative expenses" account) (see Note 23)	1,939
	₱60,966

The rollforward analysis of lease liabilities in 2019 follows:

	Amount
As at January 1, 2019, as previously reported	₱-
Effect of adoption of PFRS 16 (see Note 3)	627,520
At January 1, 2019, as restated	627,520
Interest expense (see Note 23)	43,759
Payments	(33,520)
As at December 31, 2019	637,759
Less current portion (see Note 15)	31,807
Noncurrent portion	₱605,952

Future minimum lease payments are as follows:

Year	Amount (in thousands)
2020	₱35,482
2021	36,398
2022	37,661
2023	38,986
2024 and after	2,036,857
	₱2,185,384



Capital Commitment  
The Group entered into contracts covering construction works related to various projects with different contractors and suppliers. The contract sum awarded amounted to ₱12.3 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. As at December 31, 2019 and 2018, ₱11.5 billion and ₱9.4 billion, respectively, has been incurred.

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, 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, 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, 2019 and 2018, approximately 95% 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.

	2019				Total
	Within 1 Year	1-2 Years	2-3 Years	More than 3 Years	
<b>Fixed Rate</b>					
Interest-bearing loans and borrowings	₱5,093,308	₱8,720,405	₱2,416,758	₱8,309,060	₱24,539,531
<b>Floating Rate</b>					
Interest-bearing loans and borrowings	164,000	164,150	164,200	780,700	1,273,050
Short-term investments	4,131,853	-	-	-	4,131,853
	2018				Total
	Within 1 Year	1-2 Years	2-3 Years	More than 3 Years	
<b>Fixed Rate</b>					
Interest-bearing loans and borrowings	₱5,039,743	₱4,116,821	₱8,116,888	₱5,589,871	₱22,863,323
<b>Floating Rate</b>					
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

	2019 Effect on income before income tax increase (decrease)	
	+100 basis points	-100 basis points
Change in basis points		
Floating rate borrowings	(11,853)	11,853
	2018 Effect on income before income tax increase (decrease)	
	+100 basis points	-100 basis points
Change in basis points		
Floating rate borrowings	(8,641)	(8,641)

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.

	2019		Financial Effect of Collateral or Credit Enhancement
	Gross Maximum Exposure	Net Exposure	
Cash and cash equivalents*	₱5,703,879	₱5,686,546	₱17,333
Trade receivables from:			
Sale of real estate	4,367,513	190,740	4,176,773
Lease	234,784	-	234,784
Advances to officers and employees	44,736	44,736	-
Other receivables	175,524	175,524	-
Investment in equity instruments at FVOCI:			
Quoted	38,211	38,211	-
Unquoted	3,308	3,308	-
Refundable deposits**	73,594	73,594	-
Restricted cash**	15,416	14,916	500
Due from related parties***	400,000	400,000	-
	₱11,056,965	₱6,627,575	₱4,429,390



	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 real estate	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
	<b>₱6,774,589</b>	<b>₱2,930,452</b>	<b>₱3,844,137</b>

\*Excluding cash on hand amounting to ₱1,983 and ₱1,792 as at December 31, 2019 and 2018, respectively.  
\*\*Presented as part of “Other current assets” account in the consolidated statements of financial position.  
\*\*\*Presented as part of “Other noncurrent 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.

	2019		
	A Rating	B Rating	Total
Cash and cash equivalents	<b>₱5,705,862</b>	<b>₱-</b>	<b>₱5,705,862</b>
Trade receivables from:			
Sale of real estate	<b>3,817,321</b>	<b>550,192</b>	<b>4,367,513</b>
Lease	<b>191,026</b>	<b>43,758</b>	<b>234,784</b>
Advances to officers and employees	<b>44,736</b>	<b>-</b>	<b>44,736</b>
Other receivables	<b>175,524</b>	<b>-</b>	<b>175,524</b>
Investment in equity instruments at FVOCI:			
Quoted	<b>38,211</b>	<b>-</b>	<b>38,211</b>
Unquoted	<b>3,308</b>	<b>-</b>	<b>3,308</b>
Refundable deposits	<b>73,594</b>	<b>-</b>	<b>73,594</b>
Restricted cash	<b>15,416</b>	<b>-</b>	<b>15,416</b>
Due from related parties	<b>400,000</b>	<b>-</b>	<b>400,000</b>
	<b>₱10,464,998</b>	<b>₱593,950</b>	<b>₱11,058,948</b>

	2018		
	A Rating	B Rating	Total
Cash and cash equivalents	₱2,055,480	₱-	₱2,055,480
Trade receivables from:			
Sale of real estate	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	-	78,368
Restricted cash	400,000	-	400,000
	<b>₱6,363,068</b>	<b>₱456,380</b>	<b>₱6,819,448</b>

For trade receivables from sale of real estate, 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, 2019 and 2018, the analyses of the age of financial assets are as follows:

	2019						
	Current	Less than 30 Days	31 to 60 Days	61 to 90 Days	More than 90 Days	Impaired Financial Assets	Total
Cash and cash equivalents	<b>₱5,705,862</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱5,705,862</b>
Trade receivables from:							
Sale of real estate	<b>4,208,977</b>	<b>37,571</b>	<b>15,771</b>	<b>13,442</b>	<b>91,752</b>	<b>-</b>	<b>4,367,513</b>
Lease	<b>202,107</b>	<b>21,597</b>	<b>6,821</b>	<b>1,389</b>	<b>2,870</b>	<b>-</b>	<b>234,784</b>
Advances to officers and employees	<b>44,736</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,736</b>
Other receivables	<b>175,524</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>175,524</b>
Investment in equity instruments at FVOCI:							
Quoted	<b>38,211</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38,211</b>
Unquoted	<b>3,308</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,308</b>
Refundable deposits	<b>29,634</b>	<b>3,223</b>	<b>36,495</b>	<b>53</b>	<b>4,189</b>	<b>-</b>	<b>73,594</b>
Due from related parties	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>400,000</b>	<b>-</b>	<b>400,000</b>
	<b>₱10,408,359</b>	<b>₱62,391</b>	<b>₱59,087</b>	<b>₱14,884</b>	<b>₱498,811</b>	<b>₱-</b>	<b>₱11,043,532</b>

	2018						
	Current	Less than 30 Days	31 to 60 Days	61 to 90 Days	More than 90 Days	Impaired Financial Assets	Total
Cash and cash equivalents	₱2,055,480	₱-	₱-	₱-	₱-	₱-	₱2,055,480
Trade receivables from:							
Sale of real estate	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
	<b>₱6,022,876</b>	<b>₱162,955</b>	<b>₱75,993</b>	<b>₱14,668</b>	<b>₱142,956</b>	<b>₱-</b>	<b>₱6,419,448</b>

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 real estate and club shares are recoverable since the legal title and ownership of the real estate and club shares will only be transferred to the customers upon full payment of the contract price. In case of cancellation, the real estate and club shares become available for sale. The fair value of the real estate amounted to ₱29.5 billion and ₱21.9 billion as at December 31, 2019 and 2018, respectively. The fair value of the club shares amounted to ₱0.2 million and ₱0.2 million as at December 31, 2019 and 2018.

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 2019 and 2018:

	2019		
	High-end	Affordable	Total
Expected credit loss rate	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Estimated total gross carrying amount at default	<b>₱17,403,711</b>	<b>₱115,209</b>	<b>₱17,518,920</b>



	2018		
	High-end	Affordable	Total
Expected credit loss rate	0.0%	0.0%	0.0%
Estimated total gross carrying amount at default	P19,797,103	P73,997	P19,871,100

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, 2019 and 2018, 20% and 21% of the Group’s debt will mature in less than one year as at December 31, 2019 and 2018, 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, 2019 and 2018 based on contractual undiscounted payments.

	2019				
	On Demand	Due Within 3 Months	Due Between 3 and 12 Months	Due After 12 Months	Total
Trade and other payables*	P-	P2,192,848	P3,423,808	P-	P5,616,656
Interest-bearing loans and borrowings					
Principal	-	2,129,631	3,128,077	20,554,873	25,812,581
Interest**	-	4,704,799	828,365	2,367,957	7,901,121
Installment payable	-	-	655,799	-	655,799
Lease liabilities	-	8,871	26,611	2,149,902	2,185,384
Retention payable***	-	-	201,252	1,169,921	1,371,173
Security deposits***	-	-	262,024	252,298	514,322
	P-	P9,036,149	P8,525,936	P26,494,951	P44,057,036

	2018				
	On Demand	Due Within 3 Months	Due Between 3 and 12 Months	Due After 12 Months	Total
Trade and other payables*	P-	P2,527,453	P4,459,181	P-	P6,986,634
Interest-bearing loans and borrowings					
Principal	-	1,550,322	3,653,022	19,096,580	24,299,924
Interest**	-	1,004,442	860,318	3,196,322	5,061,082
Installment payable	-	-	-	655,799	655,799
Retention payable***	-	-	146,427	1,224,578	1,371,005
Security deposits***	-	-	221,259	258,731	479,990
	P-	P5,082,217	P9,340,207	P24,432,010	P38,854,434

\*Excluding the current portion of retention payable and security deposits, lease liability, deposits from pre-selling of condominium units and excess of collections over recognized receivables and other statutory payables.  
\*\*Future interest payments.  
\*\*\*Presented as part of “Trade and other payables” and “Deposits and other liabilities” accounts in the consolidated statements of financial position.

Maturity Profile of Financial Assets and Contract Assets Held for Liquidity Purposes

The table below shows the maturity profile of the Group’s financial assets and contract assets based on contractual undiscounted cash flows as at December 31:

	2019					
	On Demand	Within 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Cash and cash equivalents	P1,574,009	P4,131,853	P-	P-	P-	P5,705,862
Trade receivables from:						
Sale of real estate	-	4,246,548	15,771	13,442	91,752	4,367,513
Lease	202,107	21,597	6,821	1,389	2,870	234,784
Contract assets	-	1,592,350	387,929	239,185	19,054,443	21,273,907
Investment in equity instruments at FVOCI	-	-	-	-	41,519	41,519
Due from related parties	-	-	-	-	400,000	400,000
	P1,776,116	P9,992,348	P410,521	P254,016	P19,590,584	P32,023,585

	2018					
	On Demand	Within 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Cash and cash equivalents	P646,204	P1,409,276	P-	P-	P-	P2,055,480
Trade receivables from:						
Sale of real estate	-	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
	P982,431	P5,460,703	P2,533,694	P667,538	P19,507,836	P29,152,202

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, 2019 and 2018.

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).

	2019	2018
Interest-bearing loans and borrowings	P25,735,745	P24,226,816
Less cash and cash equivalents	5,705,862	2,055,480
Net debt	20,029,883	22,171,336
Equity	24,348,794	19,072,096
Net debt-to-equity ratio	0.82	1.16

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, 2019 and 2018.

	2019				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
<b>Assets</b>					
Investment properties	P14,419,708	P27,228,446	P-	P7,240,446	P19,988,000
Due from related parties	400,000	357,420	-	-	357,420
Investment in equity instruments at FVOCI	41,519	41,519	38,211	-	3,308
	P14,861,227	P27,627,385	P38,211	P7,240,446	P20,348,728
<b>Liabilities</b>					
Interest-bearing loans and borrowings (including noncurrent portion)	P25,738,348	P25,965,667	P-	P-	P25,965,667
Installment payable	599,975	641,611	-	-	641,611
Retention payable (including noncurrent portion)	1,371,173	1,356,487	-	-	1,356,487
Security deposits (including noncurrent portion)	445,902	430,447	-	-	430,447
	P28,155,398	P28,394,212	P-	P-	P28,394,212



	2018				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets					
Investment properties (see Note 12)	₱12,517,057	₱25,723,787	₱-	₱6,648,687	₱19,224,000
Investment in equity instruments at FVOCI	23,308	23,308	20,000	-	3,308
	₱12,540,365	₱25,747,095	₱20,000	₱6,648,687	₱19,227,308
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

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 Real Estate, 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.

*Due from Related Parties.* The fair value was calculated by discounting the expected future cash flows at prevailing credit adjusted BVAL interest rate of 3.82% as at December 31, 2019.

*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 3.1% to 5.2% as at December 31, 2019 and 5.4% to 7.5% as at December 31, 2018.

*Installment Payable.* The fair value of installment payable were calculated by discounting the expected cash flows at prevailing credit adjusted BVAL interest rates ranging from 3.1% to 5.2% as at December 31, 2019 and 5.4% to 7.5% as at December 31, 2018.

*Retention Payable and Security Deposits.* The fair values were calculated by discounting the expected future cash flows at prevailing credit adjusted BVAL interest rates ranging from 3.0% to 5.2% as at December 31, 2019 and 5.4% to 7.5% as at December 31, 2018.

For the years ended December 31, 2019 and 2018, 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

	2019	2018	2017
<i>(In Thousands, Except Numbers of Shares and Per Share Data)</i>			
Net income attributable to equity holders of the Parent Company	₱2,956,553	₱2,571,417	₱2,191,631
Dividends on preferred shares	(1,650)	(1,650)	(1,650)
Net income attributable to common shares (a)	2,954,903	2,569,767	2,189,981
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	14,626,489	12,158,791	9,513,500
Weighted average number of common shares - diluted (c)	6,131,388,687	6,128,920,989	6,126,275,698
Per share amounts:			
Basic (a/b)	₱0.4831	₱0.4201	₱0.3580
Diluted (a/c)	₱0.4819	₱0.4193	₱0.3575

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:

	2019			
	Residential Development	Commercial Development	Hotel	Total
Revenue	₱12,937,628	₱2,481,952	₱289,886	₱15,709,466
Costs and expenses	(9,177,936)	(633,610)	(184,890)	(9,996,436)
Share in net income of joint venture and associate	14,870	307,867	-	322,737
Other income - net	33	(184)	(11)	(162)
EBITDA	3,774,595	2,156,025	104,985	6,035,605
Depreciation and amortization				(902,091)
Interest expense				(1,357,301)
Gain on bargain purchase				191,069
Gain on remeasurement				58,509
Provision for income tax				(1,018,942)
Consolidated net income				₱3,006,849



	2019			
	Residential Development	Commercial Development	Hotel	Total
Assets and Liabilities				
Segment assets	<b>₱39,566,711</b>	<b>₱527,822</b>	<b>₱436,137</b>	<b>₱40,530,670</b>
Investment properties	-	<b>14,412,263</b>	-	<b>14,412,263</b>
Investment in joint venture and associate	-	<b>2,943,581</b>	-	<b>2,943,581</b>
Property and equipment	<b>3,105,179</b>	<b>1,827,784</b>	<b>685,379</b>	<b>5,618,342</b>
Total assets	<b>₱42,671,890</b>	<b>₱19,711,450</b>	<b>₱1,121,516</b>	<b>₱63,504,856</b>
Segment liabilities	<b>₱33,675,553</b>	<b>₱3,630,357</b>	<b>₱114,301</b>	<b>₱37,420,211</b>
Deferred tax liabilities -net	<b>1,735,851</b>	-	-	<b>1,735,851</b>
	<b>₱35,411,404</b>	<b>₱3,630,357</b>	<b>₱114,301</b>	<b>₱39,156,062</b>

	2018			
	Residential Development	Commercial Development	Hotel	Total
Revenue	₱13,411,276	₱1,989,530	₱283,489	₱15,684,295
Costs and expenses	(9,620,666)	(774,885)	(209,807)	(10,605,358)
Share in net income of joint venture and associate	-	270,595	-	270,595
Other income - net	3,175	77	21	3,273
EBITDA	3,793,785	1,485,317	73,703	5,352,805
Depreciation and amortization				(658,585)
Interest expense				(1,161,879)
Provision for income tax				(965,720)
Consolidated net income				<b>₱2,566,621</b>
Assets and Liabilities				
Segment assets	₱35,964,818	₱586,061	₱346,822	₱36,897,701
Investment properties	-	12,517,057	-	12,517,057
Investment in joint venture and associate	450,000	2,907,375	-	3,357,375
Property and equipment	2,457,215	735,640	706,832	3,899,687
Total assets	<b>₱38,872,033</b>	<b>₱16,746,133</b>	<b>₱1,053,654</b>	<b>₱56,671,820</b>
Segment liabilities	₱32,509,116	₱3,476,518	₱129,592	₱36,115,226
Deferred tax liabilities -net	1,484,498	-	-	1,484,498
	<b>₱33,993,614</b>	<b>₱3,476,518</b>	<b>₱129,592</b>	<b>₱37,599,724</b>

	2017			
	Residential Development	Commercial Development	Hotel	Total
Revenue	₱12,566,999	₱1,423,700	₱312,694	₱14,303,393
Costs and expenses	(9,606,601)	(508,093)	(237,262)	(10,351,956)
Share in net income of joint venture	-	264,763	-	264,763
Other loss - net	(1,377)	-	(1)	(1,378)
EBITDA	2,959,021	1,180,370	75,431	4,214,822
Depreciation and amortization				(491,711)
Interest expense				(718,013)
Provision for income tax				(834,541)
Consolidated net income				<b>₱2,170,557</b>

#### 34. Supplemental Disclosure of Cash Flow Information

The changes in the Group's liabilities arising from financing activities are as follows:

	January 1, 2019 (As restated - see Note 3)		Reclassification from Noncurrent to Current	Interest Expense	Net Amortization of Discount	December 31, 2019
		Cash Flows				
Current portion of interest-bearing loans and borrowings	<b>₱5,173,729</b>	<b>(₱5,173,729)</b>	<b>₱5,238,844</b>	<b>₱-</b>	<b>₱-</b>	<b>₱5,238,844</b>
Interest-bearing loans and borrowings - net of current portion	<b>19,053,087</b>	<b>6,678,930</b>	<b>(5,238,844)</b>	<b>-</b>	<b>3,728</b>	<b>20,496,901</b>
Lease liabilities	<b>627,520</b>	<b>(33,520)</b>	<b>-</b>	<b>43,759</b>	<b>-</b>	<b>637,759</b>
Installment payable	<b>571,748</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,227</b>	<b>599,975</b>
Total liabilities from financing activities	<b>₱25,426,084</b>	<b>₱1,471,681</b>	<b>₱-</b>	<b>₱43,759</b>	<b>₱31,955</b>	<b>₱26,973,479</b>

	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	<b>₱2,020,014</b>	<b>(₱2,020,014)</b>	<b>₱5,173,729</b>	<b>₱-</b>	<b>₱5,173,729</b>
Interest-bearing loans and borrowings - net of current portion	<b>17,888,752</b>	<b>6,336,834</b>	<b>(5,173,729)</b>	<b>1,230</b>	<b>19,053,087</b>
Installment payable	<b>544,957</b>	<b>-</b>	<b>-</b>	<b>26,791</b>	<b>571,748</b>
Total liabilities from financing activities	<b>₱20,453,723</b>	<b>₱4,316,820</b>	<b>₱-</b>	<b>₱28,021</b>	<b>₱24,798,564</b>

	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	<b>₱1,711,506</b>	<b>(₱1,711,506)</b>	<b>₱2,020,014</b>	<b>₱-</b>	<b>₱2,020,014</b>
Interest-bearing loans and borrowings - net of current portion	<b>13,922,440</b>	<b>5,992,979</b>	<b>(2,020,014)</b>	<b>6,653</b>	<b>17,902,058</b>
Installment payable	<b>521,054</b>	<b>-</b>	<b>-</b>	<b>23,903</b>	<b>544,957</b>
Total liabilities from financing activities	<b>₱16,155,000</b>	<b>₱4,281,473</b>	<b>₱-</b>	<b>₱30,556</b>	<b>₱20,467,029</b>

#### 35. Events After the Reporting Period

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, which was subsequently extended to May 15, 2020. Upon lifting of ECQ on May 16, 2020, modified ECQ has been implemented until May 30, 2020 and general community quarantine until June 30, 2020. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Group considers the events surrounding the outbreak as a non-adjusting subsequent event, which does not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Group cannot determine at this time the impact to its consolidated financial position, performance and cash flows. The Group will continue to monitor the situation.





# MISSION, PURPOSE, AND WAY OF PROCEEDING

Together with FPH, we are part of a vision that aspires to go beyond.

## OUR MISSION

We commit to forging collaborative pathways to a decarbonized and regenerative future.

## OUR PURPOSE

We recognize that unbridled consumption and the singular pursuit of bottom line growth are at the roots of the climate crisis, alienation from nature, and deep social and economic divisions, which have become existential threats to humanity today. Our planetary support systems and basic social institutions are now at a breaking point.

Overcoming these challenges will require a paradigm shift in the way we think, live and do business. Pursuing sustainability that simply seeks to do less harm is no longer a viable path.

Business today urgently needs to become a regenerative force that elevates everything it touches – our customers, our employees, our suppliers, our contractors, our communities, our Earth, and our investors. Together, we need to create symbiotic, mutually beneficial relationships with nature and society that benefit more than just shareholders.

This transformation cannot be done by entities working alone. We are conscious that we work within highly diverse and nested systems. Everybody plays a unique and reciprocal role in a world that needs to be healed.

Thus, we commit ourselves to this mission. Our success will be measured by how much we can contribute to the urgent need to decouple economic and social prosperity from carbon emissions and ecosystem degradation.

We choose this path because it brings us closer to a world where every Filipino has the opportunity to prosper and thrive on a healthy planet. We choose this path because we believe it is the only way to create lasting value for all our stakeholders and investors. We choose this path because it is inseparable from the Lopez Values that has and will always define us.

## OUR WAY OF PROCEEDING

In pursuing this path, we will unlock the potential of diverse talents to create a mission-driven organization that makes work fulfilling, fun, and that gives people a deep sense of belonging.

Our businesses will become multiple pathways toward a decarbonized and regenerative future.

- In energy, we shall lead the transition to a decarbonized energy system.
- In property, we shall nurture inclusive, well-tempered and creative spaces that elevate surrounding communities and the environment.
- In construction, we shall build infrastructure that creates resilience and enhances the quality of life in a complex, climate-changed world.

Our mission and purpose will guide everything we do.



## SHAREHOLDER SERVICES

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## ACKNOWLEDGEMENTS

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## BEYOND CREATING OUR UNIVERSE

For over two decades, we have imagined, designed, and built for a community like no other.

As we marvel at the life teeming in the visions we have realized, the stars tell us that in the midst of darkness, there are flickers of light where hope shines bright.

Inspired by the extraordinary, we continue to plot the constellations that will shape the Rockwell of tomorrow.

Gaining wisdom from our past and getting strength from our present, we move forward knowing well that our resolve is bigger than any challenge. And together we face a future as wonderful as we want to imagine.



ROCKWELL LAND