Rockwell Land

Living Done Well, Done Rockwell

2022
Annual Report

We are defined by what we leave behind.

The essence of us and what we stand for

Embodied by a Touch that endures:

From the very first brick laid, artistry woven into life

Under the foundation of malasakit, hands that build a nation

To shape our vision into a light that expands across the skies.

Our unmistakable signature transforms.

It is a reflection of our legacy, an impact made real

Where our Touch lingers, a certain spirit lives on:

Unforgettably Rockwell,

Unforgettably Manolo.

TABLE OF CONTENTS

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

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

IN MEMORIAM

AMBASSADOR
MANUEL M. LOPEZ

CHAIRMAN OF THE BOARD
1995 – 2023

“Stay with us. The best is yet to come”.

On occasions like these, we have come to expect the Ambassador’s optimism and fervor for Rockwell Land’s future. He would have looked back with pride on how we accelerated business growth in a post-COVID recovery year. We imagine him marveling at the rapid pace of development of projects beyond Makati, especially Rockwell Center Angeles and Bacolod, and Aruga Mactan, which he visited a few weeks prior to his passing. He was Rockwell’s most ardent cheerleader, and he celebrated our successes at every opportunity.

His previous Chairman’s messages were never egoic enumerations of how well he had steered the company. They were spirited hosannas to the work of everyone at Rockwell. It was always about people. He thanked them, recognized them, and vowed to lead an even more dedicated Rockwell team into the future.

That rhetoric was translated into action. The Ambassador understood perfectly that a business would not live up to its potential without treating its people with utmost care, respect and authenticity. So his life’s work championed the betterment of employees, how to add a rung to the ladder of personal growth and opportunity. He pioneered employee savings-and-loans associations and stock ownership plans, and pushed HR for periodic training and employee-engagement programs. His restless patriotic dream was for his fellow Pinoys to make it to the top as world-class performers and leaders.

The Ambassador slipped away quietly on January 12th. It was characteristically “AMML” to exit without fanfare, as he would during company events. But from the backroom to the boardroom, the teams he left behind still imagine his voice bellowing with wit and energy, coaxing everyone to do well and always be better.

We carry on. We turn our deep grief to profound resolve to steer Rockwell to a higher purpose, with the kindness, decency, fairness and generative spirit that our Chairman had shown us.

We carry on.

REPORT OF THE
CHAIRMAN & PRESIDENT

The start of this year was an irreparable loss with the passing of our beloved Chairman. Ambassador Manuel Lopez led us to fulfilling a vision – a dream we had 28 years ago. He never failed to consistently do so with his sincere and generous ways. The strength of our brand and culture is founded on his resolve for employee well-being. He knew that was critical to business success, so he championed it throughout the organization.

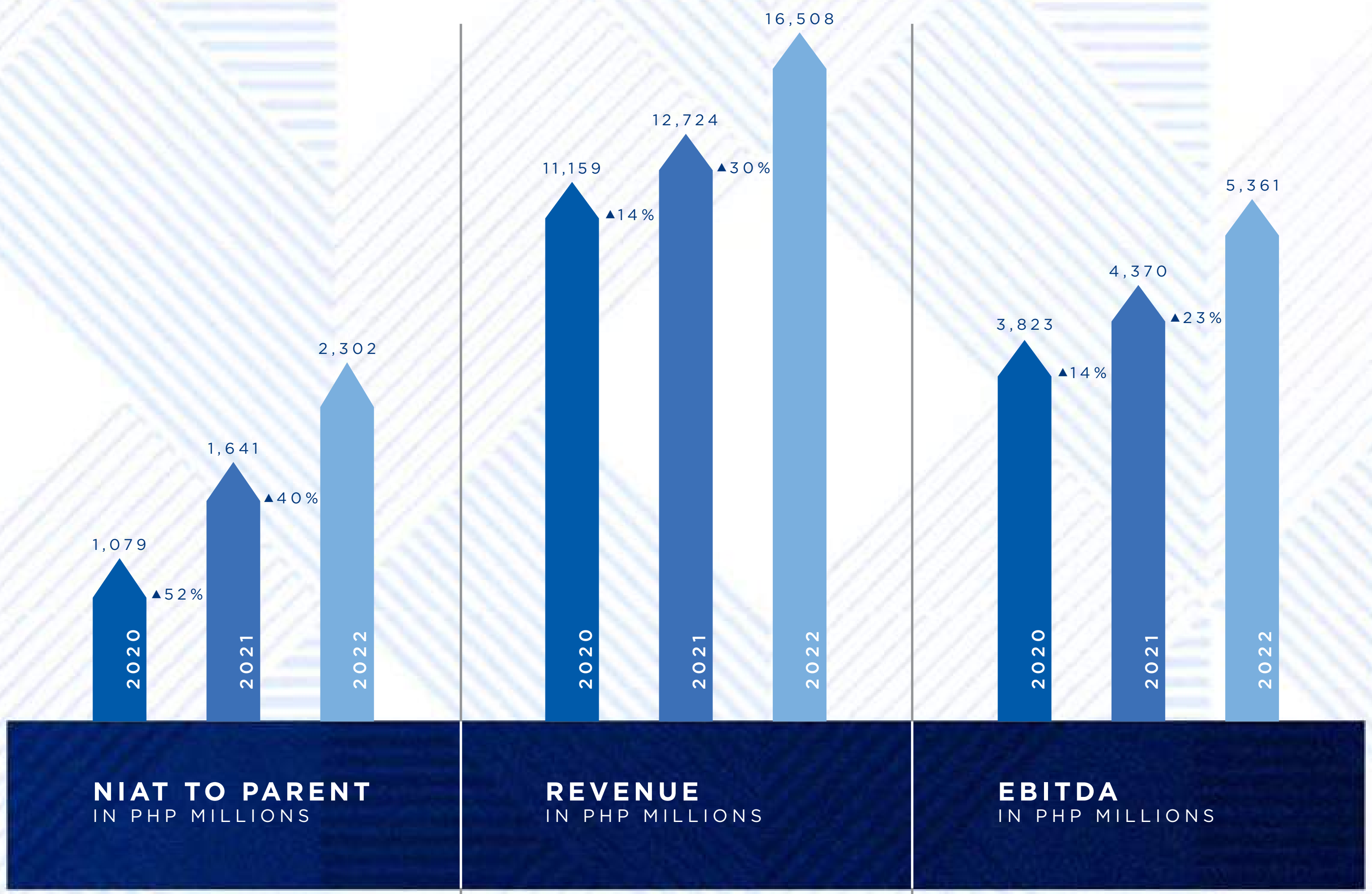
He unceasingly looked forward to Rockwell's continuous growth, especially when we set foot in key cities outside of Metro Manila. Never did he show signs of weakness as he defied distance and vigorously pushed to visit our projects in Pampanga, Cebu, and Bacolod. It is in this same boundless passion and dedication he had, that we take pride in providing you world-class communities and experiences, just as he envisioned it.

Coming from a pandemic, it was an obvious mandate to deliver improved results, for us and for our stakeholders. He wanted us to recover and do well. And so, we did, with him at the helm.

We remain inspired with his *leadership done Rockwell*.

GROWTH DONE ROCKWELL

With the company staying steadfast, we ended 2022 with increased earnings. Our **net income after tax** to Parent was at Php 2.3 billion, 40% higher than 2021. **Revenues** increased by 30%, with a total of Php 16.5 billion, a level already higher than prepandemic in 2019. Our 2022 **EBITDA** of Php 5.3 billion is a 23% increase from previous year.



Amidst unpredictable market challenges, our core Rockwell clientele delivered our strongest demand for high-end developments. This contributed to our reaching another record year for **Reservation Sales** at Php 21.2 billion, a 52% growth from previous year.

It was a similar story for our Commercial businesses which outperformed their 2019 prepandemic numbers, totaling a revenue increase of 77% from 2021. This is attributed to the lifting of rental concessions and strong tenant sales. Rockwell Workspaces recorded a 9% revenue growth, while Retail ended 2022 with a record high revenue of Php 1.8 billion, a 78% increase from previous year.

LIVING DONE ROCKWELL

We stayed true to our vision of creating communities for our market, who continued to put their trust in us with their investments. 2022 set another record with the highest value of project launches at Php 29 billion in development revenue.

Our provincial communities continue to display high potential for growth and significant increase in interest from our clients. We launched 4 projects in 3 different cities.

After a strong start in **Rockwell at Nepo Center** with the launch of its first tower, The Manansala, we launched **The BenCab** last September 2022. This is the second residential building in our first foray in Angeles, Pampanga. The 4.5-hectare joint venture with Juan D. Nepomuceno Realty of the Nepomuceno family will also have the first Power Plant Mall outside Metro Manila to complement the lifestyle of the Kapampangans.

In Lipa, Batangas, **Terreno South** continues to make a mark as it further expanded with Phase 4, launched last December 2022. Phase 4 of the 46-hectare nature inspired development, offers residential lots ranging from 250 to 400 sqm. Its prime location near the future retail area contributes to its good market reception. This year, Terreno South's growth story extends with the recent launch of its fifth phase.

It is with much excitement that we further expanded in Bacolod City with a vision of creating a lifestyle district. We launched the 30-hectare **Rockwell Center Bacolod**, our biggest master-planned community to date, along the Circumferential Road. It was in May 2022 when we first offered commercial lots, selling Php 1 billion worth by year end. It was followed by the well-received Bel-Air launched in December 2022, achieving more than 30% of the residential lots sold in less than a month. Members of the Rockwell Center Bacolod community will enjoy a self-sustaining neighborhood, featuring its own Power Plant Mall.

In our flagship development in Makati, we launched **Edades West** last October 2022. As the newest Rockwell project in one of the most coveted addresses, it is designed with post-pandemic living needs in mind, complemented with sustainability features. Its robust sales continues while having one of the highest price per square meter in the area.

COMMUNITIES DONE ROCKWELL

With our promise of growing the Rockwell touch, we will build more communities this year.

In the third quarter of this year, we will launch **IPI Center by Rockwell**, a 2.85-hectare mixed use community in the heart of Cebu. The joint venture with the Wong and Castillo families of International Pharmaceuticals Inc. will start off with its residential tower, **Lincoln**, which will be complemented with a unique retail offering and Rockwell Workspaces.

We set foot in a new emerging province by the end of 2023. A 100-hectare horizontal residential community by Rockwell awaits in **Bulacan**, a thriving location North of Metro Manila driven by upcoming infrastructure. With a vast site blessed with mature trees and rolling terrains in San Jose, Bulacan, we can expect a hillside escape that promotes wellness living.

LEGACIES DONE ROCKWELL

As we carry on, bringing the unmistakable legacy of our Chairman, we keep in mind to never cease serving our stakeholders through life experiences that touch their lives.

We will keep doing more, guided by his inspiring passion and compassionate heart. Your trust in our brand is our drive to keep creating and keep expanding.

NESTOR J. PADILLA
CHAIRMAN AND PRESIDENT

BUSINESS PORTFOLIO

Wherever this touch goes, a grand story unfolds.

"If you take care of the people, the people will take care of the business."

– AMB. MANUEL M. LOPEZ
In Manolo: A Portrait

FROM THE COLLECTION OF AMB. MANUEL M. LOPEZ

DEFINING LIFESTYLES WITH THE ROCKWELL TOUCH

MARKING MILESTONES WITH A SIGNATURE SENSATION

Over 25 years ago, we transformed an old thermal power plant into our vision of ideal city living. Rockwell Center Makati was the first blueprint for the Rockwell lifestyle, inviting all to live, shop, and work in our master-planned spaces. Our signature touch continues to define the experiences we offer, and with every new development, we further define what it means to live Rockwell.

A FEEL FOR HOME

Decades on, our flagship development, the **Rockwell Center in Makati** has never stopped innovating. Sitting right in the heart of the metro and set amidst glittering lights are the iconic addresses of Rizal Tower, Hidalgo Place, Amorsolo Square, Luna Gardens, The Manansala, Joya Lofts and Towers, One Rockwell, Edades Tower and Garden Villas, Edades Suites, The Proscenium, and now, The Balmori Suites and Edades West. The Rockwell Center continues to redefine the idea of home in pursuit of living done well.

The Grove has the unique privilege of being our first community built beyond Makati City. We took that cozy, tight-knit Rockwell feeling to Ortigas, envisioning new ways to make city living feel like a sanctuary. Nestled amongst sprawling greenery, The Grove also features a spectacular skyline view at the Great Lawn, courts and fitness facilities, and delightful shopping and dining options found at its very own Retail Row.

Experience quaint and quiet living at our townhouse and mid-rise communities. Charming townhouse neighborhoods await at **The Alvendia** in San Juan and **205 Santolan** in Quezon City, where every home lends a sense of seclusion to prime city locations. That same feeling with a little more height can also be found at **53 Benitez** in Quezon City, our very first mid-rise development from Rockwell Primaries.

The Vantage takes its name from its prime location in the center of Kapitolyo, overlooking the breathtaking skyline of Metro Manila. Within this vertical village, residents make home in a strategic location, intersecting four major business districts. Amenities like the sky deck, swimming pool, and its very own two-floor Retail Row make The Vantage representative of the signature care and comfort put into any Rockwell Primaries community.

GOOD THINGS ARE BETTER DONE ROCKWELL

POWER PLANT MALL

The continued easing of restrictions and a new sense of normal saw patrons trooping back to **Power Plant Mall**. Our flagship shopping and dining destination was reinvigorated by its community, who found joy in their favorite outposts and welcomed fresh flavors to the fold.

The opening of Apple's first premium partner store, the Power Mac Center, gave techies something to marvel at, while foodie favorites 12/10, Deli by Chele, and the Greyhound Cafe among others, added to Rockwell Center's distinct offerings.

Further enhancing shoppers' experience off and online, The Rockwellist relaunched its mobile app. Features like an e-wallet, parking payments, and cinema booking, make one's retail experience more rewarding, especially with points collected for your every spend. An accompanying physical kiosk also helps shoppers get a glimpse of the local products housed by shop.TheRockwellist before they make their purchase.

SANTOLAN TOWN PLAZA

At the center of San Juan sits the city's premiere lifestyle and shopping destination, **Santolan Town Plaza**. Here, one will find shops that show the synergy between work and leisure with its varied selection of restaurants and shops. In 2022, Santolan Town Plaza became the city's first venue to be declared smoke-free and introduced dining destinations and specialty stores like WeNourish, Khao Khai, Happy Station, and Merienda by Pan De Manila.

THE GROVE RETAIL ROW

RETAIL ROWS

Discover a plethora of local gems, convenient stopovers, and neighborhood hangout places at our Retail Rows. These exquisite lifestyle and dining hubs found at our residential developments are now equipped with a wider selection of shopping options for residents and returning guests to enjoy.

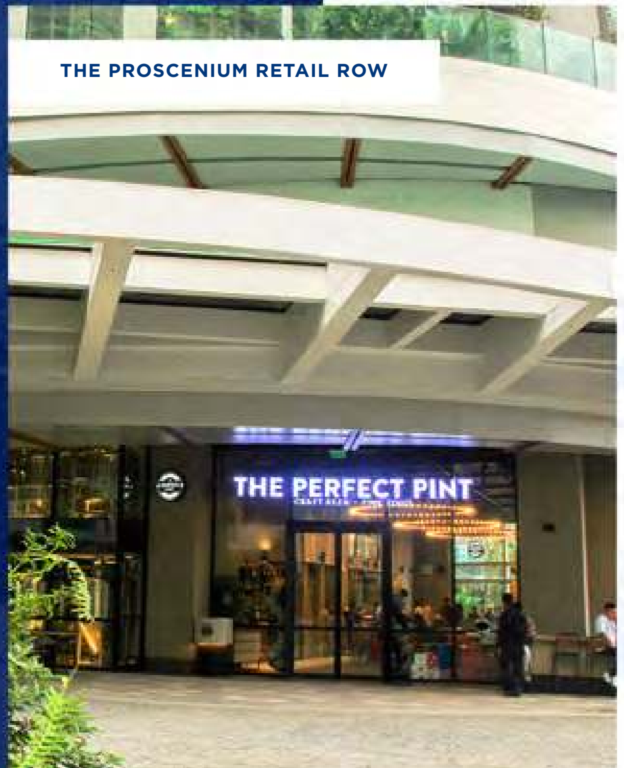
Located at the **Proscenium at Rockwell** is its newly-opened Retail Row, which offers residents, guests, and office-goers a well-curated lifestyle experience. Currently open are The Perfect Pint, Ayumi, Kindermusik, Alter to Fit and Bianca Cordero.

In Pasig, **The Grove Retail Row** offers a variety of shops to satisfy a wealth of needs like Mr. Paws for pet grooming; Your Daily Bread for comforting treats; Turnkey Studios for photography and videos; IGO Korean Mart for Korean food cravings; The Bag Hub for luxury designer bags; and Meats and Deli Cafe for an authentic deli experience.

At **The Arton Strip** along Katipunan, guests can indulge in al fresco dining and a stunning view of the Sierra Madre. Now included on the strip's list of retail establishments are hometown favorites like Conti's, convenient shopping at MerryMart Market, art hubs like Sentro Artista, and other essential stops such as Solera Dental Care and Tessera.

Communities by Rockwell Primaries likewise enjoy the same retail conveniences. Residents can find their needs from Watsons, BDO, Lawson Convenience Store, and enjoy MOS Burger meals at **The Vantage Retail Row**. Meanwhile at the **East Bay Retail Row** in Muntinlupa, Yakihodai Japanese Grill is a welcome addition to its mix of shops.

THE ARTON STRIP



THE PROSCENIUM RETAIL ROW

EVERYTHING WORKS WELL WITH ROCKWELL

1 PROSCENIUM

Conveniently located within the Proscenium enclave is Rockwell's latest workplace, **1 Proscenium**. Here, one will find office spaces fit for the finest professionals, with features like operable windows, VRF air-conditioning, and biker-friendly provisions. This LEED Silver-Certified tower has likewise welcomed its first occupants, among them, PRSP Architects and MAP Active Philippines.

PROSCENIUM PODIUM OFFICES

Proscenium Podium Offices merges the finest lifestyle in a prime position close to Makati's Central Business District. Within this neighborhood, the offices, which range from 80 sqm to 300 sqm, provide comfort and security with bigger and brighter work spaces. Offices are flexible and tailor-fit to modern business needs, ensuring productive work environments for every tenant.

8 ROCKWELL

Located within Rockwell Center in Makati City, **8 Rockwell** delivers a prime working experience through its sophisticated spaces. This design of an icon comes with a LEED Gold accreditation that affirms its environmentally-conscious features. Completing one's experience here is a selection of dining and retail stores on the ground floor.

ROCKWELL BUSINESS CENTERS

Our **Business Centers at Ortigas and Sheridan** offer quality office towers equipped with modern security innovations, signature Rockwell amenities, and the IT infrastructure to cater to the needs of contemporary businesses. Located at the heart of strategic areas in Metro Manila, these spaces ensure uninterrupted business operations and easy access to retail spots for on-the-go professionals.

SERVICE WITH OUR TOUCH

ARUGA APARTMENTS

You don't have to go far to enjoy a memorable getaway. Quietly tucked into Rockwell Center Makati is **Aruga Apartments**, one of Manila's favorite staycation destinations. All 114 suites are exquisitely designed for maximum relaxation within the city, embodying the Rockwell promise of style, comfort and convenience. Aruga Apartments fully reopened for leisure and business stays when restrictions were lifted in February 2022. Rockwell's serviced apartments welcomed an influx of long-staying travelers for both business and leisure. This allowed Aruga to bounce back to its pre-pandemic occupancy and room rates which resulted to attractive yields for its investors. Aruga Apartments also welcomed Prologue, a restaurant that serves comfort food all made from scratch. Located at the lobby, it offers guests an all-day dining destination at their doorstep.

THE ROCKWELL TOUCH GOES FURTHER

WIDENING OUR HORIZONS FOR HOME BEYOND THE USUAL

Wherever we go, we strive to bring an enduring legacy of extraordinary homes and lifestyles beyond the usual. As we expand our presence across the country, we move closer to realizing our vision of the Rockwell touch: self-sustaining, thriving communities, full of exceptional residences to call your own.

THE BEGINNINGS THAT TOUCHED US ALL

THE BALMORI SUITES

From the moment you step into **The Balmori Suites**, you are greeted by an atmosphere that exudes elegance and refinement. Every corner is carefully curated to the needs of the most discerning residents and guests, as this stunning development is more than just a residential building; it's an extraordinary opportunity for those seeking a stately home with direct access to the Power Plant Mall and the lively community of Rockwell Center Makati. With only 3 to 5 units per floor, The Balmori Suites is among the most exclusive properties in our portfolio. From its grand hotel-like lobby and distinct amenities like a lush outdoor garden tent for private events, The Balmori Suites truly captures the essence of living done Rockwell.

THE PROSCENIUM

Master the art of living at the **Proscenium at Rockwell**. Designed by renowned architect Carlos Ott, its five residential towers - Kirov, Sakura, Lincoln, Lorraine, and The Proscenium Residences - are a sight to behold. This 3.6-hectare expansion to Rockwell Center in Makati City houses a slew of features, such as retail areas, an amenity deck, and soon, a 700-seater Performing Arts Theater. The second phase of amenities was launched in mid-2022, bringing multi-purpose courts and a children's play area to the space.

EDADES WEST

The final addition to our esteemed Edades cluster, **Edades West** sets the tone for future residential developments with its focus on balance, functionality, safety, and well-being. Launched in the last quarter of 2022, every feature found within each two and three-bedroom unit was created with the post-pandemic era in mind. Expansive balconies with floor-to-ceiling double-glazed windows blur the lines between inside and outside, and a modular living space provides all the freedom to customize your unit as you see fit. Residents can indulge in electric vehicle charging stations along other thoughtful features meant to future-proof homes for generations to come.

OUR TOUCH, OUR VISION AND BEYOND

THE ARTON

In partnership with Mitsui Fudosan, **The Arton** is our first upscale residential development in Katipunan. Located on a 1.9-hectare property of 80% open space, it is set to have three residential towers standing proudly on the hills of Quezon City, overlooking the breathtaking sight of the Sierra Madre and its surrounding cityscape. Its first tower, **The Arton West**, began welcoming its residents in 2022 which has allowed them to enjoy amenities like its co-working space. Those who want to take part in this community may still do so through **The Arton East**, the third and tallest tower in the development which also offers the most diverse unit cuts.

8 BENITEZ SUITES

Neighboring San Juan and New Manila is a remarkable community. At **8 Benitez Suites**, two low-rise buildings standing at only six floors each offer a mix of two to three-bedroom suites. Airy spaces, green nooks, offering an ideal blend of ease, activity, and tranquility in this urban address. 8 Benitez Suites spans just over 4,200 sqm, offering ground-level suites with private gardens and six units per floor, ensuring exclusivity and privacy for every resident. Those who want to take a glimpse of this haven can do so at its model unit in 8 Rockwell, Makati City.

EAST BAY RESIDENCES

Near the tranquil waters of Laguna Bay is **East Bay Residences**, Rockwell Primaries' 7.2-hectare development in Muntinlupa City. Located along major thoroughfares, East Bay is only a short drive away from major business districts in Muntinlupa City. It provides residents a refreshing respite in the city with 60% open space and conveniently provides residents their daily needs with its own retail row.

Its first tower, **The Fordham Tower**, began turning over in 2022 and kick-started the Rockwell community in this neighborhood. Meanwhile, **The Larsen Tower** offers more units with 20 storeys of one- to three-bedroom units that are ideal for young professionals and families alike.

ROCKWELL REACHES OUT TO LUZON

ROCKWELL SOUTH AT CARMELRAY

Southern living makes its grandest case yet at **Rockwell South at Carmelray**, spanning 63 hectares. Rockwell South at Carmelray is our first premium horizontal community, calling the grounds of Calamba, Laguna home. Its first two clusters were launched in 2019, while the third was launched in 2021 to include a more diverse range of cuts. Numerous parks and community amenities dot the landscape while a natural waterway gives life to the 30-meter-wide main road. The Rockwell Country Club at Carmelray is set to open this year, and Cluster 4 will launch in the 4th quarter. More amazing developments will be happening as our grand vision continues.

TERRENO SOUTH

Launched in 2018, **Terreno South** is located in the welcoming city of Lipa, Batangas. This 46-hectare community represents our commitment to creating beautiful and bountiful developments in the South with 1,500 residential lots at a 1:1 tree-to-house ratio, one hectare of retail space, and two hectares of community open spaces, offering sanctuary for those seeking a sustainable and serene living environment.

Currently, the community is selling Phases 4 and 5, which features a variety of lot cuts to cater to differing needs. Landscaped parks and open spaces mark the Terreno South community for families to enjoy, starting with the Community Park slated to open this year.

ROCKWELL AT NEPO CENTER

We have long since taken inspiration from Pampanga, renowned for not only the tastes of their dishes but the tastes of their people. So when we partnered with Juan D. Nepomuceno Realty, the real estate arm of the Nepomuceno family, to bring our second Rockwell Center to Angeles, we did it with Kapampangans in mind.

Adding to the bustling commercial district of Nepo Center in Angeles City is Rockwell at Nepo Center, a master-planned 4.5-hectare mixed-use development featuring three mid-rise residential buildings with 78% open space. It is also set to be home to the very first Power Plant Mall beyond Metro Manila, which complements Nepo Center's legacy as the original retailer imported goods in the area.

The Manansala, launched in 2021, was the first to debut at Nepo, offering spacious one to three-bedroom units with high ceilings and stunning views, and was followed by **The BenCab** in 2022, which is located between the mall and the residences' amenities. Both enjoy exclusive access to world-class amenities and community spaces at Nepo, including outdoor courts, yoga gardens, a number of relaxing pools, and a Great Lawn, with more to come in future years.

Rockwell at Nepo Center puts residents at the forefront of one of the country's fastest-growing, vibrant centers of progress, offering a key lifestyle destination for the modern Filipino.

A VISION OF VISAYAS DONE ROCKWELL

32 SANSON

A lush sanctuary awaits at **32 Sanson**, our first development in the Visayas. The sprawling 3.2-hectare grounds located in Lahug, Cebu also serve as a tranquil retreat for the Cebuano family. Five mid-rise buildings fit naturally into the property, with 70% open space. The latest structure – **Sillion** – offers a mix of cozy studios to 3BR units, in just five floors.

ARUGA RESORT AND RESIDENCES - MACTAN

Experience luxury island living through **Aruga Resort and Residences – Mactan**, Rockwell's premiere residential-resort development in Cebu. An exclusive 270-meter beachfront frames the residential towers and private villas, delivering homes like no other.

The Villas at Aruga were sold out by the end of 2022; yet, more opportunities to call this home soon are in the offing, with the launch of a new residential tower. Investors can likewise have a piece of paradise with the upcoming leisure components.

ROCKWELL CENTER BACOLOD

Expanding our presence in the province is **Rockwell Center Bacolod**, which will deliver the promise of a master-planned community to the City of Smiles. The development spans 30 hectares—double the size of Rockwell's flagship in Makati City—and currently offers residential lots with **Bel-Air** as well as commercial lots. It will likewise have retail offerings, including a Power Plant Mall.

Marking the beginnings of this burgeoning community is the Rockwell Center Bacolod Glass House, which gives guests a glimpse of the lifestyle the development is set to offer.

NARA RESIDENCES

Our journey to Negros started with **Nara Residences**, our pioneering development in Bacolod. Away from the buzz of the city yet conveniently located minutes away from main thoroughfares, an 11-hectare residential haven welcomes you to a convenient Bacolod address with refreshing amenities and stunning mountain vistas.

The development started with two buildings: **One Nara** launched last December 2019 and **Two Nara**, in August 2021; it was followed by the **Nara Residential Lots**, launched in October 2021. Retail pavilions are likewise set to open to offer future residents a holistic living experience.

EXPANDING OUR TOUCH, GROWING THE LEGACY

THE ROCKWELL TOUCH LIVES ON

IPI CENTER BY ROCKWELL

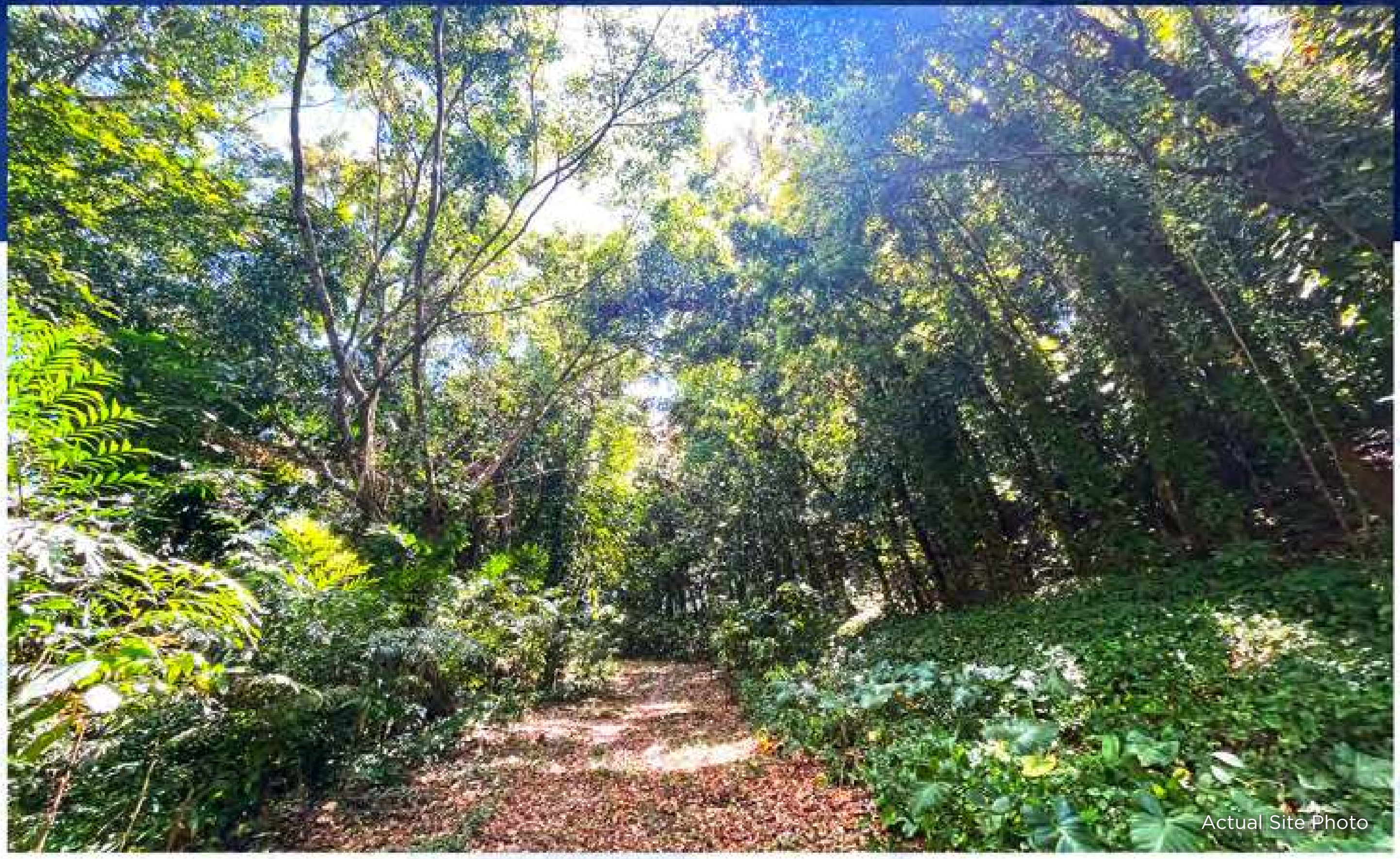
Rockwell expands its presence in the Queen City of the South through **IPI Center by Rockwell**. In partnership with the Wong and Castillo families of International Parmaceuticals Inc., the property is a mixed-used development at a central location in Cebu City. It will give a taste of the signature communites Rockwell creates such as Retail Row conveniences for dining and shopping.

Located along Pope John Paul Ave II, IPI Center spans 2.85 hectares and will have 75% open space. Its residential tower, **Lincoln**, is set to launch in the third quarter of this year, offering a new dynamic neighborhood for Cebuanos to reside in. IPI Center promises to be a first of its kind in Cebu: a delightful Rockwell community with an exciting and progressive retail concept.

ROCKWELL IN BULACAN

North of Metro Manila, in the emerging province of Bulacan, Rockwell is set to turn an expansive 100-hectare estate into a master-planned residential community. Punctuated by canopies of mature trees and the rolling terrains, this address is located in San Jose del Monte. The development is envisioned to be a refreshing respite that promotes living in wellness, all while being in close proximity to the country's capital.

Actual Site Photo



Actual Site Photo

BOARD OF DIRECTORS

THROUGH OUR BOARD OF DIRECTORS, THE PIONEER SPIRIT THAT GUIDES OUR HAND IN SHAPING OUR SUCCESS LIVES ON.

Manolo's spirit was always held aloft by the fierce loyalty and friendship of those around him, and by his own deep sense of responsibility towards his friends, his countrymen, and his nation.

– **MARITESS LOPEZ**
In Manolo: A Portrait

FROM THE COLLECTION OF AMB. MANUEL M. LOPEZ

BOARD OF **DIRECTORS**

Under the leadership of our board of directors, we personified a spirit that never faltered and always forged onward.

MONICO V. JACOB
Independent Director
April 2016 - Present

Vice Chairman and CEO
- STI Education Services Group

President and CEO
- STI Education Systems Holdings, Inc.

Vice Chairman
- Philplans First, Inc.

Chairman
- Total Consolidated Asset Management, Inc.
- Philippine Life Financial Assurance, Inc.
- Rosehills Memorial Management, Inc.
- Global Resource for Outsourced Workers, Inc.
- GROW-Vite
- STI West Negros University
- PhilPlans First Inc.

Director
- iAcademy
- PhilCare
- Asian Terminals
- Lopez Holdings Corporation
- Asian Terminals
- Phoenix Petroleum Philippines, Inc.

FRANCIS GILES B. PUNO
Director
2013 - Present

Director, President and COO
- First Philippine Holdings Corporation
- First Gen Corporation
- First Philippine Industrial Park

Director
- Energy Development Corporation
- First Balfour, Inc.
- Thermaprime Drilling Corporation
- Asian Eye Institute
- First Philippine Electric Corporation
- First Batangas Hotel Corporation
- First Philippine Realty Corporation
- Terraprime, Inc.
- INAEC Aviation Corporation
- InfoPro Business Solutions, Inc.

Trustee
- Oscar M. Lopez Center for Climate Change Adaptation and Disaster Risk Management Foundation, Inc
- Lopez Group Foundation, Inc.
- Eugenio Lopez Foundation, Inc.
- Philippine Business for Social Progress

OSCAR J. HILADO
Independent Director
2015 - Present

Chairman Emeritus
- PHINMA Corporation

Chairman of the Board
- Philippine Investment Management (PHINMA), Inc.

Vice Chairman
- Union Galvasteel Corporation
- Phinma Property Holdings, Inc.

Director
- Philex Mining Corporation
- A. Soriano Corporation
- Roxas Holdings, Inc.
- Smart Communications, Inc.
- Metro Pacific Investments Corporation
- Phinma Solar Energy Corporation
- Phil. Cement Corp.
- Union Insulated Panel Corporation
- Phinma Hospitality, Inc.
- Phinma Education Holdings, Inc.
- Araullo University, Inc.
- Cagayan de Oro College, Inc.
- University of Iloilo, Inc.
- University of Pangasinan, Inc.
- Southwestern University
- United Pulp and Paper Company, Inc.
- Digital Telecommunications Phils., Inc. (DIGITEL)
- Seven Seas Resorts and Leisure, Inc.
- Manila Cordage Company

BENJAMIN ERNESTO R. LOPEZ
Director
2020 – Present

President
- INAEC Aviation Corporation

Senior Executive Vice President
- Lopez Inc.

Vice President
- First Philippine Holdings Corporation

Director
- Adtel, Inc.
- First Balfour, Inc.
- First Philippine Electric Corporation
- First Philippine Realty Corporation
- Rockwell Leisure Club, Inc.
- Terraprime, Inc.
- InfoPro Business Solutions, Inc.
- Third Generation Holdings Corporation
- Asian Eye Institute
- First Philippine Holdings Corporation

Trustee
- Eugenio Lopez Foundation, Inc.
- Philippine Center for Population and Development
- Ophthalmological Foundation of the Philippines

Member
- ABS-CBN Lingkod Kapamilya Foundation, Inc.
- Management Association of the Philippines

OSCAR M. LOPEZ †
Chairman Emeritus
2012 - April 2023

Chairman Emeritus
- First Philippine Holdings Corporation
- First Gen Corporation
- Energy Development Corporation
- First Balfour, Inc.
- First Philippine Electric Corporation
- First Philippine Industrial Park, Inc.
- First Philippine Utilities Corp.
- First Philippine Properties Corp.

Chairman
- Eugenio Lopez Foundation
- Lopez Group Foundation, Inc.
- Knowledge Channel Foundation, Inc.

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

Adviser to the Board
- Lopez Inc.
- INAEC Aviation Corporation

NESTOR J. PADILLA
Chairman
February 2023 - Present
President and CEO
1995 - Present

Chairman
- BPI Brightnote Assets Corporation

Vice Chairman
- Rockwell Center Association, Inc.

Senior Vice President
- First Philippine Holdings Corporation

Director
- INAEC Aviation Corporation
- Rockwell MFA Corporation
- Rockwell Carmelray Development Corporation

Previous Directorships
- Rockwell Leisure Club, Inc.
- First Philippine Industrial Park, Inc.
- First Philippine Realty Corporation
- FPIP Property Developers and Management Corporation
- FPIP Utilities Incorporated
- First Batangas Hotel Corporation
- Grand Batangas Resort Development, Inc.
- Terraprime, Inc.
- FPH Land Ventures, Inc.

FEDERICO R. LOPEZ
Vice Chairman
2012 - Present

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

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

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

Trustee
- Philippine Disaster Resilience Foundation
- Teach for the Philippines Inc.

JOSE VALENTIN A. PANTANGCO, JR.
Director
2018 - Present

Senior Vice President and Head of Corporate Planning
- First Philippine Holdings Corporation

Deputy Chief Operating Officer
- First Balfour Inc.

Chief Commercial Officer
- First Philippine Industrial Park, Inc.

Director
- First Philippine Industrial Park, Inc.
- First Balfour Inc.
- First Philippine Electric Co.
- First Philippine Realty Corp.
- Thermaprime Drilling Corp
- Ateneo Alumni Association

Trustee
- Beacon Academy
- Beacon International School Foundation
- Philippine Toy Library

MIGUEL ERNESTO L. LOPEZ
Senior Vice President, Treasurer & Director
2010 - Present

Executive Vice President
- Lopez Holdings Corporation

Director
- Rockwell Leisure Club, Inc.
- Rockwell Center Association, Inc.
- Rockwell Primaries Development Corporation
- Rockwell Carmelray Development Corporation
- Rockwell MFA Corp.
- Lopez Inc.
- First Philippine Holdings Corporation
- Third Generation Holdings Corporation
- Kamino Algae Technologies, Inc.

Board of Trustee
- Eugenio Lopez Foundation, Inc.
- 8 Rockwell Condominium Corporation

Board Advisor
- Lopez Group Foundation, Inc.

ALBERT F. DEL ROSARIO †
Independent Director
2017 - April 2023

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

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

Chairman
- Philippine Stratbase Consultancy, Inc.
- Gotuaco del Rosario Insurance Brokers, Inc.
- Stratbase ADR Institute, Inc.
- Citizens for Promoting Human Rights, Inc.
- Cignal TV, Inc.

Director
- Indra Philippines, Inc.
- PLDT, Inc.
- Metro Pacific Investments Corporation
- Metro Pacific Tollways Corporation
- Two Rivers Pacific Holdings Corporation
- Metro Pacific Resources, Inc.
- Metro Pacific Holdings, Inc.
- Metro Pacific Asset Holdings, Inc.
- Philippine Telecommunications Investment Corporation
- Enterprise Investment Holdings, Inc.
- Mediaquest Holdings, Inc.
- TV5 Network, Inc.
- Studio5, Inc.
- Businessworld Publishing Corporation
- Satventures, Inc.
- Hastings Holdings, Inc.
- Nation Broadcasting Corporation
- Med Vision Resources, Inc.
- Telemedia Business
- Ventures, Inc.
- Upbeam Investments, Inc.
- BTF Holdings, Inc.

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

Member
- Asia Society Global Council

Board Advisor
- Metrobank Foundation, Inc.
- CSIS Southeast Asia Program

MANAGEMENT TEAM

WITH A TOUCH THAT PROMISES EVER-UNFOLDING PROGRESS, OUR LEADERS CARVE THE PATH FORWARD.

"This was Manolo's leadership – by watchful eye, steady hand, and a heart for those he led."

– **MANOLO: A PORTRAIT**

FROM THE COLLECTION OF AMB. MANUEL M. LOPEZ

We have a different view of what we're doing, it's not just bricks and mortar,

IT'S HOW WE BUILD A COMMUNITY

NESTOR J. PADILLA
CHAIRMAN AND PRESIDENT

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

ESTELA Y. DASMARIÑAS
Senior Vice President,
Human Resources

VALERIE JANE L. SOLIVEN
Executive Vice President,
Residential Development and Chief Revenue Officer

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

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

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

ALEXIS NIKOLAI S. DIESMOS
Vice President,
Project Development

CHRISTINE T. COQUEIRO
Vice President,
Retail Development

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

TRACEY G. CASTILLO
Vice President,
Marketing

VIENN T. GUZMAN
Vice President and Project Director,
Rockwell Cebu

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

ROMEO G. DEL MUNDO
Assistant Vice President,
Internal Audit and
Chief Audit Officer

ROMMEL M. MEDINA
Vice President,
Finance and Accounting

JESSE S. TAN
Vice President,
Office Development

SHERRY ROSE I. LORENZO
Assistant Vice President,
Finance and Accounting,
and Comptroller

ANGELA MARIE B. PAGULAYAN
Vice President,
Property Management

STELLA MAY A. FORTU
Assistant Vice President,
Corporate Planning and Research,
and Chief Risk Officer

CONSULTANTS

RINA C. ARNAIZ
Project Development

JOHN MARTIN MEARNS
Project Development

ROCHELLE C. BAYLON
Project Development

SALVA R. CATACUTAN
Housekeeping Services

BENITO P. JAPITANA
Finance and Accounting

BELEN C. NONES
Office Development

JOSE CARLO S. CONSUNJI
Marketing

ERIC R. POTENTE
Cost and Procurement

JACKO M. ZIALCITA
Design and Planning

ATTY. ENRIQUE I. QUIASON
Corporate Secretary

ATTY. MA. FE CAROLYN G. PINOY
Assistant Corporate Secretary,
Vice President, Legal,
and Chief Data Privacy Officer

ASSISTANT VICE PRESIDENTS

ENTRUSTED WITH THE FUTURE OF OUR LEGACY, A BRILLIANT ROSTER OF YOUNG LEADERS WITH THE UNWAVERING WILL NEEDED TO MAKE A MARK.

"Management by example. Service with integrity. These are the things that he passed on."

– **BEAVER LOPEZ**
In Manolo: A Portrait

FROM THE COLLECTION OF AMB. MANUEL M. LOPEZ

KENDRICK G. ONG
Business Development

GENG B. BRILLANTES
General Manager for
Rockwell Leisure Club, Inc.

RACHEL M. QUINTO
Project Director,
Rockwell Primaries

MARCO N. VINLUAN
Affordable Housing

RINNA L. TIU
Project Director,
Rockwell at Nepo Center

CHRIS B. GECHA
Project Development

CARLA B. ASCIO
Design and Planning

VERGEL V. RAPE
Project Development

MARILIE M. LOPEZ
Project Director,
Rockwell Bacolod

MIKA B. NAGUIAT
Residential Sales

IMEE G. RAMOS
Human Resources

JOCELYN S. BARLETA
Residential Leasing

TONI C. SISON
Human Resources

WHENG U. DAVID
Finance and Accounting

ANNABELLE A. ONG-TUÑACAO
Customer Experience

MONA K. MANALANG - NARCISO
After Sales Services

JOY Z. HERRERA
Property Management

BENJIE GANNOD
Property Management

GEMMA M. ABAYON
Information Systems

ESTELITO A. DELA CRUZ JR.
General Security

ALBERT M. LOBERES
Legal

JEFF R. CARONAN
Project Development

KAREN C. GO
Project Development

ELLA A. BONTUYAN
Human Resources

BYRON M. RIMAS
Project Development

BENNIE C. NAVARRO
Human Resources

MA. RICA S. GUILLEN
Cost and Procurement

REDELYN L. FLORES
Cost and Procurement

THONY A. MONSAYAC
Design and Planning

CHARM V. RODRIGUEZ
Design and Planning

ANDRE A. LOPEZ
Design and Planning

CORPORATE **GOVERNANCE**

COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

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

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

a. Appointment of a compliance officer, who shall directly report to the Chairman of the Board of Directors and monitor compliance with the provisions and requirements of the Corporate Governance Manual. Subject to the further review and approval of the Board of Directors, the compliance officer shall also determine the violations of the Corporate Governance Manual and 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") that assists the Board through the Audit Committee in discharge of its duties and responsibilities as provided for in the Manual on Code of Corporate Governance. The IAG reports to the Audit committee and provides assurance, process innovation and consulting functions for Rockwell in the areas of internal control, corporate governance and risk management. It conducts its internal audit activities following a risk-based methodology in accordance with the Institute of Internal Auditors' (IIA) 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 Risk Oversight and Related Party Transactions Committees are composed of 5 members of the Board and are headed by one of the two independent directors. The Corporate Governance Committee is composed of four members of the Board, one of which is an independent director.

The appointment 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.

CORPORATE SOCIAL RESPONSIBILITY & COMMUNITY BUILDING

SERVICE TO PEOPLE IS AN HONOR IN ITSELF.

He was very touched by the joy that he brought to so many people. He has a quiet demeanor, but there is a great compassion in his heart.

– **TONY MELOTO**
In Manolo: A Portrait

FROM THE COLLECTION OF AMB. MANUEL M. LOPEZ

CORPORATE SOCIAL RESPONSIBILTY

Making a Difference with Every Touch

SUSTAINABILITY PROGRAMS

As we build spaces intended to last for generations, we ensure that the communities we create are kind to the environment. In the past year, sustainability initiatives like converting common area lighting to energy-efficient LED and commercial buildings switching to inverter air-conditioning were completed. New partners were tapped to better recycle oil, plastic, and e-wastes, while recycled water was used for irrigation and flushing. To date, 76% of Rockwell buildings use renewable energy. The Power Plant Mall has also installed electric vehicle chargers, with provisions in 8 Rockwell, RBC Sheridan, RBC Ortigas, and 1 Proscenium set to follow.

COVID-19 VACCINATION

A sustainable and safe environment also puts healthcare at the forefront. For our community, we carried over efforts from last year's vaccination operations against COVID-19 at The Fifth. After the initial vaccination program in 2021 in cooperation with the Makati LGU, we once again turned our events hall into an efficient vaccination center, where over 7,000 members of our community were able to get booster shots, renewing protection for all who came by.

SERVATHON

In Pateros, newly-painted walls greet the students as they march back to their classes at Capt. Hipolito Francisco Elementary School. Volunteers spent an afternoon painting colorful murals and helping refurbish classroom materials to add vibrancy into the school's spaces through programs like "Servathon - Ligtas Balik Eskwela." The holidays were also opportune for us to share donations with our partner churches.

COMMUNITY BUILDING
Hand in hand, the Rockwell community grows

EASTER AND HALLOWEEN

In 2022, we focused our efforts into building the Rockwell community, putting up an exciting variety of events all over the country.

Families in our community looked forward to the return of our holiday events. At Power Plant Mall's Plaza Drive Garden, Ahoy! An All-Out Sea Adventure delighted kids with a nautically-themed Easter egg hunt, where we had several stations for play and lots of games to take part in. In the later half of the year, Game On: Level Up This Halloween was held at The Fifth. More than 800 children enjoyed the two-day festivities, full of prizes and candy for eager trick-or-treaters, featuring musical performances, interactive games, and an enchanting magic show for the youngest Rockwellists.

COMMUNITY FOOD FAIRS

We also brought a taste of our properties in Pampanga, Batangas and Bacolod to Rockwell Center Makati, with food fairs that highlighted these provinces' native delicacies to showcase the flavors of our growing community. During Kanyaman Na! The Pampanga Food Festival, we celebrated the unique tastes of Pampanga right at home in Rockwell at Nepo Center. Epicures enjoyed Kanyaman's line-up of chefs and their signature dishes in an al fresco dining experience that soon made its way to Makati as well. Ala Eh! A Batangas Food Fair offered a curated mix of homegrown brands and local culinary finds like authentic lomi, all hailing from the province that Stonewell and Terreno South call home. We also brought Negrense favorites together for the Namit Namit Food Festival, where gourmands savored Ilonggo dishes like chicken inasal and kansi.

Thanks to the popularity of the Makati food fairs, we found more opportunities to welcome all to partake in these festivals of flavor. Held on several weekends, Aduna at 32 Sanson is a new crowd favorite with its selection of culinary finds and specialty items.

As we expand our boundaries, we continue to showcase the diversity of our community, cuisine, and culture. Whether through food or themed activities, our community building efforts give the whole community space to come together and enjoy the many unique experiences that every Rockwell has to offer.

2022 PERFORMANCE REVIEW

RESULT OF OPERATIONS

Rockwell Land Corporation ended the year with a consolidated net income after tax (NIAT) of Php 2.6 billion, a 17% increase from Php 2.2 billion in 2021.

Of the consolidated net income, Php 2.3 billion is attributable to equity holders of the Parent company and is 40% higher than 2021's Php 1.6 billion.

Consolidated revenues reached Php 16.5 billion in 2022 with Residential Development and Commercial Development accounting for 74% and 26% of the total amount, respectively. Below is a table showing the breakdown of total consolidated revenues.

	2022	% TO TOTAL	2021	% TO TOTAL	2020	% TO TOTAL
Residential Development	12,217	74%	10,300	81%	8,816	79%
Commercial Development	4,291	26%	2,423	19%	2,343	21%
Total Consolidated Revenues	**16,508**	**100%**	**12,724**	**100%**	**11,159**	**100%**
Share in Net Income of JV and Associates	376		368		339	

RESIDENTIAL SEGMENT

Residential Development revenue grew 19% to Php 12.2 billion, from higher project bookings, significant construction progress and completion of 2 residential projects namely Solihiya, the fourth tower of 32 Sanson in Cebu; and The Vantage East, the second tower of The Vantage at Kapitolyo, Pasig.

Reservation sales for the year reached a record Php 21.2 billion, a 52% growth from last year, mainly from the high demand for Rockwell's luxury projects in NCR. Majority of this year's sales were from The Balmori Suites, the crown jewel of Rockwell Center, The Arton, a master-planned high-rise community in Katipunan, Quezon City, and the newly launched Edades West.

In response to the evolving market preference, the company diversified its portfolio by launching 4 new projects across different geographical locations - The BenCab by Rockwell at Nepo Center, a mid-rise condominium development in Pampanga; Terreno South Phase 4, an affordable horizontal offering in Lipa Batangas; Rockwell Center Bacolod's Commercial Lots and Bel-Air, which are commercial and residential lots for sale in Bacolod; and finally Edades West, a high-rise condominium project in Rockwell Center, Makati City.

In total, these launches have a combined project value of Php 29 billion, the highest value ever for the company.

COMMERCIAL SEGMENT

Commercial leasing revenues bounced back strongly in 2022, surpassing pre-pandemic levels as it benefited from the reopening of the economy and robust consumer spending. Total revenues accelerated 77% to Php 4.3 billion due to the lifting of tenant concessions, strong tenant sales, and resilient office occupancy.

Retail bounced back strongly from the pandemic recording total leasing revenues of Php 1.8 billion, 87% higher than previous year and pre-pandemic levels by 50%. Sales reached pre-pandemic levels by the end of the second half of 2022 as foot traffic recovers.

Office remained resilient by maintaining its steady occupancy and was able to escalate rates for renewed tenants resulting in a 9% growth in rental revenues to Php 1.0 billion.

Rockwell's commercial segment also increased total gross leasable area with the opening of 1 Proscenium, our new 21-storey high rise office Tower in Rockwell Center and Proscenium Retail Row, the newest lifestyle destination in the community.

Share in net income of joint venture and associate reached Php 375.6 million in 2022, 2% higher than the previous year. This pertains mainly to Rockwell's share in the operations of RBC Ortigas, under the Rockwell-Meralco BPO venture.

COST AND EXPENSES

Cost of real estate amounted to Php 9.3 billion in 2022, 34% higher than the Php 6.9 billion that was recorded in 2021 following the increase in residential revenues.

General and administrative expenses amounted to Php 2.1 billion in 2022, a 24% increase from the previous year due to higher business taxes from higher collections in the prior year, higher hotel and cinema direct costs, higher personnel and occupancy and admin costs.

Interest Expense amounted to Php 1.2 billion, which is 6% higher than last year's Php 1.1 billion. Interest incurred increased as the average interest rate increased from 4.5% in 2021 to 5.0%, offset by lower loan balance from Php 26.8 to Php 25.1 billion.

Consolidated EBITDA amounted to Php 5.4 billion, a 23% increase from last year. Residential Development contributed 46% while commercial development accounted for 54%.

CASH FLOW AND FUNDING

The company spent a total of Php 7.4 billion, gross of VAT, for project and capital expenditures in 2022. Bulk of the expenditures pertain to Development costs of The Arton, Aruga Resorts and Residences - Mactan, The Balmori Suites, Nara Residences, Proscenium, and cost to acquire certain properties. Capital expenditures were funded through a combination of internally generated funds and debt availments.

The company declared and paid dividends amounting to Php 330.1 million to its shareholders, 20% of the previous year's Net Income.

By the end of 2022 debt level was at P25.1 billion while the net-debt-to-equity ratio stood at 0.78x.

FINANCIAL POSITION

Total assets as of December 31, 2022 amounted to Php 69.7 billion, a 7% increase from the previous year. The increase was mainly because of higher receivables and inventory related to increase in bookings and completion.

Total Liabilities as of December 31, 2022 amounted to Php 42.1 billion, 8% higher than last year's Php 38.8 billion. The slight increase was primarily due to the additional subscription payable for Rockwell IPI Development Corporation.

Total Equity as of December 31, 2022 amounted to Php 27.6 billion, a growth of 6% from the previous year. This was mainly driven by the Php 2.6 billion NIAT, Php 2.3 billion of which is attributable to Parent Stockholders, while Php 292.2 million is attributable to Minority Shareholders.

KEY PERFORMANCE INDICATORS

KPI	2022	2021	2020
EBITDA[1] *(Php billions)*	5.4 Billion	4.4 Billion	3.8 Billion
Current Ratio[2] *(x)*	3.16	3.29	2.37
Net DE Ratio[3] *(x)*	0.78	0.92	0.87
Asset to Equity Ratio[4] *(x)*	2.53	2.50	2.49
Interest Coverage Ratio[5] *(x)*	4.61	4.00	3.29
ROA[6]	3.86%	3.48%	2.0%
ROE[7]	9.69%	8.69%	5.12%
EPS[8] *(Php)*	0.38	0.27	0.18

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 FOR 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, 2022 and 2021, 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.

NESTOR J. PADILLA	**ELLEN V. ALMODIEL**
PRESIDENT, AND CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER

Signed this 5th day of April 2023.

SUBSCRIBED AND SWORN to before me this day 05 April 2023 at Makati City, affiant exhibiting to me his/her Passport as follows:

NAME	PASSPORT NO.	DATE ISSUED	PLACE ISSUED
Nestor J. Padilla	P7155127B	08 July 2021	DFA MANILA
Ellen V. Almodiel	P2373847B	29 June 2019	DFA NCR East

Doc No. 487 ;
Page No. 99 ;
Book No. XXIV ;
Series of 2023.

MA. FE CAROLYN GO-PINOY
NOTARY PUBLIC
ROLL NO. 39698
MAKATI CITY, PHILIPPINES

MA. FE CAROLYN GO-PINOY
Appointment No. M-157 until December 31, 2024
Roll of Attorneys No. 39698
IBP Lifetime No. 017554 / ZAMBASULTA
PTR No. 9577654 / 1.10.2023 / Makati City
8 Rockwell, Hidalgo Drive, Makati City

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

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, 2022 and 2021, 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, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022 are prepared in all material respects, in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC), as described in Notes 2 and 3 to the consolidated financial statements.

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.

Emphasis of Matter

We draw attention to Notes 2 and 3 to the consolidated financial statements which indicates that the consolidated financial statements have been prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs on the 2022 consolidated financial statements are discussed in detail in Note 3. Our opinion is not modified in respect of this matter.

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 in the following areas: (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; and (4) determination of the actual costs incurred as cost of real estate sold.

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, after considering the impact of coronavirus pandemic, 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 disclosures related to the real estate revenue and cost are included in Notes 5, 20 and 22 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 cancellations from buyers with accumulated payments above the collection threshold. We also considered the impact of the coronavirus pandemic to the level of cancellations during the year. 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, including inquiries on how the coronavirus pandemic affected the POC during the period, 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 contracts, progress billings and progress payment certificates.

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, 2022, 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, 2022 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, as modified by the application of financial reporting reliefs issued and approved by the SEC, as described in Notes 2 and 3 to the consolidated financial statements, 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 accordance with PFRSs, as modified by the application of financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the consolidated financial statements.

- 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.

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

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

SYCIP GORRES VELAYO & CO.

Gaile A. Macapinlac

Gaile A. Macapinlac
Partner
CPA Certificate No. 98838
Tax Identification No. 205-947-572
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 98838-SEC (Group A)
Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-126-2022, November 7, 2022, valid until November 6, 2025
PTR No. 9564648, January 3, 2023, Makati City

March 28, 2023

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

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7, 29 and 30)	₱3,517,752	₱2,784,864
Trade and other receivables (Notes 8, 16, 20, 27, 29 and 30)	3,917,432	5,994,517
Contract assets (Notes 8, 20 and 29)	12,024,821	8,458,512
Real estate inventories (Notes 9, 11 and 12)	17,981,211	17,243,928
Advances to contractors (Note 9)	1,814,366	1,717,178
Other current assets (Notes 10, 29 and 30)	3,481,948	2,794,840
Total Current Assets	42,737,530	38,993,839
Noncurrent Assets		
Investment properties (Notes 9, 11, 12 and 16)	14,666,614	14,634,096
Property and equipment (Notes 9, 11, 12 and 16)	2,154,070	2,962,617
Investments in joint venture and associate (Note 13)	5,878,073	3,527,714
Contract assets - net of current portion (Notes 8, 20 and 29)	3,745,457	4,112,047
Investment in equity instruments at fair value through other comprehensive income (FVOCI) (Notes 14, 29 and 30)	36,711	30,378
Deferred tax assets - net (Note 25)	107,405	93,539
Other noncurrent assets (Notes 11, 12, 22, 27, 29 and 30)	328,015	469,845
Total Noncurrent Assets	26,916,345	25,830,236
	₱69,653,875	₱64,824,075
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 9, 13, 15, 17, 20, 24, 29 and 30)	₱9,500,352	₱7,003,377
Current portion of interest-bearing loans and borrowings (Notes 8, 11, 12, 16, 27, 29 and 30)	2,833,346	4,347,235
Subscription payable (Note 13)	1,179,150	484,150
Income tax payable	24,997	-
Total Current Liabilities	13,537,845	11,834,762
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Notes 8, 11, 12, 16, 27, 29 and 30)	22,260,138	22,440,730
Deferred tax liabilities - net (Note 25)	1,475,856	1,697,036
Subscription payable - net of current portion (Note 13)	1,743,410	-
Lease liabilities - net of current portion (Notes 15, 28, 29 and 30)	649,569	635,328
Pension liability - net (Note 24)	72,043	241,844
Deposits and other liabilities (Notes 15, 17, 29 and 30)	2,352,407	1,993,202
Total Noncurrent Liabilities	28,553,423	27,008,140
Total Liabilities	42,091,268	38,842,902
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Notes 18 and 19)	6,270,882	6,270,882
Additional paid-in capital	28,350	28,350
Other comprehensive income (Note 14)	20,580	14,219
Other equity adjustments (Note 19)	540,323	540,323
Share-based payments (Note 18)	69,700	69,700
Retained earnings (Note 19):		
Appropriated	11,700,000	9,700,000
Unappropriated	6,974,257	6,881,951
	25,604,092	23,505,425
Less cost of treasury shares (Notes 1 and 19)	185,334	185,334
Total Equity Attributable to Equity Holders of the Parent Company	25,418,758	23,320,091
Non-controlling interests (Note 6)	2,143,849	2,661,082
Total Equity	27,562,607	25,981,173
	₱69,653,875	₱64,824,075

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		
	2022	2021	2020
REVENUES			
Revenue from sale of real estate (Note 20)	₱11,382,413	₱8,925,994	₱7,213,096
Lease income (Note 11)	1,889,427	1,227,788	1,149,868
Interest income (Notes 7, 8 and 21)	1,477,459	1,482,381	1,740,785
Others (Notes 3, 13 and 20)	1,758,665	1,087,540	1,055,158
	16,507,964	12,723,703	11,158,907
EXPENSES			
Cost of real estate (Notes 3, 9, 11 and 22)	9,268,529	6,896,070	5,869,359
General and administrative expenses (Notes 11, 12, 13, 22, 23 and 24)	2,067,051	1,666,777	2,016,268
Selling expenses (Notes 22 and 23)	960,372	931,906	587,931
	12,295,952	9,496,753	8,473,558
INCOME BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	4,212,012	3,226,950	2,685,349
OTHER INCOME (EXPENSES)			
Interest expense (Notes 16, 17, 22 and 28)	(1,213,289)	(1,141,452)	(1,267,976)
Share in net income of joint venture and associate (Note 13)	375,628	368,273	338,811
Foreign exchange gain (loss) - net	17,979	12,312	(9,000)
Loss on:			
Prepayment of loan (Note 16)	-	-	(35,579)
Loan modification (Note 16)	-	-	(19,596)
Bond redemption (Note 16)	-	-	(18,528)
	(819,682)	(760,867)	(1,011,868)
INCOME BEFORE INCOME TAX	3,392,330	2,466,083	1,673,481
PROVISION FOR INCOME TAX (Note 25)	798,254	257,450	412,504
NET INCOME	2,594,076	2,208,633	1,260,977
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on employee benefits (Note 24)	155,623	75,358	(79,986)
Net gain (loss) on equity instruments designated at FVOCI (Note 14)	6,361	-	(2,500)
Income tax effect	(35,108)	(36,425)	23,996
	126,876	38,933	(58,490)
TOTAL COMPREHENSIVE INCOME	2,720,952	2,247,566	1,202,487
Net Income Attributable To			
Equity holders of the Parent Company	2,301,911	1,640,936	1,078,756
Non-controlling interests	292,165	567,697	182,221
	2,594,076	2,208,633	1,260,977
Total Comprehensive Income Attributable To			
Equity holders of the Parent Company	2,428,787	1,679,869	1,020,266
Non-controlling interests	292,165	567,697	182,221
	2,720,952	2,247,566	1,202,487
Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 31)			
Basic	₱0.3761	₱0.2680	₱0.1761
Diluted	₱0.3761	₱0.2679	₱0.1760

See accompanying Notes to Consolidated Financial Statements.

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts In Thousands)

	Equity Attributable to Equity Holders of the Parent Company										
	Capital Stock (Notes 18 and 19)	Additional Paid-in Capital	Other Comprehensive Income (Note 14)	Other Equity Adjustments (Note 19)	Share-based Payments (Note 18)	Retained Earnings (Note 19) Appropriated	Retained Earnings (Note 19) Unappropriated	Treasury Shares (Notes 1 and 19)	Total	Non-controlling Interests (Note 6)	Total Equity
Balance at December 31, 2021	₱6,270,882	₱28,350	₱14,219	₱540,323	₱69,700	₱9,700,000	₱6,881,951	(₱185,334)	₱23,320,091	₱2,661,082	₱25,981,173
Net income	-	-	-	-	-	-	2,301,911	-	2,301,911	292,165	2,594,076
Other comprehensive income (Notes 14 and 24)	-	-	6,361	-	-	-	120,515	-	126,876	-	126,876
Total comprehensive income	-	-	6,361	-	-	-	2,422,426	-	2,428,787	292,165	2,720,952
Reversal of appropriation (Note 19)	-	-	-	-	-	(9,000,000)	9,000,000				
Appropriation (Note 19)	-	-	-	-	-	11,000,000	(11,000,000)				
Cash dividends (Note 19)	-	-	-	-	-	-	(330,120)	-	(330,120)	-	(330,120)
Subsidiary's redemption of preferred shares from non-controlling interests (Note 6)	-	-	-	-	-	-	-	-	-	(534,004)	(534,004)
Subsidiary's payment of dividends to non-controlling interests (Note 6)	-	-	-	-	-	-	-	-	-	(275,394)	(275,394)
Balance at December 31, 2022	₱6,270,882	₱28,350	₱20,580	₱540,323	₱69,700	₱11,700,000	₱6,974,257	(₱185,334)	₱25,418,758	₱2,143,849	₱27,562,607
Balance at December 31, 2020	₱6,270,882	₱28,350	₱14,219	₱540,323	₱69,700	₱9,700,000	₱5,419,654	(₱185,334)	₱21,857,794	₱3,003,974	₱24,861,768
Net income	-	-	-	-	-	-	1,640,936	-	1,640,936	567,697	2,208,633
Other comprehensive loss (Notes 14 and 24)	-	-	-	-	-	-	38,933	-	38,933	-	38,933
Total comprehensive income	-	-	-	-	-	-	1,679,869	-	1,679,869	567,697	2,247,566
Cash dividends (Note 19)	-	-	-	-	-	-	(217,572)	-	(217,572)	-	(217,572)
Subsidiary's redemption of preferred shares from non-controlling interests (Note 6)	-	-	-	-	-	-	-	-	-	(676,332)	(676,332)
Subsidiary's payment of dividends to non-controlling interests (Note 6)	-	-	-	-	-	-	-	-	-	(234,257)	(234,257)
Balance at December 31, 2021	₱6,270,882	₱28,350	₱14,219	₱540,323	₱69,700	₱9,700,000	₱6,881,951	(₱185,334)	₱23,320,091	₱2,661,082	₱25,981,173
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
Net income	-	-	-	-	-	-	1,078,756	-	1,078,756	182,221	1,260,977
Other comprehensive loss	-	-	(2,500)	-	-	-	(55,990)	-	(58,490)	-	(58,490)
Total comprehensive income	-	-	(2,500)	-	-	-	1,022,766	-	1,020,266	182,221	1,202,487
Appropriation (Note 19)	-	-	-	-	-	2,700,000	(2,700,000)	-	-	-	-
Cash dividends (Note 19)	-	-	-	-	-	-	(297,090)	-	(297,090)	-	(297,090)
Subsidiary's redemption of preferred shares from non-controlling interests (Note 6)	-	-	-	-	-	-	-	-	-	(258,322)	(258,322)
Subsidiary's payment of dividends to non-controlling interests (Note 6)	-	-	-	-	-	-	-	-	-	(134,101)	(134,101)
Balance at December 31, 2020	₱6,270,882	₱28,350	₱14,219	₱540,323	₱69,700	₱9,700,000	₱5,419,654	(₱185,334)	₱21,857,794	₱3,003,974	₱24,861,768

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱3,392,330	₱2,466,083	₱1,673,481
Adjustments for:			
Interest income (Notes 7, 8 and 21)	(1,477,459)	(1,482,381)	(1,740,785)
Interest expense (Notes 3, 16, 17, 22 and 28)	1,213,289	1,141,452	1,267,976
Depreciation and amortization (Notes 11, 12 and 22)	755,738	762,755	807,639
Share in net income of joint venture and associate (Note 13)	(375,628)	(368,272)	(338,811)
Unrealized foreign exchange loss (gain) - net	(17,979)	(12,312)	9,000
Pension expense, net of contributions (Note 24)	(6,265)	22,271	3,480
Provision for disallowance of claim for refund (Note 22)	-	8,500	95,600
Loss on:			
Prepayments of loan (Note 16)	-	-	35,579
Loan modification (Note 16)	-	-	19,596
Bond redemption (Note 16)	-	-	18,528
Operating income before working capital changes	3,484,026	2,538,096	1,851,283
Decrease (increase) in:			
Trade and other receivables	3,490,329	(455,008)	2,396,957
Contract assets	(3,199,719)	1,628,360	(1,047,512)
Real estate inventories	(175,816)	(1,683,020)	156,055
Advances to contractors	(97,188)	(146,464)	(5,564)
Other current assets	(759,232)	(574,223)	(53,570)
Increase (decrease) in:			
Trade and other payables	2,523,135	(323,204)	737,351
Deposits and other liabilities	359,205	206,712	(923,275)
Net cash generated from operations	5,624,740	1,191,249	3,111,725
Income taxes paid	(996,256)	(183,491)	(674,385)
Interest received	64,215	52,842	55,870
Net cash provided by operating activities	4,692,699	1,060,600	2,493,210
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Investment properties (Note 11)	(304,570)	(531,115)	(541,689)
Property and equipment (Note 12)	(236,606)	(466,084)	(1,292,422)
Investment in associate (Note 13)	-	(634,446)	(72,000)
Dividends received (Note 13)	490,479	304,220	333,850
Decrease in investment in joint venture (Note 13)	53,200	-	-
Decrease in other noncurrent assets	141,830	260,679	148,850
Net cash provided by (used in) investing activities	144,333	(1,066,746)	(1,423,411)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of loans and borrowings (Note 16)	2,828,600	11,596,000	9,910,000
Payments of:			
Interest-bearing loans and borrowings (Note 16)	(4,507,278)	(9,504,580)	(10,864,188)
Dividends (Note 19)	(330,120)	(217,572)	(292,522)
Lease liabilities (Notes 15 and 28)	(37,663)	(36,401)	(35,472)
Debt issue cost (Note 16)	(15,803)	(61,470)	(68,425)
Installment payable (Note 23)	-	-	(655,799)
Interest paid	(1,162,548)	(1,091,712)	(1,162,810)
Subsidiary's redemption of preferred shares from non-controlling interests (Note 6)	(534,004)	(676,332)	(258,322)
Subsidiary's payment of dividends to non-controlling interests (Note 6)	(275,394)	(234,257)	(134,101)
Payment of subscription payable	(80,000)	(200,000)	-
Benefits paid (Note 24)	(7,913)	-	-
Net cash used in financing activities	(4,122,123)	(426,324)	(3,561,639)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	17,979	12,312	(9,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	732,888	(420,158)	(2,500,840)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,784,864	3,205,022	5,705,862
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	₱3,517,752	₱2,784,864	₱3,205,022

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.

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 19).

As at December 31, 2022 and 2021, 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 March 28, 2023.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation
The accompanying consolidated financial statements of Rockwell Land and its subsidiaries (collectively referred to as the "Group") have been prepared on a historical cost basis, except for investment in equity instruments at fair value through other comprehensive income (FVOCI) which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso, which is the Parent Company's functional and presentation currency and all values are rounded to the nearest thousands, except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period. While there are recent signs of increased market activity with the easing of quarantine measures in key areas in the Philippines, management believes that the impact of COVID-19 situation remains fluid and evolving and the pace of recovery remains uncertain.

Statement of Compliance
The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs on the accounting for significant financing components as issued and approved by the Securities and Exchange Commission (SEC) in response to the COVID-19 pandemic.

The Group has availed of the relief granted by the SEC under Memorandum Circular (MC) No. 34-2020 which further extended the deferral of certain provisions of PIC Q&A 2018-12-D (assessment if the transaction price includes a significant financing component) until December 31, 2023.

SEC MC No. 4-2020 deferring the adoption of International Financial Reporting Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfers of Constructed Goods under PAS 23, Borrowing Cost (the IFRIC Agenda Decision on Borrowing Cost) and is not applicable to the Group as it is already in full compliance with the requirements of the IFRIC Agenda Decision.

The details and the impact of the adoption of the above financial reporting reliefs are discussed in Note 3.

PFRSs also includes Philippine Accounting Standards (PAS), including Philippine Interpretations based on equivalent interpretations of IFRIC issued by the Financial Reporting Standards Council (FRSC).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of 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 statements 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 2022	2021	2020
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
Rockwell Performing Arts Theater Corporation	Theater operator	100.0	100.0	100.0
Rockwell Hotels & Leisure Management Corp.	Hotel management	100.0	100.0	100.0
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	100.0	100.0
Rockwell MFA Corp. (Rock MFA)	Real estate development	80.0	80.0	80.0
Rockwell Leisure Club, Inc. (Rockwell Club)	Leisure club	75.0	75.1	76.4
Rockwell Carmelray Development Corporation (RCDC, formerly Carmelray Property Holdings, Inc.)	Real estate development	71.6	63.1	54.9

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

New Standards, Interpretations and Amendments
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising from liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately. At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

Standards Issued but not yet Effective
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 its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:
  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance.

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgment (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

  The amendments clarify:
  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*.

Deferred effectivity

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

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. On January 13, 2016, the Financial and Sustainability Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the 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.

- *Deferral of Certain Provisions of PIC Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)*

  On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 8, 2019, the SEC issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023. A summary of the PIC Q&A provisions covered by the SEC deferral and the related deferral period follows:

	Deferral Period
a. Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023
b. Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E	Until December 31, 2023

In November 2020, the PIC issued the following Q&As which provide additional guidance on the real estate industry issues covered by the above SEC deferrals:
- PIC Q&A 2020-04, which provides additional guidance on determining whether the transaction price includes a significant financing component
- PIC Q&A 2020-02, which provides additional guidance on determining which uninstalled materials should not be included in calculating the POC

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

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

After the deferral period, real estate companies have an accounting policy option of applying either the full retrospective approach or modified retrospective approach as provided under SEC MC 8-2021.

The Group availed of the SEC relief to defer the above specific provision of PIC Q&A No. 2018-12-D on determining whether the transaction price includes a significant financing component. Had this provision been adopted, the Group assessed that the impact would have been as follows:

a. The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. In case of the presence of significant financing component, the guidance should have been applied retrospectively and would have resulted in restatement of prior year financial statements in case a full retrospective approach is applied. Depending on the approach of adoption, the adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, contract assets, provision for deferred income tax, deferred tax asset or liability for all years presented (full retrospective approach), and the opening balance of retained earnings (full retrospective approach and modified retrospective approach). The Group has yet to assess if the mismatch constitutes a significant financing component for its contracts to sell.

b. The above would have impacted the cash flows from operations and cash flows from financing activities for all years presented in case of a full retrospective approach.

The Group has decided to use modified retrospective approach upon adoption.

PIC Q&A 2018-12-E (treatment of land in the determination of POC) and PIC Q&A 2020-02 (additional guidance on determining which uninstalled materials should not be included in calculating the POC) do not have an impact on the financial statements since the Group does not include land and uninstalled materials in the determination of POC.

4. Summary of Significant Accounting Policies

Business Combinations
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.

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.

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.

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, 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.

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.

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.

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.

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 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 statement.

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 statement 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 statement 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.

Financial Assets

- *Initial Recognition*

  Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, FVOCI, and fair value through profit or loss (FVPL).

  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 FVPL, 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 FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest" on the principal amount outstanding (the SPPI criterion). 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 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, 2022 and 2021.

  - *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 consolidated statement 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, 2022 and 2021.

  - *Financial Assets Designated at FVOCI (Equity Instruments).* Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI 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 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 FVOCI 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, 2022 and 2021.

- *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 (ECLs) for the following financial assets that are not measured at FVPL:

- 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 ECLs
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 ECLs - 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 ECLs - 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 EIR to the amortized cost of the financial asset.

Loss Allowances
Loss allowances are recognized based on 12-month ECLs 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; and
- 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 allowances recognized in the period are 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 ECLs;
- 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 ECLs due to changes in PDs, LGDs and EADs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECLs due to changes made to models and assumptions;
- Discount unwind within ECLs due to passage of time, as ECLs is measured on a present value basis; and
- 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 ECLs 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 ECLs to 12-month ECLs.

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 ECLs.

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.

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 and subscription payable as at December 31, 2022 and 2021.

- *Subsequent Measurement*

  After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

<u>Derecognition of Financial Instruments</u>
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.

Exchange or Modification of Financial Liabilities
The Group considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original EIR, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

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. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss in the consolidated statement of comprehensive income.

When the exchange or modification of the existing financial liability is not considered as substantial, the Group recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

<u>Classification of Financial Instruments Between Liability and Equity</u>
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 consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts; and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. 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, residential house and lots for sale and development. These are properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation. These are held as inventory and are 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.

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. The carrying amount of inventories is reduced through the use of allowance account and the amount of loss is charged to profit or loss.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs. The total costs are allocated pro-rata based on the relative size of the property sold.

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 statements 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 or normal operating cycle.

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

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

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

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

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

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 and Associate
Investment in joint venture and 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. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

Under the equity method, investment in joint venture and associate is carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Group's share in net assets of the joint venture and associate. Goodwill relating to a joint venture or 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 the joint venture and associate. Distributions received from joint venture reduce the carrying amount of the investment. 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 joint venture and 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 joint venture and associate are eliminated to the extent of the interest in the joint venture and associate.

Upon loss of joint control or significant influence over the joint venture or associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the former jointly controlled entity or associate upon loss of joint control or significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss in the consolidated statement of comprehensive income.

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

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

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

Buildings and improvements	15-35 years
Office furniture and other equipment	3-5 years
Transportation equipment	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.

<u>Revenue from Contract with Customers</u>
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 and electricity 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.

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

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

Room Revenue (presented under Other 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 (presented under Other Revenue). Revenue is recognized when services are rendered.

Common use service area (CUSA) charges. The contract for the commercial spaces leased out by the Group to its tenants includes the right to charge for the electricity usage, water usage, air-conditioning charges and CUSA like maintenance, janitorial and security services.

The Group assessed itself as principal for CUSA, air-conditioning charges and electricity and water usage. Accordingly, the Group presented the revenue from recoveries and its related costs on a gross basis as part of "Others" under revenue and "Cost of real estate", respectively, in the consolidated statements of comprehensive income.

Total CUSA adjustments recognized amounted to ₱544.2 million in 2022, ₱418.6 million in 2021 and ₱421.6 million in 2020.

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.

Cost of real estate sales
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. 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

Trade Receivables. Trade 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.

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.

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.

Leases
Right-of-use assets. 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 re-measurement of lease liabilities. The costs of right-of-use assets include the amount of lease liability recognized, and lease payments made at or before the commencement date. Right-of-use asset 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.

Right-of-use assets are presented as part of investment properties and are subject to impairment. Refer to the accounting policies in impairment of non-financial assets section.

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

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.

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.

Lease Modification. Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).

The Group shall account for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. If a change in lease payments does not meet the definition of a lease modification, that change would generally be accounted for as a negative variable lease payment. In the case of an operating lease, a lessor recognizes the effect of the rent concession by recognizing lower income from leases.

Group as a Lessee

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.

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.

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

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

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

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

Borrowing Costs
Borrowing costs directly attributable to the acquisition or construction of 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.

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 of those borrowings.

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.

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

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

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

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

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

Segment Reporting
The Group's operating businesses are organized and managed separately into three business activities. Such business segments are the bases upon which the Group reports its operating segment information. The Group operates in one geographical area where it derives its revenue. Financial information on segment reporting is presented in Note 32.

5. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

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

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

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

- *Qualitative criteria*

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

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

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

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

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

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

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

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, after considering the impact of coronavirus pandemic, if it would still support its current threshold of customers' equity before commencing revenue recognition. Management assessed that the historical cancellations and back-outs, despite the pandemic, still supports the Group's current threshold of customers' equity.

Revenue Recognition Method 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 ₱11,382.4 million, ₱8,926.0 million and ₱7,213.1 million in 2022, 2021 and 2020, respectively, while room, cinema and other revenues recognized at a point in time amounted to ₱1,758.7 million, ₱1,087.5 million and ₱1,055.2 million in 2022, 2021 and 2020, respectively (see Note 20).

Identifying Performance Obligation. The Group has contracts to sell covering the sale of lots, house and lots, 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 ₱1,889.4 million, ₱1,227.8 million and ₱1,149.9 million in 2022, 2021 and 2020, respectively (see Note 11).

Determining whether Lease Concessions are Lease Modifications. As a consequence of the COVID-19 pandemic, the Group provided certain rent concessions to its tenants in the form of rent-free periods and discounts in 2022 and 2021. Management, in consultation with its external legal counsel, assessed that the grant of rent concession does not qualify as an amendment to the lease contract. The waiver of rent is pursuant to the provision in the lease contract. Accordingly, management recorded the negative variable lease payment at the time the concession was given.

The rent concessions resulted to reduction in rental income in 2022, 2021 and 2020 amounting to ₱84.9 million, ₱456.5 million and ₱512.0 million, respectively (see Note 11).

Transfers of Property and Equipment. The Group has made transfers to real estate inventories and investment properties after determining that there is a change in use, evidenced by ending of owner-occupation. Transfers are made from property and equipment when, and only when, there is a change in use, evidenced by commencement of an operating lease to another party or commencement of development with a view to sale. These transfers are recorded using the carrying amount of the investment properties at the date of change in use.

Interests in Joint Ventures. Management has assessed that it has joint control in its joint venture agreements 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 41.21% of Rockwell Nepo Development Corporation (RNDC), formerly NepWell Property Management, Inc., as at December 31, 2022 and 2021. The contractual arrangement relative to the JV Agreement with T.G.N. Realty Corporation 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. The Parent Company's management has assessed that it has significant influence in its JVA with T.G.N. Realty Corporation shareholders as the Parent Company has representation in the BOD of RNDC, 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 28). No provision for contingencies was recognized in 2022, 2021 and 2020.

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.

Revenue Recognition Method and Measure of Progress. The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue. 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. In view of the recent signs of increased market activity with the easing of community quarantines in key areas of the Philippines, the progress of the Group's performance obligation is directly affected which resulted to higher percentage of completion in the current period as compared to previous year.

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.

Revenue from sale of real estate recognized over time amounted to ₱11,382.4 million, ₱8,926.0 million and ₱7,213.1 million in 2022, 2021 and 2020, respectively.

Measurement of ECLs. 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 EIR. 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 EIR.

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. ECLs are 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. ECLs are the discounted product of the PD, LGD, and EAD, defined as follows:

- *PD*

  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.

- *LGD*

  LGD 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 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.

- *EAD*

  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.

  ECLs are 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 EIR 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.

The COVID-19 pandemic did not have a significant impact on the collectability of the Group's trade receivables in 2022, 2021 and 2020. Considering the evolving nature of this pandemic, the Group will continue to monitor the situation. Uncertainties in market trends and economic conditions may persist due to the COVID-19 pandemic, which may impact actual results and differ materially from the estimates of ECLs.

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 ECLs 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 ECLs.

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 for installment contracts receivable, recognized as trade receivables, in 2022 and 2021.

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 ECLs. 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.

The carrying values of cash and cash equivalents, trade and other receivables and contract assets are disclosed in Notes 7, 8, 20 and 29.

Fair Value of Financial Assets, Investment Properties and Financial Liabilities. Entities are required to disclose for each class of financial assets and liabilities and investment properties 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 statements 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, investment properties and financial liabilities are set out in Note 30.

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.

The COVID-19 pandemic did not have a significant impact on the Group's inventory valuation. Although the Group suspended its operations during the implementation of community quarantine, it has resumed its operations after the lifting of the restrictions.

Real estate inventories, stated at cost, amounted to ₱17,981.2 million and ₱17,243.9 million as at December 31, 2022 and 2021, 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 2022, 2021 and 2020.

Investment properties, net of accumulated depreciation, (excluding land and investment properties in progress) amounted to ₱11,403.6 million and ₱11,181.9 million as at December 31, 2022 and 2021, respectively (see Note 11).

Property and equipment, net of accumulated depreciation and amortization, (excluding land and construction in progress) amounted to ₱1,163.4 million and ₱1,264.0 million as at December 31, 2022 and 2021, 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 associate 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:

	2022	2021
Investment properties (see Note 11)	₱14,666,614	₱14,634,096
Property and equipment (see Note 12)	2,154,070	2,962,617
Investments in joint venture and associate (see Note 13)	5,878,073	3,527,714
Advances to contractors (see Notes 11 and 12)	202,921	135,927

The fair value of the investment properties amounted to ₱29.0 billion and ₱28.4 billion as at December 31, 2022 and 2021, respectively (see Note 11).

The Group has considered the impact of the COVID-19 pandemic and assessed that the Group's nonfinancial assets are not impaired. As at December 31, 2022 and 2021, no other impairment indicators were identified for the Group's nonfinancial assets.

No impairment loss was recognized in 2022, 2021 and 2020.

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 ₱107.4 million and ₱93.5 million as at December 31, 2022 and 2021, respectively. Unrecognized deferred tax assets amounted to ₱16.6 million and ₱4.4 million as at December 31, 2022 and 2021, respectively (see Note 25).

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 ₱72.0 million and ₱241.8 million as at December 31, 2022 and 2021, 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 24).

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.

RCDC's summarized financial information follows:

	2022	2021
Current assets	₱6,079,764	₱4,894,180
Noncurrent assets	198,672	1,656,727
Current liabilities	1,136,464	723,244
Noncurrent liabilities	642,459	588,166
Revenues	1,906,447	3,443,582
Total comprehensive income	480,564	1,277,572

	2022	2021
Cash flows:		
Operating	₱1,914,205	₱16,759
Financing	(693,656)	(388,660)

In 2022, RCDC redeemed voting preferred shares of non-controlling interest holder amounting to ₱534.0 million which resulted to 71.6% ownership interest by RLC, and paid dividends to non-controlling interest holder amounting to ₱275.4 million.

In 2021, RCDC redeemed voting preferred shares of non-controlling interest holder amounting to ₱676.3 million which resulted to 63.1% ownership interest by RLC, and paid dividends to non-controlling interest holder amounting to ₱234.3 million.

Non-controlling interest in RCDC amounted to ₱1,609.4 million and ₱2,218.6 million as at December 31, 2022 and 2021, respectively.

b. 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 ssManila One, Inc. (MFAP) to handle the development of "The Arton by Rockwell". As at December 31, 2022 and 2021, the Parent Company owns 80% interest in Rock MFA.

Non-controlling interest in Rock MFA amounted to ₱472.8 million, ₱379.3 million and ₱312.7 million as at December 31, 2022, 2021 and 2020, respectively.

c. 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. The note payable was paid in full in 2019.

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, with a credit of ₱249.2 million 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.

7. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash on hand and in banks	₱980,792	₱1,145,888
Short-term investments	2,536,960	1,638,976
	₱3,517,752	₱2,784,864

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 ₱22.9 million, ₱6.3 million and ₱10.9 million in 2022, 2021 and 2020 respectively (see Note 21).

8. Trade and Other Receivables and Contract Assets

Trade and other receivables consist of:

	2022	2021
Trade receivables from:		
Sale of real estate (see Note 20)	₱3,278,946	₱5,027,193
Lease	406,312	580,915
Advances to officers and employees (see Note 27)	46,947	47,555
Others	210,954	373,377
	3,943,159	6,029,040
Less: Allowance for ECLs	(25,727)	(34,523)
	₱3,917,432	₱5,994,517

Trade receivables from sale of condominium units, house and lot and residential 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:

	2022	2021
Current	₱12,024,821	₱8,458,512
Noncurrent	3,745,457	4,112,047
	₱15,770,278	₱12,570,559

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, 2022, there were no receivables used to serve as collateral on existing loans payable. As at December 31, 2021, the carrying value of installment contracts receivables and contract assets, and the corresponding loans payable amounted to ₱1,020.0 million and ₱1,262.5 million, respectively (see Note 16).

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, 2022, the movement in contract assets comprises the reclassifications to installment contracts receivables from sale of real estate, and unbilled revenues recognized for the year amounting to ₱3,279.0 million and ₱6,479.0 million, respectively. As at December 31, 2021, 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 ₱5,027.0 million and ₱3,399.0 million, respectively (see Note 20).

Interest income earned from sale of real estate amounted to ₱1.4 billion, ₱1.4 billion and ₱1.7 billion in 2022, 2021 and 2020, respectively (see Note 21). Unamortized unearned interest on these receivables and contract assets amounted to ₱3.6 billion and ₱3.3 billion as at December 31, 2022 and 2021, respectively.

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

	2022	2021
Trade receivables/contract assets at nominal amount	₱22,694,430	₱20,934,624
Less unearned interest:		
Balance at beginning of year	3,336,872	2,821,703
Unearned interest	1,721,578	1,944,708
Amortization (see Note 21)	(1,413,244)	(1,429,539)
Balance at end of year	3,645,206	3,336,872
Trade receivables/contract assets at discounted amount	₱19,049,224	₱17,597,752

Trade receivables from lease represent short-term receivables from the "Power Plant" Mall tenants and from other commercial establishments held for lease within and outside Rockwell Center which are normally collectible within 30 days from billing date.

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

Other receivables mainly consist of claims from contractors and receivable from various third parties. These are noninterest-bearing and are due and demandable.

The movements of the allowance for ECLs, determined on a collective basis using ECL model (trade receivables) and specific identification (other receivables), follows:

	2022			2021		
	Trade Receivables from Lease	Others	Total	Trade Receivables from Lease	Others	Total
Balance at beginning of year	₱15,690	₱18,833	₱34,523	₱5,113	₱11,879	₱16,992
Provision for ECLs (see Note 22)	-	-	-	10,577	6,954	17,531
Reversal of provision for ECL	(6,096)	(2,700)	(8,796)	-	-	-
Balance at end of year	₱9,594	₱16,133	₱25,727	₱15,690	₱18,833	₱34,523

9. Real Estate Inventories

This account consists of:

	2022	2021
Land and development costs	₱11,931,384	₱11,022,582
Land held for future development and other developments costs (see Note 27)	4,920,448	5,148,768
Condominium units for sale	1,129,379	1,072,578
	₱17,981,211	₱17,243,928

In 2021, the Group repurposed the Aruga Hotel Makati to The Balmori Suites, a highly exclusive residential project located at the Rockwell Center. Consequently, project development cost incurred for Aruga Hotel Makati amounting to ₱2,554.6 million was reclassified from property and equipment to real estate inventories (see Note 12).

The rollforward analysis of this account follows:

	2022	2021
At January 1	₱17,243,928	₱13,154,505
Cost of real estate sold (shown as part of "Cost of real estate" account in the consolidated statements of comprehensive income)	(8,208,501)	(5,977,401)
Construction/development costs incurred (see Note 28)	5,414,704	5,125,600
Land acquired	2,969,613	2,534,821
Transfers from investment properties (see Note 11)	695,717	247,959
Transfers (to) from property and equipment (see Note 12)	(134,250)	2,158,444
Balance at end of year	₱17,981,211	₱17,243,928

As at December 31, 2022 and 2021, land held for future development and other development costs mainly pertain to land acquisitions in Metro Manila and certain provinces.

As at December 31, 2022 and 2021, condominium units for sale pertains to unsold units of various completed projects.

As at December 31, 2022 and 2021, 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.

Contract fulfillment assets, included under land and development costs, mainly pertain to unamortized portion of the land cost totaling ₱6,364.5 million and ₱4,775.2 million as at December 31, 2022 and 2021, respectively.

Estimated cost to complete of various on-going projects expected to be completed until year 2028 amounted to ₱22.3 billion and ₱19.0 billion as at December 31, 2022 and 2021, respectively.

10. Other Current Assets

This account consists of:

	2022	2021
Creditable withholding tax	₱1,555,700	₱1,496,954
Input VAT	973,915	719,139
Prepaid costs (see Note 20)	537,224	406,587
Restricted cash	250,285	9,649
Refundable deposits	88,215	88,066
Supplies	18,649	18,424
Others	57,960	56,021
	₱3,481,948	₱2,794,840

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 20).

Refundable deposits mainly consist of security deposits and advance rent in accordance with lease agreement.

As at December 31, 2022 and 2021, restricted cash represents escrow account to cover all payments received from the buyers for the sale of real estate with restriction on withdrawal and remittance. The escrow account is required to be maintained until satisfactory compliance with the conditions of the Temporary License to Sell issued by the Department of Human Settlements and Urban Development.

11. Investment Properties

The rollforward analysis of this account follows:

	2022				
	Land	Buildings and Improvements	Right-of-use Assets	Investment Properties in Progress	Total
At January 1, 2022, net of accumulated depreciation and amortization	₱2,930,648	₱10,703,212	₱478,682	₱521,554	₱14,634,096
Additions to construction (see Note 28)	–	282,892	–	21,678	304,570
Transfers to real estate inventories (see Note 9)	(356,900)	(51,034)	–	(287,783)	(695,717)
Transfers from property and equipment (see Note 12)	229,781	90,414	–	619,337	939,532
Reclassification	–	415,276	–	(415,276)	
Depreciation and amortization (see Note 22)	–	(500,599)	(15,268)	–	(515,867)
At December 31, 2022, net of accumulated depreciation and amortization	₱2,803,529	₱10,940,161	₱463,414	₱459,510	₱14,666,614

	2022				
	Land	Buildings and Improvements	Right-of-use Assets	Investment Properties in Progress	Total
At January 1, 2022:					
Cost	₱2,930,648	₱14,677,710	₱524,486	₱521,554	₱18,654,398
Accumulated depreciation and amortization	–	(3,974,498)	(45,804)	–	(4,020,302)
Net carrying amount	₱2,930,648	₱10,703,212	₱478,682	₱521,554	₱14,634,096
At December 31, 2022:					
Cost	₱2,803,529	₱15,415,258	₱524,486	₱459,510	₱19,202,783
Accumulated depreciation and amortization	–	(4,475,097)	(61,072)	–	(4,536,169)
Net carrying amount	₱2,803,529	₱10,940,161	₱463,414	₱459,510	₱14,666,614

	2021				
	Land	Buildings and Improvements	Right-of-use Assets	Investment Properties in Progress	Total
At January 1, 2021, net of accumulated depreciation and amortization	₱2,777,154	₱10,447,175	₱493,950	₱767,646	₱14,485,925
Additions to construction (see Note 28)	107,218	375,754	–	48,143	531,115
Transfers (to) from real estate inventories (see Note 9)	46,276	–	–	(294,235)	(247,959)
Transfers (to) from property and equipment (see Note 12)	–	369,815	–	–	369,815
Depreciation and amortization (see Note 22)	–	(489,532)	(15,268)	–	(504,800)
At December 31, 2021, net of accumulated depreciation and amortization	₱2,930,648	₱10,703,212	₱478,682	₱521,554	₱14,634,096
At January 1, 2021:					
Cost	₱2,777,154	₱13,932,141	₱524,486	₱767,646	₱18,001,427
Accumulated depreciation and amortization	–	(3,484,966)	(30,536)	–	(3,515,502)
Net carrying amount	₱2,777,154	₱10,447,175	₱493,950	₱767,646	₱14,485,925
At December 31, 2021:					
Cost	₱2,930,648	₱14,677,710	₱524,486	₱521,554	₱18,654,398
Accumulated depreciation and amortization	–	(3,974,498)	(45,804)	–	(4,020,302)
Net carrying amount	₱2,930,648	₱10,703,212	₱478,682	₱521,554	₱14,634,096

Investment properties are carried at cost. Investment properties consist of the "Power Plant" Mall (₱3.2 billion and ₱3.6 billion as at December 31, 2022 and 2021, respectively), other investment properties held for lease within and outside Rockwell Center (₱7.6 billion and ₱7.3 billion as at December 31, 2022 and 2021, respectively) and land held for appreciation (₱539.7 million and ₱682.1 million as at December 31, 2022 and 2021, respectively).

Investment properties in progress include costs incurred for the construction of One Proscenium which started in 2019 and Rockwell Performing Arts Theater which was reclassified from property and equipment in 2022. General borrowing costs capitalized as part of investment properties amounted to ₱46.2 million and ₱20.4 million in 2022 and 2021, respectively (see Note 16). Average capitalization rates used for all ongoing projects are 4.82% and 4.99% in 2022 and 2021, respectively.

Amortization of discount on retention payable, capitalized as part of construction costs, amounted to ₱1.8 million and ₱2.4 million in 2022 and 2021 (see Note 17).

As at December 31, 2022 and 2021, advances to contractors, included under "Other noncurrent assets" account in the consolidated statements of financial position, amounting to ₱165.4 million and ₱135.9 million, respectively, primarily pertain to advances related to the development of Rockwell Performing Arts Theater, One Proscenium projects and Mall Expansion.

Lease income earned from investment properties amounted to ₱1,889.4 million, ₱1,227.8 million and ₱1,149.9 million in 2022, 2021 and 2020, respectively. Direct operating expenses incurred amounted to ₱433.6 million, ₱399.5 million and ₱430.1 million in 2022, 2021 and 2020, respectively.

As a consequence of the COVID-19 pandemic, the Group provided certain rent concessions to its tenants of commercial spaces in the form of lease payment holidays and lease reduction from March to December 31, 2022. The Group accounted for the rent concessions as not a lease modification. The rent concessions resulted to reduction in rental income amounted to ₱84.9 million, ₱456.5 million and ₱512.0 million in 2022, 2021 and 2020, respectively.

The aggregate fair value of the Group's Power Plant Mall amounted to ₱12.6 billion and ₱12.9 billion as at December 31, 2022 and 2021, respectively. The aggregate fair value of other investment properties held for lease within and outside Rockwell Center and land held for appreciation amounted to ₱16.4 billion and ₱17.7 billion as at December 31, 2022 and 2021, respectively.

The fair value as at December 31, 2022 and 2021 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 and outside Rockwell Center 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 30).

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 30).

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 30).

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

12. Property and Equipment

The rollforward analysis of this account follows:

	2022					
	Land	Buildings and Improvements	Office Furniture and Other Equipment	Transportation Equipment	Construction in Progress	Total
Cost						
At January 1	₱779,395	₱2,064,217	₱2,159,092	₱383,130	₱919,188	₱6,305,022
Additions	–	43,631	108,489	77,487	6,999	236,606
Transfers from real estate inventories (see Note 9)	134,250	–	–	–	–	134,250
Transfers to investment properties (see Note 11)	(229,781)	(90,414)	–	–	(619,337)	(939,532)
Disposals	–	–	(1,685)	(73,193)	–	(74,878)
At December 31	683,864	2,017,434	2,265,896	387,424	306,850	5,661,468
Accumulated Depreciation and Amortization						
At January 1	–	1,177,204	1,833,114	332,087	–	3,342,405
Depreciation and amortization (see Note 22)	–	102,447	111,651	25,773	–	239,871
Disposals	–	–	(1,685)	(73,193)	–	(74,878)
At December 31	–	1,279,651	1,943,080	284,667	–	3,507,398
Net Book Value at December 31	₱683,864	₱737,783	₱322,816	₱102,757	₱306,850	₱2,154,070

	2021					
	Land	Buildings and Improvements	Office Furniture and Other Equipment	Transportation Equipment	Construction in Progress	Total
Cost						
At January 1	₱515,032	₱1,772,482	₱1,981,859	₱372,106	₱3,725,718	₱8,367,197
Additions	–	194,129	177,233	11,024	83,698	466,084
Transfers (to) from real estate inventories (see Note 9)	264,363	(90)	–	–	(2,422,717)	(2,158,444)
Transfers to investment properties (see Note 11)	–	(369,815)	–	–	–	(369,815)
Reclassification	–	467,511	–	–	(467,511)	–
At December 31	779,395	2,064,217	2,159,092	383,130	919,188	6,305,022
Accumulated Depreciation and Amortization						
At January 1	–	1,056,319	1,709,687	318,444	–	3,084,450
Depreciation and amortization (see Note 22)	–	120,885	123,427	13,643	–	257,955
At December 31	–	1,177,204	1,833,114	332,087	–	3,342,405
Net Book Value at December 31	₱779,395	₱887,013	₱325,978	₱51,043	₱919,188	₱2,962,617

In 2021, construction in progress pertains to the ongoing construction of Mactan Hotel and Rockwell Performing Arts Theater. In 2022, project development cost incurred, including the land, for Rockwell Performing Arts Theater amounting to ₱939.5 million was reclassified from property and equipment to investment property (see Note 11).

Borrowing costs capitalized as part of property and equipment amounted to nil and ₱16.1 million in 2022 and 2021, respectively (see Note 16). Average capitalization rates used are 4.82% and 4.99% in 2022 and 2021, respectively.

As at December 31, 2022 and 2021, advances to contractors, included under "Other noncurrent assets" account in the consolidated statements of financial position, amounting to ₱37.6 million and nil, respectively, primarily pertain to advances related to the development of "Mactan Hotel".

In 2021, the Group repurposed the Aruga Hotel Makati to The Balmori Suites, a highly exclusive residential project located at the Rockwell Center. Consequently, project development cost incurred for Aruga Hotel Makati amounting to ₱2,554.6 million was reclassified from property and equipment to real estate inventories (see Note 9).

13. Investments in Joint Venture and Associate

This account consists of:

	2022	2021
Investment in:		
Joint venture	₱5,116,073	₱2,776,037
Associate	762,000	751,677
	₱5,878,073	₱3,527,714

Investments in Joint Venture

a. RIDC

In December 2021, the Parent Company entered into a Joint Venture Agreement (JVA) with International Pharmaceuticals, Inc. (IPI) to jointly develop parcels of land in Cebu into residential condominiums and commercial, retail and office components (the Project) through Rockwell IPI Development Corporation (RIDC), formerly 8 Promoveo Land, Inc., and with the view of jointly preserving and continuing IPI's long-standing legacy in the market and the Parent Company's brand of creating communities of unparalleled quality. Under the terms of the JVA, each of the Parent Company and IPI shall at all times hold 50% of the total subscribed shares, except in certain circumstances provided for in the JVA. Pursuant to the JVA, The Parent Company shall subscribe to 3,148,410,000 common and redeemable preferred shares out of the unissued authorized shares of PLI in the following manner:

a. *First Subscription:* On the execution date of the JVA Agreement, the Parent Company shall execute a Subscription Agreement to subscribe to 1,019,205,000 common shares and 1,500,795,000 redeemable preferred shares - Tier 1.

b. *Second Subscription:* Upon SEC approval of the increase in capital stock, the Parent Company shall execute a second Subscription Agreement to subscribe to the additional 628,410,000 redeemable preferred shares - Tier 1 to complete its subscription for the shares comprising its Tier 1 capital contribution.

In December 2021, the Parent Company contributed ₱630.0 million in cash to the JV Co. as partial payment for its subscription. On the same period, PLI filed its application with the SEC for the increase in authorized capital stock. The corresponding shares of the Parent Company's first subscription shall be issued out of the said increase in authorized capital stock. Accordingly, the aforementioned partial subscription payment is treated as deposits for stock subscription as at December 31, 2021 presented as part of investments in joint ventures.

The increase in RIDC's authorized capital stock was approved by the SEC in April 2022, with the Parent Company accruing the remaining portion of its subscription amounting to ₱2,518.4 million as of December 31, 2022. Out of the accrued subscription, ₱775.0 million will be paid in 2023 while the remaining will be paid beyond 1 year based on the terms of the JVA.

RIDC's statements of financial position as at December 31, 2022, include the following:

Current assets	₱2,890,129
Noncurrent assets	3,352,350
Current liabilities	32,657
Cash and cash equivalents	521,188
Real estate inventories	1,590,569

RIDC's statements of comprehensive income for the year ended December 31, 2022, include the following:

Revenue (interest income on cash in banks)	₱600
General and administrative expenses	47,313
Benefit from deferred income tax	11,828
Total comprehensive loss	34,885

The carrying value of the Parent Company's investment in RIDC amounted ₱3,130,892 and ₱630,000 as at December 31, 2022 and 2021, respectively. Share in net loss of the Parent Company with RIDC amounted to ₱17.4 million and nil in 2022 and 2021, respectively.

Below is the reconciliation of the summarized financial information of RIDC to the carrying amount of the Parent Company's investment therein as at December 31, 2022:

Net assets of the unincorporated JV	₱6,209,821
Interest of the Parent Company in the net asset of the unincorporated JV	50%
Carrying amount of investment in joint venture	₱3,130,892

As at December 31, 2022 and 2021, RIDC has no commitments and contingencies.

RIDC is not considered as a material investment in joint venture by the Parent Company in 2021.

b. RBC

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 ₱5.9 million, ₱4.5 million and ₱6.6 million in 2022, 2021 and 2020, respectively (see Note 27). 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:

	2022	2021
Current assets	₱974,122	₱1,020,898
Noncurrent assets	2,294,290	2,456,096
Current liabilities	74,441	62,154
Noncurrent liabilities	352,116	349,073
Cash and cash equivalents	579,315	671,297
Current financial liabilities (excluding trade and other payables and provisions)	44,850	56,502
Noncurrent financial liabilities (excluding trade and other payables and provisions)	332,415	203,175

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

	2022	2021	2020
Revenue	₱1,113,797	₱1,062,447	₱1,049,717
Cost and expenses	246,611	207,013	224,723
Depreciation and amortization expense	211,461	212,191	209,517
Interest income	8,702	2,039	10,426
Provision for income tax	116,318	112,788	141,886
Total comprehensive income/net income	548,159	532,493	484,016

Excess of collections on reimbursable charges over general and administrative expenses incurred.

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

	2022	2021
Cost	₱1,665,661	₱1,661,215
Return of investment*	(53,200)	4,446
	1,612,461	1,665,661
Accumulated share in net income:		
Balance at beginning of year	480,376	411,851
Share in net income**	382,823	372,745
Dividend distribution	(490,479)	(304,220)
Balance at end of year	372,720	480,376
Carrying value	₱1,985,181	₱2,146,037

**Represents excess cash of the joint venture distributed as return of capital as agreed by the joint venture partners.*
***Shown as part of "Share in net income of joint venture and associate" account in the consolidated statements of comprehensive income.*

In 2020, the Parent Company and Meralco have agreed that effective January 1, 2020, all income sharing distribution in excess of the JV's retained earnings shall be treated as return of capital. Consequently, accumulated distributions as at December 31, 2019 initially recorded as due to a related party under "Trade and other payables" account was adjusted against investment in JV as a return of capital (see Note 15).

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

	2022	2021
Net assets of the unincorporated JV	₱2,841,855	₱3,065,767
Interest of the Parent Company in the net asset of the unincorporated JV	70%	70%
Carrying amount of investment in joint venture	₱1,985,181	₱2,146,037

As at December 31, 2022 and 2021, the unincorporated JV has no commitments and contingencies.

Investment in Associates

a. RNDC

On August 17, 2020, the Parent Company entered into a Joint Venture Agreement with T.G.N. Realty Corporation to develop parcels of land in Pampanga, through RNDC. The final shareholdings shall be 40%-60% between Rockwell Land and T.G.N. Realty Corporation, respectively.

On November 6, 2020, the Parent Company subscribed to 746,698,125 redeemable preference shares and 9,451,878 common shares of RNDC, equivalent to 40% of RNDC's outstanding capital stock, for a total consideration of ₱756.2 million. As at December 31, 2020, the Parent Company made partial payment of the subscription price amounting to ₱72.0 million and accounted for such investment as an associate. As at December 31, 2022 and 2021, the Parent Company made a partial payment of the subscription price amounting to ₱80.0 million and ₱200.0 million, respectively, while the remaining unpaid subscription of the Parent Company in RNDC amounting to ₱404.2 million and ₱484.2 million, respectively, is recognized as subscription payable in the consolidated financial position (see Note 13).

The purchase price allocation resulted to recognition of RNDC's assets and liabilities at fair value, with land as the primary asset, and embedded goodwill amounting to ₱51.0 million.

As at December 31, 2022 and 2021, the Group's investment in RNDC amounted to ₱762.0 million and ₱751.7 million, respectively. Share in net income of RNDC amounted to ₱10.3 million in 2022, while share in net loss of RNDC amounted to ₱4.5 million in 2021.

The Parent Company's share in the profit or loss/total comprehensive income of RNDC in 2022 and 2021 is reported under share in net income of joint venture and associate. The Parent Company's share in the profit or loss/total comprehensive income of RNDC in 2020 is not material to the consolidated financial statements.

14. Investment in Equity Instruments at FVOCI

As at December 31, this account consists of:

	2022	2021
Quoted	₱33,431	₱27,070
Unquoted	3,280	3,308
	₱36,711	₱30,378

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

	2022	2021
Balance at beginning of year	₱27,070	₱27,070
Unrealized gain on fair value adjustments	6,361	–
Balance at end of year	₱33,431	₱27,070

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:

	2022	2021
Trade	₱1,206,993	₱1,042,349
Accrued expenses:		
Project costs	3,083,658	998,757
Selling, marketing and promotions	483,210	367,474
Interest	107,289	157,449
Taxes and licenses	105,831	131,970
Employee benefits (see Note 24)	93,369	106,121
Utilities	66,408	61,475
Repairs and maintenance	45,048	73,848
Producers' share	27,021	5,888
Others	193,527	108,534
Deferred output VAT	1,136,501	1,141,909
Contract liabilities:		
Excess of collections over recognized receivables (see Notes 17 and 20)	762,844	907,211
Deposits from pre-selling of condominium units (see Notes 17 and 20)	103,764	274,853
Advance payments from members and customers (see Note 20)	11,646	11,467
Current portions of:		
Retention payable (see Note 17)	910,960	801,387
Security deposits (see Note 17)	359,611	313,817
Deferred lease income (see Note 17)	185,314	183,561
Lease liabilities (see Note 28)	27,858	29,021
Output VAT	340,921	170,460
Others	248,579	115,826
	₱9,500,352	₱7,003,377

Trade payables and accrued project costs are noninterest-bearing 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.

Deferred output VAT pertains to output VAT on receivables for which sales recognition has been deferred based on sales collection threshold for VAT recognition purposes and are expected to be settled relative with the payment terms provided to customers.

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 20).

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

Retention payable pertains to the amount withheld by the Group on contractor's billings to be released after the guarantee period. The retention serves as a security from the contractor should there be defects in the project.

Security deposits pertains to rent of tenants with cancellable lease contracts. This will be refunded to the lessees at the end of the lease term or be applied to the last months' rentals on the related contracts.

16. Interest-bearing Loans and Borrowings

This account consists of:

	Effective Interest Rate	2022	2021
Current			
Term loan	Fixed 3.43%-6.03% Floating 4.22%-5.79%	₱2,856,010	₱2,413,680
CTS loans	5.4%-6.7%	-	1,262,475
Short-term loans	2.45%-3.00%	-	700,000
		2,856,010	4,376,155
Less unamortized loan transaction costs		22,664	28,920
		₱2,833,346	₱4,347,235
Noncurrent			
Term loan	Fixed 3.43%-6.03% Floating 4.22%-5.79%	₱22,349,880	₱22,549,290
Less unamortized loan transaction costs		89,742	108,560
		₱22,260,138	₱22,440,730

Term Loan
PNB. On May 25, 2016, December 19, 2019 and September 13, 2021, the Parent Company entered into unsecured credit facilities with PNB each amounting to ₱5.0 billion, for a total of ₱15.0 billion. As at September 13, 2022, ₱3.5 billion of the credit facility with PNB has expired. 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	32	₱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
7	January 2020	7 years	April 2022	20	1.0
8	December 2020	7 years	March 2023	20	1.0
9	February 2021	7 years	May 2022	24	2.0
10	October 2021	7 years	January 2024	20	1.0
11	April 2022	7 years	January 2024	22	0.5
					₱11.5

MBTC. 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	20	₱1.0
2	June 2016	10 years	September 2018	32	1.0
3	September 2016	7 years	December 2018	20	0.5
4	June 2017	10 years	September 2018	32	1.0
5	October 2017	10 years	September 2018	32	0.5
					₱4.0

On November 18, 2019, the Parent Company entered into an unsecured credit facility with Metropolitan Bank and Trust Company (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 Quarterly Payments	Amount (in billions)
1	November 2019	7 years	February 2022	20	₱2.0
2	December 2019	7 years	February 2022	20	1.0
3	March 2020	7 years	June 2022	20	1.0
4	August 2020	7 years	November 2022	20	1.0
					₱5.0

As at December 31, 2020, the credit facility with MBTC has been fully utilized.

On December 16, 2022, the Parent Company entered into an unsecured credit facility with MBTC amounting to ₱3.0 billion. There were no drawdowns made in the facility as at December 31, 2022.

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	32	₱0.5
2	May 2017	10 years	September 2018	32	0.5
					₱1.0

BDO. On January 20, 2020, the Parent Company entered into an unsecured credit facility with BDO amounting to ₱10.0 billion. The Parent Company will pay 48% 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	February 2020	10 years	May 2022	32	₱1.0
2	April 2020	10 years	July 2022	32	1.0
3	July 2020	10 years	October 2022	32	2.0
4	September 2020	10 years	December 2022	32	1.0
5	April 2021	9 years	May 2022	32	1.0
6	June 2021	9 years	May 2022	32	1.0
7	August 2021	9 years	May 2022	32	1.0
8	September 2021	9 years	May 2022	32	1.0
9	October 2021	9 years	May 2022	32	1.0
					₱10.0

As at December 31, 2021, the credit facility with BDO has been fully utilized.

On March 4, 2022, the Parent Company entered into an unsecured credit facility with BDO amounting to ₱5.0 billion. The Parent Company will pay 70% of the loan amount quarterly over the term of the loan and the balance upon maturity.

As at December 31, 2022, total unutilized credit facility with BDO amounted to ₱3.5 billion.

In December 2022, drawdown amounting to ₱1.5 billion, with maturity of 10 years, is payable in 36 quarterly payments starting in March 2024.

Shareholder Loan. 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, 2022 and 2021, the loan proceeds received by Rockwell MFA from SEAI Metro Manila One, Inc. amounted to ₱128.6 million and ₱196.0 million, respectively.

The loan bears an interest rate equal to the base rate plus the applicable spread of 150 bps. The base rate may be any benchmark rate relevant to the currency and term of the loan. The outstanding loan drawdowns in 2018 and 2019 amounting to ₱105.6 million shall be payable in lumpsum on December 31, 2022, while the loan drawdowns in 2020 amounting to ₱110.0 million shall be payable on December 31, 2023. On November 3, 2022, Rockwell MFA and the Creditor agreed to defer the maturity date of loan with principal amounting to ₱41.0 million and ₱64.6 million from December 31, 2022 to December 31, 2024 and June 30, 2024, respectively.

In 2020, the Group opted to pre-terminate or accelerate payment of certain Term and CTS loans resulting to loan modification upon notice of pre-termination to the banks. Based on the Group's assessment, these modifications in the contractual cash flows are not substantial and therefore do not result in the derecognition of the affected financial liabilities. As a result, the Group recognized a loss on loans modification in the 2020 consolidated statement of comprehensive income amounting to ₱19.6 million.

Consequently, the Parent Company made acceleration payment to PNB of the loan principal amounting to ₱3,557.9 million, subject to 1% penalty resulting to a loss on prepayment of loan amounting to ₱35.6 million.

The outstanding balance of the term loans, net of unamortized loan transaction costs, amounted to ₱25,093.5 million and ₱24,835.4 million as of December 31, 2022 and 2021, respectively.

Contracts to Sell (CTS) Loan Financing
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 ₱1,262.5 million and ₱2,424.0 million were made in 2022 and 2021, respectively.

Schedule of drawdowns are set out below:

Drawdown	Drawdown Date	Maturity	Start of Principal Payment	No. of Quarterly Payments	Amount (in billions)
1	March 2018	3 years	Jun 2018	12	₱0.54
2	March 2018	2 years	Mar 2018	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
20	March 2021	1 year	–	Lumpsum	0.10
21	June 2021	1 year	–	Lumpsum	0.15
22	July 2021	1 year	–	Lumpsum	0.02
					₱7.12

The outstanding balance of the CTS loans, net of unamortized loan transaction costs, amounted to nil and ₱1,252.5 million as of December 31, 2022 and 2021, respectively.

Short-term Loans
In 2022 and 2021, the Parent Company obtained short-term loans from various financial institutions bearing interest rates ranging from 2.45% to 3.00% with terms of three to six months and ranging from 2.5% to 3.00% with terms of three to six months, respectively. As at December 31, 2022 and 2021, outstanding short-term loans amounted to nil and ₱700.0 million, 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.

In June 2020, the Parent Company underwent a Consent Solicitation exercise for the amendment of its Bond Trust Indenture to remove the Debt Service Coverage Ratio (DSCR) requirement and to provide an option to Consenting bondholders to sell their bonds to the Parent Company.

Consenting bondholders who did not opt to sell their bonds received an incentive fee of ₱1.25 for each ₱1,000 of the principal amount of the bonds while Consenting bondholders who opted to sell their bonds back to the Parent Company received proceeds equivalent to 101% of the outstanding principal amount of the bonds and any accrued interest on the payment date.

The Parent Company was able to purchase bonds with a total principal amount of ₱1,686.6 million. The Group incurred transaction costs related to the buyback of bonds such as broker's commission and PDTC fees.

Accordingly, management accounted for the buyback of bonds as extinguishment of debt, derecognizing the carrying value of the bonds and recognizing a loss on bond redemption amounting to ₱18.5 million in the 2020 consolidated statement of comprehensive income. The Parent Company likewise recognized the incentive fee paid to consenting bondholders as part of other expense under general and administrative expense amounting to ₱2.9 million.

The outstanding balance of the bonds payable, net of unamortized loan transaction costs, amounted to nil as of December 31, 2022 and 2021.

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, MBTC - Trust Banking Group, and Philippine National Bank (PNB) - Trust Banking Group for the 10.0 billion Notes for the purpose of refinancing the existing ₱4.0 billion fixed rate corporate notes and to finance the Parent Company's capital expenditures and land acquisitions.

Details of the drawdown is as follows:

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

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 Notes contain a negative pledge.

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 paid in 2020.

Loan Transaction Costs. As at December 31, 2022 and 2021, 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:

	2022	2021
Balance at beginning of year	₱137,480	₱100,378
Additions	15,802	60,000
Amortization (see Note 22)	(40,876)	(22,898)
Balance at end of year	₱112,406	₱137,480

Interest expense. Interest expense on interest-bearing loans and borrowings amounted to ₱1,105.6 million, ₱1,024.3 million and ₱1,105.6 million in 2022, 2021 and 2020, respectively (see Note 22). Interest expense capitalized as part of investment properties amounted to ₱46.2 million and ₱20.4 million in 2022 and 2021, respectively (see Note 11). Interest expense capitalized as part of property and equipment amounted to nil and ₱16.1 million in 2022 and 2021, respectively (see Note 12).

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

Year	Amount
2023	₱2,856,010
2024	2,803,446
2025	2,672,246
2026	6,234,361
2027 and onwards	10,639,827
	₱25,205,890

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 (2:1 max.) and current ratio (1:1 min.). As at December 31, 2022 and 2021, the Group has complied with these covenants (see Note 29).

17. Deposits and Other Liabilities

This account consists of:

	2022	2021
Retention payable - net of current portion of ₱911.0 million in 2022 and ₱801.4 million in 2021 (see Note 15)	₱700,999	₱742,438
Contract liabilities:		
Excess of collections over recognized receivables - net of current portion of ₱762.8 million in 2022 and ₱907.2 million in 2021 (see Notes 15 and 20)	539,392	115,886
Deposits from pre-selling of condominium units - net of current portion of ₱103.8 million in 2022 and ₱274.9 million in 2021 (see Notes 15 and 20)	381,290	347,177
Security deposits - net of current portion of ₱359.6 million in 2022 and ₱313.8 million in 2021 (see Note 15)	339,443	220,892
Deferred lease income - net of current portion of ₱185.3 million in 2022 and ₱183.6 million in 2021 (see Note 15)	194,736	198,983
Condominium and utility deposits	157,204	133,583
Others (see Notes 15 and 24)	39,343	234,243
	₱2,352,407	₱1,993,202

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 22).

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

	2022	2021
Balance at beginning of year	₱32,457	₱17,720
Additions	28,060	59,293
Amortization (see Notes 11 and 22)	(16,118)	(44,556)
Balance at end of year	₱44,399	₱32,457

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.

Other liabilities consist of reservation payments from tenants and noncurrent portion of deferred output VAT.

18. Share-based Payment Plans

The Parent Company has an Employee Stock Option Plan (ESOP) that was approved by the BOD and stockholders on May 2, 2012 and August 3, 2012, respectively. The ESOP is offered to all regular employees of the Parent Company including employees seconded to other affiliates or other individuals that the Board of Administrators may decide to include. The aggregate number of ESOP shares that may be issued shall not at any time exceed 3% of the issued capital stock or 192,630,881 common shares of the 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 2022, 2021 and 2020.

As at December 31, 2022 and 2021, the outstanding ESOP shares are as follows:

	2022	2021
Number of grants	63,918,000	63,918,000
Cancellations	(4,429,000)	(4,027,000)
Exercised	(15,000,000)	(15,000,000)
Remaining shares	44,489,000	44,891,000

As at December 31, 2022 and 2021, 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.

19. Equity

a. Capital Stock

As at December 31, 2022 and 2021, capital stock consists of:

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

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

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

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

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

As of December 31, 2022, and 2021, the Parent Company has total shareholders of 45,777 and 46,019, 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 ₱540.3 million as at December 31, 2022 and 2021.

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, 2022 and 2021, the unappropriated consolidated retained earnings include undistributed net earnings of subsidiaries amounting to ₱409.3 million and ₱542.5 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. As at December 31, 2022 and 2021, retained earnings available for dividend declaration amounted to ₱5.4 billion and ₱5.2 billion, respectively.

On December 7, 2022, the Parent Company's BOD approved the appropriation of retained earnings amounting to ₱11.0 billion (after reversal of ₱9.0 billion appropriation) out of the total retained earnings as of December 31, 2022 to partially fund capital expenditures of the Parent Company from 2023 to 2024.

On April 1, 2022, the Parent Company's BOD approved the appropriation of retained earnings amounting to ₱9.0 billion (after reversal of ₱9.0 billion appropriation) out of the total retained earnings as of December 31, 2021 to partially fund capital expenditures of the Parent Company from 2022 to 2023.

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 expenditures of the Parent Company from 2020 to 2021.

On March 12, 2020, RPDC's BOD approved the appropriation of its retained earnings amounting to ₱700.0 million out of its total retained earnings as of December 31, 2019 to partially fund capital expenditures of RPDC.

As at December 31, 2022 and 2021, appropriated retained earnings amounted to ₱11.7 billion and ₱9.7 billion, respectively.

e. Dividends

On September 30, 2022, the Parent Company's BOD approved the declaration of a regular cash dividend of ₱0.0537 per share to all common shareholders of record as at October 18, 2022 amounting to ₱328.42 million and 6% per annum cumulative cash dividend from July 1, 2021 to June 30, 2022 to all preferred shareholders amounting to ₱1.70 million. Payments of cash dividends for common shares were made on November 14, 2022.

On October 6, 2021, the Parent Company's BOD approved the declaration of a regular cash dividend of ₱0.0353 per share to all common shareholders of record as at October 21, 2021 amounting to ₱215.9 million and 6% per annum cumulative cash dividend from July 1, 2020 to June 30, 2021 to all preferred shareholders amounting to ₱1.7 million. Payments of cash dividends for common shares were made on November 17, 2021.

On September 30, 2020, the Parent Company's BOD approved the declaration of a regular cash dividend of ₱0.0483 per share to all common shareholders of record as at October 15, 2020 amounting to ₱295.4 million and 6% per annum cumulative cash dividend from July 1, 2019 to June 30, 2020 to all preferred shareholders amounting to ₱1.7 million. Payments of cash dividends for common shares were made on November 10, 2020.

As at December 31, 2022 and 2021, unpaid cumulative dividends on preferred shares amounted to ₱0.8 million for each year.

20. 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 two strategic divisions are presented below (excluding interest and lease income):

	2022	
	Residential Development	Commercial Development
Primary geographical markets		
National Capital Region	₱7,155,032	₱2,297,880
Southern Luzon	1,790,857	–
Central Visayas	1,441,882	–
Western Visayas	455,427	–
	₱10,843,198	₱2,297,880

	2022	
	Residential Development	Commercial Development
Major product/service lines		
Sale of high-end residential condominium units	₱8,363,114	₱–
Sale of residential lots	1,886,350	–
Sale of affordable housing units	11,688	–
Sale of office spaces	–	1,121,262
Room revenue	–	184,588
Cinema revenue	–	119,693
Others	582,046	872,337
	₱10,843,198	₱2,297,880
Timing of revenue recognition		
Transferred over time	₱10,261,152	₱1,121,262
Transferred at a point in time	582,046	1,176,618
	₱10,843,198	₱2,297,880

	2021	
	Residential Development	Commercial Development
Primary geographical markets		
National Capital Region	₱4,715,161	₱1,171,906
Southern Luzon	3,600,183	–
Central Visayas	526,284	–
Western Visayas	–	–
	₱8,841,628	₱1,171,906
Major product/service lines		
Sale of high-end residential condominium units	₱4,847,062	₱–
Sale of residential lots	3,143,608	–
Sale of affordable housing units	456,576	–
Sale of office spaces	–	478,749
Room revenue	–	63,654
Cinema revenue	–	8,986
Others	394,382	620,517
	₱8,841,628	₱1,171,906

	2021	
	Residential Development	Residential Development
Timing of revenue recognition		
Transferred over time	₱8,447,246	₱478,749
Transferred at a point in time	394,382	693,157
	₱8,841,628	₱1,171,906

	2020	
	Residential Development	Commercial Development
Primary geographical markets		
National Capital Region	₱3,979,646	₱1,183,488
Southern Luzon	2,056,476	–
Central Visayas	1,048,644	–
Western Visayas	–	–
	₱7,084,766	₱1,183,488

	2020	
	Residential Development	Commercial Development
Major product/service lines		
Sale of high-end residential condominium units	₱4,786,604	₱–
Sale of residential lots	1,817,180	–
Sale of affordable housing units	239,296	–
Sale of office spaces	–	370,016
Room revenue	–	55,321
Cinema revenue	–	30,888
Others	241,686	727,263
	₱7,084,766	₱1,183,488
Timing of revenue recognition		
Transferred over time	₱6,843,080	₱370,016
Transferred at a point in time	241,686	813,472
	₱7,084,766	₱1,183,488

Contract Balances
The table below shows the contract balances arising from revenue from contracts with customers as at December 31.

	2022	2021
Trade receivables* (see Note 8)	₱3,278,946	₱5,027,193
Contract assets (see Note 8)	15,770,278	12,570,559
Deposits from pre-selling of condominium units** (see Notes 15 and 17)	485,054	622,030
Excess of collections over recognized receivables** (see Note 15 and 17)	1,302,236	1,023,097
Advances payments from members and customers** (see Note 15)	11,646	11,467

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

Trade receivables consist of installment contract receivables from sale of condominium units, house and lot and residential lots. 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 2022 and 2021, 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.

No allowance for expected credit losses related to trade receivables from sale of real estate and contract assets was recognized as at December 31, 2022 and 2021.

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 2022 and 2021, the movement in contract liabilities is mainly due to additional deposits received from pre-selling of condominium units in the "Larsen" and "Mactan Villa" projects, excess of collections over revenue recognized of certain projects and the collection of outstanding receivables of completed residential condominium units of certain projects.

Revenue recognized from amounts included in contract liabilities at the beginning of 2022 and 2021 amounted to ₱1,178.4 million and ₱1,466.7 million, 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:

	2022	2021
Within one year	₱9,692,821	₱6,824,304
More than one year	7,590,432	6,293,262
	₱17,283,253	₱13,117,566

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, 2022 and 2021, 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 ₱264.2 million and ₱123.5 million, respectively (see Note 10). For the year ended December 31, 2022 and 2021, the amortization related to incremental costs to obtain a contract recorded under "Selling expenses" account in the consolidated statements of comprehensive income amounted to ₱492.0 million and ₱459.9 million, respectively (see Note 22). No impairment loss was recognized in the consolidated statements of comprehensive income for the year ended December 31, 2022 and 2021 related to the Group's incremental costs to obtain a contract.

The Group considers land as contract fulfillment asset. Additions to land are disclosed in Note 9 to the consolidated financial statements. No impairment on contract fulfillment assets was recognized for the years ended December 31, 2022, 2021 and 2020.

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.

21. Interest Income

This account consists of:

	2022	2021	2020
Interest income from:			
Amortization of unearned interest (see Note 8)	₱1,413,244	₱1,429,539	₱1,686,812
Penalty charges	35,492	38,426	42,031
Cash and cash equivalents (see Note 7)	22,856	6,336	10,860
In-house financing	5,867	8,080	1,082
	₱1,477,459	₱1,482,381	₱1,740,785

22. Expenses

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

	2022	2021	2020
Included in:			
Cost of real estate (see Note 11)	₱515,867	₱500,069	₱455,977
General and administrative expenses (see Note 12)	239,871	262,686	351,662
	₱755,738	₱762,755	₱807,639

General and Administrative Expenses
General and administrative expenses are comprised of:

	2022	2021	2020
Personnel (see Notes 23 and 24)	₱480,436	₱428,925	₱470,373
Taxes and licenses (see Note 6)	444,405	354,717	421,297
Depreciation and amortization (see Note 12)	239,871	262,686	351,662
Repairs and maintenance	112,727	82,390	98,779
Dues and subscriptions	89,430	51,885	68,802
Utilities	85,152	76,498	76,592
Entertainment, amusement and recreation	79,923	46,653	57,027
Marketing and promotions	77,162	48,280	22,677
Accommodations	76,934	12,537	26,426
Contracted services	65,548	33,517	43,306
Rental expense	56,136	25,718	11,203
Fuel and oil	55,030	40,354	30,286
Professional fees	53,443	73,457	54,879
Insurance	21,193	19,053	24,325
Donation & Contributions	20,125	11,403	9,900
Security services	19,369	14,009	23,843
Transportation and travel	15,442	5,952	6,001
Office supplies	10,995	9,687	11,701
Bank charges	5,750	4,198	13,727
Provision for ECLs (see Note 8)	-	17,531	13,430
Provision for allowance of claim for refund	-	8,500	95,600
Others	57,980	40,827	84,432
	₱2,067,051	₱1,668,777	₱2,016,268

The Group recognized provision for disallowance of claim for input VAT refund amounting to nil, ₱8.5 million, ₱95.6 million in 2022, 2021 and 2020, respectively. As at December 31, 2022 and 2021, input VAT being claimed for refund, recognized under "Other noncurrent assets" in the consolidated statements of financial position, amounted to ₱17.5 million.

Selling expenses
Selling expenses are comprised of:

	2022	2021	2020
Commissions and amortization of prepaid costs (see Notes 4 and 10)	₱491,997	₱459,856	₱176,089
Marketing and promotions	254,878	308,130	260,936
Personnel (see Notes 23 and 24)	103,303	76,639	78,607
Entertainment, amusement and recreation	28,443	24,314	23,484
Contracted services	14,181	8,162	7,781
Others	67,570	54,805	41,034
	₱960,372	₱931,906	₱587,931

Interest Expense
Interest expense is comprised of:

	2022	2021	2020
Interest expense on interest-bearing loans and borrowings (see Note 16)	₱1,105,554	₱1,024,258	₱1,105,602
Interest expense on lease liabilities (see Note 28)	50,741	49,740	48,723
Amortization of:			
Loan transaction costs (see Note 16)	40,876	22,898	44,883
Discount on retention payable (see Note 17)	16,118	44,556	13,908
Discount on installment payable	-	-	54,860
	₱1,213,289	₱1,141,452	₱1,267,976

Outstanding balance of installment payable has been fully settled in 2020.

23. Personnel Expenses

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

	2022	2021	2020
Salaries and wages and other employee benefits (see Notes 22 and 24)	₱508,004	₱423,885	₱472,083
Pension costs (see Notes 22 and 24)	75,735	81,679	76,897
	₱583,739	₱505,564	₱548,980

24. 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 7641.

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

	2022	2021	2020
Current service cost	₱63,770	₱70,946	₱68,764
Interest cost	11,965	10,733	8,133
Net pension cost	₱75,735	₱81,679	₱76,897

Net Pension Liability

	2022	2021
Present value of benefit obligation	₱577,479	₱695,850
Fair value of plan assets	(505,436)	(454,006)
Net pension liability	₱72,043	₱241,844

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

	2022	2021
Defined benefit obligation at beginning of year	₱695,850	₱684,883
Current service cost	63,770	70,946
Interest cost	33,249	26,758
Actuarial loss (gain) in other comprehensive income/loss due to:		
Experience adjustments	666	33,100
Change in assumptions	(183,470)	(119,837)
Benefits paid	(32,586)	-
Defined benefit obligation at end of year	₱577,479	₱695,850

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

	2022	2021
Fair values of plan assets at beginning of year	₱454,006	₱389,952
Interest income included in net interest cost	21,284	16,025
Actual contributions	82,000	59,408
Loss on plan assets in other comprehensive income/loss	(27,181)	(11,379)
Benefits paid	(24,673)	-
Fair values of plan assets at end of year	₱505,436	₱454,006

The Group expects to contribute ₱93.0 million to its pension plan in 2023.

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

	2022	2021
Investments in:		
Government securities	11.44%	40.13%
Loans and debt instruments	36.43%	2.37%
Other securities	52.13%	57.50%
	100.00%	100.00%

The principal assumptions used as at December 31, 2022 and 2021 in determining pension cost obligation for the Group's plans are as follows:

	2022	2021
Discount rate	7.23-7.34%	5.16-5.18%
Future salary rate increases	10%	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:

	2022	2021
Cash in banks:		
MBTC	₱18,603	₱1,299
BDO	3,007	26
Receivables - net of payables:		
MBTC	2,318	1,080
BDO	504	387
Investments held for trading:		
MBTC	320,511	282,829
BDO	160,493	168,385
	₱505,436	₱454,006

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 ₱57.6 million and ₱85.3 million as at December 31, 2022 and 2021, respectively.

The Group's retirement fund is exposed to a short term risk since 42% 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, 2022 and 2021. Except as stated above, there were no other transactions entered into during the year by the Retirement Plan relating to the Group.

In 2022 and 2021, 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:

	2022		2021	
	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation
Discount rate	+100	(₱64,748)	+100	(₱86,886)
	-100	77,656	-100	105,955

	2022		2021	
	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation
Future salary increases	+100	₱77,752	+100	₱103,221
	-100	(66,163)	-100	(86,726)

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	2022	2021
Less than 1 year	₱53,693	₱56,222
More than 1 year to 5 years	72,263	61,444
More than 5 years to 10 years	295,902	305,515
More than 10 years to 15 years	473,338	402,314
More than 15 years to 20 years	881,310	663,504
More than 20 years	4,242,786	3,975,174

b. Other Employee Benefits

Other employee benefits consist of accumulated employee vacation and sick leave benefit amounting to ₱5.1 million, ₱4.8 million and ₱13.2 million in 2022, 2021 and 2020, respectively (see Note 22).

The present value of the defined benefit obligation of other employee benefits amounted to ₱93.4 million and ₱106.1 million as at December 31, 2022 and 2021, respectively (see Note 15).

25. Income Taxes

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

	2022	2021	2020
Current	₱996,256	₱183,491	₱601,274
Deferred	(198,002)	73,959	(188,770)
	₱798,254	₱257,450	₱412,504

The provision for income current tax represents the RCIT / MCIT of the Parent Company and certain subsidiaries.

For income tax purposes on sale of real estate, 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:

	2022	2021
Deferred tax liabilities:		
Excess of Accounting GP over Taxable GP	₱1,673,862	₱1,796,347
Excess of fair value over carrying value of asset acquired in a business combination	90,441	126,573
Capitalized interest	39,661	62,252
Deferred selling expense	33,685	34,675
Unrealized foreign exchange gain and others	7,112	5,477
Collections after the ITH period on low-cost housing project (Stonewell)	-	6,708
Unrealized gain on investment in equity instruments at FVOCI	-	2,096
	1,844,761	2,034,128
Deferred tax assets:		
Unutilized NOLCO	144,534	94,603
Deferred lease income	82,689	73,969
Accrued selling expense	73,608	-
Lease liabilities, net of right-of-use assets	53,620	48,739
Other employee benefits	27,652	26,650
Unamortized past service cost	25,643	14,649
Share-based payment	23,078	18,812
Unfunded pension costs	17,059	85,800
Unutilized excess MCIT	10,989	9,408
Allowance for ECLs and others	10,352	15,158
Excess of Taxable GP over Accounting GP	6,973	38,518
Unrealized foreign exchange loss and others	113	4,325
	476,310	430,631
	₱1,368,451	₱1,603,497

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

	2022	2021
Deferred tax assets - net	₱107,405	₱93,539
Deferred tax liabilities - net	(1,475,856)	(1,697,036)
	(₱1,368,451)	(₱1,603,497)

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:

	2022	2021
Lease liability	₱3,767	₱1,673
NOLCO	279	2,574
MCIT	29	149
	₱4,075	₱4,396

As at December 31, 2022, MCIT of subsidiaries which can be claimed as deduction from regular taxable income due as follows:

Year Paid	Expiry Year	Amount
2020	2025	₱3,796
2021	2026	2,504
2022	2025	4,689
		₱10,989

MCIT amounting to nil, ₱3.2 million and ₱1.5 million expired in 2022, 2021 and 2020, respectively.

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As at December 31, 2022, NOLCO of certain subsidiaries can be carried forward and claimed as deduction against regular taxable income as follows:

Year Incurred	Expiry Date	Amount
2020	2025	₱47,952
2021	2026	50,295
2022	2025	46,285
		₱144,532

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:

	2022	2021	2020
Statutory income tax rate	25.0%	25.0%	30.0%
Additions to (deductions from) income tax resulting from:			
Share in net income of joint venture and associate	(2.3%)	(1.4%)	(5.9%)
Nontaxable income and others	(0.7%)	(0.9%)	(0.7%)
Effective income tax rate	22.0%	22.7%	23.4%

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.

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
President Rodrigo Duterte signed into law on March 26, 2021 the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Bill was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. Accordingly, current and deferred taxes as at and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Group have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020. Below are the impact of the CREATE Act had they been adjusted retrospectively beginning July 1, 2020:

	Balance as reported in the consolidated financial statements	Impact of the CREATE Act	Balance had the impact of CREATE Act has been adjusted retrospectively
As at and for the year ended December 31, 2020			
Provision for income tax - current	₱601,274	(₱43,283)	₱557,991
Provision for income tax - deferred	(188,770)	(247,140)	(435,910)

The impact of the CREATE Act as of and for the year ended December 31, 2020 is reflected in the 2021 consolidated financial statements for financial reporting purposes.

26. 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 ₱1.2 million in 2020. (see Note 25).

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).

27. Related Party Transactions

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

The following table summarizes these significant transactions with related parties:

Related Parties	Relationship	Nature of Transaction	Period	Transaction Amount	Amounts Owed from (to) Related Parties	Terms	Conditions
ABS-CBN Group	Under common control	Land acquisitions (see Note 9)	2022	₱880,528	(₱78,619)	Payable in tranches based on the agreement; noninterest-bearing	Unsecured, no impairment
			2021	–	–		
			2020	–	–		
Rockwell—Meralco BPO	Joint venture	Advances	2022	(2,329)	1,585	On demand; non-interest-bearing	Unsecured, no impairment
			2021	(19,873)	3,914		
			2020	(785,980)	–		
		Management fee (see Note 13)	2022	7,527	3,388	On demand; non-interest-bearing	Unsecured, no impairment
			2021	4,355	4,356		
			2020	6,633	28,992		
SEAI Metro Manila One, Inc.	Non-controlling shareholder	Loan payable (see Note 16) Principal	2022	128,600	(540,200)	Payable on December 31, 2022; interest-bearing	Unsecured
			2021	196,000	(411,600)		
			2020	110,000	(215,600)		
		Interest	2022	23,740	–		
			2021	15,086	–		
			2020	8,113	–		
Carmelray shareholders	Non-controlling shareholders	Advances (included under "Other noncurrent assets" account in the consolidated statement of financial position)	2022	₱–	₱100,000	3 years from the launch of the Phase 1 of the "Rockwell South" project; noninterest-bearing	Unsecured
			2021	–	300,000		
			2020	–	400,000		
RMDC	Non-Controlling Shareholder	Project Management Fee	2022	3,181	276	On demand; non-interest-bearing	Unsecured
			2021	190	233		
			2020	–	–		
		Marketing Fee	2022	44,908	3,326	On demand; non-interest-bearing	Unsecured
			2021	20,662	6,503		
			2020	–	–		
		Sales Commission	2022	56,014	3,797	On demand; non-interest-bearing	Unsecured
			2021	56,846	24,247		
			2020	–	–		
		Construction Management Fee	2022	10,018	967	On demand; non-interest-bearing	Unsecured
			2021	3,023	1,053		
			2020	–	–		
		Reimbursement	2022	30,758	1,821	On demand; non-interest-bearing	Unsecured
			2021	178,179	–		
			2020	–	–		
RIDC	Joint Venture	Reimbursement	2022	30,367	30,367	On demand; non-interest-bearing	Unsecured
			2021	–	–		
Advances to officers and employees		Advances (see Note 8)	2022	–	46,947	30-day; noninterest-bearing	Unsecured; no impairment
			2021	–	47,555		
			2020	8,984	53,720		

Other transactions with related parties pertain to the Project Development and JV Agreement with Meralco (see Note 13).

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, 2022, 2021 and 2020, the Group has not made any provision for expected credit losses 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

	2022	2021	2020
Short-term employee benefits	₱124,478	₱110,230	₱94,429
Post-employment pension and other benefits (Note 24)	49,253	40,010	49,714
Total compensation attributable to key management personnel	₱173,731	₱150,240	₱144,143

28. 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.

Below are the amounts recognized in the consolidated statements of comprehensive income:

	2022	2021
Depreciation expense of right-of-use assets included in investment properties (see Notes 11 and 22)	₱15,268	₱15,268
Interest expense on lease liabilities (see Note 22)	50,741	49,740
Expenses relating to short-term leases and low-value assets (included under "General and administrative expenses" account) (see Note 22)	56,136	25,718
	₱122,145	₱90,726

The rollforward analysis of lease liabilities follows:

	2022	2021
At January 1	₱664,349	₱651,010
Interest expense (see Note 22)	50,741	49,740
Payments	(37,663)	(36,401)
As at December 31	677,427	664,349
Less current portion (see Note 15)	27,858	29,021
Noncurrent portion	₱649,569	₱635,328

Future minimum undiscounted lease payments are as follows:

Year	2022	2021
Within one year	₱38,986	₱37,663
Year 2	40,379	38,986
Year 3	42,398	40,379
Year 4	43,375	42,398
Year 5 and beyond	1,913,491	1,956,866
	₱2,078,629	₱2,116,292

Capital Commitments
The Group entered into contracts covering land acquisitions, construction works related to various projects with related parties and different contractors and suppliers. As at December 31, 2022 and 2021, the contract sum awarded amounted to ₱21.9 billion and ₱15.5 billion, respectively, 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. Land acquisitions are consummated following the terms of the contracts. As at December 31, 2022 and 2021, ₱18.6 billion and ₱13.8 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.

29. 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 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, 2022 and 2021, approximately 90% 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.

	2022				
	Within 1 Year	1-2 Years	2-3 Years	More than 3 Years	Total
Fixed Rate					
Interest-bearing loans and borrowings	₱2,368,310	₱2,502,646	₱2,371,446	₱15,393,188	₱22,635,590
Floating Rate					
Interest-bearing loans and borrowings	487,700	300,800	300,800	1,481,000	2,570,300
Short-term investments	2,536,960	-	-	-	2,536,960

	2021				
	Within 1 Year	1-2 Years	2-3 Years	More than 3 Years	Total
Fixed Rate					
Interest-bearing loans and borrowings	₱3,746,355	₱2,263,110	₱1,771,179	₱15,199,901	₱22,980,545
Floating Rate					
Interest-bearing loans and borrowings	629,800	442,900	406,000	2,466,200	3,944,900
Short-term investments	1,638,978	-	-	-	1,638,978

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

	2022 Effect on income before income tax increase (decrease)	
Change in basis points	+100 basis points	-100 basis points
Floating rate borrowings	(38,066)	38,066

	2021 Effect on income before income tax increase (decrease)	
Change in basis points	+100 basis points	-100 basis points
Floating rate borrowings	(39,449)	39,449

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.

	2022		
	Gross Maximum Exposure	Net Exposure	Financial Effect of Collateral or Credit Enhancement
Cash and cash equivalents*	₱3,516,053	₱3,435,949	₱80,104
Trade receivables from:			
Sale of real estate	3,278,946	327,747	2,951,199
Lease	406,312	-	406,312
Advances to officers and employees	46,947	46,947	-
Other receivables	210,954	210,954	-
Refundable deposits**	88,215	88,215	-
Restricted cash**	250,285	247,785	2,500
	₱7,797,712	₱4,357,597	₱3,440,115

	2021		
	Gross Maximum Exposure	Net Exposure	Financial Effect of Collateral or Credit Enhancement
Cash and cash equivalents*	₱2,784,024	₱2,748,754	₱35,270
Trade receivables from:			
Sale of real estate	5,027,193	622,392	4,404,801
Lease	580,915	-	580,915
Advances to officers and employees	47,555	47,512	43
Other receivables	373,377	373,377	-
Refundable deposits**	88,066	88,066	-
Restricted cash**	9,649	9,149	500
	₱8,910,779	₱3,889,250	₱5,021,529

**Excluding cash on hand amounting to 1,699 and 840 as at December 31, 2022 and 2021, respectively.*
***Presented as part of "Other current assets" account in the consolidated statements of financial position.*

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

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

	2022		
	A Rating	B Rating	Total
Cash and cash equivalents	₱3,517,752	₱-	3,517,752
Trade receivables from:			
Sale of real estate	2,309,386	969,560	3,278,946
Lease	359,141	47,171	406,312
Advances to officers and employees	46,947	-	46,947
Other receivables	210,954	-	210,954
Refundable deposits	88,215	-	88,215
Restricted cash	250,285	-	250,285
	₱6,782,680	₱1,016,731	₱7,799,411

	2021		
	A Rating	B Rating	Total
Cash and cash equivalents	₱2,784,864	₱-	₱2,784,864
Trade receivables from:			
Sale of real estate	4,998,722	28,471	5,027,193
Lease	466,302	114,613	580,915
Advances to officers and employees	47,555	-	47,555
Other receivables	373,377	-	373,377
Refundable deposits	88,066	-	88,066
Restricted cash	9,649	-	9,649
	₱8,768,535	₱143,084	₱8,911,619

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, 2022 and 2021, the analyses of the age of financial assets are as follows:

	2022						
	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	₱3,517,752	₱-	₱-	₱-	₱-	₱-	3,517,752
Trade receivables from:							
Sale of real estate	3,185,947	17,641	8,986	7,010	59,362	-	3,278,946
Lease	361,004	29,766	11,843	2,987	712	-	406,312
Advances to officers and employees	46,947	-	-	-	-	-	46,947
Other receivables	210,954	-	-	-	-	-	210,954
Refundable deposits	88,215	-	-	-	-	-	88,215
Restricted cash	250,285	-	-	-	-	-	250,285
	₱7,661,104	₱47,407	₱20,829	₱9,997	₱60,074	₱-	₱7,799,411

	2021						
	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	₱2,784,864	₱-	₱-	₱-	₱-	₱-	₱2,784,864
Trade receivables from:							
Sale of real estate	4,863,667	23,377	10,172	6,908	122,889	-	5,027,193
Lease	374,455	128,605	49,833	21,591	6,431	-	580,915
Advances to officers and employees	47,555	-	-	-	-	-	47,555
Other receivables	373,377	-	-	-	-	-	373,377
Refundable deposits	88,066	-	-	-	-	-	88,066
Restricted cash	9,649	-	-	-	-	-	9,649
	₱8,541,833	₱151,982	₱60,005	₱28,499	₱129,300	₱-	₱8,911,619

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 are recoverable since the legal title and ownership of the real estate will only be transferred to the customers upon full payment of the contract price. In case of cancellation, the real estate becomes available for sale. The fair value of the real estate amounted to ₱53.9 billion and ₱51.4 billion as at December 31, 2022 and 2021, respectively.

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

The changes in the gross carrying amount of receivables and unbilled revenue from sale of real estate and the impact of COVID-19 pandemic in 2022 and 2021 did not materially affect the allowance for ECLs.

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets in 2022 and 2021:

	2022		
	Trade receivables from sale of real estate and lease		
	High-end	Affordable	Lease
ECL rate	0.0%	0.0%	2.4%
Estimated total gross carrying amount at default	₱18,576,483	₱472,741	₱406,312

	2021		
	Trade receivables from sale of real estate and lease		
	High-end	Affordable	Lease
ECL rate	0.0%	0.0%	1.3%
Estimated total gross carrying amount at default	₱17,107,262	₱490,490	₱580,915

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, 2022 and 2021, 11% and 15% of the Group's debt will mature in less than one year as at December 31, 2022 and 2021, 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, 2022 and 2021 based on contractual undiscounted payments.

	2022				
	On Demand	Due Within 3 Months	Due Between 3 and 12 Months	Due After 12 Months	Total
Trade and other payables*	₱-	₱ 5,950,235	₱-	₱-	₱ 5,950,235
Interest-bearing loans and borrowings					
Principal	-	610,903	2,245,107	22,349,880	25,205,890
Interest**	-	289,449	838,138	3,879,935	5,007,522
Lease liabilities	-	9,337	29,649	2,039,643	2,078,629
Retention payable***	-		910,960	700,999	1,611,959
Security deposits***	-	79,015	280,596	339,443	699,054
	₱-	₱6,938,939	₱4,304,450	₱29,309,900	₱40,553,289

	2021				
	On Demand	Due Within 3 Months	Due Between 3 and 12 Months	Due After 12 Months	Total
Trade and other payables*	₱-	₱3,364,719	₱-	₱-	₱3,364,719
Interest-bearing loans and borrowings					
Principal	-	1,281,533	3,094,622	22,549,290	26,925,445
Interest**	-	305,267	859,870	4,368,670	5,533,807
Lease liabilities	-	9,025	28,636	2,078,631	2,116,292
Retention payable***	-	44,360	757,027	742,438	1,543,825
Security deposits***	-	130,592	183,225	220,892	534,709
	₱-	₱5,135,496	₱4,923,380	₱29,959,921	₱40,018,797

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:

	2022					
	On Demand	Within 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Cash and cash equivalents	₱980,792	₱2,536,960	₱-	₱-	₱-	₱3,517,752
Trade receivables from:						
Sale of real estate	-	3,203,588	8,986	7,010	59,362	3,278,946
Lease	361,004	29,766	11,843	2,987	712	406,312
Contract assets	-	5,361	4,115	1,808	15,758,994	15,770,278
Investment in equity instruments at FVOCI	-	-	-	-	36,711	36,711
	₱1,341,796	₱5,775,675	₱24,944	₱11,805	₱15,855,779	₱23,009,999

	2021					
	On Demand	Within 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Cash and cash equivalents	₱1,145,888	₱1,638,976	₱-	₱-	₱-	₱2,784,864
Trade receivables from:						
Sale of real estate	-	4,929,158	10,172	6,908	80,955	5,027,193
Lease	374,456	128,605	49,833	21,591	6,430	580,915
Contract assets		50,062	26,411	19,997	12,474,089	12,570,559
Investment in equity instruments at FVOCI	-	-	-	-	30,378	30,378
	₱1,520,344	₱6,746,801	₱86,416	₱48,496	₱12,591,852	₱20,993,909

As at December 31, 2022 and 2021, the COVID-19 pandemic has no significant impact on the Group's liquidity risk.

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, 2022 and 2021.

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).

	2022	2021
Interest-bearing loans and borrowings	₱25,093,484	₱26,787,965
Less cash and cash equivalents	3,517,752	2,784,864
Net debt	21,575,732	24,003,101
Equity	27,562,607	25,981,173
Net debt-to-equity ratio	0.78	0.92

30. 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, 2022 and 2021.

	2022				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets					
Investment properties	₱14,666,614	₱28,987,183	₱-	₱2,087,823	26,899,360
Due from related parties	100,000	99,536	–	-	99,536
	₱14,766,614	₱29,086,719	₱–	₱2,087,823	₱26,998,896

	2022				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Liabilities					
Interest-bearing loans and borrowings (including noncurrent portion)	₱25,093,484	₱25,262,802	₱–	₱–	₱25,262,802
Subscription payable	2,922,560	2,816,155	-	-	2,816,155
Retention payable (including noncurrent portion)	1,611,959	1,480,171	–	–	1,480,171
Security deposits (including noncurrent portion)	699,054	560,671	–	–	560,671
	₱30,327,057	₱30,119,799	₱-	₱-	₱30,119,799

	2021				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets					
Investment properties	₱14,634,096	₱28,350,887	₱-	₱1,834,887	₱26,516,000
Due from related parties	300,000	289,676	–	-	289,676
	₱14,934,096	₱28,640,563	₱–	₱1,834,887	₱26,805,676
Liabilities					
Interest-bearing loans and borrowings (including noncurrent portion)	₱26,787,965	₱26,608,425	₱–	₱–	₱26,608,425
Retention payable (including noncurrent portion)	1,543,825	1,372,935	–	–	1,372,935
Security deposits (including noncurrent portion)	534,709	658,489	–	–	658,489
Subscription payable	484,150	484,150	–	–	484,150
	₱29,350,649	₱29,123,999	₱–	₱–	₱29,123,999

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 as the difference between the carrying value and fair value of these unquoted equity securities is not material to the consolidated financial statements.

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 3.91% to 7.22% as at December 31, 2022 and 1.01% to 4.82% as at December 31, 2021.

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

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 3.91% to 7.22% as at December 31, 2022 and 1.01% to 4.82% as at December 31, 2021.

For the years ended December 31, 2022 and 2021, 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.

31. Basic/Diluted Earnings Per Share Computation

	2022	2021	2020
	(In Thousands, Except Numbers of Shares and Per Share Data)		
Net income attributable to equity holders of the Parent Company	₱2,301,911	₱1,640,936	₱1,078,756
Dividends on preferred shares	(1,650)	(1,650)	(1,650)
Net income attributable to common shares (a)	2,300,261	1,639,286	1,077,106
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	-	1,575,521	3,492,624
Weighted average number of common shares - diluted (c)	6,116,762,198	6,118,337,719	6,120,254,822
Per share amounts:			
Basic (a/b)	₱0.3761	₱0.2680	₱0.1761
Diluted (a/c)	₱0.3761	₱0.2679	₱0.1760

In 2021 and 2020, the Parent Company considered the effect of stock options outstanding since these are dilutive. In 2022, the diluted EPS did not consider the effect of stock options outstanding since these were anti-dilutive.

32. 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, hotel and resort operations.

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 business segments:

	2022		
	Residential Development	Commercial Development	Total
Revenue	₱12,216,708	₱4,291,256	₱16,507,964
Costs and expenses	(9,741,448)	(1,798,766)	(11,540,214)
Share in net income of joint venture and associate	(7,195)	382,823	375,628
Other income - net	18,443	(464)	17,979
EBITDA	2,486,508	2,874,849	5,361,357
Depreciation and amortization			(755,738)
Interest expense			(1,213,289)
Provision for income tax			(798,254)
Consolidated net income			₱2,594,076

	2022		
	Residential Development	Commercial Development	Total
Assets and Liabilities			
Segment assets	₱45,895,613	₱952,100	₱46,847,713
Investment properties	1,271,357	13,395,257	14,666,614
Investment in joint venture and associate	3,892,853	1,985,220	5,878,073
Deferred tax assets - net	53,256	54,149	107,405
Property and equipment	1,239,694	914,376	2,154,070
Total assets	₱52,352,773	₱17,301,102	₱69,653,875
Segment liabilities	31,196,549	9,418,863	40,615,412
Deferred tax liabilities - net	1,475,856	-	1,475,856
Total liabilities	₱32,672,405	₱9,418,863	₱42,091,268

	2021		
	Residential Development	Commercial Development	Total
Revenue	₱10,300,361	₱2,423,342	₱12,723,703
Costs and expenses	(7,681,839)	(1,052,159)	(8,733,998)
Share in net income of joint venture and associate	(4,472)	372,745	368,273
Other income - net	12,312	-	12,312
EBITDA	2,626,362	1,743,928	4,370,290
Depreciation and amortization			(762,755)
Interest expense			(1,141,452)
Provision for income tax			(257,450)
Consolidated net income			₱2,208,633
Assets and Liabilities			
Segment assets	₱40,379,167	₱3,226,942	₱43,606,109
Investment properties	2,243,590	12,390,506	14,634,096
Investment in joint venture and associate	1,100,379	2,427,335	3,527,714
Deferred tax assets - net	93,539	-	93,539
Property and equipment	2,722,233	240,384	2,962,617
Total assets	₱46,538,908	₱18,285,167	₱64,824,075
Segment liabilities	₱26,155,334	₱10,990,532	₱37,145,866
Deferred tax liabilities - net	1,697,036	-	1,697,036
Total liabilities	₱27,852,370	₱10,990,532	₱38,842,902

	2020		
	Residential Development	Commercial Development	Total
Revenue	8,816,221	2,342,686	11,158,907
Costs and expenses	(6,579,210)	(1,086,709)	(7,665,919)
Share in net income of joint venture and associate	-	338,811	338,811
Other income - net	(9,082)	82	(9,000)
EBITDA	₱2,227,929	₱1,594,870	₱3,822,799
Depreciation and amortization			(607,639)
Interest expense			(1,267,976)
Loss on prepayments of loan			(35,579)
Loss on loan modification			(19,596)
Loss on bond redemption			(18,528)
Provision for income tax			(412,504)
Consolidated net income			₱1,260,977
Assets and Liabilities			
Segment assets	₱33,223,263	₱6,037,988	₱39,261,251
Investment properties	2,780,649	11,705,276	14,485,925
Investment in joint venture and associate	-	2,829,216	2,829,216
Deferred tax assets - net	75,903	-	75,903
Property and equipment	2,914,214	2,368,533	5,282,747
Total assets	₱38,994,029	₱22,941,013	₱61,935,042
Segment liabilities	₱31,676,865	₱3,795,291	₱35,472,156
Deferred tax liabilities - net	1,601,118	-	1,601,118
Total liabilities	₱33,277,983	₱3,795,291	₱37,073,274

33. Supplemental Disclosure of Cash Flow Information

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

	January 1, 2022	Cash Flows	Reclassification from Noncurrent to Current	Interest Expense/ Discount Amortization	December 31, 2022
Current portion of interest-bearing loans and borrowings	₱4,347,235	(₱4,347,235)	₱2,833,346	₱-	₱2,833,346
Interest-bearing loans and borrowings - net of current portion	22,440,730	2,611,878	(2,833,346)	40,876	22,260,138
Lease liabilities	664,349	(37,663)	-	50,741	677,427
Total liabilities from financing activities	₱27,452,314	(₱1,773,020)	₱-	₱91,617	₱25,770,911

	January 1, 2021	Cash Flows	Reclassification from Noncurrent to Current	Interest Expense/ Discount Amortization	December 31, 2021
Current portion of interest-bearing loans and borrowings	₱7,354,635	(₱7,354,635)	₱4,347,235	₱-	₱4,347,235
Interest-bearing loans and borrowings - net of current portion	17,403,380	9,361,687	(4,347,235)	22,898	22,440,730
Lease liabilities	651,010	(36,401)	-	49,740	664,349
Total liabilities from financing activities	₱25,409,025	₱1,970,651	₱-	₱72,638	₱27,452,314

b. The Group's material non-cash investing activities include the investment in a joint venture and an associate with unpaid subscription amounting to ₱2,518.4 million and ₱484.2 million as at December 31, 2022 and 2021, respectively (see Note 13).

FPH MISSION, PURPOSE, & WAY OF PROCEEDING

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.

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“Great leadership is what created
THE ROCKWELL TOUCH.”

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