COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

62893

Company Name

ROCKWELL LAND CORPORATION AND SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town/Province)

The Garage at Rockwell Center, Estrella St., Rockwell Center, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
N/A	793-0088	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
47,839	May 31	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Ellen V. Almodiel	ellena@rockwell.com.ph	793-0088	N/A

Contact Person's Address

Ground Floor, East Podium, Joya Lofts & Towers, 28 Plaza Drive, Rockwell Center, Makati City 1200

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies*

SEC Number: 62893
PSE Number:
File Number:

ROCKWELL LAND CORPORATION

(Company's Full Name)

The Garage at Rockwell Center, Estrella St.,
Rockwell Center, Makati City, Philippines

(Company's Address)

(632) 793-0088

(Telephone Number)

December 31, 2016

(Year Ending)

SEC Form 17-A Annual Report

(Form Type)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal period ended **December 31, 2016**

2. Commission Identification Number **62893**

3. BIR Tax Identification Number **004-710-062-000**

4. Exact name of issuer as specified in its charter: **ROCKWELL LAND CORPORATION**

5. Province, country or other jurisdiction of incorporation or organization: **Philippines**

6. Industry Classification Code: ____________ (SEC Use Only)

7. Address of issuer's principal office and postal code:
The Garage at Rockwell Center, Estrella St., Rockwell Center, Makati City 1200

8. Issuer's telephone number, including area code: **(632) 793-0088**

9. Former name, former address, former fiscal year, if changes since last report: **N/A**.

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each class	Number of shares issued and outstanding
Common shares	**6,116,762,198 shares**
Retail Bonds	**₱5 Billion**

Amount of Debt Outstanding
PhP15,633,946,000

11. Are any or all of the securities listed on a Stock Exchange?
Yes [X] No [ ]
Stock Exchange: **Philippine Stock Exchange**
Securities Listed: **Common shares**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
Yes [X] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [X] No [ ]

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1 BUSINESS

Background

Rockwell Land Corporation (the "Company" or "Rockwell Land") is a premier property developer for residential and commercial projects that cater to the high-end and upper-mid markets mainly in Metro Manila. It is primarily engaged in the residential development of high-rise condominiums as well as in retail and office leasing. Starting in 2013, the Company offered horizontal and mid-rise residential development projects not only in Metro Manila but in Cebu City as well; and launched its first venture in the Hotel and Leisure segment with the launch of Aruga Serviced Apartments within the Rockwell Center in Makati City.

The Company was incorporated on August 11, 1975 as First Philippine Realty and Development Corporation, which was later on changed to Rockwell Land Corporation in February 23, 1995. On September 27, 1996, the SEC approved the increase in capital stock of the Company from P1.0 million to P6.0 billion with three major shareholders subscribing to the increase, namely: Manila Electric Company (Meralco), First Philippine Holdings Corporation (FPH) and Lopez Holdings Corporation (formerly Benpres Holdings Corporation or LPZ). During the increase, the Company also amended its articles of incorporation to include the increase in capital stock and the increase in number of directors from 5 to 11. On May 4, 2000, the SEC approved the articles of merger of the Company with Hubbard Realty Holdings Inc., Farragut Realty Holdings Inc., Mc Pherson Square, Inc., and Foggy Bottom, Inc., with the Company as the surviving entity. In July 2008, the SEC approved the Company's increase in authorized capital stock from P6.0 billion divided into 6,000,000,000 Common Shares with P1 par value each to P9.0 billion divided into 8,890,000,000 Common Shares with the same par value and 11,000,000,000 Preferred Shares with a P0.01 par value each with existing shareholders subscribing to the increase in capital. In August 2009, LPZ sold its share in the Company to FPH therefore leaving the Company with only two (2) major shareholders, namely Meralco and FPH.

On February 28, 2012, the SEC approved the amendment to the First Article of the Articles of Incorporation of the Company changing its name from "Rockwell Land Corporation" to: "ROCKWELL LAND CORPORATION doing business under the name and style of Power Plant Mall; Power Plant Cinemas; and Edades Serviced Apartments".

On February 27, 2012, the Board of Directors of Meralco approved the declaration of its 51% ownership in the Company as property dividend in favor of common stockholders of record as of March 23, 2012, except for foreign common shareholders who were paid the cash equivalent of the property dividend. Consequently the Company became a public company having more than 200 shareholders. The property dividend was paid on May 11, 2012 wherein FPH received property dividends from Meralco in the form of 125,079,016 common shares of the Company. On the same date, the Company acquired 126,620,146 common shares from Meralco, representing the foreign shareholders' entitlement from the property dividend distribution, at ₱1.4637 per share. The Company was listed in the Philippine Stock Exchange (PSE) on May 11, 2012.

On June 28, 2012 and July 27, 2012, FPH purchased additional shares of the Company from Beacon Electric Asset Holdings, Inc. and San Miguel Corporation, respectively.

As of December 31, 2016, FPH continues to owns 86.58% of the Company

Subsidiaries and Affiliates

Rockwell Integrated Property Services, Inc. (RIPSI), a wholly owned subsidiary of the Company, was incorporated in February 19, 1999 to establish, own, manage, operate and carry on the business of maintaining and cleaning buildings and other facilities. To date, RIPSI manages thirteen (13) properties. These properties consist of the various Rockwell residential condominium buildings located in the Rockwell Center in Makati City, The Grove in Pasig City, East Bay Residences in Muntinlupa, and 32 Sanson in Cebu City, as well as the townhouse developments of Alvendia in San Juan, and 205 Santolan in Quezon City.

Rockwell Primaries Development Corporation ("Primaries", formerly Rockwell Homes Inc., and Primaries Development Corporation) a wholly owned subsidiary of the Company, was incorporated in September 2012 to primarily cater to the broader market under a second brand "Rockwell Primaries". The subsidiary envisions itself to be the preferred developer in terms of providing exceptional and quality living at a more affordable price. Primaries commenced operations in mid-2013 with the launch of its first project, 53 Benitez, located in Quezon City. Its second project, The Vantage at Kapitolyo in Pasig City, was launched in 2015.

Stonewell Development Corporation Inc., a wholly owned subsidiary of the Company, was also incorporated in September 2012 to develop socialized and economic housing projects for the Parent Company.

Primaries Properties Sales Specialist Inc., a wholly owned subsidiary, was incorporated in November 2012 primarily to as act the sales and marketing arm of Primaries.

Rockwell Hotels & Leisure Management Corporation (Rockwell Hotels), a wholly owned subsidiary of the Company, was incorporated in June 20, 2013 for the management of hotel and resort operations. It currently manages the operations of Aruga Serviced Apartments at the Edades Tower and Garden Villas, Makati City, and at the Grove, Pasig City.

Retailscapes Inc., a wholly owned subsidiary of the Company, was incorporated in November 2014 to develop and operate pocket retail projects of the Company. Its first project, the Santolan Town Plaza is currently under construction.

Rockwell Primaries South Development Corporation (Rockwell Primaries South), formerly ATR KimEng Land, Inc., is 60% owned by Rockwell Primaries Development Corporation (Rockwell Primaries) and 40% owned by ATR Holdings, Inc. and Dragon Eagle International Limited. Rockwell Primaries South will complete the development of the undeveloped portion (61,787 square meters) of the Tribecca Private Residences located along the East Service Road in Muntinlupa City. The new development will be launched as East Bay Residences.

The Company also has ownership in Rockwell Leisure Club Inc. (RLCI), owning 1,500 ordinary shares and 538 proprietary shares. RLCI is a non-profit premier leisure club created to complement Rockwell Land's exclusive lifestyle concept. Opened in December 1999, the Rockwell Club offers its resident members and proprietary shareholders a first-class social, sports and recreational facility within the Rockwell Center.

Business Segments

Rockwell Land's operations are divided into three (3) segments: residential development, commercial development, and hotel operations.

RESIDENTIAL DEVELOPMENT

The residential development segment involves the development, sales and property management of all residential units under the Rockwell and Primaries brands. This segment currently accounts for 64% of the Company's EBITDA. Its portfolio of completed projects comprises of the following:

West Block Residential Towers (2000)

Approximately 2.8 hectares, the West Block was the first residential development within Rockwell Center. It consists of four towers, each named after the country's most prominent artists and national figures. The West Block has a total of 856 residential units as follows:

Hidalgo Place	251 units
Luna Gardens	131 units
Rizal Tower	169 units
Amorsolo Square	305 units

The Company completed and handed over these towers to the unit owners on time starting 1999.

The Manansala (2005)

After the completion of West Block, the Company introduced The Manansala in 2001 – the first residential project on the east side of Rockwell Center. It was launched to address the market requirement for smaller units. This 618-unit project was also the first project of the Company that was launched to the Filipino-American investor market. The project broke ground in May 2002 and was completed six months ahead of schedule in July 2005.

Joya Lofts and Towers (2008)

Following The Manansala, the 931-unit Joya Lofts and Towers were launched in late 2003. The distinguishing feature of the Joya Lofts and Towers is its loft design, featuring 20 foot ceilings and a "canvass" for the unit owners' creative ideas. The project also includes more ground for retail spaces for tenants intended to service residents' requirements. The twin tower project broke ground in August 2004 and was completed in June 2008, six months ahead of schedule.

One Rockwell (2011)

Riding on the sales momentum of Joya, the Company launched One Rockwell in 2005 – its largest development within Rockwell Center with 1,275 units. The distinguishing feature of One Rockwell is its Z-loft units, which provides residents with units crossing across the corridor for views from both sides of the building. This two (2) – tower project (East and West Towers) commenced construction in February 2007 and was completed in November 2011. Turnover to unit owners started in November 2010.

The Grove by Rockwell – Towers A & B (2012)

The Grove by Rockwell is the Company's first project outside of Rockwell Center in Makati and its first venture into the upper mid-market segment. The project is situated on a 5.4 hectare prime property along the major thoroughfare of E. Rodriguez Jr. Ave. in Pasig and will consist of six residential towers with a small retail and commercial area. The Grove's master plan intends to retain 75% of its area for open-space and landscaped environment with a resort-inspired design for its 2,400 unit owners.

The project was introduced to the market in late 2008 with the launch of Phase 1 (Towers A, B & Podium). Its construction was completed by end of 2012 while the turnover to unit owners started on July 2012.

Edades Tower and Garden Villas (2015)

Following The Grove, a 50-storey development Edades Tower and Garden Villas was launched on December 2009. It has Garden Villas which are extension of the tower and are composed of a landscaped cluster of bi-level units while the Garden Loft is a loft unit located within the residential tower that spills out to a generous garden deck. It also features six floors of serviced apartments which has a dedicated lobby and set of amenities. The construction of this masterpiece started on April 2011 and was fully completed last March 2015. Turnover to unit owners started in April 2014.

205 Santolan by Rockwell (2015)

To expand its portfolio of products, the Company launched its first townhouse community venture – the 205 Santolan in 2012. It is situated on a 1.8 hectare property located near the Santolan - Ortigas Avenue intersection that has quick access to major thoroughfares. This 105-unit low-density project comes complete with master-planned landscaping and amenities. It broke ground in February 2012 and the turnover to the buyers started February 2014.

The Alvendia (2015)

Coming from the success of its 1st townhouse development, Rockwell Land launched another townhouse project on a 0.5 has site in San Juan City on July 2013. With only 28 units, the project was almost sold out within the first month of its launch. Turnover started on March 2015 while construction was fully completed on July 2015.

The Grove by Rockwell – Towers C & D (2016)

Following the launch of the Phase 1 of The Grove by Rockwell, Phase 2 (Towers C & D) was introduced to the market on November 2010 and turnover to the buyers started on April 2015.

The Grove Retail Row opened in the 2nd quarter of 2016, with Rustan's Supermarket and Starbucks as its anchor. The Grove as well boasts an 8,000 square meter Amenity Deck with the biggest poolside deck among Rockwell developments to date.

The Grove by Rockwell – Towers E & F (2016)

Towers E & F, The Grove's final phase, was completed and turned over to unit owners in September and June 2016, respectively.

In the same year, the Grove Retail Row opened in the 2nd quarter with Rustan's Supermarket and Starbucks as its anchor.

The Grove as well boasts an 8,000 square meter Amenity Deck with the biggest poolside deck among Rockwell developments to date.

53 Benitez (2016)

Primaries launched its first project called the 53 Benitez in July 2013. Situated on a one (1) hectare lot in Quezon City, this project has 358 1BR, 2BR and 3BR units. The primary target market for this project is end-users like young and start-up families. This is Primaries' first midrise project, which was turned over to unit owners starting July 2016.

In addition to the above completed projects, the Company has the following ongoing projects;

32 Sanson – Phase 1 (2017)

The Company acquired a 3.1 hectare lot in Lahug, Cebu City in 2012 to expand to other strategic urban centers in the Philippines. This is the Company's first venture outside the region of Luzon and Cebu City is one of the most progressive provincial cities in the country. The primarily residential project will have 2 phases; the 135 units for the 1st phase and 257 units for the 2nd phase.

The Phase 1 composed of Towers Raffia and Gmelina is a 5 storey residential development. This project was launched in January 2014 and was turned over to unit owners starting December 2016.

Stonewell (completion by 2018)

Rockwell Land's first affordable housing project is situated in a 5.9 hectare property in Sto. Tomas, Batangas. The first phase of the project features 564 socialized housing units and 188 economic units which will be turned over to unit owners in 2017. The second phase will open another 151 units, bringing the total to a community of 907 households. The community will enjoy wide landscaped areas, a retail component, and amenities like basketball court, swimming pool and clubhouse.

Edades Suites (2019)

This project is an expansion to the Edades Tower and Garden Villas which was completed in 2015. This is a 23-storey tower which only features 52 very prime units. This was launched in May 2016 and was sold out by end of 2016.

32 Sanson – Towers Buri and Solihiya (completion by 2019-2020)

Towers Buri and Solihiya are 8-storey buildings, adding a total of 257 units. Buri started selling in 2016 while Solihiya is scheduled in 2017. They are due for completion on 1Q 2019 and Dec 2020, respectively.

The Proscenium (completion by 2020)

The Proscenium is a mixed-use development project situated on a 3.6 hectare property adjacent to Rockwell Center. The development will consist of five (5) residential towers, which will be anchored on a cultural component. Located on the lower west side of the development, this will house a 700-seater performing arts theater as well as the Lopez Museum.

The first two residential towers, Sakura and Kirov, were launched in November 2012 featuring 389 large size units ranging from 2 to 4 bedrooms. The third residential tower, Lincoln, was launched in February 2013 while the fourth residential tower, Lorraine, was re-launched in March 2015 showcasing bigger-sized units than originally intended. The Proscenium Residences, which was launched in October 2015, completes the latest residential development project within the Rockwell Center.

The Vantage at Kapitolyo (completion by 2021)

The Vantage at Kapitolyo is Primaries' first integrated high-rise condominium and offers 777 residential units. It is strategically located at the corner of United Street and West Capitol Drive in the bustling Kapitolyo district in Pasig. This two-tower residential development that features an amenity deck at the podium and two-story retail area aims to provide easy access to central business districts, academic institutions and hospitals.

The first tower, called the West Tower rises to up to 33 storeys high. This was launched in August 2015 and is scheduled for completion in 2020.

The East Tower is a 31-storey building. This was launched in June 2016 and is scheduled for completion in 2021.

East Bay Residences (Phased completion starting 2021)

East Bay Residences is Rockwell Primaries' first vertical development in the South of Metro Manila. The Fordham is the first of the five towers for launch under this 6.2 hectare development. This 15-storey tower offers 294 units of 2 to 3-bedroom units. This will be complemented by a clubhouse due 2017 and a retail row that is expected to open by end of 2018.

COMMERCIAL DEVELOPMENT

The Commercial development segment of the Company develops, leases and manages its retail and office developments. As of 2016, the Company has a total portfolio of 144,500 sqm of leasable space.

Power Plant Mall

The Power Plant Mall is a four-level shopping center with 41,220 sqm. leasable area and three (3) levels of parking. The Power Plant Mall provides the leisure component for the occupants of the residential towers and offices within the Rockwell Center.

With the aim of providing its patrons with a better recreational experience, Rockwell Land commenced the expansion of Power Plant Mall during the last quarter of 2015. The new and improved Mall is expected to house a more comprehensive portfolio of brands and dining concepts as well as a larger chapel. The expansion will provide additional 5,300 sqm of leasable space by end of 2017.

Other Retail Spaces

The Company also maintains 11,880 sqm of retail spaces on the ground floor of its residential and office projects, providing services, convenience and dining choices to residents/tenants and non-residents/ non-tenants alike. These include retail hubs outside the Rockwell Center including spaces in RBC Tower 3 in Ortigas and the Retail Row at The Grove in Pasig City.

Rockwell Business Center- Ortigas (RBC Ortigas)

The Company established in 2009 an unincorporated joint venture, Rockwell Business Center, with Meralco for the development and operations of an office complex within the Meralco headquarters in Ortigas.

Rockwell Business Center is the Company's first venture into the office market. It contains three towers that have a total leasable area of 73,130 sqm of office and 3,400 sqm of retail space.

8 Rockwell

8 Rockwell is a premium world-class 20-storey building that achieved a gold LEED certification. It has 20 physical floors where about 7.2 floors were sold and occupied by the Company resulting to 19,500 sqm of net leasable space by 2016. It also offers a luxury retail row which is now home to foreign brands like Balenciaga, Lanvin, Laduree and Vera Wang, the last three brands being the first in the Philippines. Sharing the same roof are ABS-CBN's ANC Studio, Wyeth Philippines, Pfizer and Takeda (pharmaceutical), Ogilvy (international advertising agency) and Estee Lauder (leading global cosmetics company), to name a few.

In addition to these completed commercial leasing projects are two ongoing projects:

Rockwell Business Center – Sheridan (RBC Sheridan)

The latest in the Company's portfolio of office developments, RBC Sheridan will house 44,000 sqm of office space and 3,800 sqm of retail area. The two-tower development, which was launched in 2014, is expected to be completed in 2017.

Santolan Town Plaza

Retailscapes, Inc. launched its first community retail venture in February 2016. Santolan Town Plaza aims to house 10,000 sqm of office and 9,600 sqm of retail to provide the community of residents within and around the San Juan area with casual dining restaurants, 4 cinemas and an elevated retail and leisure experience.

HOTEL OPERATIONS

Aruga by Rockwell

The Company launched Aruga, its first entry into the hotel business, last July 2014 to cater to the high demand of room rentals all while keeping its signature brand of exclusivity and luxury for its patrons. The project consists of 114 fully-furnished serviced apartments in Edades Tower. The project is registered with the Board of Investments on a Pioneer basis, enjoying several benefits including a tax holiday.

Following the success of its first project in the hotel business, the Company launched another 80 keys Aruga at The Grove starting April 2016. The new serviced apartments aim to provide travelers, businessmen and vacationing families the comfort of staying in a resort-themed setting while never leaving the Metro.

To complete the promise of delivering luxury and redefining lifestyles, the Company is set to launch Aruga Hotel Makati, its first luxury boutique hotel in 2019. This will be located at the heart of Rockwell Center in Makati City, just 4 floors above its newly expanded Power Plant Mall. It is envisioned to serve both leisure and business travelers with its distinctly Filipino brand of service, *Aruga.* It will display an urban resort style in its amenities to its 200 hotel suites, 700-seater ballroom and meetings rooms. Amenities will feature a wine and lobby lounge, gym and swimming pool. Construction of the mall expansion and the Aruga Hotel began in 2016.

Further expanding the hospitality business, the Company plans to open its first beach resort hotel in Cebu. This 4.8 hectare lot is situated along the stretch of well-known beach resorts in Punta Engano, Lapu-Lapu City, Cebu. This is presently undergoing design and planning and is expected to launch by 2022-2023.

Customers and Distribution Methods of Products

The Company caters to a wide range of customers, not any one of whom account for 20% or more of its revenues. Its residential projects are sold to both local individuals and corporations and foreign individuals with the local market accounting for about 76% of sales by end 2016, up from previous three year's average of 72% (2013-2015). For its commercial leasing business, its customers are individuals and institutions.

Residential projects are sold to clients primarily through the Company's in-house sales team which exclusively sells Rockwell projects, complemented by a network of licensed brokers. Its in-house sales team, now numbering 73, consists of regular employees and is headed by licensed brokers. The Company also has an in-house leasing team which handles leasing of tenants for its retail and office business.

The Company maintains websites and various model units which serve as touch points for its customers. Beginning in late 2011, it has again tapped the Filipinos living overseas or abroad through international roadshows since it started in 2002. In 2013, the Company formally organized an International Sales team which is focused on servicing the current international markets as well as establishing new markets. But in 2016, the Company had intentionally scaled back due to the economic uncertainties across the US (e.g. recovery and US elections), Europe (e.g. Brexit) and China.

Competition

Rockwell Land has initially developed vertical residential projects in Metro Manila, targeting high-end and the upper mid-markets. With a view of expanding its customer base, the Company has since catered to the affordable segment and broadened its reach outside Metro Manila. The company's focus on diversification has led it to increase its retail and office portfolio through the years. In 2013, the Company entered into a new market, Hotel and Leisure, by introducing Aruga Serviced Apartments. Rockwell Land believes that it can effectively compete in the property sectors that it competes in, given the Company's strong brand name and its track record of project innovations and successful delivery.

As a luxury property developer, the Company competes with Ayala Land Premier and Shang Properties. For Primaries brand, in relation to its existing projects, the Company competes with the likes of Ayala Land's Alveo, Ortigas & Co. and DMCI Homes. Rockwell Land is able to effectively compete in the high-end and upper middle market segments based on reputation, quality, reliability, location, amenities, and price.

With respect to the socialized and economic housing segments, the Company competes with Vista Land thru its Bria, Lumina and Camella Homes, Ayala Land's Bella Vita and Amaia, and SM Development Corporation.

Rockwell Land believes that its competitors in the retail segment include Ayala Land, Shang Properties, Ortigas & Company and in select locations, SM Prime Holdings Inc. The Company competes based on reputation, quality, and tenant mix.

With the growth in the Philippine economy experienced over the last 5-7 years, the Company has observed that big players are diversifying across income segments and expanding geographically. This is true for both residential and retail development, resulting in heavier competition in the markets we are present in.

For its office segment, the Company considers Megaworld, Ayala Land, Robinsons Land, SM Prime Holdings and the Net group as its main competitors. Rockwell Land competes based on reputation, quality, location and price.

For its serviced apartments, the Company competes with likes of Ascott, Oakwood and Discovery Primea. Aruga by Rockwell Land competes on the basis of quality, location, and price.

Suppliers

The Company's raw material requirements for its business are widely available from local and international sources. It generally enters into fixed-sum agreements with reputable general contractors for the construction and development works of its projects except in instances when it believes that it can benefit from the direct procurement of certain materials and packages. Awarding of construction contracts and packages go through the following selection process: pre-qualification (based on project track record, including previous works done for Rockwell, and financial capacity, among others), submission of sealed bids, evaluation of accepted bids (technical and commercial) and a final bidding. It maintains a wide base of suppliers and is not dependent on one or a limited number. Rockwell Land also continues to seek new suppliers as well as explore ways of effectively partnering with its contractors and subcontractors to ensure the quality, on time delivery and the cost-effectiveness of its projects.

Rockwell Land maintains an in-house project development team that it has built over the past six completed residential projects. This team of about 188 employees with specialization in various engineering and architectural disciplines is tasked to ensure that projects are delivered on time according to a specified quality and budget. It manages the different projects by strictly monitoring project milestones in coordination with the general contractors and ensuring that issues during construction are resolved timely.

Some of Rockwell Land's manpower requirements for its retail, office and property management operations are outsourced to accredited services providers. This includes housekeeping, janitorial, security and maintenance personnel, among others. The service providers also go through a selection and accreditation process and regular evaluation in order to maintain the required service level.

<u>Intellectual Property</u>

The Company currently owns following registered trademarks, namely:

1. ROCKWELL & (stylized letter "R") LOGO
   TM Registration No. 4-1995-104847
   Issued on 28 April 2013, valid until 28 April 2023

2. THE GROVE BY ROCKWELL
   TM Registration No. 4-2007-013661
   Issued on 6 October 2008, valid until 6 October 2018

3. POWER PLANT MALL
   TM Registration No. 4-2012-003100
   Issued on 7 June 2012, valid until 7 June 2022

4. POWER PLANT CINEMA
   TM Registration No. 4-2012-003101
   Issued on 7 June 2012, valid until 7 June 2022

5. THE PROSCENIUM AT ROCKWELL
   TM Registration No. 4-2012-003496
   Issued on 14 June 2012, valid until 14 June 2022

6. 205 SANTOLAN BY ROCKWELL
   TM Registration No. 4-2012-003497
   Issued on 14 June 2012, valid until 14 June 2022

7. PROSCENIUM LOGO
   TM Registration No. 4-2012-000114355
   Issued on 25 April 2013, valid until 25 April 2023

8. PRIMARIES A ROCKWELL COMPANY

TM Registration No. 4-2012-00014881
Issued on 4 July 2013, valid until 4 July 2023

9. KIROV AT THE PROSCENIUM
TM Registration No. 4-2013-00003552
Issued on 5 September 2013, valid until 5 September 2023

10. ICONIQUE AT THE PROSCENIUM
TM Registration No. 4-2013-00003553
Issued on 5 September 2013, valid until 5 September 2023

11. LORRAINE AT THE PROSCENIUM
TM Registration No. 4-2013-00003554
Issued on 5 September 2013, valid until 5 September 2023

12. LINCOLN AT THE PROSCENIUM
TM Registration No. 4-2013-00003555
Issued on 18 July 2013, valid until 18 July 2023

13. SAKURA AT THE PROSCENIUM
TM Registration No. 4-2013-00003556
Issued on 18 July 2013, valid until 18 July 2023

14. PROSCENIUM (WORD MARK)
TM Registration No. 4-2012-00014355
Issued on 25 April 2013, valid until 25 April 2023

15. STONEWELL
TM Registration No. 4-2015-00005139
Issued on 17 September 2015, valid until 17 September 2025

16. THE GORGEOUS MESS
TM Appl. No. 4-2015-504659
Issued on 16 June 2016, valid until 16 June 2026

17. BRICKS TO CLICKS
TM Appl. No. 4-2015-504658
Issued on 28 July 2016, valid until 28 July 2016

18. 8 ROCKWELL
TM Appl. No. 4-2016-00501938
Issued on 04 August 2016, valid until 4 August 2026

19. STONEWELL STO. TOMAS, BATANGAS
TM Registration No. 4-2015-00005140
Issued on 4 August 2016, valid until 4 August 2026

20. TOWN PLAZA
TM Appl. No. 4-2016-00500579
Issued on 22 September 2016, valid until 4 August 2026

21. THE ROCKWELL BUSINESS CENTER - SHERIDAN
TM Appl. No. 4-2015-00505271
Issued on 3 December 2016, valid until 3 December 2026

22. THE ROCKWELL BUSINESS CENTER - ORTIGAS
TM Appl. No. 4-2015-00505272
Issued on 12 January 2017, valid until 12 January 2027

At the time of this writing, the Company has the following pending trademark applications:

1. EDADES TOWER AND GARDEN VILLAS
TM Appl. No. 4-2010-011100 filed on 8 October 2010

2. PRIMARIES
TM Appl. No. 4-2012-014880 filed on 10 December 2012

3. SANTOLAN TOWN PLAZA
TM Appl. No. 4-2016-500580 filed on 29 January 2016

4. EIGHT COFFEE BAR
TM Appl. No. 4-2016-00503014 filed on 20 June 2016

5. HELLO ROCKWELL
TM Appl. No. 4-2016-00506181 filed on 28 November 2016

The following registered trademarks are owned by Rockwell Hotels and Leisure Corporation:

1. ARUGA BY ROCKWELL
TM Registration No. 4-2014-00001617
Issued on 30 October 2014, valid until 30 October 2024

2. ARUGA AT THE GROVE
TM Registration No. 4-2015-00505826
Issued on 12 May 2016, valid until 12 May 2026

3. ARUGA BY ROCKWELL AT THE GROVE
TM Registration No. 4-2015-00505827
Issued on 12 May 2016, valid until 12 May 2026

4. ARUGA AT THE GROVE
TM Registration No. 4-2015-00505828
Issued on 12 May 2016, valid until 12 May 2026

5. ARUGA
TM Registration No. 4-2015-00505829
Issued on 12 May 2016, valid until 12 May 2026

The following registered trademarks are owned by Rockwell Primaries Development Corporation, a subsidiary of the Company:

2. THE VANTAGE AT KAPITOLYO
TM Appl. No. 4-2015-00503590
Issued on 4 January 2016, valid until 4 January 2026

3. THE VANTAGE PIN
TM Appl. No. 4-2015-00505440
Issued on 19 May 2016, valid until 19 May 2026

The following registered trademarks are owned by Retailscapes Inc., a subsidiary of the Company:

1. RETAILSCAPES
TM Appl. No. 4-2015-502880
Issued on 10 December 2015, valid until 10 December 2025

2. HILLSIDE PLAZA
TM Appl. No. 4-2015-0054799
Issued on 21 January 2016, valid until 21 January 2026

The following trademark was applied for registration by Rockwell Primaries Development Corporation, a subsidiary of the Company:

1. ROCKWELL PRIMARIES
TM Appl. No. 4-2014-00001621 filed on 7 February 2014

The following trademark was applied for registration by Rockwell Primaries South Development Corporation, a subsidiary of the Company:

1. EAST BAY RESIDENCES
TM Appl. No. 4-2015-504451 filed on 6 August 2015

As trademark owner, the Company (and its subsidiaries) has the sole right to use the trademarks in the real estate development business, and to exclude any person or entity from exploiting the trademarks in the same business, or in the manner that will dilute or diminish the distinctiveness of the trademarks.

The Company also owns business name registrations for the trademarks below:

TRADEMARK	DATE FILED	STATUS
POWER PLANT MALL	12-Mar-12	REGISTERED
POWER PLANT CINEMA	12-Mar-12	REGISTERED
THE PROSCENIUM AT ROCKWELL	20-Mar-12	REGISTERED
205 SANTOLAN BY ROCKWELL	20-Mar-12	REGISTERED
PROSCENIUM (LOGO)	23-Nov-12	REGISTERED
PRIMARIES A ROCKWELL COMPANY	10-Dec-12	REGISTERED
LINCOLN AT THE PROSCENIUM	18-Jul-13	REGISTERED
SAKURA AT THE PROSCENIUM	18-Jul-13	REGISTERED
KIROV AT THE PROSCENIUM	5-Sep-13	REGISTERED
ICONIQUE AT THE PROSCENIUM	5-Sep-13	REGISTERED
LORRAINE AT THE PROSCENIUM	5-Sep-13	REGISTERED

Registering a business name with the Department of Trade and Industry precludes another entity engaged in the same or similar business from using the same business name as one that has been registered. A registration of a business name with Department of Trade and Industry shall be effective for five years from the initial date of registration.

The Company also recently amended its Articles of Incorporation in February 2012 to include in its corporate name "Doing business under the name and style of Powerplant Mall; Powerplant Cinemas; And Edades Serviced Apartments."

On March 25, 2008, Meralco and Rockwell Land entered into a Joint Venture Agreement with respect to the property in the Meralco-Ortigas complex, Pasig City covered by TCT No. (210867)

12101 also known as the Rockwell Business Center. Under the Joint Venture agreement, Meralco and Rockwell Land entered into agreements on property management over the property, the allocation of the ownership and the sharing of the rentals over the project development. Sharing of earnings is on an 80:20 basis (80% for the Company and 20% for Meralco) until 2014 or until certain operational indicators are reached, whichever comes first, after which sharing will be on a 70:30 basis. The agreement to operate is effective for 25 years.

Research and Development

Although the expense for research and development did not amount to a significant percentage versus revenues, extra measures are being taken by the Company to improve its research and development function. The Company, along with its plans for expansion, has continued to engage with industry consultants and research services last year.

Employees

As of December 31, 2016, Rockwell Land and its subsidiary had a total of 2,356 employees, including 940 organic employees and 1,416 non-organic (contractual and agency) employees. The breakdown of organic employees per business unit is as follows:

Business Units	Number of Employees
Residential Development	662
Commercial Leasing	78
Shared	134
Hotels	66
TOTAL	**940**

The organic employees can be broken down by function as follows:

Function	Number of Employees
Operational	491
Technical	313
Administrative	136
TOTAL	**940**

The Company has no collective bargaining agreements with employees and none of the Company's employees belong to a union.

The Company provides employees with training and other development programs to effectively carryout their jobs and to prepare them for career advancement in the Company.

Item 2 PROPERTIES

The Company, in the course of its business, has invested in various properties for its existing and future development projects. It entered into a joint venture with Meralco for Rockwell Business Center, an office development project in Ortigas. It has also signed two long-term lease agreements for the development of Santolan Town Plaza and RBC - Sheridan.

Following is the list of properties owned by the Company as of December 31, 2016. The list excludes properties which have been completed or have been launched as development projects since titles of properties in these projects have already been or will be transferred to the buyers and/or the respective condominium corporations.

	Location	Description and use
Investment Properties		
Power Plant Mall	Rockwell Center, Makati	Retail
Estrella lots	Estrella St., Makati City	Company use (office & storage)
Grove retail	The Grove, Pasig City	Company use (office and retail)
8 Rockwell	Rockwell Center, Makati	Office and retail
Various retail spaces	The Manansala, Joya Lofts and Towers, One Rockwell, Edades, #38 Rockwell Drive -- all within Rockwell Center, Makati	Retail
Land for development		
Quezon City property	Quezon City	Residential development
Cebu property	Mactan, Cebu	Residential development
Batangas property	Lipa City, Batangas	Residential development

Investment in Shares of Stock	No. of Shares	Par or Market Value and Description
Rockwell Primaries Development Corporation	500,000,000 Common Stock	₱500.0 Million
Rockwell Primaries South Development Corporation (formerly ATR KimEng Land)*	1,860,000 Common Stock	₱186 Million
Stonewell Property Development Corporation	12,500,000 Common Stock	₱12.5 Million
Primaries Properties Sales Specialists Inc.	2,500,000 Common Stock	₱2.5 Million
Rockwell Integrated Property Services Inc.	20,000,000 Common Stock	₱20.0 Million
Rockwell Leisure Club Inc.	538 Proprietary Shares available for sale and 1,500 Ordinary Shares	₱228.6 Million
Rockwell Hotels & Leisure Management Corp.	5,000,000 Common Stock	₱5.0 Million
Retailscapes Inc.	125,000,000 Common Stock	P125.0Million

* *indirect subsidiary*

Item 3 LEGAL PROCEEDINGS

To the best of the Company's knowledge, there has been no occurrence during the past five years and as of the date of this information statement of any of the following events which are material to an evaluation of the ability or integrity of any director, person nominated to become a director, executive officer, or control person of the Company:

- Any insolvency or bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the insolvency or within two (2) years prior to that time;

- Any conviction by final judgment in a criminal proceeding, domestic or foreign, or any pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

- Any final and executory order, judgment, or decree or any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting involvement in any type of business, securities, commodities, or banking activities; and

- Any final and executory judgment by a domestic or foreign court or competent jurisdiction (in a civil action), the SEC, or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, for violation of a securities or commodities law.

Item 4 SUBMISSIONS OF MATTERS TO A VOTE OF SECURITY HOLDERS

Except for matters discussed during the Annual Stockholder's meeting, there were no other matters submitted to a vote of security holders during the period covered by this report.

PART II – SECURITIES OF REGISTRANT

Item 5 MARKET FOR ISSUER'S COMMON SHARE EQUITY and RELATED STOCKHOLDERS

(1) Market Information

(a) The registrant's common equity is being traded at the Philippine Stock Exchange.

(b) STOCK PRICES

	Common	
	High	Low
2016		
First Quarter.........................	1.51	1.50
Second Quarter	1.86	1.78
Third Quarter	1.70	1.66
Fourth Quarter	1.67	1.38

ROCK was trading at P 1.76 per share as of April 12, 2017.

(c) DIVIDENDS PER SHARE – The Company declared cash dividends in July 28, 2016 of P0.0537 per Common Share to stockholders of record as of August 11, 2016, payable on or before September 06, 2016.

The number of common and preferred shareholders of record as of December 31, 2016 was 47,839 and 28,162 who owned at least (1) board lot. As of December 31, 2016, common and preferred shares issued and subscribed were 6,243,382,344 shares (inclusive of 126,620,146 treasury shares) and 2,750,000,000 respectively.

Top 20 Stockholders of Common Shares as of December 31, 2016:

	Name	No. of Shares Held	% to Total
1.	First Philippine Holdings Corporation	5,296,015,375	86.58200%
2.	PCD Nominee Corporation (Filipino)	560,125,019	9.157214%
3.	PCD Nominee Corporation (Foreign)	96,617,164	1.579547%
4.	Padilla, Nestor J.	15,000,001	0.245228%
5.	Lopez, Manuel M., &/Or Ma. Teresa L. Lopez	8,869,411	0.145002%
6.	Lopez, Manuel Moreno or Lopez, Maria Teresa Lagdameo	3,960,000	0.064740%
7.	Lopez, Manuel M.	2,805,387	0.045864%
8.	Yan, Lucio W.	1,136,324	0.018577%
9.	Cheng, Charlotte Cua	886,422	0.014492%
10.	Avesco Marketing Corporation	801,574	0.013105%
11.	B.P. Insurance Agency, Inc.	792,139	0.012950%
12.	Makati Supermarket Corporation	677,238	0.011072%
13.	Croslo Holdings Corporation	584,297	0.009552%
14.	Tan, Simeon Y.	458,804	0.007501%
15.	Carlos, Jose Ignacio A.	455,667	0.007449%
16.	Tan, Lozano	422,730	0.006911%
17.	Flordeliza, Virgilio C.	398,550	0.006516%
18.	Aquino, Antonino T., &/Or Evelina S. Aquino	377,231	0.006167%
19.	BP Insurance Agency, Inc.	328,969	0.005378%
20.	Concepcion, Raul Joseph	316,854	0.005180%

Stockholders of Preferred Shares as of December 31, 2016:

Name	No. of Shares Held	% to Total
1. First Philippine Holdings Corporation	2,750,000,000	100%

Rockwell Land also issued P5 billion Retail Bonds in November 2013, which is registered under the SEC.

<u>Recent Sales of Unregistered Securities</u>

On December 12, 2007, the Board of Directors and the stockholders representing at least two-thirds of the Company’s outstanding capital stock approved the increase in authorized capital stock from ₱ 6.0 billion to ₱ 9.0 billion divided into 8,890,000,000 Common shares with a par value of ₱1.00 each and 11,000,000,000 preferred shares with a par value of ₱0.01 each. The increase in authorized capital stock was approved by the SEC on July 28, 2008.

Subscription for shares of capital stock of a corporation in pursuance of an increase in its authorized capital stock, when no expense is incurred, no commission, compensation or remuneration is paid or given in connection with the sale or disposition of such securities, and only when the purpose for soliciting, giving or taking of such subscriptions is to comply with the required minimum 25% subscribed capital stock, is exempt from registration under the SRC. No notice or confirmation of exemption is required to be filed for the issuance of shares pursuant to an increase in authorized capital stock.

<u>Exempt Transactions and Securities</u>

ROCK also issued the following securities as exempt transactions under the SEC:

Date	Amount	Type of Security	Issued to:
January 2013	₱4,000,000.00	Fixed Rate Corporate Notes	Primary institutional lenders
March 2013	₱2,000,000.00		
May 2013	₱1,000,000.00		
July 2013	₱1,500,000.00		
August 2013	₱1,500,000.00		
May 2016	₱1,000,000.00	Fixed Rate Term Loan	PNB
June 2016	₱1,000,000.00	Fixed Rate Term Loan	MBTC
June 2016	₱1,000,000.00	Floating Rate Term Loan	MBTC
June 2016 (under Retailscapes)	₱500,000.00	Fixed Rate Term Loan	MBTC
September 2016	₱500,000.00	Floating Rate Term Loan	MBTC

*Refer to supplementary information of the 2016 Consolidated Financial Statements for more detail.

PART III – FINANCIAL INFORMATION

Item 6 MANAGEMENT DISCUSSION and ANALYSIS of FINANCIAL CONDITION and RESULTS of OPERATIONS

The following management's discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's audited consolidated financial statements, including the related notes thereto, annexed to this Annual Report .

INTRODUCTION

Rockwell Land Corporation’s net income after tax (NIAT) in 2016 amounted to ₱1.8 billion, a growth of 8% compounded annually since 2014. As a percentage to revenues, net income was 14% for 2016 and 18% for both 2014 and 2015.

Total revenues grew to ₱12.7 billion in 2016, increasing at a compounded annual rate of 20% since 2014. Residential development accounted for 87% of the total revenues in 2016, higher than its 73% share in 2015, while Commercial development accounted for 10% of the total revenues, lower compared to 24% in 2015; this is due to the acceleration of residential revenues at 69%. The contribution of Hotel Operations remained at 3% in 2016, same as in 2015.

Moreover, earnings before interest, taxes, depreciation and amortization (EBITDA) in 2016 amounted to ₱3.4 billion representing 27% of total revenues and a 5% compounded annual growth since 2014. While EBITDA from Residential Development accelerated by 39% in 2016 due to the strong performance of the Proscenium project, Commercial Development saw a decrease in its EBITDA by 23% from 2015, the year when a substantial number of 8 Rockwell office units were sold. Meanwhile, the Hotel Operations’ EBITDA grew to ₱88.6 million following the launch of Aruga at The Grove last April 2016. Residential development, commercial development and hotel operations contributed 64%, 33% and 3% to total EBITDA, respectively.

The ratio of cost of real estate to total revenues was registered at 61% coming from the previous year’s ratio of 50%. The increase was primarily driven by higher cost recognition in 2016, which already includes costs from the Proscenium Residences, as compared to the office and residential mix in 2015.

Besides the recent acquisitions, the Company is not aware of any event that could materially affect the statement of comprehensive income reported in this Annual Report.

By the end of 2016, debt level was at ₱15.6 billion while the net-debt-to-equity ratio stands at 0.91. The debt is composed of the outstanding balances of ₱10.0 billion corporate notes drawn in portion from January to August 2013, ₱5.0 billion from bond issuance in November 2013 and 2016's ₱2.5 billion fixed term loans and ₱1.5 billion floating term loans. Below is a table showing the key performance indicators of the Company for 2014-2016.

KPI	2016	2015	2014
EBITDA (P)	3.4 billion	3.1 billion	3.1 billion
Current Ratio (x)	3.01	2.92	2.47
Net DE Ratio (x)	0.91	0.82	0.70
Asset to Equity Ratio (x)	2.58	2.54	3.04
Interest coverage ratio (x)	4.54	7.64	5.60
ROA	4.8%	4.4%	4.2%
ROE	12.2%	12.1%	12.9%
EPS (P)	0.30	0.27	0.26

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]

RESULTS OF OPERATIONS

The following section provides information on the results of operations and financial condition for the periods 2014-2016.

Review of 2016 versus 2015

The following table shows the breakdown of the revenues by business segment for the periods 2014-2016.

	2016	**% to Total**	**2015**	**% to Total**	**2014**	**% to Total**
Residential Development (1)	11,040	87%	6,515	73%	7,408	84%
Commercial Development (2)	1,324	10%	2,147	24%	1,355	15%
Hotel Operations(3)	347	3%	260	3%	90	1%
Total Consolidated Revenues	**12,711**	**100%**	**8,922**	**100%**	**8,853**	**100%**
Share in Net Income (Losses) in JV (4)	*254*		*171*		*103*	

Notes:

1. *Revenues from this segment consist of the following projects in the years indicated: 205 Santolan (2014), Alvendia (2014), Edades (2014), The Grove (2014 to 2016), The Proscenium Towers (2014 to 2016), 53 Benitez (2014 to 2016),32 Sanson (2014 to 2016), Vantage (2016), Edades Suites (2016), Stonewell (2016).*

2. *Revenues from this segment include leasing income, cinema revenues and revenue from sale of office units from 8 Rockwell project. The amounts exclude revenues from RBC. Under the Accounting policy for a jointly controlled entity, results of operations of RBC are not consolidated line by line.*
3. *Revenues from Hotel Operations come from the operations of Aruga Serviced Apartments in Edades Tower and The Grove.*
4. *These amounts represent the Company's share in the net income after tax of RBC.*

Below is another table showing the breakdown of revenues by type of revenue for the periods 2014-2016.

	2016	% to Total	2015	% to Total	2014	% to Total
Residential Sales(1)	10,834	85%	6,266	70%	7,092	80%
Office Sales(2)	77	1%	1,045	12%	336	4%
Commercial Leasing	915	7%	793	9%	735	8%
Room Revenues	326	3%	260	3%	90	1%
Others(3)	559	4%	558	6%	600	7%
Total Consolidated Revenues	**12,711**	**100%**	**8,922**	**100%**	**8,853**	**100%**

Notes:

1. *Pertains only to sales of condominium units (at present value) and related interest income.*
2. *Pertains to sale of office units (at present value) and related interest income.*
3. *Includes income from Cinema, parking and other income.*

Business Segments

The details of the individual performance of each business segment, in terms of revenues and EBITDA, are as follows:

Residential Development contributed 87% of the total revenues of 2016. Total revenues reported from the sale of condominium units, including accretion of interest income, amounted to ₱10.8 billion. The 69% increase in this segment's revenue was largely influenced by the substantial completion of the Proscenium projects and 32 Sanson. EBITDA from this segment amounted to ₱2.2 billion, which represents 64% of the total EBITDA of ₱3.4 billion.

Reservation sales, driven by Proscenium, The Vantage and the launch of Edades Suites, reached a total of ₱11.8 billion, 45% up from last year's ₱8.1 billion.

Commercial Development revenues amounted to ₱1.3 billion. Despite the increase in lease income by 15%, total revenues from the segment was 38% lower than last year's revenues of ₱2.1 billion due to the dip in sale of office units. The Commercial segment contributed 10% of total revenues. This excludes the share in the joint venture (RBC) as this is reported as "Share in Net Losses (Income) of JV" under Other Income (Expenses) and not consolidated line by line in the consolidated financial statements.

The details of the performances per source of revenue stream are explained as follows:

- Revenues from Retail operations amounted to ₱948.6 million and accounted for 7% of total revenues. This saw a rise of 7% vs. last year's revenues of ₱885.4 million, mainly driven by rental escalation and increase in total leasable area.

- Cinema Operations amounted to ₱220.2 million and comprised 2% of the total revenues. It grew by 1% from last year's ₱217.1 million due to an increase in ticket prices.

- Revenue from sale of office units amount to ₱76.8 million. This pertains to revenue recognized based on completion and related interest income recognized from sale of office units of the Proscenium project. Last year, sale of office spaces at 8 Rockwell amounted to ₱1.0 billion.

- Office Leasing for units located in 8 Rockwell accelerated to ₱78.8 million from ₱1.8 million last year due to increase in occupancy.

- Office Leasing, operated under the Rockwell-Meralco BPO Venture, generated gross revenues of ₱672.8 million, which grew by 29% from last year's ₱519.8 million due to higher occupancy and rent escalation. At its 70% share, the Company generated revenues of ₱471.0 million and a share in net income of ₱254.2 million. To reiterate, only the ₱254.2 million share in net income of RBC is reflected in the Company's consolidated statements of comprehensive income as "Share in Net Losses (Income) of JV".

The Commercial segment's EBITDA amounted to ₱1.1 billion, which composed 33% of the total EBITDA of ₱3.4 billion. EBITDA dipped by 23% from last year's ₱1.5 billion due to the decrease in office unit sales after the majority were sold in the prior year.

Hotel Operations contributed 3% of the total revenues for 2016. Revenues grew by 33% from ₱260.0 to ₱346.7 million, while EBITDA grew by 43% from ₱ 61.8 million to ₱ 88.6 million in 2016, after Aruga at The Grove was launched last April.

Costs and Expenses

Cost of real estate amounted to ₱7.8 billion in 2016, 73% higher than the ₱4.5 billion that was recorded in 2015. The substantial completion of Proscenium and 32 Sanson were the main drivers in the increase in cost.

General and administrative expenses (G&A) amounted to ₱1.6 billion which equated to 12% of the total revenues. The level of expenses grew by 12% vs. last year's ₱1.4 billion. This is mainly attributable to additional expenses incurred from the opening of Aruga at The Grove and higher depreciation expense.

Interest Expense amounted to ₱389.8 million, which is 17% lower than last year's ₱471.2 million. The decrease is primarily due to higher capitalization of interest and lower average interest rate.

Share in Net Losses (Income) of JV recorded a net income of ₱254.2 million, a 49% growth from last year's net income of ₱170.8 million. At 70% share, the gross revenues increased by 29% to ₱471.0 million due to higher rental and occupancy rates. The share in net income is reported net of taxes and represents the Company's share in the operations generated by RBC.

Provision for Income Tax

Provision for income tax amounted to ₱671.9 million, which is 6% higher than last year's provision of ₱633.4 million. The effective tax rate for 2016 is 27%, almost the same as 2015's 28%, which is lower than the statutory tax rate of 30% due to the Company's share in the income of RBC, which is no longer subject to income tax.

Project and capital expenditures

The Company spent a total of ₱12.6 billion for project and capital expenditures in 2016. Bulk of the expenditures pertained to development and land acquisition costs.

FINANCIAL CONDITION

Total Assets as of December 31, 2016 amounted to ₱40.4 billion, which grew by 12% from last year's amount of ₱36.0 billion mainly due to increasing investments in ongoing and new projects.

Total Liabilities as of December 31, 2016 amounted to ₱24.8 billion, higher than 2015's ₱21.9 billion. The increase in liabilities was mainly from loans availed to fund landbanking and construction of projects.

Total Equity as of December 31, 2016 amounted to ₱15.7 billion. The 11% acceleration is mainly attributable to the ₱1.8 billion Net Income in 2016.

Current ratio as of December 31, 2016 is 3.01x from 2.92x the previous year while Net debt to equity ratio increased to 0.91x in 2016 from 0.82x in 2015.

Causes for any material changes (+/- 5% or more) in the financial statements

<u>Statement of Comprehensive Income Items</u> – 2016 vs. 2015

52% increase in Sale of condominium units
Mainly driven by significant construction completion for The Proscenium and higher sales bookings from Proscenium, 32 Sanson, Edades Suites, The Grove and Vantage

34% increase in Interest Income
Mainly due to higher interest income accretion from sales bookings of Proscenium, Edades Suites, 32 Sanson and Vantage

15% increase in Lease income
Due to rental rate escalation for retail and office projects, and ramp up of occupancy in 8 Rockwell and other retail areas

25% increase in Room revenues
Due to higher room rates and occupancy from Aruga Makati, and opening of the Aruga at The Grove

5% increase in Cinema revenues
Primarily due to higher ticket prices

73% increase in Cost of Real Estate
Primarily due substantial construction completion from Proscenium and 32Sanson

12% increase in General and Administrative Expenses
Due to increase in expenses from the opening of Aruga at The Grove and higher depreciation expense

62% increase in Selling Expenses
Primarily due to higher amortization of prepaid costs and higher sales commission expenses

17% decrease in Interest Expense
Mainly due to higher capitalization of interest

49% increase in Share in Net Income of Joint Venture
Attributable to higher rental rates and higher occupancy of RBC Ortigas

39% decrease in Foreign Exchange Gain
Due to the impact of weaker Peso on the US dollar collections

104% increase in Gain on sale of property and equipment
Due to disposal of club equipment

132% increase in Comprehensive Income

Mainly due unrealized gain on fair value remeasurement of available for sale investments gains (loss) and remeasurement of loss on employee benefits based on Revised PAS 19 in 2013

Balance Sheet items – 2016 vs. 2015

36% decrease in Cash and Cash Equivalents
Primarily due to disbursements for the construction of ongoing projects and land acquisitions

5% increase in Trade and Other Receivable
Mainly due to higher sales bookings from Proscenium and 32Sanson

69% increase in Advances to Contractors
Driven by the downpayments to contractors of Proscenium and 32 Sanson

454% increase in Condominium Units for Sale
Mainly due to the completion of The Grove

22% increase in Other Current Assets
Mainly due to increase in restricted cash and higher input VAT

20% increase in Investment Properties
Mainly due to payments for the construction of RBC Sheridan, Santolan Town Plaza and Mall Expansion projects

5% decrease in Investment in Joint Venture
Due to recognized income from RBC-Ortigas operations partially offset by dividends

19% increase in Property, Plant & Equipment
Due to reclassification of serviced apartments from Land and Development Costs

114% increase in Land Held for Future Development
Due to increased landbanking efforts

6% increase in Available-for-sale investments
Due to fair value remeasurement

997% increase in Non-current Trade Receivables
Due to recognition of long-term receivables based on completed projects

61% decrease in Deferred Tax Asset
Mainly due to amortization of past service cost

17% increase in Trade and Other Payables
Mainly attributable to increase in development cost accruals and deposits from pre-selling

22% decrease in Current Portion of Interest Bearing Loan and Borrowings
Due to payment of short-term borrowing

100% decrease in Income Tax Payable
Due to higher creditable withholding taxes

20% increase in Non-current Portion of Interest Bearing Loan and Borrowings
Due to loan availments

12% increase in Installment Payable – net of current portion
Due to additional accretion of interest expense

6% decrease in Pension liability
Mainly due to remeasurement of retirement obligations and additional contributions to plan assets

28% increase in Deposits and other liabilities
Primarily due to the reclassification of the current portion of retention payable

17% increase in Unrealized Gain in Available-for-Sale Investments
Due to market appreciation of investments

21% increase in Retained Earnings
Due to net income after tax of ₽ 1.8 billion for 2016, net of dividends paid amounting to ₽ 330 million. Appropriated retained earnings for to capital expenditures and asset acquisitions in the next 2 years amounted to ₽ 3.0 billion.

Review of 2015 versus 2014

The following table shows the breakdown of the revenues by business segment for the periods 2013-2015.

	2015	% to Total	2014	% to Total	2013	% to Total
Residential Development [1]	6,515	73%	7,408	84%	6,815	87%
Commercial Development [2]	2,147	24%	1,355	15%	1,015	13%
Hotel Operations[3]	260	3%	90	1%	-	-
Total Consolidated Revenues	**8,922**	**100%**	**8,853**	**100%**	**7,830**	**100%**
Share in Net Income (Losses) in JV[4]	*171*		*103*		*93*	

Note:

1. *Revenues from this segment consist of the following projects in the years indicated: 205 Santolan (2013 to 2014), Alvendia (2013 to 2014), Edades (2013 to 2014), The Grove (2013 to 2015), The Proscenium Towers (2013 to 2015), 53 Benitez (2013 to 2015),32 Sanson (2014 to 2015).*
2. *Revenues from this segment include leasing income, cinema revenues and revenue from sale of office units from 8 Rockwell project, formerly "Lopez Tower. The amounts exclude revenues from RBC. Under the Accounting policy for a jointly controlled entity, results of operations of RBC are not consolidated line by line.*
3. *Revenues from Hotel Operations come from the operations of Aruga Serviced Apartments in Edades Tower.*
4. *These amounts represent the Company's share in the net income after tax of RBC.*

Below is another table showing the breakdown of revenues by type of revenue for the periods 2013-2015.

	2015	% to Total	2014	% to Total	2013	% to Total
Residential Sales[1]	6,266	70%	7,092	80%	6,573	84%
Commercial Leasing	793	9%	735	8%	727	9%
Office Sales[2]	1,045	12%	336	4%		
Hotel Revenues	260	3%	90	1%		
Others[3]	558	6%	600	7%	530	7%
Total Consolidated Revenues	**8,922**	**100%**	**8,853**	**100%**	**7,830**	**100%**

Note:

1. *Pertains only to sales of condominium units (at present value) and related interest income.*

2. *Pertains to sale of office units (at present value) and related interest income.*
3. *Includes income from Cinema, parking and other income.*

Total revenues for 2015 amounted to P8.9 billion where about 81% came from sale of residential and commercial condominium units, including accretion of interest income. Reservation sales reached ₱8.1 billion, mainly coming from the Proscenium towers.

Total EBITDA amounted to ₱3.1 billion, which is about the same level as last year's. Total EBITDA margin registered at 35% of total revenues for both 2015 and 2014. Contributions to total EBITDA from residential development, commercial development and hotel operations are currently at 51%, 47% and 2%, respectively.

Resulting net income after tax amounts to ₱1.64 billion, up by 5% from previous year's net income of ₱1.56 billion. The net income after tax margin remained at 18% of total revenues. The effective income tax rate is lower than the statutory rate of 30% in 2015 due to the Company's share in the income of RBC, which is no longer subject to income tax.

Business Segments

The details of the individual performance of each business segment, in terms of revenues and EBITDA, are discussed as follows:

Residential Development contributed 73% of the total revenues of 2015. Total revenues reported from the sale of condominium units, including accretion of interest income, amounted to ₱6.3 billion. The 12% decrease in this segment's revenue was primarily due to the lower completion of The Grove, Edades, and Alvendia, which were substantially complete already in 2014. EBITDA from this segment amounted to ₱1.6 billion and contributed 51% to the total EBITDA of ₱3.1 billion.

Commercial Development revenues amounted to ₱2.1 billion, which is 58% higher than last year's revenues of ₱1.4 billion mainly due to sale of some units in 8 Rockwell. This segment contributes 24% to total revenues. This excludes the share in the joint venture (RBC) as this is reported as "Share in Net Losses (Income) of JV" under Other Income (Expenses) and not consolidated line by line in the consolidated financial statements.

The details of the performances per source of revenue stream are explained as follows:

- Revenues from Retail operations amount to ₱795.2 million and accounts for 10% of total revenues. It grew by 7% vs. last year's revenues of ₱825.0 million. This mainly resulted from rental escalation and the replacement of underperforming stores with new and better performing tenants.

- Cinema Operations amounted to ₱ 217.1 million and accounting for 2% of the total revenues. It grew by 12% from last year's ₱194.4 million due to higher ticket sales and higher ticket price.

- Revenue from sale of office units amount to ₱1.0 billion. This revenue pertains to revenue recognized based on completion and related interest income recognized from sale of office units of 8 Rockwell project.

- Office Leasing, operated under the Rockwell-Meralco BPO Venture, generated gross revenues of ₱517.9 million, which is higher by 60% than last year's ₱324.4 million due to higher occupancy of the third tower, which is 100% occupied as of end of the year. At its 70% share, the Company generated revenues of ₱414.3 million and share in net income of ₱170.8 million. To reiterate, only the ₱170.8 million share in net income of RBC is reflected in the Company's consolidated statements of comprehensive income as "Share in Net Losses (Income) of JV".

The segment's EBITDA amounted to ₱1.5 billion, which accounts for 47% of the total EBITDA of ₱3.1 billion. EBITDA grew by 49% from last year's ₱980.7million mainly resulting from sale of office units and improved performance of Retail and Office operations.

Hotel Operations contributed 3% of the total revenues for 2015. Revenues grew by 190% from ₱89.6 to ₱260.0 million, while EBITDA grew by 974% from ₱ 5.8 million to ₱ 61.8 million in 2015, since the serviced apartments has become fully operational.

Costs and Expenses

Cost of real estate amounted to ₱4.5 billion in 2015. This is 5% lower than the ₱4.7 billion that was recorded in 2014 due to the lower construction completion for projects completed in 2014 and 2015.

General and administrative expenses (G&A) amounted to ₱1.4 billion and represents 16% of the total revenues. The level of expenses grew by 26% vs. last year's ₱1.1 billion. This is mainly attributable to expenses incurred by serviced apartments operations, which only started on the 2nd half of last year, and higher manpower costs.

Interest Expense amounted to ₱471.2 million, which is 22% lower than last year's ₱603.8 million. The decrease is primarily due to lower debt level of Php13.8 billion as of December 2015 vs December 2014's P15.0 billion. By end of 2015, average interest rate of 5.0%, slightly higher from last year's 4.8%.

Share in Net Losses (Income) of JV recorded a net income of ₱170.8 million. This is a 66% increase from last year's net income of ₱102.8 million. At 70% share, the gross revenues increased by 60% to ₱ 414.3 million due to higher average occupancy rate of RBC's 3rd tower. The share in net income is reported net of taxes and represents the Company's share in the operations generated by RBC.

Provision for Income Tax

Provision for income tax amounted to ₱633.4 million, which is 3% higher than last year's provision of ₱613.4 million. The effective tax rate for 2014 and 2015 is 28%, which is lower than the statutory tax rate of 30% due to the Company's share in the income of RBC, which is no longer subject to income tax.

Project and capital expenditures

The Company spent a total of ₱7.4billion for project and capital expenditures in 2015, which is 15% lower than same period last year. The decrease was primarily due lower disbursements for projects already completed in 2014 and early 2015.

FINANCIAL CONDITION

Total Assets as of December 31, 2015 amounted to ₱36.0billion, which decreased by 8% from last year's amount of ₱39.2 billion mainly due to lower Cash balance.

Total Liabilities as of December 31, 2015 amounted to ₱21.9 billion, lower than 2014's ₱26.3 billion. The decrease in liabilities was primarily attributable to payment of trade and other liabilities and partial principal loan payment.

Total Equity as of December 31, 2015 amounted to ₱14.2 billion. The 10% increase in equity is mainly attributable to the ₱ 1.6 billion Net Income in 2015.

Current ratio as of December 31, 2015 is 2.92x from 2.47x the previous year while Net debt to equity ratio increased to 0.82x in 2015 from 0.70x in 2014.

Causes for any material changes (+/- 5% or more) in the financial statements

Statement of Comprehensive Income Items – 2015 vs. 2014

8% increase in Lease income
Mainly due to rental rate escalation, and opening of new retail spaces in Edades Tower and 8 Rockwell

12% decrease in Interest Income
Lower interest income from The Grove CD because of its substantial completion and start of turnover last year

11% increase in Cinema revenues
Mainly due to higher ticket sales and ticket price increase

190% increase in Hotel revenues
Primarily due to revenues derived from the full year operations of Aruga serviced apartments

8% increase in Other revenues
Primarily due to other hotel segment-related revenues

5% decrease in Cost of Real Estate
Primarily due to lower construction completion from substantially complete projects, namely, The Grove, Edades, and Alvendia

26% increase in General and Administrative Expenses
Mainly attributable to expenses incurred by serviced apartments operations, from its full year of operations

41% increase in Selling Expenses
Primarily due to higher sales commission expenses

22% decrease in Interest Expense
Primarily due to lower debt level and higher capitalization of interest

66% increase in Share in Net Income of Joint Venture
Mainly due to additional rental revenue from higher occupancy of RBC Tower 3

127% increase in Foreign Exchange Gain
Due to increase in U.S. dollar collections mainly from Proscenium project

440% increase in Comprehensive Income
Mainly due to remeasurement of gains (loss) on employee benefits based on Revised PAS 19 in 2013

Balance Sheet items – 2015 vs. 2014

62% decrease in Cash and Cash Equivalents
Primarily due to capital expenditures for the construction of ongoing projects and loan principal payments

9% decrease in Trade and Other Receivable

Mainly due to higher collections from The Grove, and Edades Tower, and Alvendia

28% increase in Advances to Contractors
Primarily due to down payment to contractors for Proscenium project

6% increase in Other Current Assets
Mainly due to higher prepaid sales & marketing costs for Proscenium and input VAT

63% decrease in Non-current Trade Receivables
Due to reclassification to current year for accounts receivable due within one year

8% increase in Investment Properties
Mainly due to from the completion of 8 Rockwell, and construction in progress of RBC Sheridan and Santolan Town Plaza

6% increase in Investment in Joint Venture
Mainly due to recognized income from RBC operations

16% increase in Property, Plant & Equipment
Due to acquisition of additional property & equipment

88% increase in Land Held for Future Development
Due to land acquisitions in 2015

134% increase in Deferred Tax Asset
Due to increase of advanced rental income and pension cost

30% decrease in Other Non-Current Assets
Due to decrease in deferred input VAT

35% decrease in Trade and Other Payables
Mainly attributable to payment of trade and other project-related payables.

30% increase in Current Portion of Interest Bearing Loan and Borrowings
Due to additional P0.5 billion short term borrowing in 2015

100% decrease in Current Portion of Installment Payable
Due to its payment in 2015.

357% increase in Income Tax Payable
Due to application of creditable withholding tax in 2015.

13% decrease in Non-current Portion of Interest Bearing Loan and Borrowings
Due to reclassification to current portion of loan amortization.

8% increase in Deferred Tax Liabilities
Primarily due to increase in revenue recognition for The Grove EF, Proscenium, Lincoln, Sakura and 32 Sanson

77% increase in Accrued Pension Costs
Due to provision for retirement benefits for the year 2015.

55% increase in Deposits and other liabilities
Primarily due to increase in retention payable for The Grove CD, 8 Rockwell and Edades.

9% increase in Unrealized Gain in Available-for-Sale Investments
Due to market appreciation of the investments

21% increase in Retained Earnings
Due to net income after tax of P1.6 billion for 2015, net of dividends paid.

Item 7 FINANCIAL STATEMENTS

The consolidated financial statements as of December 2016 and 2015 and for each of the three years in the period ended December 31,2016 and the Supplementary Schedules per SRC Rule 68, as amended are hereto attached as Exhibit A and Exhibit B, respectively.

Item 8 CHANGES in and DISAGREEMENTS with ACCOUNTANTS on ACCOUNTING and FINANCIAL DISCLOSURE

The external auditor of the Company is the accounting firm of Sycip, Gorres, and Velayo and Company (SGV & Co.). The accounting firm of SGV & Co. has been the Company's Independent Public Accountants for the last 5 years. There was no event in the past 5 years where SGV & Co. and the Company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

The Company has engaged SGV & Co., with Mr. Roel E. Lucas as the engagement partner, for the audit of the Company's books starting 2014. The Company has complied with SRC Rule 68, paragraph 3(b)(ix) re: five year rotation requirement for the signing partner.

Representatives of SGV & Co. for the current year and for the most recently completed fiscal year are expected to be present at the Annual Stockholder's Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

<u>Audit and Audit-Related Fees</u>

The following table sets out the aggregate fees billed for each of the last three fiscal years for professional services rendered by SGV & Co.

Year ended 31 December	2014	2015	2016
Audit and Audit-related fees (net of VAT)	Php 3.0 million	Php 3.0 million	Php 3.2 million

The Audit Committee is composed of Mr. Oscar J. Hilado as Chairman and Mr. Manuel L. Lopez, Jr., Mr. Francis Giles B. Puno and Mr. Monico V. Jacob as members.

PART IV – MANAGEMENT AND CERTAIN SECURITY HOLDERS

Item 9 DIRECTORS and EXECUTIVE OFFICERS of the ISSUER

The overall management and supervision of the Company is undertaken by the Board of Directors. There are 11 members of the Board of Directors. The regular directors were elected during the annual meeting of the stockholders held on June 02, 2016, to serve for a term of one year and until their successors are elected and qualified. The composition of the Company's Board of Directors is as follows:

Manuel M. Lopez
Oscar M. Lopez
Federico R. Lopez
Eugenio L. Lopez III
Nestor J. Padilla
Miguel Ernesto L. Lopez
Manuel L. Lopez, Jr.
Francis Giles B. Puno
Ferdinand Edwin S. CoSeteng
Oscar J. Hilado (Independent Director)
Vicente R. Ayllón (Independent Director) *
Monico V. Jacob (Independent Director) **

** resigned as of April 6, 2016*
*** elected as of April 6, 2016*

The Company's key executive officers as of December 31, 2016 are as follows:

Nestor J. Padilla	President & Chief Executive Officer
Miguel Ernesto L. Lopez	Senior Vice-President – Office Development & Treasurer
Valerie Jane L. Soliven	Senior Vice-President – Rockwell Residential Development
Maria Lourdes L. Pineda	Senior Vice-President – Rockwell Primaries Development Corporation
Ellen V. Almodiel	Senior Vice-President – Finance & Accounting & CFO
Estela Y. Dasmarinas	Vice-President - Human Resources
Davy T. Tan	Vice-President – Business Development
Abel L. Roxas	Vice-President – Project Development
Angela Marie B. Pagulayan	Vice-President – Hotel and Leisure Development
Adela D. Flores	Vice President – Property Management
Geraldine B. Brillantes	Assistant Vice-President and GM, Rockwell Leisure Club
Jesse S. Tan	Assistant Vice-President – Commercial Development
Enrique I. Quiason	Corporate Secretary
Esmeraldo C. Amistad	Assistant Corporate Secretary

The following discussion presents a brief description of the business experience of each of the Company's Directors and key executive officers for the last five years:

Manuel M. Lopez - 75, Filipino

Mr. Lopez has served as the Chairman of Rockwell Land since 1995. He is currently the Chairman and CEO of Lopez Holdings Corporation. Concurrently, he is the Chairman of the Board of Bayan Telecommunications Holdings Corporation and Rockwell Leisure Club. He is the Vice Chairman of FPH and Lopez Inc. He is a Director of ABS-CBN Corp., ABS-CBN Holdings Corp., Manila Electric Company (MERALCO), Sky Cable Corp., first Philippine Realty Corp., among others. He is a director of Lopez Group Foundation Inc. and the President of Eugenio Lopez Foundation. He also served as Philippine Ambassador to Japan from 2011-2016. He served as the Chairman of the Board of MERALCO from July 2010 to June 2012 after his retirement as Chairman and CEO for nearly 10 years since 2001. Mr. Lopez holds a Bachelor of Science degree in Business Administration from the University of the East and attended the Program for Management Development at the Harvard Business School.

Oscar M. Lopez - 87, Filipino

Mr. Lopez has served as Vice-Chairman of Rockwell Land from 1995 to 2012 until he became Chariman Emeritus in 2012. He is currently the Chairman Emeritus of FPH, Lopez Holdings and

Energy Development Corporation (EDC). Prior to this, he was the Chairman of FPH from 1986 to 2010. Mr. Lopez is also the Chairman of Asian Eye Institute, ABS-CBN Corporation and Lopez Group Foundation and Knowledge Channel Foundation, Inc. He is a member of Management Association of the Philippines and Trustee to Asia Society Philippines Foundation and Philippine Business for Education. He was the President of Lopez Holdings Corp. (formerly Benpres Holdings Corp.) from 1973 to 1986. He studied at the Harvard College and graduated cum laude (Bachelor of Arts) in 1951. He finished his Masters of Public Administration at the Littauer School of Public Administration, also at Harvard in 1955.

Federico R. Lopez – 55, Filipino

Mr. Lopez is the Vice-Chairman of Rockwell Land since August 2012. He is also the Chairman and Chief Executive Officer of FPH, First Gen Corporation , Energy Development Corporation and First Gas Power Corporation. He is also Chairman of the Board of First Balfour, First Philippine Industrial Park, Inc. and First Philippine Realty Corporation, among others. He is also a Director of ABS-CBN Corporation. He is a member of the following organizations: Makati Business Club, Management Association of the Philippines, Philippine Chamber of Commerce and Industry, Membership Chairman, World President's Organization, Asia Business Council and New York Philharmonic International Advisory Board. He is Chairman of the Board of Trustees of the Oscar M. Lopez Center for Climate Change Adaptation and Disaster Risk Management Foundation (OML Center) and the Sikat Solar Challenge Foundation. He is also a Trustee of the Philippine Tropical Forest Conservation Foundation, the World Wildlife Fund Philippines, and the Philippine Disasters Recovery Foundation. Mr. Lopez graduated with a Bachelor of Arts Degree with a Double Major in Economics & International Relations (Cum Laude) from the University of Pennsylvania in 1983.

Eugenio L. Lopez III - 64, Filipino

Mr. Lopez has been a Director at Rockwell Land since 1995. He is the Chairman of the Board of ABS-CBN after his retirement as Chairman and CEO of ABS-CBN Corporation since 1997 and it's President from 1994-1997. He is the Chairman of Sky Cable Corporation, ADTEL, Ang Misyon Inc. and Play Innovations, Inc. He is also the Vice Chairman of Lopez Holdings Corporation, Vice Chairman and President of Bayan Telecommunication Holdings and Knowledge Channel He also sits in the board of FPH, First Gen Corporation, INAEC Aviation Corp., and Infopro Business Solutions, Inc. Mr. Lopez is Chairman Emeritus of ABS-CBN Lingkod Kapamilya Foundation, Inc. (previously ABS-CBN Foundation, Inc.) and the Director of Eugenio Lopez Foundation Inc. He graduated with a Bachelor of Arts degree in Political Science from Bowdoin College and a Master's degree in Business Administration from the Harvard Business School.

Miguel Ernesto L. Lopez - 48, Filipino

Mr. Lopez has been a Director and Treasurer of Rockwell Land since 2009. He started serving Rockwell Land as Senior Vice President since 2012. He was the Senior Vice President and General Manager of Rockwell Integrated Property Services, Inc. (RIPSI) since 2012 until he started heading Office Development of Rockwell Land in June 2016. He is currently the Senior Vice President and Head of Corporate Affairs of Lopez Holdings Corporation. He is also a Director of Philippine Commercial Capital, Inc. (PCCI), PCCI Securities Brokers, Inc., Rockwell Leisure Club, Inc. and Rockwell Center Association, Inc. He is a member of the Board of Trustees of Eugenio Lopez Foundation, Inc. and an advisor to the Lopez Group Foundation Inc. He was previously part of the Board of Directors for Indra, Outsourced Telleserve Corporation and Meralco Millenium Foundation, Inc.. He held several executive and management positions at Meralco from 2002-2010. Mr. Lopez holds a Bachelor of Science degree in Business Administration from Menlo College of California, USA and attended the Executive Development Program of the Asian Institute of Management.

Manuel L. Lopez, Jr. - 49, Filipino

Mr. Lopez has been a Director at Rockwell Land since 2011. He is currently the President of Rockwell Leisure Club, Inc., which he was a Board Member since 2016. He serves as a Director of Lopez Inc., Philippine Trade Foundation, Inc., Stargate Media, and Philippine Commercial Capital, Inc. (PCCI). He is also presently the Executive Vice President of Benpres Insurance Agency, Inc. He has served as a Director of ABS-CBN Broadcasting Corporation, Central CATV, Inc. (Sky Cable), Pilipino Cable Corporation, and Call Center Association of the Philippines (CCAP), among others. He was previously the Chairman and CEO of PacificHub Corporation for 10 years, Mr. Lopez holds a Bachelor of Science degree in Business Administration from De La Salle University.

Nestor J. Padilla - 62, Filipino

Mr. Padilla has been a Director at Rockwell Land since 1997, and has been the President and Chief Executive Officer since 1995. He is also serving as a Director of First Philippine Realty Corporation and First Batangas Hotel Corporation. He has also served as a Director in Rockwell Club and has served as a Trustee of the Rockwell Residential Towers Condominium Corporation. Prior to 1995, he held the position of Chief Executive Officer in Lippo Land in Indonesia and was the Executive Director of Indo Ayala Leasing. Mr. Padilla holds a Bachelor of Science degree in Business Management from the Ateneo de Manila University.

Francis Giles B. Puno - 52, Filipino

Mr. Puno has been a Director of Rockwell Land since 2013. He was appointed Chief Finance Officer and Treasurer of FPH in October 2007 and was promoted to Executive Vice-President in September 2011. He is currently the President and COO of FPH and First Gen Corporation. He is also a director in the various subsidiaries and affiliates of FPH and First Gen including, among others, Energy Development Corporation, First Balfour Inc., First Philippine Electric Corporation and First Philippine Industrial Park, Inc. Before joining FPHC, he worked with The Chase Manhattan Bank as Vice President for Global Power and Environment Group. He has a Bachelor of Science degree in Business Management from the Ateneo de Manila University and a Master in Business Administration degree from Northwestern University's Kellogg Graduate School of Management in Chicago, Illinois.

Ferdinand Edwin S. CoSeteng - 54, Filipino

Mr. CoSeteng has been a Director of Rockwell Land since 2013. He is the President of First Philippine Industrial Park since 2013 and a Director and Executive Vice-President of FPH since May 2015. His professional experience includes being a Tax Consultant at Arthur Andersen & Company, New York USA from 1988-1990; Engagement Manager at McKinsey & Company, Hong Kong from 1990-1993; President of Mariwasa Manufacturing, Inc. from 1993-2006 and Chairman of the Board & President of Mariwasa Siam Ceramics, Inc. from 1996-2006. In 2007, Mr. CoSeteng joined LF Logistics in Hong Kong as Executive Vice-President and headed the international logistics and freight forwarding business. He is a BS Electrical Engineering graduate from the University of the Philippines and holds a Master of Business Administration with Distinction from the Johnson Graduate School of Management, Cornell University, New York USA.

Oscar J. Hilado – 79, Filipino

Mr. Hilado has been an Independent Director of Rockwell Land since 2015. He is also an independent director of FPH since 1996. He is the Chairman of the Philippine Investment Management (PHINMA), Inc., other Phinma Corporations and Union Galvasteel Corporation. He is currently Chairman of the Board and Chairman of the Executive Committee of Phinma Corporation, Vice Chairman of Trans Asia Power Generation Corp.; Chairman of Trans-Asia Petroleum Corporation. He graduated with Highest Honors and with a Gold Medal for General Excellence and a Bachelor of Science in Commerce Degree from De La Salle College (Bacolod). He pursued his Degree of Masters in Business Administration at the Harvard Graduate School of Business Administration from 1960-1962. Mr. Hilado is a Certified Public Accountant. He has been part of the Lopez Group in a directorship capacity within the last five (5) years. Mr. Hilado is likewise an independent director of A. Soriano Corporation and Philex Mining Corporation. He is also a Director of Smart Communications, Inc., Digital Telecommunications Phils., Inc. (Digitel), Asian Eye Institute, Manila Cordage Company, United Pulp and Paper Company, Inc., Seven Seas Resorts & Leisure, Inc., Microtel Inns & Suites (Pilipinas) Inc., Beacon Property Ventures, Inc; and Roxas Holdings, Inc.

Monico V. Jacob - 86, Filipino

Mr. Jacob was elected as an independent director of Rockwell Land on April 6, 2016. He has been an independent director of Lopez Holdings Corporation (publicly listed) since 2013. He is currently the Chairman of Total Consolidated Asset Management and Philippine Life Financial Assurance, Inc. (PhilLife). He is the President of Maestro Holdings, Inc. (formerly STI Investments, Inc) which owns Philplans First, Inc. and Philhealthcare, Inc., where he is also a Director. He is the President and CEO of STI Education Systems Holdings, Inc. (publicly listed), STI Education Services Group, Inc. He is a director of Jollibee Foods Corp. (publicly listed), of Asian Terminals, Inc. (publicly listed), of 2GO Group, Inc. (publicly listed), and of Phoenix Petroleum Philippines, Inc. (publicly listed). Prior to his current positions, he was Chairman and CEO of Petron Corporation and Philippine National Oil Company (PNOC), was a General Manager of National Housing Authority (NHA) and also became a CEO of the Home Development Mutual Fund, popularly known as the PAG-IBIG Fund. He also became Chairman of Meralco Financial Services Corporation and Director of Meralco Industrial Engineering Services Corporation and Clark Electric Distribution Corp. He received his Bachelor of Laws degree from the Ateneo de Manila University in 1971.

Valerie Jane L. Soliven – 47, Filipino

Ms. Soliven served the Company for 21 years and is currently Senior Vice-President for Residential Development. She previously headed Rockwell's Sales and Marketing team for 20 years. Before joining Rockwell Land, she worked at the Manila Garden Suites, EDSA Shangri-La Hotel and the Shangri-La Hotel in Singapore. Ms. Soliven, a licensed broker, holds a Bachelor of Science degree in Hotel and Restaurant Administration from the University of the Philippines. She completed a Management Development Program from the Asian Institute of Management in 2006.

Maria Lourdes L. Pineda - 47, Filipino

Ms. Pineda has been with the Company for 17 years and is currently Senior Vice-President of Rockwell Primaries Development Corporation. She previously served as Vice-President for Retail, and General Manager of the Power Plant Mall as well as Membership Relations Manager for Rockwell Club. Prior to joining Rockwell Land, she worked for four years at Jewelmer International, a French-Filipino company specializing on exquisite jewelry. Ms. Pineda holds a Bachelor of Science degree in Hotel and Restaurant Management from the University of the Philippines. She completed a Management Development Program from the Asian Institute of Management in 2006.

Ellen V. Almodiel - 43, Filipino

Ms. Almodiel has been Senior Vice-President for Finance since 2014. She started as Finance Manager in 2004 and briefly served as Manager of the Business Development Team. Prior to joining Rockwell Land, she was a Financial Analyst and later an Assistant to the Group Chief Finance Officer of the Alcantara Group of Companies and Finance Manager of NextStage, Inc.. Ms. Almodiel, a Certified Public Accountant, holds a Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines, where she graduated cum laude.

Estela Y. Dasmariñas – 55, Filipino

Ms. Dasmarinas is currently Vice-President for Human Resources of the Company and its subsidiaries. Prior to joining Rockwell Land in 2000, she was Vice-President for Human Resources of AMA-DDB Needham Worldwide, Inc., a multinational advertising and communications organization. She was also Director for Human Resources of property development firm Metro Asia Resources Corporation and Manager for Human Resources of Mitsubishi Motor Corporation Philippines, Inc. Ms. Dasmarinas holds a Bachelor of Science degree in Political Science and a Master of Arts degree in Industrial Relations specializing in Human Resource from the University of the Philippines.

Adela D. Flores - 63, Filipino

Ms. Flores is currently Vice President – Property Management. She rejoined Rockwell Land Corporation as Vice-President – Retail and General Manager of the Power Plant Mall in 2012 after 8 years in Malaysia managing The Curver shopping mall. Prior to her stint abroad, she was with Rockwell Land - Retail for almost a decade, following her work at CMG as Brand Manager and at Araneta Center as Marketing Manager. Ms. Flores is a graduate of the University of the Philippines with a Bachelor's Degree in Mass Communications. She is also a certified Associate Coach.

Abel C. Roxas – 52, Filipino

Mr. Roxas has been with Rockwell Land for 9 years and is currently Vice President for Project Development. Prior to joining the company, Mr. Roxas served SKI Construction Group Incorporated as Department Head of Planning and Formworks, and CitramegahKaryaGemilang (CKG) as Engineering Manager. Mr. Roxas first joined Rockwell Land as a Senior Manager for Project Development. Mr. Roxas, a Licensed Civil Engineer, holds a Bachelor of Science degree in Civil Engineering from Mapua Institute of Technology.

Davy T. Tan – 43, Filipino

Mr. Tan joined Rockwell Land in 2007 as Financial Analyst and Budget Manager and in 2012 became Vice-President for Business Development. Prior to joining Rockwell Land, he spent six years with Filinvest Alabang, Inc., a subsidiary of Filinvest Development Corporation, as Proof and Control Officer of the Festival Supermall and later as Finance Analyst. He was also an Accounting Officer at D.M. Consunji, Inc. and Junior Auditor at Punongbayan and Araullo. Mr. Tan, a Certified Public Accountant, holds a Bachelor of Science degree in Accountancy from the University of the East.

Angela Marie B. Pagulayan *–41*, Filipino

Ms. Pagulayan has been with Rockwell Land Corporation for a total of 16 years, starting off her career in Customer Service. She has then held various positions in Sales and Marketing, Retail, Rockwell Club and Residential Leasing before becoming an Assistant Vice President for Hotel and Leisure. She is a graduate of De La Salle University with a Bachelor's Degree in Organizational Communication.

Jesse S. Tan *–35* , Filipino

Mr. Tan has joined Rockwell Land in April 2006. He started as a Finance and Accounting Supervisor and was promoted to Assistant Vice President in 2014. He is presently managing the Commercial Development segment, giving finance and business administrative support to both Retail and Office development. Several retail and office development projects are scheduled to open in 2017, including RBC Sheridan, a two-tower office development in Mandaluyong City. Prior to Rockwell Land, he was an Audit Supervisor in Isla Lipana & Co. from 2002-2004. Mr. Tan is a Certified Public Accountant and a graduate of Bachelor of Science in Accountancy at Centro Escolar University.

Geraldine B. Brillantes –37, Filipino

Ms. Brillantes has been with Rockwell Land for 15 years. She joined Rockwell Land in 2002, shortly after graduating from the University of the Philippines with a Bachelor's Degree in Tourism. She started in the Front Office of Rockwell Integrated Property Services, Inc. (RIPSI), the property management arm of Rockwell Land. She was first promoted as a Building Manager in 2007, assigned to several projects in the same capacity, until she headed the West Block of RIPSI in 2012. She was promoted to Assistant Vice President in the same year. She is the AVP and General Manager of Rockwell Leisure Club since 2013.

Enrique I. Quiason - 56, Filipino

Mr. Quiason has been the Corporate Secretary at Rockwell Land since 1995. He is a Senior Partner of the Quiason Makalintal Barot Torres Ibarra Sison & Damaso Law Firm. He is also the Corporate Secretary of FPH, Lopez Holdings and ABS-CBN and various subsidiaries and affiliates of FPH and Lopez Holdings. Mr. Quiason, a Member of the Integrated Bar of the Philippines, graduated with a B.S. Business Economics (Cum Laude) degree in 1981 and with a Bachelor of Laws degree in 1985 from the University of the Philippines. He received his LL.M. in Securities Regulation from Georgetown University in 1991.

Esmeraldo C. Amistad - 50, Filipino

Mr. Amistad has been with First Philippine Holdings (FPH) as corporate legal counsel since 1997. He is the Assistant Corporate Secretary of FPH and acts as Corporate Secretary or Assistant Corporate Secretary of various FPH subsidiaries and affiliates. He holds a Bachelor of Arts in English (1987) and a Bachelor of Laws (1992) degree both from the University of the Philippines. He has completed the Managerial Leadership Program (2003) and attended the Executive Master's in Business Administration (2011) both at the Asian Institute of Management. He has authored books on contracts, e-laws and has been published in the Philippine Law Journal (Disclosures: The Corporate Striptease, 2004).

Significant Employees

The Board of Directors and members of the senior management of Rockwell Land have been an integral part of its success. Their knowledge, experience, business relationships and expertise greatly contribute to Rockwell Land's operating efficiency and financial performance.

Rockwell Land maintains that it considers the collective efforts of the Board of Directors and all of the Company's employees as instrumental to its overall success. The business of Rockwell Land is not dependent on any individual person. No employee is indispensable in the organization. Rockwell Land has institutionalized through documentation, its processes, procedures and training to ensure continuity and scalability of the business without relying on any particular employee.

Item 10 EXECUTIVE COMPENSATION

<u>Compensation of Directors and Executive Officers</u>

The Company's amended by-laws provide that the Board of Directors shall not receive any salary for their services as director other than an honorarium not exceeding P15, 000.00 for their attendance in each regular or special meeting of the Board of Directors, or Executive Committee but this provision shall not preclude any director from serving the Company in any other capacity and receiving compensation therefore.

The Company's amended by-laws also provide that the Board of Directors, officers and employees may participate in the unrestricted profits or earnings from the operations of the Company, after taxes, to be distributed in the manner, amounts and proportions as the Board of Directors may determine.

Summary of Compensation Table (Annual Compensation)

(a) Name and Principal Position	(b) Year	(c) Salary	(d) Bonus	(e) Other annual compensation
CEO + 4 most highly compensated executive officers Almodiel, Ellen V. (SVP, Finance and Accounting & CFO) Lopez, Miguel Ernesto L. (Treasurer and SVP, Property Management) Padilla, Nestor J. (President and CEO) Pineda, Ma. Lourdes L. (SVP, Rockwell Primaries) Soliven, Valerie Jane L. (SVP, Residential Development)	2015	P53.2 million	P 4.3 million	P230.0 thousand
All other Officers and Directors	2015	P12.2 million	P 1.1 million	P1.2 million
CEO + 4 most highly compensated executive officers Almodiel, Ellen V. (SVP, Finance and Accounting & CFO) Lopez, Miguel Ernesto L. (Treasurer and SVP, Office Development) Padilla, Nestor J. (President and CEO) Pineda, Ma. Lourdes L. (SVP, Rockwell Primaries) Soliven, Valerie Jane L. (SVP, Residential Development)	2016	P 54.6 million	P4.4 million	P 520.0 thousand
All other Officers and Directors	2016	P17.0 million	P1.5 million	P 0.8 million
CEO + 4 most highly compensated executive officers Almodiel, Ellen V. (SVP, Finance and Accounting & CFO) Lopez, Miguel Ernesto L. (Treasurer and SVP, Office Development) Padilla, Nestor J. (President and CEO) Pineda, Ma. Lourdes L. (SVP, Rockwell Primaries) Soliven, Valerie Jane L. (SVP, Residential Development)	2017 (estimate)	P60.0 million	P4.8 million	P 676.0 thousand
All other Officers and Directors	2017 (estimate)	P18.7 million	P 1.6 million	P 0.8 million

**In alphabetical order*

Employment Contracts between the Company and Executive Officers

There are no existing employment contracts with executive officers. There are no arrangements for compensation to be received from the Company in the event of a resignation, retirement or termination of the executive officer's employment or a change of control of the Company.

Options Outstanding

On May 2, 2012 and August 3, 2012, the BOD and the stockholders, respectively, approved the implementation of the ESOP to be 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 of the Company on a fully diluted basis. 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. On December 6, 2012, the SEC authorized the ESOP. The ESOP was implemented in January 3, 2013.

The outstanding options as of 31 December 2016 are as follows:

Name	No. of Shares	Date of Grant	Exercise Price	Market Price at the Date of Grant
CEO + 4 most highly compensated executive officers* Almodiel, Ellen V. (SVP, Finance and Accounting & CFO) Lopez, Miguel Ernesto L. (Treasurer and SVP, Property Management) Padilla, Nestor J. (President and CEO) Pineda, Ma. Lourdes L. (SVP, Rockwell Primaries) Soliven, Valerie Jane L. (SVP – Residential Development)	32,127,000	Various	P1.46	various
All Other Officers & directors	10,558,000	Various	P1.46	various
Total	42,685,000			

**Alphabetically arranged*

Other Arrangements

Except as described above, there are no other arrangements pursuant to which any of the Company's directors and officers are compensated, or are to be compensated, directly or indirectly.

PART IV – MANAGEMENT AND CERTAIN SECURITY HOLDERS

Item 11 SECURITY and OWNERSHIP of CERTAIN BENEFICIAL OWNERS and MANAGEMENT

a) Security Ownership of Certain Record and Beneficial Owners and Management as of 31 December 2016

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	% of Total Outstanding Shares
Common Shares	First Philippine Holdings Corporation 4th Floor Benpres Bldg., Exchange Road, Ortigas Center, Pasig City Stockholder	First Philippine Holdings Corporation is the beneficial and record owner of the shares indicated	Filipino	5,296,015,375	86.5820%
Common Shares	PCD Nominee Corporation 37/F Enterprise Tower I, Ayala Ave., cor. Paseo de Roxas, Makati City Stockholder	PCD Nominee Corporation is the record owner but not the beneficial owner which are owned beneficially by the investing public	Filipino	560,125,019	9.1572%

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	% of Total Outstanding Shares
Common Shares	PCD Nominee Corporation 37/F Enterprise Tower I, Ayala Ave., cor. Paseo de Roxas, Makati City Stockholder	PCD Nominee Corporation is the record owner but not the beneficial owner which are owned beneficially by the investing public	Foreign	96,617,164	1.5721%
TOTAL OUTSTANDING COMMON SHARES				6,116,762,198	100.0%
Preferred Shares	First Philippine Holdings Corporation 4th Floor Benpres Bldg., Exchange Road, Ortigas Center, Pasig City, stockholder	First Philippine Holdings Corporation is the beneficial and record owner of the shares indicated	Filipino	2,750,000,000	100.0%
TOTAL OUTSTANDING PREFERRED SHARES				2,750,000,000	100.0%

b) Security Ownership of Management as of 31 December 2016

To the best of knowledge of the Company, the following are the shareholdings of the directors and officers:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Total Outstanding Shares
Common Shares	Manuel M. Lopez Chairman	16,936,680 (direct/indirect)	Filipino	0.2769%
Common Shares	Oscar M. Lopez Director	174,898 (direct/indirect)	Filipino	0.0029%
Common Shares	Federico R. Lopez Vice Chairman	1 (indirect)	Filipino	0.0000%
Common Shares	Nestor J. Padilla Director, President & CEO	21,150,001 (direct/indirect)	Filipino	0.3458%
Common Shares	Miguel Ernesto L. Lopez Director, Treasurer & Senior Vice President, Office Development	243.694 (direct/indirect)	Filipino	0.0040%
Common Shares	Eugenio L. Lopez III Director	1 (indirect)	Filipino	0.0000%
Common Shares	Manuel L. Lopez, Jr. Director	75,001 (direct/indirect)	Filipino	0.0012%
Common Shares	Francis Giles B. Puno Director	5,656 (direct)	Filipino	0.0001%
Common Shares	Ferdinand Edwin S. CoSeteng Director	1 (direct)	Filipino	0.0000%
Common Shares	Oscar J. Hilado Independent Director	1 (indirect)	Filipino	0.0000%

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Total Outstanding Shares
Common Shares	Monico V. Jacob Independent Director	2 (direct)	Filipino	0.0000%
Common Shares	Enrique I. Quiason Corporate Secretary	3,575 (direct)	Filipino	0.0001%
N.A.	Esmeraldo C. Amistad Asst. Corporate Secretary	None	Filipino	N.A.
N.A.	Valerie Jane L. Soliven Senior Vice-President, Rockwell Residential Development	None	Filipino	N.A.
Common Shares	Ma. Lourdes L. Pineda Senior Vice-President, Rockwell Primaries Development Corporation	141,272 (direct/indirect)	Filipino	0.0023%
N.A.	Ellen V. Almodiel Senior Vice-President, Finance and Accounting & CFO	None	Filipino	N.A.
Common Shares	Estela Y. Dasmariñas Vice-President, Human Resources	1,882 (direct)	Filipino	0.0000%
Common Shares	Adela D. Flores Vice-President, Property Management	4,340 (direct)	Filipino	0.0001%
N.A.	Abel L. Roxas Vice President, Project Development	None	Filipino	N.A.
N.A.	Davy T. Tan Vice President, Business Development	None	Filipino	N.A.
N.A.	Angela Marie B. Pagulayan Vice President, Hotel and Leisure	None	Filipino	N.A.
N.A.	Jesse S. Tan Assistant Vice President, Commercial Development	None	Filipino	N.A.
N.A.	Geraldine B. Brillantes Assistant Vice President and GM, Rockwell Leisure Club	None	Filipino	N.A.

Change in Control

No change of control in the Company has occurred since the beginning of its last fiscal year.

The Company's amended articles of incorporation or amended by-laws do not contain provisions that would delay, defer or prevent a change in control of the Company. Under the Company's amended articles of incorporation and amended by-laws, holders of Preferred Shares are entitled to voting rights. Further, Preferred shares can only be transferred to (a) Philippine citizens and (b) to a corporation of which at least 60% of the total outstanding equity capital is beneficially owned by Philippine citizens and which is not in competition with Meralco, Benpres Holdings Corporation (now "Lopez Holdings Corporation"), FPH, or any of their affiliates. Upon completion of the Dividend Distribution and Listing, the Preferred Shares constitute 31.01% of the Company's outstanding capital stock. As of 31 December 2016, FPH's combined ownership of the Company's Preferred Shares and Common Shares was 90.74% of the total outstanding voting capital stock.

Item 12 CERTAIN RELATIONSHIPS and RELATED TRANSACTIONS

Other than the following family relationships, there are no other family relationships within the Board of Directors and executive officers of the Company:

- Chairman Manuel M. Lopez and Chairman Emeritus Oscar M. Lopez are brothers.
- Treasurer Miguel Ernesto L. Lopez and Manuel L. Lopez Jr. are brothers, sons of the Chairman Manuel M. Lopez and nephews of Chairman Emeritus Oscar M. Lopez.
- Vice-Chairman Federico R. Lopez is the son of Chairman Emeritus Oscar M. Lopez and nephew of Chairman Manuel M. Lopez.
- Eugenio Lopez III is the nephew of the Chairman, Manuel L. Lopez and Chairman Emeritus, Oscar M. Lopez.
- Vice-Chairman Federico R. Lopez, Eugenio Lopez III, and Miguel Ernesto L. Lopez and Manuel L. Lopez, Jr. are cousins.
- Vice-Chairman Federico R. Lopez is the brother in law of Francis Giles B. Puno.

PART V – CORPORATE GOVERNANCE

Item 13 COMPLIANCE with LEADING PRACTICE on CORPORATE GOVERNANCE

Based on SEC Memorandum Circular No. 20 (series of 2016) dated December 08, 2017, the Annual Corporate Governance Report is not required to be submitted with the 2016 Annual Report (SEC For 17-A) due to a requirement to amend the Manual of Corporate Governance.

PART VI – EXHIBITS AND SCHEDULES

Item 14. EXHIBITS and REPORTS on SEC FORM 17-C

(a) **Exhibits**

The following exhibits are filed as a separate section of this report:

Exhibit "A" - Audited Consolidated Financial Statements for the Years Ended December 31, 2016 and 2015

Exhibit "B" - Supplementary Schedules as per SRC Rule 68, As Amended

The other exhibits, as indicated in the Index to Exhibits are either not applicable to the Company or require no answer.

(b) **Reports on SEC Form 17-C**

The corporation disclosed the following matters on the dates indicated:

DATE	DESCRIPTION OF THE DISCLOSURE
January 05, 2016	SEC Memo Circular No. 1 (series of 2014) Attendance of Rockwell Land's BOD for the year 2015

DATE	DESCRIPTION OF THE DISCLOSURE
January 11, 2016	Reported on the Consolidated Changes in ACGR for the year 2015
February 19, 2017	**Item 9 – Other Events** The BOD approved the availment of a 5, 7 or 10 years bilateral long term loan facility with Metrobank up to Php5.0 Billion to fund various capital expenditures.
February 22, 2017	Clarification on new article entitled "Rockwell Oks P5-b borrowing" posted in *The Standard (Internet Edition)* on February 22, 2015 which reported in part that: ". . . . Rockwell Land identified several projects in the pipeline to sustain the growth of the company. The property developer is currently expanding its upscale shopping mall in Makati that will add roughly 6,000 square meters of space. Total capital spending is estimated at P600 million this year. The expansion of Power Plant Mall, which is expected to cost P600 million, is slated for completion by 2017. The property firm is also spending P3 billion to develop a one-hectare lot at the corner of United and Sheridan Streets in Mandaluyong City into an office and retail development. . . . . Another P1 billion will be used for the development of a 1.3-hectare lot in San Juan City to be called Retailscapes Santolan. . . . . Rockwell Land, meanwhile, is close to acquiring a beach resort in Cebu province. Rockwell Land president Nestor Padilla earlier said the company had plans to bring its Aruga Hotel brand to Mactan Cebu. . . . . Rockwell Land also acquired a 5.9-hectare property in Sto. Tomas, Batangas as it plans to venture into the socialized and affordable housing segment of the real estate market. Padilla said the company's venture into affordable housing segment was in preparation for the enactment of a bill requiring condominium developers to build socialized housing projects. . . . ." We confirm the information in the article except that the indicated P600M is not the total capital spending for 2016.
March 15, 2016	**Item 4 – Resignation, Removal or Election of Registrant's Directors or Officers** Mr. Julius A. Marzoña, one of our Vice Presidents for Project Development, has opted to avail of Rockwell Land's early retirement plan at the age of 54 years old. He has worked for the company since December 2005 and his retirement is effective on February 29, 2016.
April 06, 2016	**Item 4 - Resignation, Removal or Election of Registrant's Directors or Officers** The Board accepted with regrets the resignation of Mr. Vicente R. Aylion as independent director.

DATE	DESCRIPTION OF THE DISCLOSURE
	After having been qualified by the Nominations and Elections Committee, the Board elected Mr. Monico V. Jacob as its new independent director. **Item 9 – Other Events** At the regular meeting of the Board of Directors (BOD) of the Corporation held today, the BOD approved the following: a. The Annual Stockholders' Meeting (ASM) will be held on June 02, 2016 at 9:00 a.m. at R3 Level, Power Plant Mall Cinema, Rockwell Center, Makati City, Philippines. Stockholders of record as of April 20, 2016 are entitled to one vote for each share of stock standing in his name on the stock books of the Corporation. The agenda for the ASM are as follows: 1. Call to Order 2. Proof of Required Notice 3. Determination of Quorum 4. Approval of the Minutes of the Annual Stockholders' Meeting held on May 27, 2015 5. Report of Chairman & The President 6. Approval/Ratification of the December 31, 2015 Reports and the Audited Financial Statements 7. Ratification of the Acts of the Board of Directors, of the Executive Committee and of Management 8. Election of Directors 9. Appointment of External Auditors 10. Other Matters 11. Adjournment b. The Corporation's Consolidated Audited Financial Statements for the year ended December 31, 2015. The Corporation reported Revenues and Net Income after Tax (NIAT) of P8.91B and P1.63B, respectively.
June 02, 2016	**Item Nos. 4 & 9** **Item 4** A. At the Annual Stockholder's Meeting held on June 02, 2016, the persons named herein were elected as members of the Board of Directors of Rockwell Land Corporation (the "Corporation") <u>Name</u> — <u>Nationality</u> Amb. Manuel M. Lopez — Filipino Mr. Oscar M. Lopez — Filipino Mr. Federico R. Lopez — Filipino Mr. Eugenio L. Lopez III — Filipino Mr. Nestor J. Padilla — Filipino Mr. Miguel Ernesto L. Lopez — Filipino Mr. Manuel L. Lopez Jr. — Filipino Mr. Francis Giles B. Puno — Filipino Mr. Ferdinand Edwin S. CoSeteng — Filipino Mr. Oscar J. Hilado* — Filipino Mr. Monico V. Jacob* — Filipino

DATE	DESCRIPTION OF THE DISCLOSURE
	Independent Director* The following directors were present during the stockholders' meeting: Name — Nationality Amb. Manuel M. Lopez — Filipino Mr. Nestor J. Padilla — Filipino Mr. Miguel Ernesto L. Lopez — Filipino Mr. Manuel L. Lopez Jr. — Filipino Mr. Ferdinand Edwin S. CoSeteng — Filipino Mr. Monico V. Jacob — Filipino B. At the Organizational Meeting of the Board of Directors held on June 02, 2016, the following persons were elected Officers as well as Chairman and Members of the Board Committees of the Corporation: Name — Position Amb. Manuel M. Lopez — Chairman of the Board Oscar M. Lopez — Chairman Emeritus Federico R. Lopez — Vice Chairman Nestor J. Padilla — President & Chief Executive Officer Miguel L. Lopez — Treasurer & Senior Vice President, Office Development Valerie Jane L. Soliven — Senior Vice President, Rockwell Residential Development Ma. Lourdes L. Pineda — Senior Vice President, Rockwell Primaries Ellen V. Almodiel — Chief Financial Officer Divino M. Villanueva, Jr. — Vice President, Provincial Development - Luzon Davy T. Tan — Vice President, Provincial Development - VisMin Estela Y. Dasmariñas — Vice President, Human Resources Adela D. Flores — Vice President, Property Management Abel L. Roxas — Vice President, Project Development Angela Marie B. Pagulayan — Asst. Vice President, Hotel & Leisure Development Jesse S. Tan — Asst. Vice President, Commercial Development Geraldine B. Brillantes — Asst. Vice President and GM, Rockwell Leisure Club Enrique I. Quiason — Corporate Secretary Esmeraldo C. Amistad — Assistant Corporate Secretary **Audit Committee Oscar J. Hilado*, Chairman Monico V. Jacob*, Member Francis Giles B. Puno, Member Manuel L. Lopez Jr, Member **Risk Management Committee** Eugenio L. Lopez III, Chairman Oscar J. Hilado*, Member Nestor J. Padilla, Member Ferdinand Edwin S. CoSeteng, Member **Nomination & Election Committee** Manuel M. Lopez, Chairman

DATE	DESCRIPTION OF THE DISCLOSURE

Oscar M. Lopez, Member
Eugenio L. Lopez III, Member
Monico V. Jacob*, Member

Independent Director

Item 9

A. Total number of attendees in person and represented by proxies is 8,047,565,533 or 90.76% of total voting stock of the Company.

Item	For	Against	Abstain
Approval of the Minutes of the Annual Stockholders' Meeting meeting held on May 27, 2015	8,046,015,375 (99.98%)	0	1,550,158 (0.02%)
Report of the Chairman and the President	8,046,015,375 (99.98%)	0	1,550,158 (0.02%)
Approval of the December 31, 2015 Reports and the Audited Financial Statements	8,046,015,375 (99.98%)	0	1,550,158 (0.02%)
Ratification of the Acts of the Board of Directors and of Management	8,046,015,375 (99.98%)	0	1,550,158 (0.02%)
Appointment of Sycip, Gorres, Velayo & Co. as external auditor of the Corporation	8,046,015,375 (99.98%)	0	1,550,158 (0.02%)

B. Disclosed during the press briefing are the following:
- Capital expenditure spending in 2016 will be at Php10 to Php12 billion, 40% of which will be for recurring income projects
- 2016 Net Income after Tax guidance: "low teens" growth

C. Attached is a press release of the Corporation entitled "Rockwell Land Expands Hotel and Leisure Portfolio"

DATE	DESCRIPTION OF THE DISCLOSURE
June 09, 2016	Submission of the certification of independent directors, Oscar J. Hilado and Monico V. Jacob.
July 28, 2016	The BOD approved the declaration of cash dividends to shareholders of record date August 11, 2016, payable on or before September 6, 2016.
September 22, 2016	Rockwell submitted a photocopy of each of the certificates of attendance of the directors and officers of Rockwell Land who attended the Corporate Governance seminar conducted by Institute of Corporate Directors on September 16, 2016 at the 21st floor 8 Rockwell, Rockwell Drive, Rockwell Center, Makati City.
December 09, 2016	**Item 4 – Resignation, Removal or Election of Registrant's Directors or Officers** At the regular meeting of the Board of Directors (BOD) of the Corporation held today, the BOD approved the promotion of Angela Marie B. Pagulayan to Vice President for Hotel and Leisure.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the Rockwell Land Corporation by the undersigned, thereunto duly authorized, in the City of Makati.

ROCKWELL LAND CORPORATION
By:

MANUEL M. LOPEZ
Chairman of the Board

NESTOR J. PADILLA
President

ELLEN V. ALMODIEL
Chief Financial Officer / Comptroller

ENRIQUE I. QUIASON
Corporate Secretary

MAR 28 2017

SUBSCRIBED AND SWORN to before me this 28th day of March, 2017, affiant exhibiting to me his/their Passports as follows:

Names	Passport No.	Date of Issue	Place of Issue
Manuel M. Lopez	DE0003367	10 June 2013	PE TOKYO
Nestor J. Padilla	EB7323729	07 February 2013	DFA MANILA
Ellen V. Almodiel	EC3260629	26 January 2015	DFA NCR CENTRAL
Enrique I. Quiason	EC1299905	03 June 2014	DFA NCR CENTRAL

Doc. No. 399;
Page No. 81;
Book No. VII;
Series of 2017

Notary Public

ATTY. GERVACIO B. ORTIZ, JR.
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2018
PTR NO. 5909514 / 01-03-2017 / MAKATI
IBP NO 656155 LIFETIME MEMBER
APPT. NO M-104/2017/ROLL NO. 40091
MCLE COMPLIANCE NO. V-0006934

ROCKWELL LAND CORPORATION

INDEX TO EXHIBITS
Form 17-A, Item 7

No.		
(3)	Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	n.a .
(5)	Instruments Defining the Rights of Security Holders, Including Indentures	n.a.
(8)	Voting Trust Agreement	n.a.
(9)	Material Contracts	n.a.
(10)	2016 Consolidated Financial Statements: Rockwell Land Corporation and Subsidiaries (with notarized Statement of Management Responsibility)	Attached as Exhibit A
(13)	Letter re: Change in Certifying Accountant	n.a.
(16)	Report Furnished to Security Holders	n.a.
(18)	Subsidiaries of the Registrant	49
(19)	Published Report Regarding Matters Submitted to Vote of Security Holders	n.a.
(20)	Consent of Experts and Independent Counsel	n.a.
(21)	Power of Attorney	n.a.
(29)	Additional Exhibits	n.a.

EXHIBIT 18: SUBSIDIARIES OF THE REGISTRANT

As of December 31, 2016, Rockwell Land Corporation has eight (8) consolidated subsidiaries as stated below:

Name of Subsidiary	Percentage of Ownership
Rockwell Leisure Club, Inc.	76.7%
Rockwell Integrated Property Services, Inc.	100%
Primaries Development Corporation	100%
Stonewell Property Development Corporation	100%
Primaries Properties Sales Specialists Inc.	100%
Rockwell Hotels & Leisure Management Corp.	100%
Retailscapes Inc.	100%
Rockwell Primaries South Development Corporation (formerly ATR KimEng Land)*	60%

**indirect subsidiary*

ROCKWELL LAND

**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, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

MANUEL M. LOPEZ	**NESTOR J. PADILLA**	**ELLEN V. ALMODIEL**
Chairman of the Board	Chief Executive Officer	Chief Financial Officer

Signed this 28th day of March 2017.

MAKATI CITY

MAR 28 2017

SUBSCRIBED AND SWORN to before me this day 28 March 2017 at Makati City, affiant exhibiting to me his/her Passport as follows:

NAME	**PASSPORT NO.**	**DATE ISSUED**	**PLACE ISSUED**
Manuel M. Lopez	DE0003367	10 June 2013	PE TOKYO
Nestor J. Padilla	EB7323729	07 February 2013	DFA MANILA
Ellen V. Almodiel	EC3260629	26 January 2015	DFA NCR CENTRAL

Doc No. 407;
Page No. 83;
Book No. VI;
Series of 2017.

ATTY. GERVACIO B. ORTIZ, JR.
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2018
PTR NO. 5909514 / 01-03-2017 / MAKATI
IBP NO 656155 LIFETIME MEMBER
APPT. NO M-104/2017 / ROLL NO. 40091
MCLE COMPLIANCE NO. V-0006934

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

6 2 8 9 3

COMPANY NAME

ROCKWELL LAND CORPORATION AND SUBSIDIARIES

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

The Garage at Rockwell Center, Estrella St., Rockwell Center, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	793-0088	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
47,839	May 31	December 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Ellen V. Almodiel	ellena@rockwell.com.ph	793-0088	N/A

CONTACT PERSON's ADDRESS

Ground Floor, East Podium, Joya Lofts & Towers,
28 Plaza Drive, Rockwell Center, Makati City 1200

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

INDEPENDENT AUDITOR'S REPORT

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 17 2017 TSIS
RECEIVED
MELINA PRISCA S. RANJO

Stockholders and the Board of Directors
Rockwell Land Corporation
The Garage at Rockwell Center
Estrella St., Rockwell Center
Makati City

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, 2016 and 2015, 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, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Accounting for Real Estate Revenue and Cost under Percentage of Completion Method

The Group applies the percentage of completion (POC) method in determining real estate revenue and costs. The POC is based on physical completion of the real estate project. The cost of real estate sold is determined on the basis of the total estimated costs applied with the POC of the project. The Group's real estate revenue and costs accounts for 76% of the total consolidated revenue and 75% of the total consolidated expenses, respectively. The assessment of the physical stage of completion and the total estimated costs requires technical determination by management's project development engineers. In addition, the Group considers a certain percentage of collection over the total selling price (buyer's equity), as one of the criteria in order to initiate revenue recognition. The percentage is representative of the buyer's continuing commitment with the sales agreement and the level at which management has assessed the probability of inflow of economic benefits to the Group. The assessment of the stage of completion, total estimated costs and level of buyer's equity involves significant management judgment as disclosed in Note 5 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's processes for determining the POC and for determining and updating the total estimated costs, and performed tests of the relevant controls of these processes. We obtained the certified POC reports prepared by the project development engineers and third party contractors and assessed their competence, capabilities and objectivity by reference to their qualifications, experience and reporting responsibilities. For selected projects, we conducted ocular inspections, made relevant inquiries and obtained the supporting details of the POC reports showing the completion of the major activities of the project construction. We obtained the approved total estimated costs and any revisions thereto, including supporting documents such as project contracts and contractor's billings, and made relevant inquiries. We evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales collections from buyers.

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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, 2016, 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, 2016 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

BUREAU OF INTERNAL REVENUE
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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 Roel E. Lucas.

SYCIP GORRES VELAYO & CO.

Roel E. Lucas

Roel E. Lucas
Partner
CPA Certificate No. 98200
SEC Accreditation No. 1079-AR-2 (Group A),
March 2, 2017, valid until March 1, 2020
Tax Identification No. 191-180-015
BIR Accreditation No. 08-001998-95-2016,
January 3, 2017, valid until January 2, 2020
PTR No. 5908714, January 3, 2017, Makati City

March 16, 2017

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
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ROCKWELL LAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7, 29 and 30)	**₱1,440,860**	₱2,249,211
Trade and other receivables (Notes 8, 29 and 30)	**9,519,194**	9,024,026
Land and development costs (Notes 6, 9, 12, 14, 15, 16, 18 and 28)	**9,301,507**	8,923,712
Advances to contractors (Note 9)	**2,637,680**	1,558,677
Condominium units for sale	**620,947**	112,103
Other current assets (Notes 10, 16, 29 and 30)	**1,599,159**	1,307,998
Total Current Assets	**25,119,347**	23,175,727
Noncurrent Assets		
Investment properties (Notes 12 and 15)	**7,929,445**	6,613,858
Investment in joint venture (Note 13)	**2,879,249**	3,030,463
Property and equipment (Notes 14 and 15)	**2,736,986**	2,301,632
Land held for future development (Note 9)	**1,422,094**	664,594
Available-for-sale investments (Notes 11, 29 and 30)	**16,808**	15,808
Noncurrent trade receivables (Notes 8, 29 and 30)	**118,248**	10,781
Deferred tax assets - net (Note 25)	**2,468**	6,287
Other noncurrent assets (Note 16)	**213,127**	210,700
Total Noncurrent Assets	**15,318,425**	12,854,123
	₱40,437,772	₱36,029,850
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 4, 9, 17, 18, 24, 29 and 30)	**₱6,636,153**	₱5,693,701
Current portion of interest-bearing loans and borrowings (Notes 6, 9, 12, 14, 15, 29 and 30)	**1,711,506**	2,202,769
Income tax payable	**–**	38,764
Total Current Liabilities	**8,347,659**	7,935,234
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Notes 9, 12, 14, 15, 29 and 30)	**13,922,440**	11,645,404
Deferred tax liabilities - net (Note 25)	**893,659**	911,911
Installment payable (Note 16)	**521,054**	467,007
Pension liability (Note 24)	**176,468**	187,496
Deposits and other liabilities (Notes 9, 17, 18, 24, 29 and 30)	**898,103**	703,153
Total Noncurrent Liabilities	**16,411,724**	13,914,971
Total Liabilities	**24,759,383**	21,850,205

(Forward)

	December 31	
	2016	2015
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Notes 19 and 20)	**₱6,270,882**	₱6,270,882
Additional paid-in capital (Notes 19 and 20)	**28,350**	28,350
Unrealized gain on available-for-sale investments (Note 11)	**6,093**	5,193
Other equity adjustments (Note 20)	**291,162**	291,162
Share-based payments (Note 19)	**69,700**	69,700
Retained earnings (Note 20)		
Appropriated	**3,000,000**	–
Unappropriated	**5,884,246**	7,379,082
	15,550,433	14,044,369
Less cost of treasury shares (Notes 1 and 20)	**(185,334)**	(185,334)
Total Equity Attributable to Equity Holders of the Parent Company	**15,365,099**	13,859,035
Non-controlling Interests (Note 6)	**313,290**	320,610
Total Equity	**15,678,389**	14,179,645
	₱40,437,772	₱36,029,850

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		
	2016	2015	2014
REVENUE			
Sale of condominium units	**₱9,602,054**	₱6,336,931	₱6,413,046
Interest income (Notes 7 and 21)	**1,323,216**	988,329	1,116,922
Lease income (Note 12)	**914,783**	793,368	734,864
Room revenue (Note 14)	**325,951**	260,002	89,572
Cinema revenue	**220,226**	210,421	188,847
Others (Note 13)	**325,073**	333,178	309,536
	12,711,303	8,922,229	8,852,787
EXPENSES			
Cost of real estate (Notes 9, 12 and 22)	**7,777,643**	4,496,722	4,743,429
General and administrative expenses (Notes 8, 14, 22, 23, 24 and 27)	**1,565,741**	1,394,957	1,107,406
Selling expenses (Notes 22 and 23)	**748,202**	460,931	327,134
	10,091,586	6,352,610	6,177,969
INCOME BEFORE OTHER INCOME (EXPENSES)	**2,619,717**	2,569,619	2,674,818
OTHER INCOME (EXPENSES)			
Interest expense (Notes 15 and 22)	**(389,848)**	(471,188)	(603,848)
Share in net income of joint venture (Note 13)	**254,231**	170,844	102,819
Foreign exchange gain - net (Note 29)	**4,026**	6,586	2,902
Gain (loss) on sale of property and equipment (Note 14)	**5**	(130)	–
	(131,586)	(293,888)	(498,127)
INCOME BEFORE INCOME TAX	**2,488,131**	2,275,731	2,176,691
PROVISION FOR INCOME TAX (Note 25)	**671,897**	633,386	613,391
NET INCOME	**1,816,234**	1,642,345	1,563,300
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Unrealized gain on available-for-sale investments (Note 11)	**1,000**	500	–
Income tax effect	**(100)**	(50)	–
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on employee benefits (Note 24)	**7,792**	(57,459)	(7,438)
Income tax effect	**3,938**	16,851	5
	12,630	(40,158)	(7,433)
TOTAL COMPREHENSIVE INCOME	**₱1,828,864**	₱1,602,187	₱1,555,867
Net Income Attributable To			
Equity holders of the Parent Company	**₱1,823,981**	₱1,643,731	₱1,562,600
Non-controlling interests	**(7,747)**	(1,386)	700
	₱1,816,234	₱1,642,345	₱1,563,300
Total Comprehensive Income Attributable To			
Equity holders of the Parent Company	**₱1,836,184**	₱1,603,953	₱1,555,456
Non-controlling interests	**(7,320)**	(1,766)	411
	₱1,828,864	₱1,602,187	₱1,555,867
Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 31)			
Basic	**₱0.2979**	₱0.2685	₱0.2552
Diluted	**₱0.2977**	₱0.2682	₱0.2548

See accompanying Notes to Consolidated Financial Statements.

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent Company										
	Capital Stock (Note 20)	Additional Paid-in Capital (Note 19)	Unrealized Gain on Available-for-Sale Investments (Notes 5 and 11)	Other Equity Adjustments (Notes 4 and 20)	Share-based Payments (Note 19)	Retained Earnings (Note 20) Appropriated	Retained Earnings (Note 20) Unappropriated	Treasury Shares (Notes 1 and 20)	Total	Non-Controlling Interests (Note 4)	Total Equity
Balance at December 31, 2015	**₱6,270,882**	**₱28,350**	**₱5,193**	**₱291,162**	**₱69,700**	**₱–**	**₱7,379,082**	**(₱185,334)**	**₱13,859,035**	**₱320,610**	**₱14,179,645**
Net income	–	–	–	–	–	–	**1,823,981**	–	**1,823,981**	**(7,747)**	**1,816,234**
Other comprehensive income	–	–	**900**	–	–	–	**11,303**	–	**12,203**	**427**	**12,630**
Total comprehensive income	–	–	**900**	–	–	–	**1,835,284**	–	**1,836,184**	**(7,320)**	**1,828,864**
Appropriations (Note 20)	–	–	–	–	–	**3,000,000**	**(3,000,000)**	–	–	–	–
Cash dividends (Note 20)	–	–	–	–	–	–	**(330,120)**	–	**(330,120)**	–	**(330,120)**
Balance at December 31, 2016	**₱6,270,882**	**₱28,350**	**₱6,093**	**₱291,162**	**₱69,700**	**₱3,000,000**	**₱5,884,246**	**(₱185,334)**	**₱15,365,099**	**₱313,290**	**₱15,678,389**
Balance at December 31, 2014	₱6,270,882	₱28,350	₱4,743	₱291,162	₱69,700	₱–	₱6,089,792	(₱185,334)	₱12,569,295	₱322,376	₱12,891,671
Net income	–	–	–	–	–	–	1,643,731	–	1,643,731	(1,386)	1,642,345
Other comprehensive loss	–	–	450	–	–	–	(40,228)	–	(39,778)	(380)	(40,158)
Total comprehensive income	–	–	450	–	–	–	1,603,503	–	1,603,953	(1,766)	1,602,187
Cash dividends (Note 20)	–	–	–	–	–	–	(314,213)	–	(314,213)	–	(314,213)
Balance at December 31, 2015	₱6,270,882	₱28,350	₱5,193	₱291,162	₱69,700	₱–	₱7,379,082	(₱185,334)	₱13,859,035	₱320,610	₱14,179,645
Balance at December 31, 2013	₱6,270,882	₱28,350	₱4,743	₱288,659	₱69,700	₱–	₱4,818,757	(₱185,334)	₱11,295,757	₱70,324	₱11,366,081
Net income	–	–	–	–	–	–	1,562,600	–	1,562,600	700	1,563,300
Other comprehensive loss	–	–	–	–	–	–	(7,144)	–	(7,144)	(289)	(7,433)
Total comprehensive income	–	–	–	–	–	–	1,555,456	–	1,555,456	411	1,555,867
Non-controlling interests of an acquired subsidiary (Note 26)	–	–	–	–	–	–	–	–	–	251,212	251,212
Sale to non-controlling interests	–	–	–	2,503	–	–	–	–	2,503	429	2,932
Cash dividends (Note 20)	–	–	–	–	–	–	(284,421)	–	(284,421)	–	(284,421)
Balance at December 31, 2014	₱6,270,882	₱28,350	₱4,743	₱291,162	₱69,700	₱–	₱6,089,792	(₱185,334)	₱12,569,295	₱322,376	₱12,891,671

See accompanying Notes to Consolidated Financial Statements.

ROCKWELL LAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱2,488,131**	₱2,275,731	₱2,176,691
Adjustments for:			
Interest income (Note 21)	**(1,323,216)**	(988,329)	(1,116,922)
Interest expense (Note 22)	**389,848**	471,188	603,848
Depreciation and amortization (Note 22)	**500,265**	335,687	307,491
Share in net income of joint venture (Note 13)	**(254,231)**	(170,844)	(102,819)
Loss (gain) on sale of property and equipment (Note 14)	**(5)**	130	–
Unrealized foreign exchange loss (gain) – net	**(4,026)**	(6,586)	1,464
Operating income before working capital changes	**1,796,766**	1,916,977	1,869,753
Pension costs (Note 24)	**56,764**	44,396	34,041
Decrease (increase) in:			
Trade and other receivables	**689,594**	1,796,205	(2,715,344)
Land and development costs	**(1,537,448)**	436,596	(1,226,054)
Advances to contractors	**(1,079,003)**	(338,850)	476,771
Condominium units for sale	**64,568**	(1,244)	13,424
Other current assets	**(291,161)**	(70,374)	(283,615)
Increase (decrease) in trade and other payables	**813,292**	(3,002,175)	3,838,441
Contributions to plan assets (Note 24)	**(60,000)**	(20,000)	–
Net cash generated from operations	**453,372**	761,531	2,007,417
Interest paid	**(383,093)**	(403,651)	(551,531)
Income taxes paid	**(590,617)**	(521,950)	(418,346)
Net cash provided by (used in) operating activities	**(520,338)**	(164,070)	1,037,540
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Investment properties (Note 12)	**(1,453,229)**	(493,485)	(1,277,718)
Property and equipment (Note 14)	**(558,814)**	(419,178)	(466,110)
Land held for future development	**(365,826)**	(664,595)	–
Dividends received (Note 13)	**405,445**	–	–
Additional investment in joint venture (Note 13)	–	–	(474,648)
Increase in other noncurrent assets	**(2,427)**	–	–
Interest received	**30,987**	56,241	106,521
Net cash used in investing activities	**(1,943,864)**	(1,521,017)	(2,111,955)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availments of loans and borrowings (Note 15)	**5,000,000**	500,000	–
Sale to non-controlling interests (Note 20)	–	–	2,932
Payments of:			
Interest-bearing loans and borrowings (Note 15)	**(3,213,954)**	(1,709,284)	(412,000)
Debt issue cost (Note 15)	**(20,000)**	–	–
Installment payable	–	(799,755)	(799,755)
Dividends (Note 20)	**(309,171)**	(306,588)	(284,421)
Increase (decrease) in deposits and other liabilities	**194,950**	247,633	(407,186)
Net cash provided by (used in) financing activities	**1,651,825**	(2,067,994)	(1,900,430)

(Forward)

BUREAU OF INTERNAL REVENUE
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	Years Ended December 31		
	2016	2015	2014
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**₱4,026**	₱6,586	(₱1,464)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(808,351)**	(3,746,495)	(2,976,309)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,249,211**	5,995,706	8,972,015
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱1,440,860**	₱2,249,211	₱5,995,706

See accompanying Notes to Consolidated Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
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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.

On October 8, 2014, the Securities and Exchange Commission (SEC) approved the amendment of the Articles of Incorporation of the Parent Company for the change in principal office address to The Garage at Rockwell Center, Estrella St., Rockwell Center, Makati City.

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

As at December 31, 2016 and 2015, First Philippine Holdings Corporation (FPHC) owns 86.58% of Rockwell Land and the rest by public. Lopez, Inc. is the ultimate parent company.

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 16, 2017.

2. Basis of Preparation and Statement of Compliance

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

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

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

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

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

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

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

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

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

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

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

		Percentage of Ownership		
Subsidiaries	Nature of Business	**2016**	2015	2014
Rockwell Integrated Property Services, Inc.	Service provider	**100.0**	100.0	100.0
Rockwell Primaries Development Corporation (Rockwell Primaries)	Real estate development	**100.0**	100.0	100.0
Stonewell Property Development Corporation	Real estate development	**100.0**	100.0	100.0
Primaries Properties Sales Specialists Inc.	Marketing	**100.0**	100.0	100.0
Rockwell Hotels & Leisure Management Corp.	Hotel management	**100.0**	100.0	100.0
Rockwell Leisure Club, Inc. (Rockwell Club)	Leisure club	**76.7**	77.0	68.6
Retailscapes Inc. (Retailscapes) *	Commercial development	**100.0**	100.0	–
Rockwell Primaries South Development Corporation (Rockwell Primaries South)**	Real estate development	**60.0**	60.0	–

**Incorporated in November 2014*
***Indirect subsidiary acquired in 2014*

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

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year, except for the adoption of the following amended PAS and PFRS which were adopted effective beginning January 1, 2016. Except as otherwise indicated, adoption of the new standards and amendments has no significant impact on the Group's consolidated financial statements.

- Amendments to PFRS 10, PFRS 12 and PAS 28, *Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Disclosure Initiative*
- Amendments to PAS 16 and PAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
- Amendments to PAS 27, *Equity Method in Separate Financial Statements*
- Annual Improvements to PFRSs 2012 - 2014 Cycle
  - Amendment to PFRS 5, *Changes in Methods of Disposal*
  - Amendment to PFRS 7, *Servicing Contracts*
  - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  - Amendment to PAS 19, *Discount Rate: Regional Market Issue*
  - Amendment to PAS 34, *Disclosure of Information 'Elsewhere in the Interim Financial Report'*

New Accounting Standards and Amendments to Existing Standards Effective Subsequent to December 31, 2016

The standards, amendments and interpretations which have been issued but not yet effective as at December 31, 2016 are disclosed below. Except as otherwise indicated, the Group does not expect the adoption of the applicable new and amended PFRS to have a significant impact on its financial position or performance.

Deferred

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method.

These amendments are not applicable to the Group since none of the entities within the Group is an investment entity nor does the Group have investment entity associates or joint ventures.

Effective in 2017

- Amendments to PAS 7, *Statement of Cash Flows – Disclosure Initiative*

  The amendments to PAS 7 require an entity to provide disclosures that enable users of the consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

- Amendments to PAS 12, *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses*

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities – Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

Effective in 2018

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

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

The Group is currently assessing the impact of these amendments in the consolidated financial statements.

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) - 22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the consolidated financial statements of the reporting period in which the entity first applies the interpretation.

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

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  The Group is assessing the potential effect of the amendments on its consolidated financial statements.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments w/ PFRS 4.*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in OCI, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

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

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

  The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value*

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.

Effective in 2019

- PFRS 16, *Leases*

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

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

4. Summary of Significant Accounting Policies

Current Versus Non-current Classification

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

An asset is current when:

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

All other assets are classified as noncurrent.

A liability is current when:

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

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

Cash and Cash Equivalents

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

Financial Assets and Financial Liabilities

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

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

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

Financial Assets

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

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

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

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

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

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

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

As at December 31, 2016 and 2015, the Group has no financial assets and liabilities at FVPL.

Derivative Financial Instruments. Derivative instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

The Group has no bifurcated embedded derivatives as at December 31, 2016 and 2015.

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

This category includes the Group's cash and cash equivalents, trade receivables from sale of condominium units and lease, advances to officers and employees, other receivables, refundable deposits and restricted cash (see Notes 7, 8 and 10).

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

The Group has no held-to-maturity investments as at December 31, 2016 and 2015.

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

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

This category includes mainly the Parent Company's investments in Manila Polo Club shares and Meralco preferred shares (see Note 11).

Financial Liabilities

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

The Group has no financial liabilities at fair value through profit or loss as at December 31, 2016 and 2015.

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

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

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

This category includes the Group's trade and other payables, interest-bearing loans and borrowings, installment payable, retention payable and security deposits (see Notes 15, 16, 17 and 18).

Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Day 1 Profit. Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the difference between the transaction price and fair value (a Day 1 profit) is recognized in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where unobservable data is used, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the Day 1 profit amount. The Group has determined that the discounted cash flow analysis using credit-adjusted Philippine Dealing and Exchange Corporation (PDEx) interest rates is appropriate in determining the fair value of retention payable, with the Day 1 profit treated as a reduction from “Land and development costs” as these are directly related to project development (see Notes 9 and 18).

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

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or, when 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; or

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

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

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

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

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

Classification of Financial Instruments Between Liability and Equity

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

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

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

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

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

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

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

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

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

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

Land and Development Costs and Condominium Units for Sale

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

Cost includes:

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

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

Land acquisitions expected to be launched beyond the following year are presented as "Land held for future development" in the consolidated statements of financial position.

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 "Land and development costs" account in the consolidated statement of financial position, upon actual receipt of services, which is normally within 12 months or within the normal operating cycle. These are considered as nonfinancial instruments as these will be applied against future billings from contractors normally within one year.

Investment Properties

Investment properties represent land, building, structures and improvements of the mall (the "Power Plant"), 8 Rockwell, other structures held for lease within the Rockwell Center and The Grove, and land held for appreciation. These, except land, are measured initially at cost, including transaction costs, less accumulated depreciation and any impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Land is carried at cost (initial purchase price and other costs directly attributable in bringing such assets to its working condition) less any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of investment properties, except for land. Investment properties are estimated to have a useful life of 5 to 35 years.

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

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

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

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

Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

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

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

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

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

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

Property and Equipment

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

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

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

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

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

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

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

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

Construction in progress pertains to serviced apartments under construction and is stated at cost which includes cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and become available for operational use. Upon completion, it will be depreciated over a period of 5 to 25 years.

Impairment of Nonfinancial Assets

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

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

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

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

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

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

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

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

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers is recognized as "Deposits from pre-selling of condominium units" account under "Trade and other payables" and "Deposits and other liabilities" accounts in the consolidated statement of financial position (see Notes 17 and 18).

Any excess of collections over the recognized receivables are presented as part of "Trade and other payables" account in the consolidated statement of financial position (see Note 17).

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

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

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

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

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

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

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

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

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

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

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

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.

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

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

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

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

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

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

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see Note 31).

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.

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 taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

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

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

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

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

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

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

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

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

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

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying the economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects a provision to be reimbursed, such as under an insurance

contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

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

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

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

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

Asset Acquisition. In 2014, Rockwell Primaries Development Corporation (Rockwell Primaries) acquired 60% ownership interest in Rockwell Primaries South Development Corporation (Rockwell Primaries South), formerly ATR KimEng Land, Inc. Management considered the substance of the assets and activities of the acquired entity and assessed that the acquisition of a subsidiary does not represent a business, but rather an acquisition of the undeveloped land, the remaining asset of the subsidiary at the date of acquisition (see Notes 6 and 9). The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

The acquisition cost of 60% interest in Rockwell Primaries South substantially allocated to the land amounted to ₱591.1 million (see Note 6).

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

Lease income earned from investment properties amounted to ₱914.8 million, ₱793.4 million and ₱734.9 million in 2016, 2015 and 2014, respectively (see Note 12).

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

Transfers made from investment properties amounted to ₱171.2 million and nil in 2016 and 2015, respectively. Transfers made to investment properties amounted to ₱246.0 million and ₱116.8 million in 2016 and 2015, respectively (see Notes 9, 12 and 14).

Interest in a Joint Venture. Management has assessed that it has joint control in its joint venture agreement and both parties have rights to the net assets of the arrangement. Under the Joint Venture Agreement, each party's share in any proceeds, profits, losses, and other economic value derived under the 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).

Fair Value of Financial Assets and Financial Liabilities. Entities are required to disclose for each class of financial assets and liabilities the fair value of that class of assets and liabilities in a way that permits it to be compared with the corresponding carrying amount in the consolidated statement of financial position, which requires the use of accounting judgment and estimates. While significant components of fair value measurement are determined using verifiable objective evidence (i.e., foreign exchange rates and interest rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and liabilities would affect the disclosures made by management. The fair values of the Group's financial assets and liabilities are set out in Note 30.

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 2016, 2015 and 2014.

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

The Group's revenue from sale of real estate is recognized using the percentage-of-completion method. This is measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project.

The Group has set a certain percentage of collection over the total selling price in demonstrating the buyer's commitment to pay. The percentage is representative of the buyer's substantial investment that gives the buyer a stake in the project sufficient that the risk of loss through default motivates the buyer to honor its obligation to the Group. In addition, the Group's project development costs used in the computation of the cost of real estate sold are based on estimated cost components determined by the Group's project development engineers. There is no assurance that such use of estimates may not result to material adjustments in future periods.

Revenue from sale of condominium units amounted to ₱9.6 billion, ₱6.3 billion and ₱6.4 billion in 2016, 2015 and 2014, respectively, while the cost of real estate sold amounted to ₱7.6 billion, ₱4.4 billion and ₱4.6 billion in 2016, 2015 and 2014, respectively (see Note 9).

Impairment of Financial Assets

a. Loans and Receivables

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

Provision for doubtful accounts amounted to ₱1.2 million in 2016 and nil in 2015 and 2014 (see Note 22). Trade and other receivables, net of allowance for doubtful accounts, amounted to ₱9.5 billion and ₱9.0 billion as at December 31, 2016 and 2015, respectively (see Note 8).

b. Available-for-sale Financial Assets

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

Available-for-sale investments amounted to ₱16.8 million and ₱15.8 million as at December 31, 2016 and 2015, respectively (see Note 11). No impairment loss was recognized in 2016, 2015 and 2014.

Net Realizable Value of Condominium Units for Sale. Land held for future development and condominium units for sale are carried at the lower of cost or NRV. The carrying value of land held for future development and condominium units for sale are adjusted when the NRV becomes lower than cost due to changes in estimated selling prices less cost to sell. Condominium units for sale, stated at cost, amounted to ₱620.9 million and ₱112.1 million as at December 31, 2016 and 2015, respectively.

Estimated 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 2016, 2015 and 2014.

Investment properties, net of accumulated depreciation, amounted to ₱7.9 billion and ₱6.6 billion as at December 31, 2016 and 2015, respectively (see Note 12).

Property and equipment, net of accumulated depreciation and amortization, amounted to ₱2.7 billion and ₱2.3 billion as at December 31, 2016 and 2015, respectively (see Note 14).

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

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

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

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

	2016	2015
Investment properties (see Note 12)	**₱7,929,445**	₱6,613,858
Investment in joint venture (see Note 13)	**2,879,249**	3,030,463
Property and equipment (see Note 14)	**2,736,986**	2,301,632

The fair value of the investment properties amounted to ₱19.4 billion and ₱14.4 billion as at December 31, 2016 and 2015, respectively (see Note 12).

No impairment loss was recognized in 2016, 2015 and 2014.

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 ₱144.5 million and ₱62.3 million as at December 31, 2016 and 2015, respectively. Unrecognized deferred tax assets amounted to ₱8.0 million and ₱13.7 million as at December 31, 2016 and 2015, 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 ₱235.0 million and ₱252.4 million as at December 31, 2016 and 2015, 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. Acquisition of Majority Interest in Rockwell Primaries South

On December 22, 2014, Rockwell Primaries entered into a Memorandum of Agreement with ATR Holdings, Inc. and Dragon Eagle International Limited for the joint and collective investment in and acquisition of all of the outstanding common shares of Maybank ATR KimeEng 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% shall be payable over five years with 5% interest per annum (see Notes 5 and 9). The unpaid purchase price of ₱265.2 million and ₱345.0 million as at December 31, 2016 and 2015, respectively, is presented as part of "Notes payable" under "Interest-bearing loans and borrowings" account in the consolidated statements of financial position (see Note 15). Non-controlling interest in Rockwell Primaries South amounted to ₱293.0 million and ₱251.9 million as at December 31, 2016 and 2015, respectively.

7. Cash and Cash Equivalents

This account consists of:

	2016	2015
Cash on hand and in banks	**₱463,186**	₱432,558
Short-term investments	**977,674**	1,816,653
	₱1,440,860	₱2,249,211

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 ₱17.1 million, ₱50.0 million and ₱98.4 million in 2016, 2015 and 2014, respectively (see Note 21).

8. Trade and Other Receivables

This account consists of:

	2016	2015
Trade receivables from:		
Sale of condominium units - net of noncurrent portion of ₱118.2 million in 2016 and ₱10.8 million in 2015	**₱9,117,318**	₱8,711,333
Lease	**123,264**	122,129
Advances to officers and employees (see Note 27)	**45,985**	27,724
Others - net of allowance for doubtful accounts of ₱3.3 million in 2016 and ₱2.6 million in 2015	**232,627**	162,840
	₱9,519,194	₱9,024,026

Trade receivables from sale of condominium units are noninterest-bearing long-term receivables with terms ranging from 1 to 5 years. Unamortized unearned interest on these receivables amounted to ₱5.6 billion and ₱2.8 billion as at December 31, 2016 and 2015, respectively.

Movements of unearned interest on trade receivables from sale of condominium units are as follows:

	2016	2015
Trade receivables at nominal amount	**₱14,880,045**	₱11,534,781
Less unearned interest:		
Balance at beginning of year	**2,812,667**	2,342,389
Unearned interest	**4,117,923**	1,403,551
Amortization (see Note 21)	**(1,286,111)**	(933,273)
Balance at end of year	**5,644,479**	2,812,667
Trade receivables at discounted amount	**₱9,235,566**	₱8,722,114

Trade receivables from sale of condominium units are classified as follows:

	2016	2015
Current	**₱9,117,318**	₱8,711,333
Noncurrent	**118,248**	10,781
	₱9,235,566	₱8,722,114

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

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

Other receivables mainly consist of claims from contractors and receivable from various third parties. The movements in the allowance for doubtful accounts of other receivables are as follows:

	2016	2015
Balance at beginning of year	**₱2,611**	₱5,181
Provision during the year (see Note 22)	**1,223**	–
Reversal of provision	**(527)**	(2,570)
Balance at end of year	**₱3,307**	₱2,611

9. Land and Development Costs

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

	2016	2015
Proscenium (see Note 16)	**₱4,139,845**	₱4,752,137
East Bay Residences (see Note 6)	**1,165,470**	1,097,710
32 Sanson Phase 1 & 2	**732,686**	573,205
The Vantage	**702,438**	537,814
Edades Suites	**469,092**	–
The Grove Phases 2 & 3	**404,064**	1,158,548
Stonewell	**136,664**	82,997
53 Benitez	–	131,586
Others	**1,551,248**	589,715
	₱9,301,507	₱8,923,712

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

	2016	2015
Balance at beginning of year	**₱8,923,712**	₱9,106,944
Construction/development costs incurred (see Note 28)	**7,506,069**	3,254,190
Cost of real estate sold (shown as part of cost of real estate)	**(7,565,192)**	(4,353,213)
Land acquired during the year	**1,312,484**	511,391
Reclassification to condominium units for sale	**(573,412)**	–
Reclassification from (to) land held for future development	**(386,984)**	353,081
Borrowing costs capitalized (see Notes 15, 16 and 18)	**330,846**	254,860
Net transfers to investment properties (see Note 12)	**(246,016)**	(116,758)
Reclassifications to property and equipment (see Note 14)	**–**	(86,783)
Balance at end of year	**₱9,301,507**	₱8,923,712

Details related to these completed and on-going projects are as follows:

Project	Structure and Location	Expected Completion Date	Construction Stage*	Estimated Cost to Complete 2016	2015
Proscenium:					
Kirov	Highrise condominium, Rockwell Center	2018	Substructure	**₱2,190,627**	₱3,355,142
Sakura	Highrise condominium, Rockwell Center	2018	Substructure	**1,715,032**	3,113,549
Lincoln	Highrise condominium, Rockwell Center	2018	Superstructure	**1,403,793**	2,681,174
Lorraine	Highrise condominium, Rockwell Center	2019	Substructure	**1,761,262**	2,481,210
Garden Villas	Midrise condominium, Rockwell Center	2018	Substructure	**254,073**	148,061
Residences	Highrise condominium, Rockwell Center	2020	Substructure	**4,681,849**	2,403,040
East Bay Residences	Midrise condominium, Muntinlupa City	2021	Development Planning	**6,015,973**	5,181,135
The Grove:					
Phase 2	Highrise condominium, Pasig City	2016	Completed	**–**	1,685
Phase 3	Highrise condominium, Pasig City	2017	Superstructure	**1,176**	104,684
32 Sanson:					
Phase 1	Low rise residential buildings, Cebu City	2017	Superstructure	**41,439**	344,144
Phase 2	Low rise residential buildings, Cebu City	2020	Substructure	**1,245,460**	1,112,137
The Vantage	Midrise condominium, Pasig City	2021	Substructure	**2,945,993**	2,232,413
Stonewell	Low rise residential buildings, Batangas	2018	Superstructure	**124,319**	150,972
8 Rockwell	Office spaces, Rockwell Center	2016	Superstructure	**–**	57,366
53 Benitez	Midrise condominium, Quezon City	2016	Completed	**–**	62,409
Edades Suites	Highrise condominium, Rockwell Center	2021	Substructure	**1,138,613**	–
				₱23,519,609	₱23,429,121

** Construction stage as at December 31, 2016.*

Other land and development costs mainly pertain to land acquisitions for projects in Quezon City and Batangas expected to be launched in 2017.

Other land acquisitions expected to be launched beyond the following year are presented as "Land held for future development" in the consolidated statements of financial position.

Advances to contractors, shown separately in the consolidated statements of financial position, mainly pertain to advances related to the development of “Proscenium”, “The Grove Phase 3”, “8 Rockwell”, “32 Sanson”, “Edades Suites”, “The Vantage” and “Stonewell” projects.

General borrowing costs interest-bearing loans and borrowings capitalized as part of development costs amounted to ₱255.5 million and ₱254.9 million in 2016 and 2015, respectively. Average capitalization rate used is 5.06% and 4.9% in 2016 and 2015, respectively. Amortization of discount on retention payable, capitalized as part of development costs, amounted to ₱21.2 million and ₱11.5 million in 2016 and 2015, respectively (see Note 18). Accretion of interest from installment payable amounted to ₱54.1 million and ₱89.2 million in 2016 and 2015, respectively (see Note 16).

Total cash received from pre-selling activities amounted to ₱560.4 million and ₱301.7 million as at December 31, 2016 and 2015, respectively (see Note 17).

10. **Other Current Assets**

This account consists of:

	2016	2015
Prepaid costs (see Notes 4, 16 and 22)	**₱742,188**	₱822,415
Input VAT (see Note 16)	**308,346**	151,239
Restricted cash	**194,307**	98,255
Refundable deposits	**166,190**	172,711
Creditable withholding tax	**129,498**	16,778
Supplies	**14,874**	7,764
Others	**43,756**	38,836
	₱1,599,159	₱1,307,998

Restricted cash represents funds with an escrow agent in compliance with Presidential Decree No. 957, as amended, in connection with the Group’s application for a Certificate of Registration and a License to Sell (LTS) with the Housing and Land Use Regulatory Board (HLURB). The proceeds from the pre-selling of residential development projects, received from the date of issuance of the temporary LTS by HLURB, are temporarily restricted until receipt by the Group of its Certificate of Registration and permanent LTS. The escrow account shall only be disbursed for purposes of payment of refunds to buyers, cancellation charges to the developer, fees, charges and other expenses incurred in the management and administration of the escrow agent. The restricted cash pertains to “Edades Suites” and “East Bay” projects amounting to ₱194.3 million in 2016 and “The Vantage” project amounting to ₱98.3 million in 2015.

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

11. **Available-for-sale Investments**

As at December 31, this account consists of:

	2016	2015
Quoted	**₱13,500**	₱12,500
Unquoted	**3,308**	3,308
	₱16,808	₱15,808

Quoted Equity Shares
This consists of investment in Manila Polo Club shares. Movement in the balance in 2016 and 2015 follows:

	2016	2015
Balance at beginning of year	**₱12,500**	₱12,000
Unrealized gain on fair value adjustments (gross of tax effects of ₱100 in 2016 and ₱50 in 2015)	**1,000**	500
Balance at end of year	**₱13,500**	₱12,500

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

12. **Investment Properties**

The rollforward analysis of this account follows:

	2016			
	Land	**Buildings and Improvements**	**Investment Properties in Progress**	**Total**
At January 1, 2016, net of accumulated depreciation	**₱1,976,755**	**₱2,641,205**	**₱1,995,898**	**₱6,613,858**
Additions:				
Construction costs (see Note 28)	**–**	**98,844**	**1,257,601**	**1,356,445**
Borrowing costs (see Note 15)	**–**	**–**	**96,784**	**96,784**
Transfers from land and development costs (see Note 9)	**241,101**	**4,915**	**–**	**246,016**
Transfers to property and equipment (see Note 14)	**(23,739)**	**(144,820)**	**–**	**(168,559)**
Transfers to land held for future development	**(2,648)**	**–**	**–**	**(2,648)**
Transfers to (from) completed projects	**–**	**63,760**	**(63,760)**	**–**
Depreciation (see Note 22)	**–**	**(212,451)**	**–**	**(212,451)**
At December 31, 2016, net of accumulated depreciation	**₱2,191,469**	**₱2,451,453**	**₱3,286,523**	**₱7,929,445**

	2016			
	Land	**Buildings and Improvements**	**Investment Properties in Progress**	**Total**
At January 1, 2016:				
Cost	**₱1,976,755**	**₱4,500,880**	**₱1,995,898**	**₱8,473,533**
Accumulated depreciation	**–**	**(1,859,675)**	**–**	**(1,859,675)**
Net carrying amount	**₱1,976,755**	**₱2,641,205**	**₱1,995,898**	**₱6,613,858**
At December 31, 2016:				
Cost	**₱2,191,469**	**₱4,508,085**	**₱3,286,523**	**₱9,986,077**
Accumulated depreciation	**–**	**(2,056,632)**	**–**	**(2,056,632)**
Net carrying amount	**₱2,191,469**	**₱2,451,453**	**₱3,286,523**	**₱7,929,445**

	2015			
	Land	Buildings and Improvements	Investment Properties in Progress	Total
At January 1, 2015, net of accumulated depreciation	₱1,859,997	₱2,401,825	₱1,885,302	₱6,147,124
Additions:				
Construction costs (see Note 28)	–	294,071	110,596	404,667
Borrowing costs (see Note 15)	–	88,818	–	88,818
Transfers from land and development costs (see Note 9)	116,758	–	–	116,758
Depreciation (see Note 22)	–	(143,509)	–	(143,509)
At December 31, 2015, net of accumulated depreciation	₱1,976,755	₱2,641,205	₱1,995,898	₱6,613,858
At January 1, 2015:				
Cost	₱1,859,997	₱4,117,991	₱1,885,302	₱7,863,290
Accumulated depreciation	–	(1,716,166)	–	(1,716,166)
Net carrying amount	₱1,859,997	₱2,401,825	₱1,885,302	₱6,147,124
At December 31, 2015:				
Cost	₱1,976,755	₱4,500,880	₱1,995,898	₱8,473,533
Accumulated depreciation	–	(1,859,675)	–	(1,859,675)
Net carrying amount	₱1,976,755	₱2,641,205	₱1,995,898	₱6,613,858

Investment properties are valued at cost. Investment properties consist of the “Power Plant” Mall (₱3.0 billion as at December 31, 2016 and ₱2.8 billion as at December 31, 2015), other investment properties held for lease within the Rockwell Center, The Grove, Santolan Town Plaza, 53 Benitez and The Rockwell Business Center - Sheridan (₱4.1 billion as at December 31, 2016 and ₱3.0 billion as at December 31, 2015) and land held for appreciation (₱800.6 million as at December 31, 2016 and 2015).

Investment properties in progress includes costs incurred for the construction of Mall Expansion and The Rockwell Business Center - Sheridan and Santolan Town Plaza in 2016 and 8 Rockwell and The Rockwell Business Center - Sheridan in 2015. Borrowing costs capitalized as part of investment properties amounted to ₱96.8 million and ₱88.8 million in 2016 and 2015, respectively (see Note 15). Capitalization rates used are 5.06% and 4.9% in 2016 and 2015, respectively. As at December 31, 2016 and 2015, unamortized borrowing costs capitalized as part of investment properties amounted to ₱498.1 million and ₱409.8 million, respectively.

Lease income earned from investment properties amounted to ₱914.8 million, ₱793.4 million and ₱734.9 million in 2016, 2015 and 2014, respectively. Direct operating expenses incurred amounted to ₱349.2 million, ₱334.9 million and ₱384.4 million in 2016, 2015 and 2014, respectively.

The aggregate fair value of the Group's Power Plant Mall and Mall Expansion amounted to ₱11.8 billion and ₱8.9 billion as at December 31, 2016 and 2015, respectively. The aggregate fair value of other investment properties held for lease within the Rockwell Center and The Grove, Rockwell Business Center Sheridan, 8 Rockwell, and land held for appreciation amounted to ₱7.6 billion and ₱5.5 billion as at December 31, 2016 and 2015, respectively.

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

The value of the mall (excluding the mall expansion component) and investment properties held for lease within the Rockwell Center and Grove 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 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 value of assets under 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 cost 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).

13. Investment in Joint Venture

Joint Venture (JV) Agreement

On March 25, 2008, the Parent Company entered into a 25-year JV Agreement with Meralco to form an unincorporated and registered JV (70% for the Parent Company and 30% for Meralco), referred to as "unincorporated JV." Under the JV Agreement, the parties agreed to pool their allocated areas in the first two towers of the BPO Building, including the right to use the land, and to operate and manage the combined properties for lease or any similar arrangements to third parties under a common property management and administration. Consequently, the Parent Company's contribution to the unincorporated JV is presented as "Investment in joint venture" account in the consolidated statements of financial position. The unincorporated JV started commercial operations in July 2009.

In accordance with the terms of the JV Agreement, the Parent Company acts as the Property Manager of the unincorporated JV. Management fees recognized by the Parent Company, which is shown as part of "Others" account in the consolidated statements of comprehensive income, amounted to ₱4.3 million, ₱1.4 million and ₱1.3 million in 2016, 2015 and 2014, 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.

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

	2016	2015
Current assets	**₱691,965**	₱1,334,459
Noncurrent assets	**3,859,344**	3,321,461
Current liabilities	**249,995**	221,439
Noncurrent liabilities	**188,101**	105,248
Cash and cash equivalents	**553,144**	780,769
Current financial liabilities (excluding trade and other payables and provisions)	**67,282**	24,908
Noncurrent financial liabilities (excluding trade and other payables and provisions)	**109,585**	147,203

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

	2016	2015	2014
Revenue	**₱672,765**	₱519,759	₱320,748
General and administrative expenses	**24,903**	23,833	18,436
Depreciation and amortization expense	**178,703**	175,829	122,298
Interest income	**11,255**	9,291	3,655
Interest expense	**2,488**	–	3,732
Provision for income tax	**114,739**	85,325	66,701
Total comprehensive income/net income	**363,187**	244,063	113,236

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

	2016	2015
Cost	**₱2,536,691**	₱2,536,691
Accumulated share in net income:		
Balance at beginning of year	**493,772**	322,928
Share in net income	**254,231**	170,844
Dividend distribution	**(405,445)**	–
Balance at end of year	**342,558**	493,772
Carrying value	**₱2,879,249**	₱3,030,463

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

	2016	2015
Net assets of the unincorporated JV	**₱4,113,213**	₱4,329,233
Interest of the Parent Company in the net asset of the unincorporated JV	**70%**	70%
Carrying amount of the investment in joint venture	**₱2,879,249**	₱3,030,463

14. **Property and Equipment**

The rollforward analysis of this account follows:

	2016					
	Land	**Buildings and Improvements**	**Office Furniture and Other Equipment**	**Transportation Equipment**	**Construction in Progress**	**Total**
Cost						
At January 1	**₱301,781**	**₱2,052,363**	**₱1,335,464**	**₱188,316**	**₱27,713**	**₱3,905,637**
Additions during the year	–	**305,176**	**221,718**	**31,920**	–	**558,814**
Reclassifications from (to) completed projects	–	**27,713**	–	–	**(27,713)**	–
Reclassifications to land held for future development	**(2,042)**	–	–	–		**(2,042)**
Reclassifications from investment properties (see Note 12)	**23,739**	**144,820**	–	–	–	**168,559**
Disposals	–	–	**(92)**	**(5,997)**	–	**(6,089)**
At December 31	**323,478**	**2,530,072**	**1,557,090**	**214,239**	–	**4,624,879**
Accumulated Depreciation and Amortization						
At January 1	–	**424,244**	**1,037,640**	**142,121**	–	**1,604,005**
Depreciation and amortization (see Note 22)	–	**80,851**	**181,444**	**25,519**	–	**287,814**
Disposals	–	–	**(23)**	**(3,903)**	–	**(3,926)**
At December 31	–	**505,095**	**1,219,061**	**163,737**	–	**1,887,893**
Net Book Value at December 31	**₱323,478**	**₱2,024,977**	**₱338,029**	**₱50,502**	**₱–**	**₱2,736,986**

	2015					
	Land	Buildings and Improvements	Office Furniture and Other Equipment	Transportation Equipment	Construction in Progress	Total
Cost						
At January 1	₱306,628	₱1,586,102	₱1,309,554	₱170,932	₱27,713	₱3,400,929
Additions	–	374,631	25,910	18,897	–	419,438
Reclassifications from (to) land and development costs (see Note 9)	(4,847)	91,630	–	–	–	86,783
Disposals	–	–	–	(1,513)	–	(1,513)
At December 31	301,781	2,052,363	1,335,464	188,316	27,713	3,905,637
Accumulated Depreciation and Amortization						
At January 1	–	410,100	879,311	123,349	–	1,412,760
Depreciation and amortization (see Note 22)	–	14,144	158,329	19,705	–	192,178
Disposals	–	–	–	(933)	–	(933)
At December 31	–	424,244	1,037,640	142,121	–	1,604,005
Net Book Value at December 31	₱301,781	₱1,628,119	₱297,824	₱46,195	₱27,713	₱2,301,632

The cost related to the development of the Edades and The Grove Serviced Apartments included in property and equipment account amounted to ₱1.3 billion and ₱1.2 billion as at December 31, 2016 and 2015, respectively. Construction of Edades Serviced Apartments was completed in November 2014 (see Note 26) while Grove Serviced Apartments was completed in March 2016.

Borrowing costs capitalized as part of property and equipment amounted to ₱8.8 million and nil in 2016 and 2015, respectively (see Note 15).

15. Interest-bearing Loans and Borrowings

This account consists of:

	Effective Interest Rate	**2016**	2015
Current			
Corporate notes	4.9%, 4.6%, 4.5% fixed	**₱1,612,000**	₱1,612,000
Notes payable	5.0% fixed	**106,527**	101,454
Bridge loan	2.5% floating	**–**	500,000
		1,718,527	2,213,454
Less unamortized loan transaction costs		**7,021**	10,685
		₱1,711,506	₱2,202,769
Noncurrent			
Corporate notes	4.9%, 4.6%, 4.5% fixed	**₱4,752,000**	₱6,364,000
Bonds payable	5.0932% fixed	**5,000,000**	5,000,000
Term loan	5.8%, 5.7%, 5.5%, 4.4% fixed, 2.53% floating, 2.59% floating	**4,000,000**	–
Notes payable	5.0% fixed	**229,300**	335,827
		13,981,300	11,699,827
Less unamortized loan transaction costs		**58,860**	54,423
		₱13,922,440	₱11,645,404

Corporate Notes
On November 27, 2012, the Parent Company entered into a Fixed Rate Corporate Notes Facility Agreement (“the Notes”) with First Metro Investment Corporation (FMIC), PNB Capital and Investment Corporation, Metropolitan Bank and Trust Company (MBTC) - Trust Banking Group, and Philippine National Bank (PNB) – Trust Banking Group for the ₱10.0 billion Notes for the purpose of refinancing the existing ₱4.0 billion fixed rate corporate notes and to finance the Parent Company’s capital expenditures and land acquisitions. The Notes are comprised of Tranche 1, Tranche 2 and Tranche 3, amounting to ₱4.0 billion, ₱2.0 billion and ₱4.0 billion, respectively. Tranches 1 and 2 were availed on January 7, 2013 and March 7, 2013, respectively. Tranche 3 was availed in three drawdowns amounting to ₱1.0 billion, ₱1.5 billion and ₱1.5 billion on May 27, 2013, July 26, 2013 and August 27, 2013, respectively. The Notes are payable in 22 quarterly payments which started in October 2014. A portion of Tranche 2 amounting to ₱1.2 billion is paid annually at 1% of the principal amount from the issue date for six (6) years while the remaining 94% of the principal amount is payable in 2020. The Notes contain a negative pledge.

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

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

In 2016 and 2015, Rockwell Primaries made principal payments on the loan amounting to ₱80.0 million and ₱76.0 million, respectively. In 2016 and 2015, interest expense incurred and paid amounted to ₱17.2 million and ₱21.1 million, respectively, as part of interest expense (see Note 22).

On December 23, 2014, Rockwell Primaries South obtained a loan from Maybank ATRKE Capital in the aggregate principal amount of ₱112.7 million to pay off its obligations to a third party pursuant to the termination of the existing Joint Venture Agreement.

Notes payable are payable over five years and bear interest of 5% per annum and are not secured by collateral.

In 2016 and 2015, Rockwell Primaries South made principal payments on the loan amounting to ₱21.4 million and ₱20.4 million, respectively. In 2016 and 2015, interest expense incurred and paid amounted to ₱4.5 million and ₱5.6 million, respectively (see Note 22).

Bridge Loan
In 2015, the Parent Company had a peso-denominated loan from a local bank which was intended to bridge its long-term loan requirements. The loan has a tenor of maximum of 360 days, at prevailing lending rate subject to repricing. On December 3, 2015, the Parent Company made the first drawdown amounting to ₱500.0 million from the facility at an interest rate of 2.50% per annum. The loan was fully paid on June 30, 2016.

In 2016, the Parent Company availed bridge loans totaling ₱1.0 billion and the same were paid on the same year. The bridge loans do not contain any covenant.

Bonds Payable

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

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

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

Term Loan

On May 25, 2016, the Parent Company entered into a credit facility with PNB amounting to ₱5.0 billion. The first drawdown amounting to ₱1.0 billion was availed on May 31, 2016 payable in 32 quarterly installments starting August 31, 2016. The Parent Company will pay the 70% in 31 quarterly installments starting on September 1, 2018 and the 30% of the principal in the last quarter of 2026.

On June 14, 2016, the Parent Company entered into a credit facility with MBTC amounting to ₱4.0 billion. The first drawdown amounting to ₱1.0 billion was availed on June 17, 2016 and is payable in 20 quarterly principal payments starting on September 17, 2018. The Parent Company will pay the 70% in 19 quarterly installments and the 30% of the principal in the last quarter of 2023. The second drawdown amounting to ₱1.0 billion was availed on June 17, 2016 and is payable in 32 quarterly principal payments starting on September 17, 2018. The Parent Company will pay the 70% in 31 quarterly payments and the 30% of the principal in the last quarter in 2026. The third drawdown amounting to ₱500.0 million was availed on September 28, 2016 and is payable in 20 quarterly principal payments starting June 28, 2018. The Parent Company will pay the 70% in 19 quarterly installments and the 30% of the principal in the last quarter of 2023.

On June 14, 2016, Retailscapes entered into a credit facility with MBTC amounting to ₱1.0 billion to be used for the development of Santolan Town Plaza. The first drawdown amounting to ₱500.0 million was availed on June 17, 2016. Retailscapes will pay the 70% in 31 quarterly installments starting on September 1, 2018 and the 30% of the principal in the last quarter of 2026.

Covenants. The loan contains, among others, covenants regarding incurring additional long-term debt and paying out dividends, to the extent that such will result in a breach of the required debt-to-equity ratio and current ratio. As at December 31, 2016 and 2015, the Group has complied with these covenants (see Note 29).

Loan Transaction Costs. As at December 31, 2016 and 2015, loan transaction costs consisting of documentary stamp tax and underwriting fees on the corporate notes and bonds were capitalized and presented as a deduction from the related loan balance.

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

	2016	2015
Balance at beginning of year	**₱65,108**	₱86,021
Additions	**20,000**	–
Amortization (see Note 22)	**(19,227)**	(20,913)
Balance at end of year	**₱65,881**	₱65,108

Interest expense on interest-bearing loans and borrowings amounted to ₱370.0 million and ₱430.2 million in 2016 and 2015, respectively (see Note 22). Interest expense capitalized as part of land and development costs amounted to ₱255.5 million and ₱154.2 million in 2016 and 2015, respectively (see Note 9). Interest expense capitalized as part of investment properties amounted to ₱96.8 million and ₱88.8 million in 2016 and 2015, respectively (see Note 12). Interest expense capitalized as part of property and equipment amounted to ₱8.8 million and nil in 2016 and 2015, respectively (see Note 14).

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

Year	Amount
2017	₱1,718,527
2018	1,987,654
2019	2,175,346
2020	1,974,800
2021 and onwards	7,843,500
	₱15,699,827

16. **Installment Payable**

In November 2011, the Parent Company entered into a Deed of Sale with Futura Realty, Inc. for the purchase of land for development adjacent to the Rockwell Center. This is the location where the “Proscenium” Project of the Parent Company is being constructed (see Note 9).

Under the Deed of Sale, the Parent Company will pay for the cost of the property in installment until year 2015 and a one-time payment in year 2020. As at December 31, 2016 and 2015, the remaining undiscounted installment payable due in June 2020 amounted to ₱655.8 million.

The installment payable and the corresponding land held for development were recorded at present value using the discount rate of 8%. Accretion of interest expense amounting to ₱54.1 million and ₱89.2 million in 2016 and 2015, respectively, was capitalized as part of land and development costs (see Note 9).

As at December 31, 2016 and 2015, the carrying value of the installment payable amounted to ₱521.0 million and ₱467.0 million, respectively.

Installment payable is secured by Stand-By Letters of Credit (SBLC) from MBTC and FMIC totaling ₱2.4 billion until year 2020. These SBLC provides for a cross default provision wherein the SBLC shall automatically be due and payable in the event the Parent Company’s other obligation is not paid when due or a default in any other agreement shall have occurred, entitling the holder of the obligation to cause such obligation to become due prior to its stated maturity. As at December 31, 2016 and 2015, the Parent Company has not drawn from the facility.

Unamortized prepaid premium on the SBLC as at December 31, 2016 and 2015 amounting to ₱0.4 million, is presented as part of "Prepaid costs" under "Other current assets" account in the consolidated statements of financial position (see Note 10).

As at December 31, 2016 and 2015, the related deferred input VAT amounting to ₱70.3 million is recognized as part of "Other noncurrent assets" account in the consolidated statements of financial position (see Note 10). This deferred input VAT will be claimed against output VAT upon payment of the related installment payable.

17. Trade and Other Payables

This account consists of:

	2016	2015
Trade	**₱897,031**	₱694,283
Accrued expenses:		
Project costs	**1,970,158**	939,435
Interest	**115,371**	129,758
Taxes and licenses	**269,496**	174,104
Utilities	**42,018**	35,421
Producers' share	**24,595**	19,583
Marketing and promotions	**22,621**	20,789
Repairs and maintenance	**13,777**	13,774
Others (see Notes 18 and 24)	**551,509**	287,749
Due to related parties (see Note 27)	**537,550**	269,710
Deferred output VAT	**965,968**	715,473
Current portions of:		
Deposits from pre-selling of condominium units (see Note 9)	**560,365**	301,721
Retention payable (see Note 18)	**244,178**	92,591
Security deposits (see Note 18)	**181,419**	182,546
Deferred lease income (see Note 18)	**73,567**	85,745
Excess collections over recognized receivables (see Note 4)	**80,740**	1,679,365
Advance payments from members and customers	**24,377**	33,610
Output VAT	**50,498**	14,573
Others	**10,915**	3,471
	₱6,636,153	₱5,693,701

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

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

Accrued expenses are normally settled within 12 months.

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

Excess collections over recognized receivables pertain to Proscenium Garden Villa and Residences projects in 2016 and Proscenium Lincoln, Sakura and Kirov projects in 2015.

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

18. Deposits and Other Liabilities

This account consists of:

	2016	2015
Retention payable - net of current portion of ₱244.2 million in 2016 and ₱92.6 million in 2015 (see Note 17)	**₱616,777**	₱547,448
Security deposits - net of current portion of ₱181.4 million in 2016 and ₱182.5 million in 2015 (see Note 17)	**180,545**	120,097
Deferred lease income - net of current portion of ₱73.6 million in 2016 and ₱85.7 million in 2015 (see Note 17)	**74,811**	23,548
Others (see Notes 17 and 24)	**25,970**	12,060
	₱898,103	₱703,153

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 "Land and development costs". The retention payable is carried at amortized cost using effective interest method. The amortization of discount on retention payable is capitalized as part of land and development costs while the related project's construction is in progress (see Note 9).

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

	2016	2015
Balance at beginning of year	**₱20,872**	₱24,326
Additions during the year	**20,775**	8,015
Amortization during the year (see Note 9)	**(21,233)**	(11,469)
Balance at end of year	**₱20,414**	₱20,872

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

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

19. Share-based Payment Plans

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

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

The primary terms of the grants follow:

Grant date	January 3, 2013
Number of options granted	63,918,000
Offer price per share	1.46
Option value per share	1.43

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

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

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

There were no share options granted or exercised in 2016 and 2015.

As at December 31, 2016, the outstanding ESOP shares is as follows:

	Number of Shares
Number of grants	63,918,000
Cancellation in 2016	(1,957,000)
Exercised	(15,000,000)
Remaining Shares	46,961,000

As at December 31, 2016 and 2015, total share-based payment transactions, net of applicable tax, amounting to ₱69.7 million are presented as "Share-based payments" account under the equity section of the consolidated statements of financial position.

20. **Equity**

a. Capital Stock

	2016		2015	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized				
Common - ₱1 par value	**8,890,000,000**	**₱8,890,000**	8,890,000,000	₱8,890,000
Preferred - ₱0.01 par value	**11,000,000,000**	**110,000**	11,000,000,000	110,000
	19,890,000,000	**₱9,000,000**	19,890,000,000	₱9,000,000
Issued				
Common - ₱1 par value	**6,243,382,344**	**₱6,243,382**	6,243,382,344	₱6,243,382
Preferred - ₱0.01 par value	**2,750,000,000**	**27,500**	2,750,000,000	27,500
	8,993,382,344	**₱6,270,882**	8,993,382,344	₱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 movement of the common stock of the Parent Company:

Date of SEC Approval	Authorized Capital Stock	New Subscriptions/ Issuances	Issue/ Offer Price
May 2012, listing by way of introduction	8,890,000,000	6,228,382,344	₱1.46
Exercise of ESOP shares (see Note 19)	–	15,000,000	
	8,890,000,000	6,243,382,344	

b. Dividends

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

On July 1, 2015, BOD approved the declaration of a regular cash dividend of ₱0.0511 per share to all common shareholders of record as at July 15, 2015 amounting to ₱312.5 million and 6% per annum cumulative cash dividend from July 1, 2014 to June 30, 2015 to all preferred shareholders amounting to ₱1.7 million. Payments of cash dividends for common shares were made on August 10, 2015.

On July 2, 2014, BOD approved the declaration of a regular cash dividend of ₱0.0459 per share to all common shareholders of record as at July 18, 2014 and 6% per annum cumulative cash dividend from April 10, 2012 to June 30, 2014 to all preferred shareholders. Payments of cash dividends for common shares were made on August 11, 2014.

As at December 31, 2016 and 2015, unpaid cumulative dividends on preferred shares amounted to ₱0.8 million for each year.

c. Other Equity Adjustments

This account represents the difference between the consideration received from the sale of the proprietary shares and the carrying value of the related interest amounting to ₱291.2 million as at December 31, 2016 and 2015. In 2014, the Parent Company sold proprietary shares equivalent to 0.3% interest in Rockwell Club.

d. 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).

e. Retained earnings

As at December 31, 2016 and 2015, the unappropriated consolidated retained earnings include undistributed net earnings of subsidiaries amounting to ₱167.9 million and ₱267.6 million, respectively. Such undistributed net earnings are not currently available for dividend distribution unless declared by the BOD of the subsidiaries.

In 2016, the BOD approved the appropriation of retained earnings amounting to ₱3.0 billion for capital expenditures and asset acquisitions to be implemented in the next 2 years.

21. Interest Income

This account consists of:

	2016	2015	2014
Interest income from:			
Amortization of unearned interest (see Note 8)	**₱1,286,111**	₱933,273	₱1,013,982
Cash and cash equivalents (see Note 7)	**17,107**	49,970	98,382
Interest and penalty charges	**17,963**	2,998	2,149
In-house financing	**2,035**	2,088	2,409
	₱1,323,216	₱988,329	₱1,116,922

22. Expenses

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

	2016	2015	2014
Included in:			
Cost of real estate (see Note 12)	**₱212,451**	₱143,509	₱127,257
General and administrative expenses (see Note 14)	**287,814**	192,178	180,234
	₱500,265	₱335,687	₱307,491

General and administrative expenses pertain to the following businesses:

	2016	2015	2014
Real estate	**₱1,113,221**	₱1,022,626	₱860,861
Cinema	**190,213**	187,137	164,054
Hotel	**262,307**	185,194	82,491
	₱1,565,741	₱1,394,957	₱1,107,406

Real Estate

	2016	2015	2014
Personnel (see Notes 23 and 24)	**₱319,757**	₱323,272	₱242,599
Depreciation and amortization (see Note 14)	**219,147**	147,184	160,216
Taxes and licenses	**155,609**	180,251	172,936
Entertainment, amusement and recreation	**93,287**	44,942	61,270
Marketing and promotions	**78,793**	68,430	32,204
Utilities	**49,022**	51,512	52,813
Contracted services	**39,312**	36,529	29,745
Professional fees	**37,592**	27,456	20,631
Dues and subscriptions	**16,169**	20,556	8,448
Insurance	**10,643**	9,620	9,566
Security services	**10,220**	9,575	8,772
Fuel and oil	**9,926**	9,799	10,837
Transportation and travel	**2,304**	3,958	3,862
Provision for doubtful accounts (see Note 8)	**1,223**	–	–
Others	**70,217**	89,542	46,962
	₱1,113,221	₱1,022,626	₱860,861

Cinema

	2016	2015	2014
Producers’ share	**₱88,150**	₱87,645	₱78,441
Depreciation and amortization (see Note 14)	**18,149**	19,941	10,626
Utilities	**20,863**	23,596	26,148
Snack bar	**16,402**	13,719	12,706
Amusement tax	**15,551**	14,871	13,811
Contracted services	**6,676**	11,643	11,831
Personnel (see Notes 23 and 24)	**2,542**	2,518	2,668
Advertising	–	2,749	2,506
Others	**21,880**	10,455	5,317
	₱190,213	₱187,137	₱164,054

Hotel

	2016	2015	2014
Rental expense	**₱59,411**	₱56,766	₱27,145
Depreciation and amortization (see Note 14)	**50,518**	25,053	9,392
Personnel (see Notes 23 and 24)	**30,636**	21,612	18,956
Utilities	**27,050**	15,758	6,432
Accommodations	**25,146**	11,717	4,791
Dues and subscriptions	**13,532**	4,149	3,581
Supplies	**11,247**	28,449	1,380
Contracted services	**9,133**	9,175	7,981
Security services	**6,588**	3,040	1,780
Others	**29,046**	9,475	1,053
	₱262,307	₱185,194	₱82,491

Selling expenses are comprised of:

	2016	2015	2014
Commissions and amortization of prepaid costs (see Notes 4 and 10)	**₱525,805**	₱326,966	₱189,590
Personnel (see Notes 23 and 24)	**89,365**	38,449	69,450
Marketing and promotions	**83,616**	56,930	35,072
Utilities	**12,890**	6,158	7,452
Usufruct	**6,673**	2,314	8,391
Contracted services	**6,509**	5,330	6,707
Others	**23,344**	24,784	10,472
	₱748,202	₱460,931	₱327,134

Interest expense is comprised of:

	2016	2015	2014
Interest expense on interest-bearing loans and borrowings (see Note 15)	**₱370,035**	₱430,220	₱546,342
Amortization of loan transaction costs (see Note 15)	**19,227**	20,913	46,871
Amortization of deferred security deposit	**586**	–	–
Bank charges	**–**	20,055	10,635
	₱389,848	₱471,188	₱603,848

23. **Personnel Expenses**

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

	2016	2015	2014
Salaries and wages (see Note 22)	**₱385,536**	₱341,455	₱299,632
Pension costs (see Note 24)	**56,764**	44,396	34,041
	₱442,300	₱385,851	₱333,673

24. **Pension Costs and Other Employee Benefits**

a. Pension Costs

The Group has a funded, noncontributory defined benefit pension plan covering all regular 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 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

	2016	2015	2014
Current service cost	**₱47,426**	₱39,535	₱29,971
Interest cost	**9,338**	4,861	4,070
Net pension cost	**₱56,764**	₱44,396	₱34,041

Pension Liability

	2016	2015
Present value of benefit obligation	**₱522,311**	₱470,799
Fair value of plan assets	**(345,843)**	(283,303)
Pension liability	**₱176,468**	₱187,496

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

	2016	2015
Defined benefit obligation at beginning of year	**₱470,799**	₱383,076
Current service cost	**47,426**	39,535
Interest cost	**19,332**	17,706
Actuarial loss (gain) due to:		
Experience adjustments	**43,331**	63,084
Change in assumptions	**(55,547)**	(27,527)
Benefits paid	**(3,030)**	(5,075)
Defined benefit obligation at end of year	**₱522,311**	₱470,799

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

	2016	2015
Fair values of plan assets at beginning of year	**₱283,303**	₱277,435
Interest income included in net interest cost	**9,994**	12,845
Actual contributions	**60,000**	20,000
Losses on return on plan assets	**(4,424)**	(21,902)
Benefits paid	**(3,030)**	(5,075)
Fair values of plan assets at end of year	**₱345,843**	₱283,303

The Group expects to contribute ₱64.1 million to its pension plan in 2017.

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

	2016	2015
Investments in:		
Government securities	**36.33%**	35.72%
Loans and debt instruments	**8.58%**	8.64%
Other securities	**55.09%**	55.64%
	100.00%	100.00%

The principal assumptions used as at December 31, 2016 and 2015 in determining pension cost obligation for the Group's plans are as follows:

	2016	2015
Discount rate	**5.5%**	4.5%
Future salary rate increases	**10.0%**	10.00%

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

As at December 31, 2016 and 2015, the carrying values of the plan approximate their fair values:

	2016	2015
Cash in banks:		
MBTC	**₱18,233**	₱14,742
BDO	**7,338**	12,587
Receivables - net of payables:		
MBTC	**149**	214
BDO	**920**	649
Investments held for trading:		
MBTC	**185,410**	151,502
BDO	**133,793**	103,609
	₱345,843	₱283,303

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

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

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

i. Government securities' maturities range from 1 to 25 years with interest rates ranging from 3.20% to 9.12%.
ii. The Corporate bonds are certificates of indebtedness issued by top and usually listed corporations exhibiting sound financial performance and enjoying good credit from reputable/accredited agencies. Maturity dates range from 7 to 10 years with interest rates ranging from 4.41% to 8.85%.
iii. Investment in stocks represents equity securities of companies listed in the PSE.

The Retirement Plan has investment in shares of stock of the Group amounting to ₱62.4 million and ₱56.0 million as at December 31, 2016 and 2015, respectively.

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

There are no outstanding balances arising from transactions between the Retirement Plan and the Group as at December 31, 2016 and 2015. Except as stated above, there were no other transactions entered into during the year by the Retirement Plan relating to the Group.

In 2016, the sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions were held constant:

	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation
Discount rate	+100	(₱48,126)
	-100	46,050
Future salary increases	+100	47,389
	-100	(40,359)

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	**2016**	2015
Less than 1 year	**₱1,452**	₱169,552
More than 1 year to 5 years	**608**	14,166
More than 5 years to 10 years	**2,320**	111,316
More than 10 years to 15 years	**7,437**	425,359
More than 15 years to 20 years	**16,835**	315,986
More than 20 years	**407,994**	2,463,070

b. Other Employee Benefits

Other employee benefits consists of accumulated employee sick leave benefit amounting to ₱1.6 million in 2016 and vacation leave and sick leave expense amounting to ₱4.6 million in 2015 (see Notes 22 and 23).

The present value of the defined benefit obligation of other employee benefits amounted to ₱58.5 million and ₱64.9 million as at December 31, 2016 and 2015, respectively (see Notes 17 and 18).

25. Income Taxes

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

	2016	2015	2014
Current income tax	**₱671,017**	₱552,229	₱377,964
Deferred income tax	**880**	81,157	235,427
	₱671,897	₱633,386	₱613,391

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

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

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

	2016	2015
Deferred tax liabilities:		
Unrealized gain on real estate	**₱809,053**	₱737,901
Fair value increment on the real estate inventories	**159,610**	159,610
Capitalized interest	**66,295**	69,412
Unrealized gain on available-for-sale investments	**677**	577
Unrealized foreign exchange gain	**33**	469
	1,035,668	967,969
Deferred tax assets:		
Unfunded pension costs	**47,160**	3,581
Deferred lease income	**28,004**	2,163
Share-based payment	**22,574**	22,574
Unrealized foreign exchange loss	**19,044**	–
Other employee benefits	**17,683**	17,918
Allowance for doubtful accounts and others	**5,372**	4,645
Unamortized past service cost	**2,461**	5,177
Advance payment from members	**1,628**	–
NOLCO	**473**	6,287
MCIT	**78**	–
	144,477	62,345
	₱891,191	₱905,624

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

	2016	2015
Deferred tax assets - net	**₱2,468**	₱6,287
Deferred tax liabilities - net	**(893,659)**	(911,911)
	(₱891,191)	(₱905,624)

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:

	2016	2015
Unfunded pension costs	**₱6,265**	₱26,839
Advances from members	**6,172**	12,698
NOLCO	**3,528**	16
MCIT	**2,985**	1,497
Allowance for doubtful accounts	**632**	1,180
	₱19,582	₱42,230

As at December 31, 2016, MCIT of a subsidiary which can be claimed as deduction from regular taxable income due as follows:

Year Paid	Expiry Year	Amount
2014	2017	₱275
2015	2018	1,497
2016	2019	1,291
		₱3,063

MCIT amounting to ₱1.5 million, ₱0.15 million and ₱0.30 million expired in 2016, 2015 and 2014, respectively.

As at December 31, 2016, NOLCO of certain subsidiaries can be carried forward and claimed as deduction against regular taxable income as follows:

Year Incurred	Expiry Date	Amount
2014	2017	₱3,468
2015	2018	1,136
2016	2019	494
		₱5,098

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:

	2016	2015	2014
Statutory income tax rate	**30.0%**	30.0%	30.0%
Additions to (deductions from) income tax resulting from:			
Share in net income of joint venture	**(3.1)**	(1.4)	(1.4)
Nondeductible expenses	–	–	1.1
Nontaxable income and others	–	(0.8)	(1.5)
Effective income tax rate	**26.9%**	27.8%	28.2%

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.

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 ₱14.0 million and ₱6.7 million in 2016 and 2015, respectively (see Note 25).

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

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

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
Rockwell - Meralco BPO	Joint venture	Advances (see Note 17)	**2016**	**₱267,840**	**(₱519,395)**	90-day; noninterest-bearing	Unsecured
			2015	172,060	(251,555)		
		Management fee (see Note 13)	**2016**	**4,290**	**6,552**	On demand; non-interest-bearing	Unsecured, no impairment
			2015	**1,407**	**3,431**		
Advances to officers and employees		Advances (see Note 8)	**2016**	**18,261**	**45,985**	30-day; noninterest-bearing	Unsecured; no impairment
			2015	65,102	27,724		
FPHC	Parent	Charges for construction of 8 Rockwell (see Note 17)	**2016**	–	**(18,155)**	On demand; noninterest-bearing	Unsecured
			2015	–	(18,155)		

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, 2016, 2015 and 2014, the Group has not made any provision for doubtful accounts relating to amounts owed by related parties. This assessment is undertaken at each financial year through examination of the financial position of the related party and the market in which the related party operates.

Compensation of Key Management Personnel of the Group

	2016	2015	2014
Short-term employee benefits	**₱73,353**	₱70,948	₱68,500
Post-employment pension and other benefits (Note 24)	**36,919**	18,612	18,612
Total compensation attributable to key management personnel	**₱110,272**	₱89,560	₱87,112

28. Commitments and Contingencies

Operating Lease Commitments

The Group has entered into agreements for the lease of land to be used for various commercial projects. These noncancellable leases have remaining terms of between two and twenty five years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. Future minimum lease payments are as follows:

Year	Amount (in thousands)
2017	₱30,901
2018	31,916
2019	32,981
2020	34,586
2021 and after	2,159,262
	₱2,289,646

In 2016 and 2015, capitalized rentals included under "Land and development costs" amounted to ₱69.5 million and ₱52.1 million, respectively (see Note 9), while capitalized rentals included under "Investment properties in progress" amounted to ₱15.4 million and ₱10.8 million, respectively (see Note 12).

Capital Commitment

a. The Group entered into contract covering Substructure works related to "Proscenium Substructure and Podium" with Megawide Construction Corporation. The contract sum awarded for the work amounted to ₱980.0 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Substructure works commenced in July 2014. Megawide has a deductive change order of ₱527.9 million. As at December 31, 2016 and 2015, ₱403.0 million and ₱256.0 million, respectively, has been incurred and paid.

b. The Group entered into contract covering Superstructure works related to "Proscenium Phase 1B" with Megawide Construction Corporation. The contract sum awarded for the work amounted to ₱2.1 billion, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Superstructure works commenced in October 2015. As at December 31, 2016 and 2015, ₱883.0 million and nil, respectively, has been incurred and paid.

c. The Group entered into contract covering Superstructure works related to "Proscenium Phase 1A" with Phenix Garuda Construction and Development Corporation. The contract sum awarded for the work amounted to ₱2.4 billion, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Superstructure works commenced in May 2015. As at December 31, 2016 and 2015, ₱934.0 million and ₱164.0 million, respectively, has been incurred and paid.

d. The Group entered into contract covering Excavation works related to "Proscenium Phase 2" with IPM Construction and Development Corp. The contract sum awarded for the work amounted to ₱61.0 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works.

Excavation works commenced in August 2015. As at December 31, 2016 and 2015, ₱31.5 million and ₱15.3 million, respectively, has been incurred and paid.

e. The Group entered into contract covering Substructure and Superstructure works related to "Proscenium Phase 2" with Phenix Garuda Construction and Development Corporation. The contract sum awarded for the work amounted to ₱2.0 billion, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Superstructure works commenced in May 2016. As at December 31, 2016 and 2015, ₱328.0 million and nil, respectively, has been incurred and paid.

f. The Group entered into contract covering Superstructure works (Ground – 7th floor) related to "Mall Expansion and hotel" with Phenix Garuda Construction and Development Corporation. The contract sum awarded for the work amounted to ₱459.1 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Superstructure works commenced in October 2015. As at December 31, 2016 and 2015, ₱230.0 million and ₱61.7 million has been incurred and paid.

g. The Group entered into contract covering General Construction works related to "Rockwell Business Center Sheridan" with Phenix Garuda Construction and Development Corporation. The contract sum awarded for the work amounted to ₱900.0 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Phenix has an additive change order of ₱37.3 million. General Construction Works commenced in October 2015. As at December 31, 2016 and 2015, ₱421.7 million and ₱166.2 million, respectively, has been incurred and paid.

h. The Group entered into contract covering Earthworks related to "32 Sanson" with Omicron Construction. The contract sum awarded for the work amounted to ₱55.4 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. General construction works commenced in May 2015. As at December 31, 2016 and 2015, ₱23.2 million and ₱11.2 million, respectively, has been incurred and paid.

i. The Company entered into contract covering General Construction works related to "Santolan Town Plaza" with Omicron Construction. The contract sum awarded for the work amounted to ₱401.6 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Omicron has an additive change order of ₱37.3 million. General Construction Works commenced in November 2015. As at December 31, 2016, ₱137.9 million has been incurred and paid.

j. The Company entered into a contract with Asdec Builders Corporation in 2016 covering excavation works related to "The Vantage" Project. The contract amounted to a fixed fee of ₱25.0 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of the works. Excavation works commenced in 2016 and is currently ongoing. As at December 31, 2016, ₱14.1 million has been incurred and paid.

k. The Company entered into a contract with Millennium Erectors Corporation in 2016 covering structural and building enclosure works related to "The Vantage" Project. The contract amounted to a fixed fee of ₱460.0 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of the works. Structural and building enclosure works commenced in 2016 and is currently ongoing. As at December 31, 2016, ₱92.0 million has been incurred and paid.

Contingencies

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

29. **Financial Risk Management Objectives and Policies**

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

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

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

Cash Flow Interest Rate Risk

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

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. As at December 31, 2016 and 2015, 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.

	2016				
	Within 1 Year	**1–2 Years**	**2–3 Years**	**More than 3 Years**	**Total**
Fixed Rate					
Interest-bearing loans and borrowings	**₱1,718,527**	**₱1,901,754**	**₱2,011,246**	**₱8,568,300**	**₱14,199,827**
Floating Rate					
Interest-bearing loans and borrowings	**–**	**85,900**	**163,700**	**1,250,400**	**1,500,000**
Short-term investments	**977,674**	**–**	**–**	**–**	**977,674**

	2015				
	Within 1 Year	1–2 Years	2–3 Years	More than 3 Years	Total
Fixed Rate					
Interest-bearing loans and borrowings	₱1,713,454	₱1,718,527	₱1,723,854	₱8,257,446	₱13,413,281
Floating Rate					
Interest-bearing loans and borrowings	500,000	–	–	–	500,000
Short-term investments	1,816,653	–	–	–	1,816,653

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.

Foreign Currency Risk

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

Foreign Currency-Denominated Asset

	2016		2015	
	US$	**Peso**	US$	Peso
Cash and cash equivalents	**$1,378**	**₱68,514**	US$776	₱36,519

As at December 31, 2016 and 2015, the exchange rate was ₱49.72 to US$1.00 and ₱47.06 to US$1.00, respectively. Net foreign exchange gain amounted to ₱4.0 million, ₱6.6 million, and ₱2.9 million in 2016, 2015 and 2014, respectively.

The following tables demonstrate the sensitivity to a reasonably possible change in the US$ exchange rate with respect to Peso, with all other variables held constant, of the Group's December 31, 2016 and 2015 income before income tax (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Group's equity other than those already affecting the income.

	2016	
	Increase/Decrease in US$ Rate (in %)	**Effect on Income Before Income Tax**
Foreign currency-denominated financial assets	**+5%**	**₱3,426**
	-5%	**(₱3,426)**

	2015	
	Increase/Decrease in US$ Rate (in %)	Effect on Income Before Income Tax
Foreign currency-denominated financial assets	+5%	₱1,825
	-5%	(₱1,825)

Foreign exchange gain or loss is computed for the year based on management's best estimate that the Peso-US$ conversion rate may strengthen or weaken using the year end balances of dollar-denominated cash and cash equivalents. An increase in the US$ rate means a weaker peso while a decrease in the US$ rate means a stronger peso. There has been no change in the methods and assumptions used by management in the above analyses.

Credit Risk

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

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

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

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

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

	2016		
	Gross Maximum Exposure	**Net Exposure**	**Financial Effect of Collateral or Credit Enhancement**
Cash and cash equivalents*	**₱1,435,757**	**₱1,413,480**	**₱22,277**
Trade receivables from:			
Sale of condominium units	**9,235,566**	**107,912**	**9,127,654**
Lease	**123,264**	**70,352**	**52,912**
Advances to officers and employees	**45,985**	**–**	**45,985**
Other receivables**	**232,627**	**232,627**	**–**
Available-for-sale investments:			
Quoted	**13,500**	**13,500**	**–**
Unquoted	**3,308**	**3,308**	**–**
Refundable deposits***	**166,190**	**166,190**	**–**
Restricted cash***	**194,307**	**194,307**	**–**
	₱11,450,504	**₱2,201,676**	**₱9,248,828**

	2015		
	Gross Maximum Exposure	Net Exposure	Financial Effect of Collateral or Credit Enhancement
Cash and cash equivalents*	₱2,247,732	₱2,229,573	₱18,159
Trade receivables from:			
Sale of condominium units	8,722,114	88,698	8,633,416
Lease	122,129	–	122,129
Advances to officers and employees	27,724	–	27,724
Other receivables**	158,845	158,845	–
Available-for-sale investments:			
Quoted	12,500	12,500	–
Unquoted	3,308	3,308	–
Refundable deposits***	172,711	172,711	–
Restricted cash ***	98,255	98,255	–
	₱11,565,318	₱2,763,890	₱8,801,428

**Excluding cash on hand amounting to ₱5,103 and ₱1,479 as at December 31, 2016 and 2015, respectively.*
***Excluding other receivables, which are nonfinancial assets, amounting to nil and ₱3,995 as at December 31, 2016 and 2015, 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.

	2016		
	A Rating	**B Rating**	**Total**
Cash and cash equivalents	**₱1,440,860**	**₱–**	**₱1,440,860**
Trade receivables from:			
Sale of condominium units	**6,603,820**	**1,935,626**	**8,539,446**
Lease	**97,879**	**21,519**	**119,398**
Advances to officers and employees	**45,985**	**–**	**45,985**
Other receivables	**232,627**	**–**	**232,627**
Available-for-sale investments:			
Quoted	**13,500**	**–**	**13,500**
Unquoted	**3,308**	**–**	**3,308**
Restricted cash	**194,307**	**–**	**194,307**
Refundable deposits	**64,297**	**–**	**64,297**
	₱8,696,583	**₱1,957,145**	**₱10,653,728**

	2015		
	A Rating	B Rating	Total
Cash and cash equivalents	₱2,249,211	₱–	₱2,249,211
Trade receivables from:			
Sale of condominium units	6,239,045	2,393,296	8,632,341
Lease	60,454	54,247	114,701
Advances to officers and employees	27,724	–	27,724
Other receivables	162,840	–	162,840
Available-for-sale investments:			
Quoted	12,500	–	12,500
Unquoted	3,308	–	3,308
Restricted cash	98,255	–	98,255
Refundable deposits	52,975	5,117	58,092
	₱8,906,312	₱2,452,660	₱11,358,972

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

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

As at December 31, 2016 and 2015, the analyses of the age of financial assets are as follows:

	2016						
	Neither Past Due nor Impaired	**Past Due but not Impaired**				**Impaired Financial Assets**	**Total**
		Less than 30 Days	**31 to 60 Days**	**61 to 90 Days**	**More than 90 Days**		
Cash and cash equivalents	**₱1,440,860**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,440,860**
Trade receivables from:							
Sale of condominium units	**8,539,446**	**391,609**	**11,859**	**51,167**	**241,475**	**–**	**9,235,556**
Lease	**119,398**	**1,571**	**520**	**400**	**1,375**	**–**	**123,264**
Advances to officers and employees	**45,985**	**–**	**–**	**–**	**–**	**–**	**45,985**
Other receivables	**232,627**	**–**	**–**	**–**	**–**	**3,307**	**235,934**
Available-for-sale investments:							
Quoted	**13,500**	**–**	**–**	**–**	**–**	**–**	**13,500**
Unquoted	**3,308**	**–**	**–**	**–**	**–**	**–**	**3,308**
Refundable deposits	**64,297**	**10,210**	**78,246**	**168**	**13,269**	**–**	**166,190**
Restricted cash	**194,307**	**–**	**–**	**–**	**–**	**–**	**194,307**
	₱10,653,728	**₱403,390**	**₱90,625**	**₱51,735**	**₱256,119**	**₱3,307**	**₱11,458,904**

	2015						
	Neither Past Due nor Impaired	Past Due but not Impaired: Less than 30 Days	31 to 60 Days	61 to 90 Days	More than 90 Days	Impaired Financial Assets	Total
Cash and cash equivalents	₱2,249,211	₱–	₱–	₱–	₱–	₱–	₱2,249,211
Trade receivables from:							
Sale of condominium units	8,632,341	14,325	6,817	6,069	62,562	–	8,722,114
Lease	114,701	5,702	1,683	43	-	–	122,129
Advances to officers and employees	27,724	–	–	–	–	–	27,724
Other receivables	162,840	–	–	–	–	2,611	165,451
Available-for-sale investments:							
Quoted	12,500	–	–	–	–	–	12,500
Unquoted	3,308	–	–	–	–	–	3,308
Refundable deposits	58,092	11,143	88,811	183	14,482	–	172,711
Restricted cash	98,255	–	–	–	–	–	98,255
	₱11,358,972	₱31,170	₱97,311	₱6,295	₱77,044	₱2,611	₱11,573,403

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

Past due accounts which pertain to trade receivables from sale of condominium units and club shares are recoverable since the legal title and ownership of the condominium units and club shares will only be transferred to the customers upon full payment of the contract price. In case of cancellation, the condominium units and club shares become available for sale. The fair value of the condominium units amounted to ₱24.1 billion and ₱34.6 billion as at December 31, 2016 and 2015, respectively. The fair value of the club shares amounted to ₱2.7 million and ₱6.6 million as at December 31, 2016 and 2015, respectively.

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

No provision for impairment was made for trade receivables from sale of condominium units and club shares which are subjected to collective assessment since these assets are secured with collateral.

Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. As at December 31, 2016 and 2015, 11% and 16% of the Group's debt will mature in less than one year as at December 31, 2016 and 2015, 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, 2016 and 2015 based on contractual undiscounted payments.

	2016				
	On Demand	**Due Within 3 Months**	**Due Between 3 and 12 Months**	**Due After 12 Months**	**Total**
Trade and other payables*	–	**₱555,385**	**₱3,728,024**	**₱–**	**₱4,283,409**
Interest-bearing loans and borrowings**	–	**912,000**	**806,527**	**13,981,300**	**15,699,827**
Installment payable	–	–	–	**655,799**	**655,799**
Retention payable***	–	–	**244,178**	**616,777**	**860,955**
Security deposits***	–	–	**181,419**	**180,545**	**361,964**
	₱–	**₱1,467,385**	**₱4,960,148**	**₱15,434,421**	**₱21,861,954**

	2015				
	On Demand	Due Within 3 Months	Due Between 3 and 12 Months	Due After 12 Months	Total
Trade and other payables*	₱–	₱551,420	₱1,949,298	₱–	₱2,500,718
Interest-bearing loans and borrowings**	–	912,000	1,301,454	11,699,827	13,913,281
Installment payable	–	–	–	655,799	655,799
Retention payable***	–	–	92,591	547,448	640,039
Security deposits***	–	141,757	40,789	120,097	302,643
	₱–	₱1,605,177	₱3,384,132	₱13,023,171	₱18,012,480

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

Maturity Profile of Financial Assets Held for Liquidity Purposes
The table below shows the maturity profile of the Group's financial assets based on contractual undiscounted cash flows as at December 31:

	2016					
	On Demand	**Within 30 Days**	**31 to 60 Days**	**61 to 90 Days**	**Over 90 Days**	**Total**
Cash and cash equivalents	**₱463,186**	**₱977,674**	**₱–**	**₱–**	**₱–**	**₱1,440,860**
Trade receivables from:						
Sale of condominium units	**11,014,139**	**1,571,387**	**519,813**	**399,509**	**1,375,197**	**14,880,045**
Lease	**119,398**	**1,571**	**520**	**400**	**1,375**	**123,264**
Available-for-sale investments	**–**	**–**	**–**	**–**	**16,808**	**16,808**
	₱11,596,723	**₱2,550,632**	**₱520,333**	**₱399,909**	**₱1,393,380**	**₱16,460,977**

	2015					
	On Demand	Within 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Cash and cash equivalents	₱461,877	₱1,735,001	₱52,333	₱–	₱–	₱2,249,211
Trade receivables from:						
Sale of condominium units	6,620,410	2,302,705	479,791	323,633	1,808,242	11,534,781
Lease	114,701	5,702	1,683	43	–	122,129
Available-for-sale investments	–	–	–	–	15,808	15,808
	₱7,196,988	₱4,043,408	₱533,807	₱323,676	₱1,824,050	₱13,921,929

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, 2016 and 2015.

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 15).

	2016	2015
Interest-bearing loans and borrowings	**₱15,633,946**	₱13,848,173
Less cash and cash equivalents	**1,440,860**	2,249,211
Net	**14,193,086**	11,598,962
Equity	**15,678,389**	14,179,645
Net debt-to-equity ratio	**0.91**	0.82

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 that are carried in the consolidated financial statements as at December 31, 2016 and 2015.

	2016				
	Carrying Value	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Assets					
Loans and receivables:					
Sale of condominium units (including noncurrent portion)	**₱9,235,566**	**₱20,604,092**	**₱–**	**₱20,604,092**	**₱–**
Investment properties (see Note 12)	**7,929,445**	**19,451,422**	**–**	**6,367,422**	**13,084,000**
Available-for-sale financial assets	**16,808**	**16,808**	**13,500**	**–**	**3,308**
	₱17,181,819	**₱40,072,322**	**₱13,500**	**₱26,971,514**	**₱13,087,308**
Liabilities					
Other financial liabilities:					
Interest-bearing loans and borrowings (including noncurrent portion)	**₱15,633,946**	**₱16,326,693**	**₱–**	**₱–**	**₱16,326,693**
Installment payable	**521,054**	**555,848**	**–**	**–**	**555,848**
Retention payable (including noncurrent portion)	**860,955**	**621,847**	**–**	**–**	**621,847**
Security deposits (including noncurrent portion)	**361,964**	**217,508**	**–**	**–**	**217,508**
	₱17,377,919	**₱17,721,896**	**₱–**	**₱–**	**₱17,721,896**

	2015				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets					
Loans and receivables:					
Sale of condominium units (including noncurrent portion)	₱8,722,114	₱18,458,155	₱–	₱18,458,155	₱–
Investment properties (see Note 12)	6,613,858	14,433,722	–	1,377,892	13,055,830
Available-for-sale financial assets	15,808	15,808	12,500	–	3,308
	₱15,351,780	P32,907,685	₱12,500	₱19,836,047	₱13,059,138
Liabilities					
Other financial liabilities:					
Interest-bearing loans and borrowings (including noncurrent portion)	₱13,848,173	₱14,499,917	₱–	₱–	₱14,499,917
Installment payable	467,007	520,666	–	–	520,666
Retention payable (including noncurrent portion)	640,039	605,720	–	–	605,720
Security deposits (including noncurrent portion)	302,643	298,610	–	–	298,610
	₱15,257,862	₱15,924,913	₱–	₱–	₱15,924,913

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

Cash and Cash Equivalents, Trade Receivables from Lease, Advances to Officers and Employees, Other Receivables, 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.

Trade Receivables from Sale of Condominium Units. The fair values of trade receivables from sale of condominium units were calculated by discounting the expected future cash flows at prevailing credit adjusted PDEx interest rates ranging from 1.8% to 5.0% as at December 31, 2016 and from 2.7% to 5.5% as at December 31, 2015.

Available-for-Sale Investments. The fair values of quoted equity securities were determined by reference to published two-way quotes of brokers as at financial reporting date. Unquoted equity securities for which no other reliable basis for fair value measurement is available, were valued at cost, net of impairment, if any.

Interest-bearing Loans and Borrowings. The fair values of fixed rate loans were calculated by discounting the expected future cash flows at prevailing credit adjusted PDEx interest rates ranging from 1.8% to 5.0% as at December 31, 2016 and 2.7% to 5.2% as at December 31, 2015.
Installment Payable. The fair value of installment payable were calculated by discounting the expected cash flows at prevailing credit adjusted PDEx interest rates ranging from 1.8% to 5.0% as at December 31, 2016 and 2.7% to 5.1% as at December 31, 2015.

Retention Payable and Security Deposits. The fair values were calculated by discounting the expected future cash flows at prevailing credit adjusted PDEx interest rates ranging from 1.8% to 5.0% as at December 31, 2016 and 2.9% to 4.9% as at December 31, 2015.
For the years ended December 31, 2016 and 2015, 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

	2016	2015	2014
	(In Thousands, Except Numbers of Shares and Per Share Data)		
Net income attributable to the Parent Company	**₱1,823,981**	₱1,643,731	₱1,562,600
Dividends on preferred shares	**(1,650)**	(1,650)	(1,650)
Net income attributable to common shares (a)	**1,822,331**	1,642,081	1,560,950
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	**4,183,823**	5,677,731	9,306,853
Weighted average number of common shares – diluted (c)	**6,120,946,021**	6,122,439,929	6,126,069,051
Per share amounts:			
Basic (a/b)	**₱0.2979**	₱0.2685	₱0.2552
Diluted (a/c)	**₱0.2977**	₱0.2682	₱0.2548

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 operations. Commercial buildings in its portfolio include the Power Plant Mall and 8 Rockwell in Makati City, Santolan Town Plaza in San Juan, Metro Manila, Rockwell Business Center (RBC) in Ortigas, Pasig and RBC Sheridan in Mandaluyong, Metro Manila. Other retail spaces are found at several of the high-rise condominiums developed by the Group.

- *Hotel segment* is engaged in leasing of serviced apartments and management of hotel and resort operations. Its hotel portfolio includes serviced apartments located in Edades Towers and Garden Villas, The Grove and Joya Lofts and Towers.

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:

		2016		
	Residential Development	**Commercial Development**	**Hotel**	**Total**
Revenue	**₱11,040,158**	**₱1,324,416**	**₱346,729**	**₱12,711,303**
Costs and expenses	**(8,876,504)**	**(456,690)**	**(258,127)**	**(9,591,321)**
Share in net income of a joint venture	**–**	**254,231**	**–**	**254,231**
Other income - net	**4,031**	**–**	**–**	**4,031**
EBITDA	**2,167,685**	**1,121,957**	**88,602**	**3,378,244**
Depreciation and amortization	**(169,135)**	**(280,358)**	**(50,772)**	**(500,265)**
Interest expense	**(221,798)**	**(139,688)**	**(28,362)**	**(389,848)**
Provision for income tax	**–**	**–**	**–**	**(671,897)**
Consolidated net income	**₱1,776,778**	**₱701,911**	**₱9,468**	**₱1,816,234**
Assets and Liabilities				
Segment assets	**₱25,136,487**	**₱1,509,962**	**₱245,643**	**₱26,892,092**
Investment properties	**809,559**	**7,119,886**	–	**7,929,445**
Investment in joint venture	–	**2,879,249**	–	**2,879,249**
Property and equipment	**1,505,007**	**269,618**	**962,361**	**2,736,986**
Total assets	**₱27,451,053**	**₱11,778,715**	**₱1,208,004**	**₱40,437,772**
Segment liabilities	**₱22,701,816**	**₱1,907,059**	**₱150,508**	**₱24,759,383**

	2015			
	Residential Development	Commercial Development	Hotel	Total
Revenue	₱6,515,111	₱2,147,116	₱260,002	₱8,922,229
Costs and expenses	(4,962,491)	(856,260)	(198,172)	(6,016,923)
Share in net income of joint venture	–	170,844	–	170,844
Other income – net	6,456	–	–	6,456
EBITDA	1,559,076	1,461,700	61,830	3,082,606
Depreciation and amortization	–	–	–	(335,687)
Interest expense	–	–	–	(471,188)
Provision for income tax	–	–	–	(633,386)
Consolidated net income	₱1,559,076	₱1,461,700	₱61,830	₱1,642,345
Assets and Liabilities				
Segment assets	₱22,221,512	₱1,638,054	₱224,331	₱24,083,897
Investment properties	800,615	5,813,243	–	6,613,858
Investment in joint venture	–	3,030,463	–	3,030,463
Property and equipment	1,261,420	259,322	780,890	2,301,632
Total assets	₱24,283,547	₱10,741,082	₱1,005,221	₱36,029,850
Segment liabilities	₱21,266,467	₱455,574	₱128,164	₱21,850,205

	2014			
	Residential Development	Commercial Development	Hotel	Total
Revenue	₱7,407,888	₱1,355,327	₱89,572	₱8,852,787
Costs and expenses	(5,309,217)	(477,444)	(83,817)	(5,870,478)
Share in net income of joint venture	–	102,819	–	102,819
Other income - net	2,902	–	–	2,902
EBITDA	2,101,573	980,702	5,755	3,088,030
Depreciation and amortization	–	–	–	(307,491)
Interest expense	–	–	–	(603,848)
Provision for income tax	–	–	–	(613,391)
Consolidated net income	₱2,101,573	₱980,702	₱5,755	₱1,563,300
Assets and Liabilities				
Segment assets	₱26,977,210	₱1,176,752	₱87,837	₱28,241,799
Investment properties	800,614	5,346,510	–	6,147,124
Investment in joint venture	–	2,859,619	–	2,859,619
Property and equipment	1,118,567	99,545	770,057	1,988,169
Total assets	₱28,896,391	₱9,482,426	₱857,894	₱39,236,711
Segment liabilities	₱25,824,219	₱447,456	₱ 73,365	₱26,345,040

33. Supplemental Disclosure of Cash Flow Information

In 2014, the Group's non-cash investing activity pertains to Rockwell Primaries' acquisition of 60% interest to Rockwell Primaries South with unpaid purchase price of ₱421.2 million as at year-end (see Note 6).

ROCKWELL LAND CORPORATION

INDEX TO SUPPLEMENTARY SCHEDULES
Form 17-A, Item 7

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
Rockwell Land Corporation
The Garage at Rockwell Center
Estrella St., Rockwell Center
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Rockwell Land Corporation and its Subsidiaries as at December 31, 2016 and 2015, and for each of the three years in the period ended December 31, 2016, and have issued our report thereon dated March 16, 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Roel E. Lucas

Roel E. Lucas
Partner
CPA Certificate No. 98200
SEC Accreditation No. 1079-AR-2 (Group A),
March 2, 2017, valid until March 1, 2020
Tax Identification No. 191-180-015
BIR Accreditation No. 08-001998-95-2016,
January 3, 2017, valid until January 2, 2020
PTR No. 5908714, January 3, 2017, Makati City

March 16, 2017

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 17 2017 TSIS
RECEIVED
MELINA PRISCA S. RANJO

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE A – FINANCIAL ASSETS
As of December 31, 2016

Name of Issuing Entity and Association of Each Issue	Number of Share or Principal Amount	Amount in the Balance Sheet	Value based on Market Quotation at end of reporting period	Income Received and Accrued
(Amount in thousands)				
Loans and Receivable				
A.) Cash		₱1,440,860	₱1,440,860	₱17,106
B.) Trade receivables:				
- Sale from Condominium Units		9,519,194	9,519,194	1,286,111
- Lease		123,264		
C.) Advances to officers and employees		45,985	45,985	–
D.) Others		232,627	232,627	–
E.) Refundable Deposits		154,896	154,896	–
F.) Restricted Cash		190,105	190,105	–
Available for sale securities				
A.) Quoted	1 share	12,500	12,500	–
B.) Unquoted		1,000	1,000	–

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPIAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
As of December 31, 2016

Name	Beginning balance	Additions	Deductions	Ending balance		Total
				Current	Non-Current	
Accounts Receivable						
Officers & Directors	₱190,549,387	₱76,174,044	₱69,915,093	₱90,185,613	₱98,638,291	₱196,808,339
Employees	117,420,879	44,972,788	29,414,648	31,134,225	96,546,762	132,979,018
TOTAL	**₱307,970,266**	**₱121,146,832**	**₱99,329,741**	**₱121,319,838**	**₱195,185,054**	**₱329,787,357**

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE C – ACCOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION PERIOD
As of December 31, 2016

Name and Designation of Debtor	Beginning balance	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Ending balance
Rockwell Leisure Club Inc.	₱16,523,492	₱6,977,414	11,661,498	₱–	₱11,839,408	₱–	₱11,839,408
Rockwell Integrated Property Services, Inc.	₱32,472,193	₱22,013,063	30,926,568	₱–	₱23,558,688	₱–	₱23,558,688
Rockwell Primaries Development Corporation	₱1,285,124,500	₱158,085,079	28,501,590	₱–	₱1,414,707,989	₱–	₱1,414,707,989
Stonewell Property Development Corporation	₱700,521	₱157,920	₱–	–	₱858,441	–	₱858,441
Primaries Properties Sales Specialists Inc.	₱–	₱1,598,014	₱–	₱–	₱1,598,014	₱–	₱1,598,014
Rockwell Hotels & Leisure Management Corp	₱66,532,520	₱11,292,239	18,183,	₱–	₱47,810,405	₱–	₱47,810,405
Retailscapes, Inc.	₱–	₱80,996,818	₱–	₱–	₱80,996,818	₱–	₱80,996,818

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE D – INTANGIBLE ASSETS – OTHER ASSETS
As of December 31, 2016

Description	Beginning balance	Additions at Cost	Charged to Cost & Expenses	Charged to Other Accts	Other Changes	Ending balance
N/A	N/A	N/A	N/A	N/A	N/A	N/A

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE E – LONG TERM DEBT
As of December 31, 2016

Title of Issue & Type of Obligation	Amount Authorized by Indenture	Current Portion of Long-Term Debt	Long-Term Debt (net of Current Portion)	Average Interest Rate	No. of Periodic Installments	Maturity Date
Philippine Peso, 7-Year FRCN due 2020	₱10,000,000,000	₱1,612,000,000	₱6,364,000,000	4.90%	13	1/7/2020
Philippine Peso, 7-year & 1 quarter fixed-rate retail peso bonds due on 2021	₱5,000,000,000	₱–	₱5,000,000,000	5.09%	1	2/15/2021
Philippine Peso, 5-Year fixed-rate notes due 2019	₱533,904,590	₱106,527,161	₱229,299,714	5.00%	5	12/22/2019
Philippine Peso, 10-year fixed-rate loan due 2026	₱500,000,000	₱–	₱500,000,000	5.69%	32	06/17/2026
Philippine Peso, 10-year fixed-rate loan due 2026	₱1,000,000,000	₱–	₱1,000,000,000	5.50%	32	05/31/2026
Philippine Peso, 7-year fixed-rate loan due 2023	₱1,000,000,000	₱–	₱1,000,000,000	4.44%	20	06/17/2023
Philippine Peso, 10-year floating-rate loan due 2026	₱1,000,000,000	₱–	₱1,000,000,000	2.53%	32	06/16/2026
Philippine Peso, 7-year floating-rate loan due 2023	₱500,000,000	₱–	₱500,000,000	2.59%	20	09/16/2023

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE F – INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
As of December 31, 2016

Name of Related Party	Beginning balance	Ending balance
N/A	N/A	N/A

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE G – GUARANTEES OF SECURITIES OF OTHER ISSUERS
As of December 31, 2016

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed & Outstanding	Amount owed by Person for which Statement is filed	Nature of Guarantee
N/A	N/A	N/A	N/A	N/A

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE H – CAPITAL STOCK
As of December 31, 2016

				Number of Shares Held By		
Title of Issue	**Number of Shares Authorized**	**Number of Shares Issued and Outstanding**	**Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights**	**Related Parties**	**Directors, Officers and Employees**	**Others**
Common Shares	8,890,000,000	6,116,762,198	48,740,000	5,296,015,375	38,562,005	733,444,818
Preferred Shares	11,000,000,000	2,750,000,000	0	2,750,000,000	0	0

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE I – LIST OF APPLICABLE STANDARDS AND INTERPRETATIONS
As of December 31, 2016

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendment to PFRS 1: Meaning of Effective PFRSs			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendment to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Share-based Payments – Classification and Measurement of Share-based Payment Transactions	Not early adopted		
PFRS 3 (Revised)	Business Combinations	✓		
	Business Combinations - Accounting for Contingent Consideration in a Business Combination			✓
	Business Combinations - Scope Exceptions for Joint Arrangements	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*	Not early adopted		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
	Amendments to PFRS 7: Disclosures - Servicing Contracts			✓
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments	Not early adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Investment Entities: Applying Consolidation Exceptions			✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not early adopted		
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Investment Entities: Applying Consolidation Exceptions			✓
	Amendments to PFRS 12: Disclosure of Interests in Other Entities – Clarification of the Scope of the Standard			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	Not early adopted		
PFRS 16	Leases	Not early adopted		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Statement of Cash Flows – Disclosure Initiative	Not early adopted		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors			✓
PAS 10	Events after the Reporting Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendment to PAS 12 –Income taxes – Recognition of Deferred Tax Assets for Unrealized Losses	Not early adopted		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendment to PAS 16: Agriculture - Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Amendments to PAS 19: Regional Market Issue Regarding Discount Rate	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
	Investments in Associates and Joint Ventures	✓		

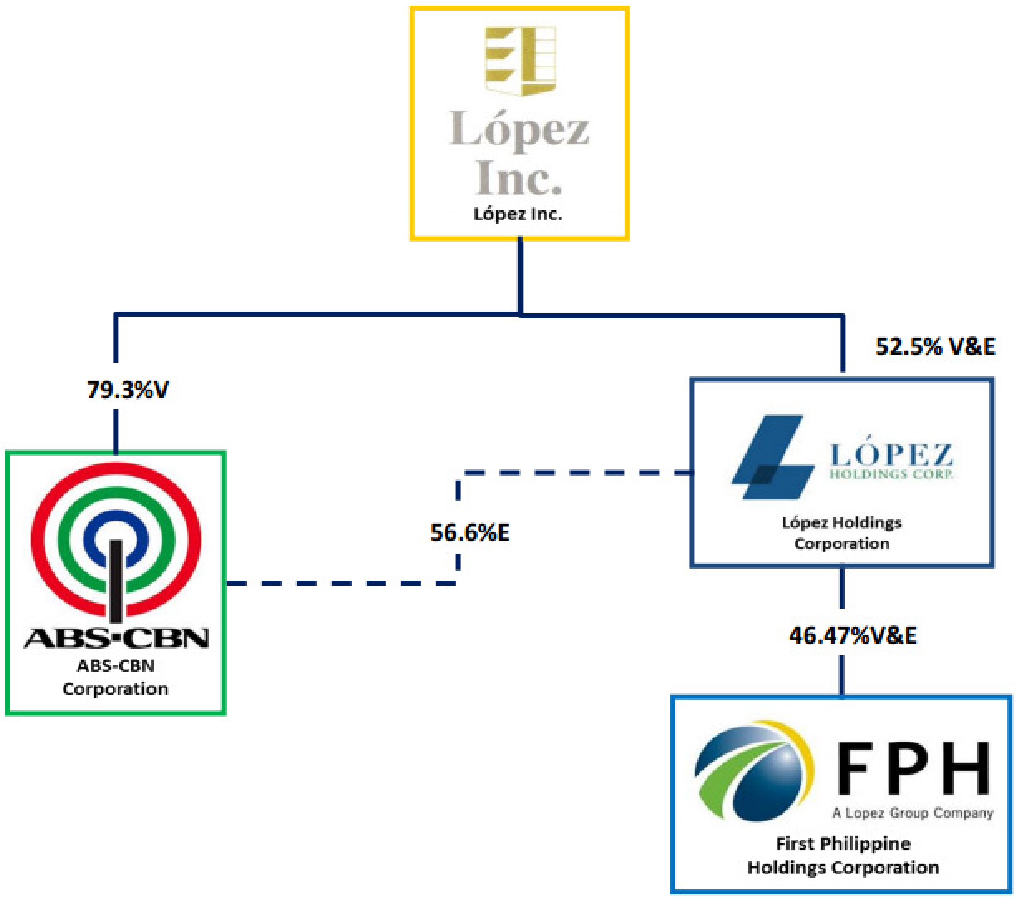
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 28 (Amended)	Amendments to PFRS 10: Investment Entities: Applying Consolidation Exceptions			✓
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not early adopted		
	Amendments to PAS 28, "Measuring an Associate or Joint Venture at Fair Value"	Not early adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendments to PAS 34: Disclosure of information 'elsewhere in the interim financial report			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Investment Property	Not early adopted		
PAS 41	Agriculture			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 41: Agriculture - Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration	Not early adopted		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

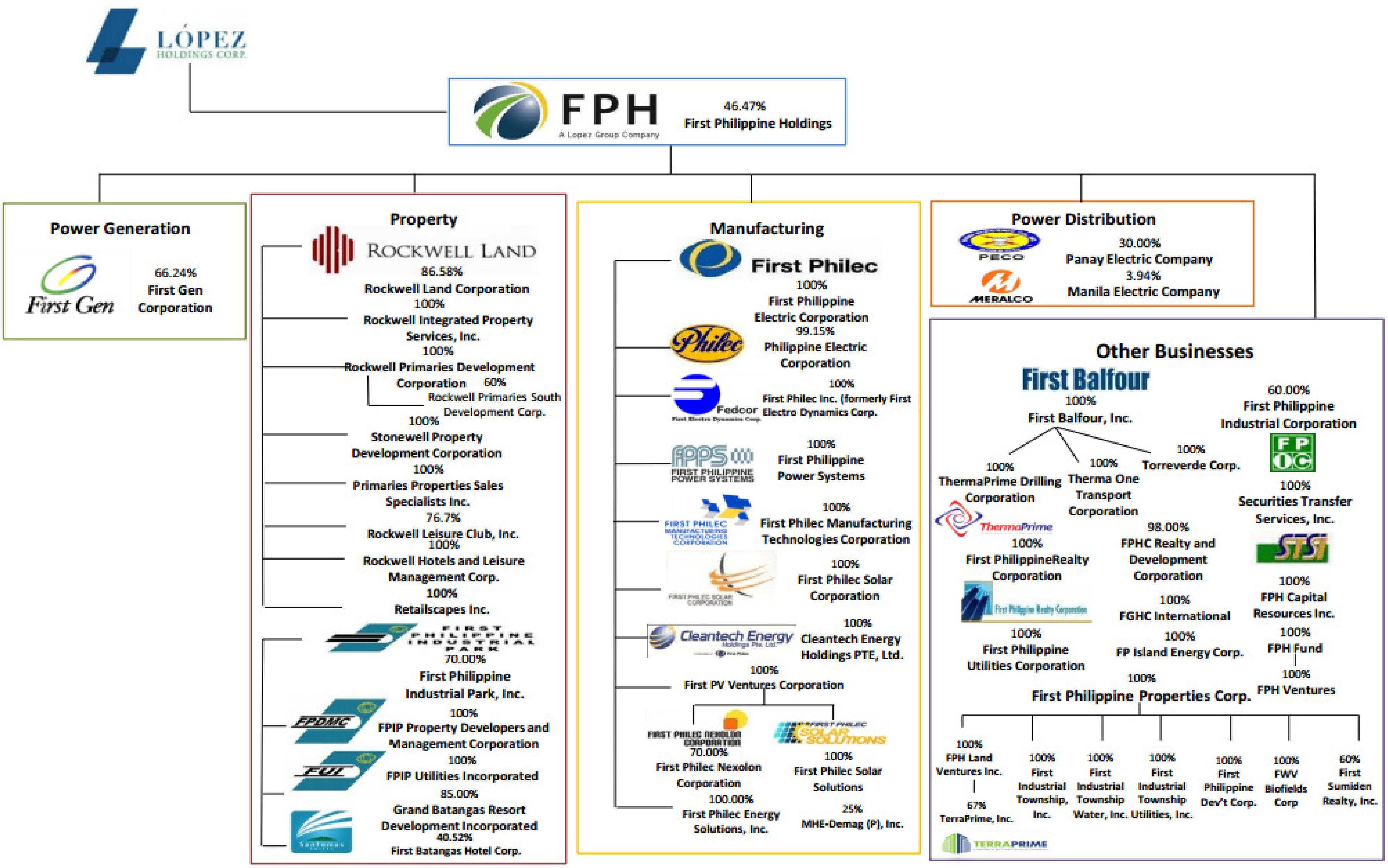
ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE J – RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
As of December 31, 2016
Amount in thousands

Unappropriated Retained Earnings, beginning	₱7,015,557
Adjustments:	
Other comprehensive loss (PAS 19)	99,403
Deferred tax assets	128,296
Unappropriated Retained Earnings, as adjusted, beginning	7,243,256
Add:	
Net income during the period to retained earnings	2,106,923
Less:	
Benefit from deferred income tax	(5,453)
Cash dividends declared during the year	(330,120)
Appropriation retained earnings	(3,000,000)
Unappropriated Retained Earnings Available for Dividends Declaration	₱6,014,606

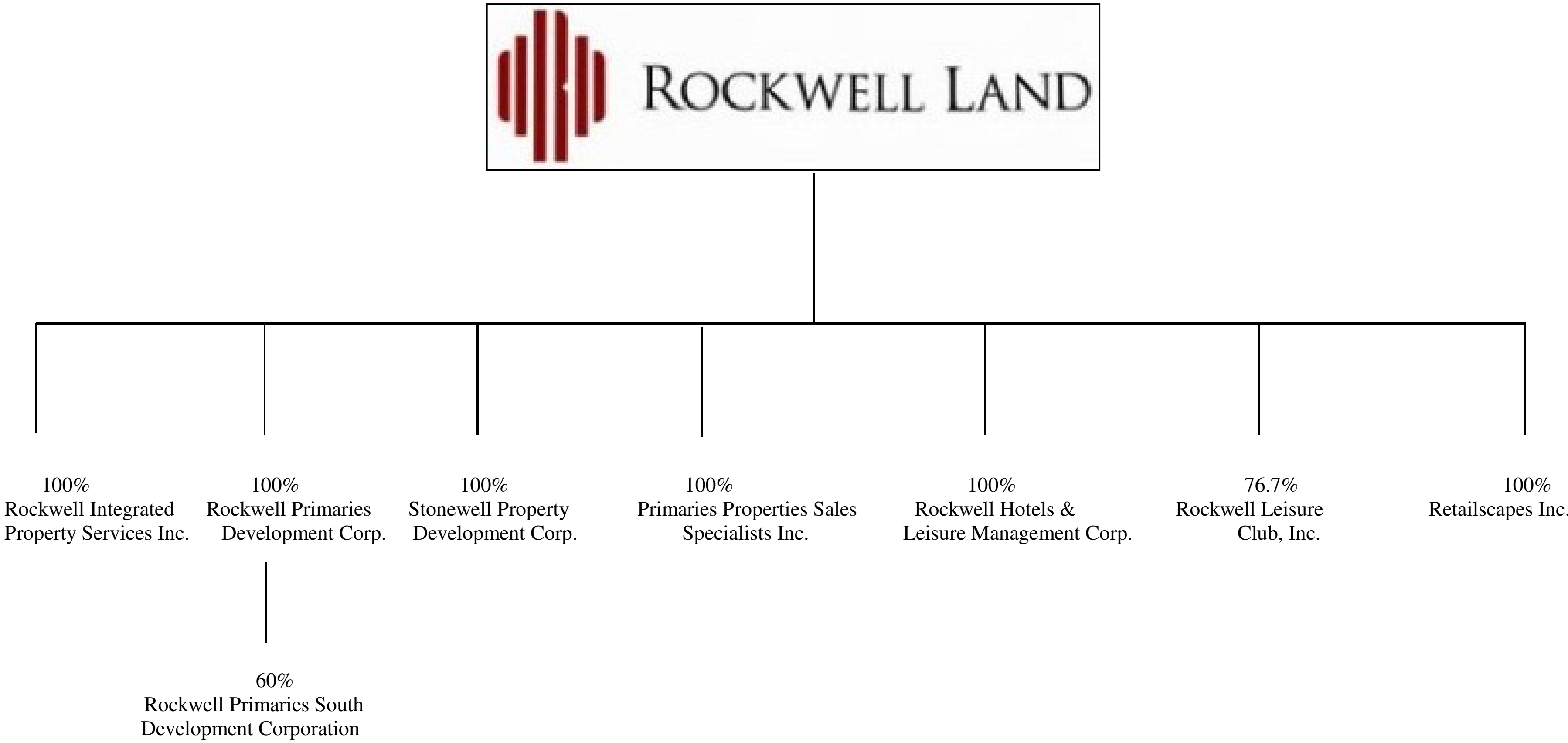
ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE K – MAP OF RELATIONSHIPS OF COMPANIES WITHIN THE GROUP
As of December 31, 2016



ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE K – MAP OF RELATIONSHIPS OF COMPANIES WITHIN THE GROUP
As of December 31, 2016



ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE K – MAP OF RELATIONSHIPS OF COMPANIES WITHIN THE GROUP
As of December 31, 2016



ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE L – FINANCIAL RATIOS
As of December 31, 2016

KPI	2016	2015	2014
EBITDA (P)	₱3.4 billion	₱3.1 billion	₱3.1 billion
Current Ratio (x)	3.01	2.92	2.47
Net DE Ratio (x)	0.91	0.82	0.70
Asset to Equity Ratio (x)	2.58	2.54	3.04
Interest coverage ratio (x)	4.54	7.64	5.60
ROA	4.8%	4.4%	4.2%
ROE	12.2%	12.1%	12.9%
EPS (P)	0.30	0.27	0.26

Please show supporting figures to tie up, different from the FS computed

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]

ROCKWELL LAND

Report of the Audit Committee

(For the year ended December 31, 2016)

The Audit Committee's roles and responsibilities are defined in the Corporate Governance Manual of Rockwell Land Corporation and the Audit Committee Charter. We assist the Board of Directors in fulfilling its oversight responsibility to the shareholders relating to: a) Integrity of financial statements and the financial reporting process; b) Appointment, re-appointment, remuneration, qualifications, independence and performance of independent auditor; c) Effectiveness of internal control system; d) Review of the sufficiency and effectiveness of the risk management process; and e) Oversight on Internal Audit function. We confirm that:

1) An Independent Director chairs the Audit Committee. Two out of the four members of the Audit Committee are independent directors;
2) We had five Committee meetings during the year, four regular meetings and one special committee meeting, all of which are in-person meetings;
3) We have reviewed and approved the 2016 Audit Plan and the subsequent changes thereto;
4) We have reviewed the reports of the Internal Auditors, ensuring that management is taking appropriate corrective actions in a timely manner, including addressing internal controls and compliance issues;
5) We have discussed and approved the overall scope and audit plan of SGV & Co. for the audit of 2016 Financial Statements. We have also discussed the results of their audits and their assessment of Rockwell Land's internal control and the overall quality of the financial reporting process;
6) We have reviewed and discussed the quarterly unaudited financial statements and year-end audited financial statements of Rockwell Land with the Management and SGV & Co.;
   These activities were performed in the following context:
   - The management has the primary responsibility for the financial statements and the financial reporting process; and
   - That SGV & Co. is responsible for expressing an opinion on the conformity of Rockwell Land's consolidated financial statements with the Philippine Financial Reporting Standards.
7) For the year ended December 31, 2016, Rockwell Land has engaged its independent auditor, SGV & Co. to do other audit related and non-audit services aside from the conduct of year-end financial audit. Such engagements were presented to and reviewed by the Audit Committee and concluded that the nature and scope are not incompatible with their role as independent auditor and the related fees are not significant to impair their independence;
8) We have reviewed the report on regulatory compliance and ensured that appropriate timely actions are taken and requirements are complied with.

Based on the reviews and discussions undertaken, and subject to the limitations on our roles and responsibilities referred to above, the Audit Committee recommends to the Board of Directors that the audited financial statements be included in the Annual Report for the year ended December 31, 2016 for filing with the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE). We are also recommending to the Board of Directors the re-appointment of SGV & Co., as Rockwell Land Corporation's independent auditor for 2017 based on the review of its performance and qualifications.

March 16, 2017

OSCAR J. HILADO
Chairman

MONICO V. JACOB
Member

FRANCIS GILES B. PUNO
Member

MANUEL L. LOPEZ JR.
Member

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