Rockwell Land

# 2023
## DONE ROCKWELL

FPH
A Lopez Group Company
POWERED BY GOOD

# DONE ROCKWELL

Where each structure tells a story
of how we breathe life to brick and mortar.
Hear our heartbeat of service echo through every space.
For us, creating communities is not just a task,
but a purpose embraced with grace.

Setting us apart is more than a claim,
It's in the craftsmanship, the Rockwell name.
From the blueprint's birth to the final touch,
A legacy etched on every enclave, our signature brush.

New horizons unfold, yet our essence holds tight,
Consistency in excellence, a beacon in the night.
As we look for new heights and new grounds to dwell,
Done Rockwell is always the story we will tell.

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**ABOUT THIS REPORT**

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

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

# REPORT OF THE CHAIRMAN & CEO

The year 2023 allowed us to build upon the remarkable progress and successes Rockwell has had in making a mark in new territories, introducing market-driven products and empowering the people behind these.

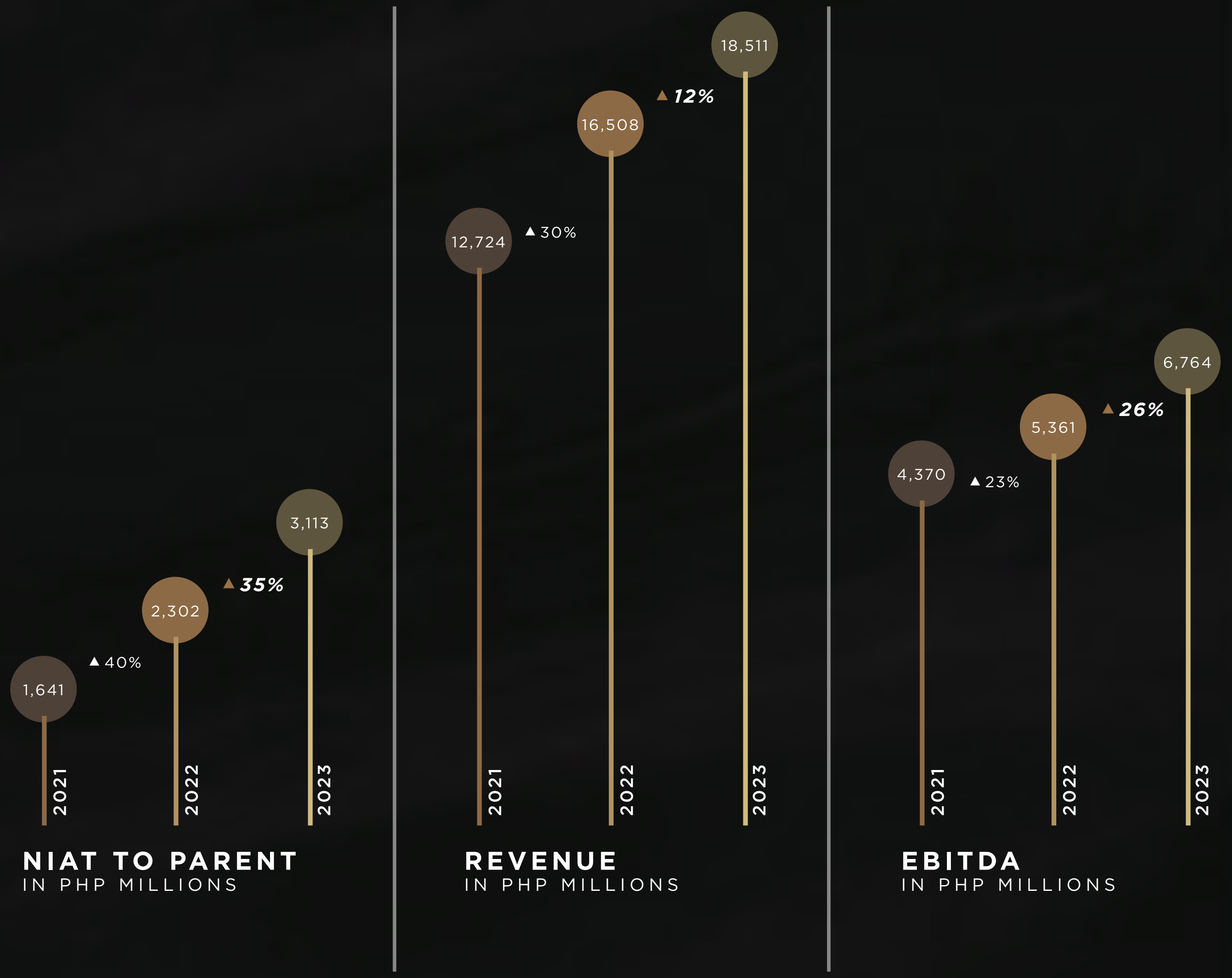
Last year, we may have lost our dear Chairman, Ambassador Manuel Lopez; but, his optimism and trust in the team he took care of for decades just made our resolve stronger to bring Rockwell to more achievements just as he envisioned.

It was no easy feat filling in the shoes of our Chairman. We took off from his desire to reach more Filipinos and bring our brand to a higher purpose. We strengthened this by focusing on our core market, broadening it through diverse products, and expanding our presence exponentially.

**SURPASSING PRE-PANDEMIC LEVEL**

Over 3 years of a race towards recovery from the pandemic has now brought us to surpassing our pre-pandemic earnings.

We capped off 2023 with a **net income after tax to Parent** of Php 3.1 billion, 35% higher than previous year. **Consolidated revenues** are also higher by 12% totaling to Php 18.5 billion. **EBITDA** continues to be higher year on year, amounting to Php 6.8 billion in 2023, a 26% increase from 2022.



## A STRONG CORE MARKET RECEPTION

Our core Rockwell market remained strong, affirming our plans of providing more signature Rockwell communities and bringing these to provincial locations. Horizontal developments also continued to attract the market which prompted us to launch more, while making sure we offer unique experiences to their future open spaces.

A much-awaited Rockwell project was launched in the heart of Cebu last October 2023 with **IPI Center Done Rockwell**. It is a joint venture with the Castillo and Wong Families' International Pharmaceuticals, Inc., spanning 2.8 hectares. Anchored by a unique retail concept of over 10,000 sqm of leasable space, IPI Center will welcome the future residents of its first tower, **Lincoln**, to a mix of retail experiences. The project is poised to be a dynamic and progressive mixed-use community with generous open spaces. Its strategic location allows more investment opportunities as we launch 1 Rockwell, IPI Center's first office building, on the 3rd quarter of this year.

After an overwhelming reception of our first premium horizontal community in Laguna, it was inevitable that we launched **Cluster 5 of Rockwell South at Carmelray** also in October of 2023. We sold over 60% of our residential lot offerings in its first month. The community is also getting a head start with the opening of The Country Club last year, a testament to our promise of creating exceptional experiences. It includes over a hectare of amenities the lot owners can already enjoy.

The market appetite for residential lots and open spaces remains evident in **Terreno South** in Batangas. Located in the bustling city of Lipa, we launched Phase 5 in May 2023 after the success of its previous phase's lot cut offering of 120-284 sqm. The city continues to be a key area of growth due to its proximity to Metro Manila and strategic infrastructure access points.

## GROWING FIVEFOLD

To fulfill our vision of continued expansion, a steady flow of developments assures us of our market share. We are elated to have entered 2024 with land bank totaling to 500 hectares, five times more than five years ago.

More than 90% of our land bank is located in the key cities of Pampanga, Laguna, Batangas, and Bulacan. Our current presence in these strategic sites has given us the optimism to develop more products, allowing us to excite our core market with new offerings to complement their lifestyle.

Just within this year, we will jump start our projects as we launch the first phase of our 3 new developments in Bulacan and Batangas.

A nature-inspired community awaits in our first venture in the thriving province of **Bulacan** with over 100 hectares. Launching in the 3rd quarter of this year, future residents of the first phase can invest in 250 - 300 sqm lots amidst sprawling landscapes and rolling terrains.

Also, this year, we set sights on 2 new projects in **Lipa, Batangas**. One is a 63-hectare joint venture with General Milling Corporation initially offering lots sized 250-400 sqm. It shows a strong potential to be a Rockwell Center mixed-used community in the Calabarzon region, especially with the completion of a 38-meter-wide bypass road that provides direct access to the development.

Another exclusive community to launch in Lipa boasts of panoramic views of the Taal Lake. Within its 38 hectare expanse are residential lots and a unique hotel concept that will be a respite from the busy metro, only 1.5 hours away.

## DONE ROCKWELL

We want our next 5 years to be the best. We hit the ground rolling with our geographic expansion and land banking, projected to give us revenue growth until 2028. Our new projects, though in new territories, keep us hopeful with its positive initial market reception. We are pushing to sustain the momentum without foregoing our mission of giving our clientele everyday joys, done Rockwell.

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

REPORT OF THE
# PRESIDENT & COO

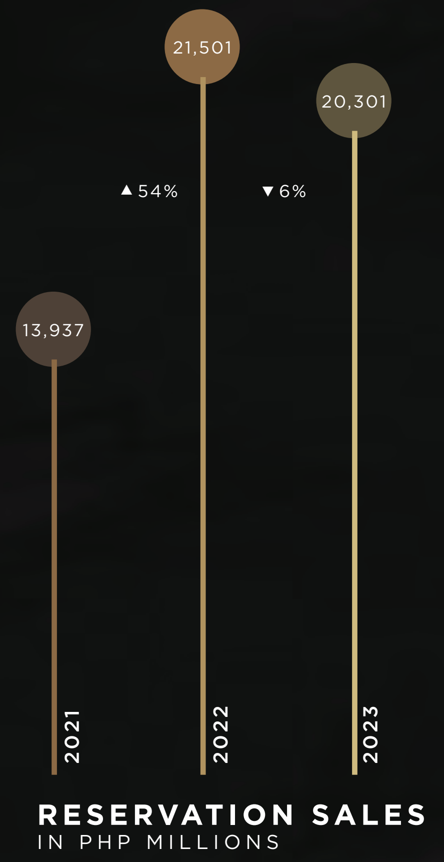
I am proud to reflect on our company's remarkable achievements over the past year. Stepping into this role during a period of great promise and opportunity has been personally rewarding, and I am thrilled to be part of the journey ahead.

In 2023, our company posted unprecedented growth across our core businesses, signaling a strong turnaround and setting the stage for expansive opportunities. We achieved a **consolidated net income after tax (NIAT)** of Php 3.4 billion, marking an impressive 31% increase over the previous year, alongside a rise in revenue, reaching Php 18.5 billion.

A substantial portion of this revenue, around 78%, was generated from our operations in Metro Manila, totaling Php 14.5 billion. However, we've also witnessed promising growth in provincial revenue, amounting to Php 4.0 billion, largely attributed to our projects in Southern Luzon and Central Visayas. Communities have started at **Rockwell South at Carmelray** in Laguna and **Terreno South** in Batangas. In Central Visayas, **Aruga Resort and Residences – Mactan**, our inaugural beachfront property venture, is nearing completion. The villas have been completely sold out, and we are on track to commence the turnover of cluster 1 by the end of this year.

Our commitment to provincial development remains steadfast, as evidenced by our ongoing expansion and development efforts in provincial areas. With projects underway in Bulacan, Pampanga, Batangas, and the Visayas, we anticipate significant increases in provincial revenue in the coming periods.

Breaking down our revenue streams, the majority (78%) came from residential projects, with revenues surging to 18% growth compared to the previous year. Reservation Sales also surpassed Php 20 billion.




### QUALITY BREEDS RESIDENTIAL GROWTH

**Edades West**, situated in Rockwell Center in Makati, has consistently generated reservation sales of over 5 billion annually since its launch in 2022, establishing itself as a dominant player in the high-end segment.

**The Arton by Rockwell** in Katipunan, Quezon City, has significantly strengthened our residential revenue portfolio. The ongoing turnover of the first two towers, the imminent completion of the entire project including the amenities, and its accessibility to nearby universities, have generated considerable anticipation and interest.

Model units serve as showcases for potential buyers, allowing them to envision themselves living in our properties. The successful model unit openings at Edades West in Power Plant Mall and 1 Nara in Bacolod, plus new selling experiences through the Glasshouses of IPI Center in Cebu, and Terreno South in Batangas, have proven to be effective sales tools, resulting in increased sales for our residential business.

Moreover, the handover and unit acceptance process has become a key strategic focus for Rockwell. Given the relentless competition in the high-end and upscale segments today, we must sustain our edge by delivering excellent products that meet the standards and expectations of our discerning residents. The pursuit of quality has yielded remarkable success in the growing community of the **Proscenium**, the well-received **The Balmori Suites**, and our first horizontal community in **Rockwell South at Carmelray**.

On construction, the progress made in our projects has enabled us to promptly recognize payments, thus improving our bottom line. Key construction milestones include the completion of Arton West and Fordham Tower in East Bay Residences; the Groundbreaking of Bel-Air in Rockwell Center Bacolod, and Edades West; the Topping Off of Phase 1 of Aruga Resort and Residences in Mactan, 8 Benitez Suites, Two Nara in Bacolod and Sillion at 32 Sanson in Cebu.

### INNOVATION SPARKS COMMERCIAL TURNAROUND

On the commercial front, recurring revenue exceeded Php 4 billion, driven primarily by the retail segment. Retail revenue grew by 27% from the previous year, fueled by a focus on enhanced tenant experiences and innovative concepts. Exciting additions such as Lusso, Deli by Chele, Hugo, Jacardi, and Pet Lover's Centre have enriched the Power Plant Mall experience. Chef's Table in The Balmori Suites has become a vibrant hotspot, capturing the attention of culinary enthusiasts. The Proscenium Retail Row has enriched the Rockwell retail journey, attracting considerable attention with the introduction of Joel's Place, Pizzulu, and Nori Sushi Bar.

This diverse mix of establishments, supported by regular promotions, events and digital communications, has collectively surpassed pre-pandemic levels in sales, rental rates, and foot traffic, marking a remarkable achievement for the retail business.

Rockwell Workspaces had notable office sign-ups from different businesses like consulting firms, BPO's and pharmaceutical companies in 2023. This reaffirms the Rockwell address as a preferred choice for businesses in pursuit of contemporary workspaces that resonate with evolving trends and requirements.

As we look ahead to 2024, Rockwell Land remains poised for continued success. Anchored by financial stability, a culture of innovation, and a focus on customer satisfaction, we are primed to seize emerging prospects and establish our prominence in the real estate sector. As we venture into the future, Rockwell Land eagerly anticipates shaping the future of urban living.

**VALERIE JANE L. SOLIVEN**
PRESIDENT AND
CHIEF OPERATING OFFICER



# BUSINESS PORTFOLIO

"Beyond the ordinary, that is what Rockwell is."

**AMB. MANUEL M. LOPEZ †**
Chairman of the Board 1995 – 2023

ROCKWELL CENTER MAKATI

# EVERYDAY LIVING DONE ROCKWELL

## ROCKWELL CENTER MAKATI

It all began with a vision to transform a 15-hectare expanse of a former power plant into something distinctive in Makati City. What emerged was a thriving community offering meticulously-planned spaces to complement a sophisticated lifestyle.

**Rockwell Center Makati** boasts of iconic towers like Rizal Tower, Hidalgo Place, Luna Gardens, and Amorsolo Square in the West Block. Each embodies timeless sophistication. Across them, modernity blends with tradition as the East Block features architectural marvels such as The Manansala, Joya Lofts and Towers, and One Rockwell. On the other end, Edades Tower and Garden Villas, along with Edades Suites, offer a sanctuary of tranquility nestled within verdant surroundings. Together, these enclaves form the backbone of Rockwell's expanding horizons — a community steeped in culture and creativity.



THE PROSCENIUM LINK

## PROSCENIUM AT ROCKWELL

Adding to the community's allure is the **Proscenium at Rockwell**, spanning 3.6 hectares and featuring its own residential, office, and retail spaces. Situated conveniently close to the mall, The Proscenium is easily accessible via the newly-opened pedestrian bridge, Proscenium Link. Recent openings in its retail row including Carmelo's Steakhouse, Joel's Place, NORI Sushi Bar / Good Times, Feta Mediterranean, and Brunch Bureau further enhance the vibrant atmosphere, offering residents and visitors an eclectic mix of dining experiences.

THE PROSCENIUM RETAIL ROW

## POWER PLANT MALL

At the heart of Rockwell Center Makati lies the Power Plant Mall. It serves as the pulse of the community with its curated selection of high-end brands, dining establishments, and entertainment venues. In 2023, the mall welcomed exciting new additions such as The Balmori Chef's Table where well-known chefs and their creations are featured every month. Additionally, retail offerings were expanded to include APC Pop-up, Lusso and Hapag at The Balmori Suites, Maisonette, Watsons featuring a new concept with more beauty brands, La Guada Mas, and Halohalo.

### THE BALMORI SUITES

Standing proudly above the lively mall, **The Balmori Suites** adds elegance to urban living. Starting right from its lobby, featuring natural stone accents, every detail of this tower welcomes residents to a life well-deserved. As the project actively hands over units to its discerning residents, the promise of a bespoke living experience becomes a reality.

### EDADES WEST

The newest addition to the center is **Edades West**. It emerges as a new residential icon within the Rockwell expanse, seamlessly integrating indoor and outdoor spaces through expansive balconies and floor-to-ceiling glass windows, providing breathtaking vistas of the bustling cityscape. Edades West sets a new benchmark for contemporary living with its innovative features and amenities, including future-proof home features and a heated pool, marking a project of firsts in the community.

### ROCKWELL WORKSPACES

Within Rockwell's prime Makati centerpiece are three Rockwell Workspaces buildings — **8 Rockwell**, **1 Proscenium**, and **Proscenium Podium Offices**. These offices prioritize renewable energy sources and are awarded with LEED certifications, on top of its prestigious address.

1 PROSCENIUM

### ARUGA APARTMENTS

Nestled among the towering structures of Rockwell Center Makati, **Aruga Apartments** serves as a beacon of hospitality, offering comfort and luxury at the heart of the bustling city.

## WITHIN THE METRO

Expanding its legacy beyond Makati, Rockwell reaches across Metro Manila, shaping exclusive communities tailored to refined living.

### THE ARTON

In Quezon City, **The Arton** stands tall, symbolizing modernity and sophistication. Spanning 1.9 hectares with 80% open space, it marks Rockwell's venture into northern Metro Manila. A joint venture between Rockwell Land and Mitsui Fudosan Co., Ltd., the community thrives with residents enjoying their new homes and amenities. With the completion of the first two towers, Arton West and Arton North, more join this vibrant community with its last tower, Arton East.

### EAST BAY RESIDENCES

**The Larsen Tower at East Bay Residences**, its second tower after the success of Fordham, redefines living in Muntinlupa, marking Rockwell's first foray near Alabang. As part of the 7.2-hectare East Bay Residences community, the tower offers an exceptional residential experience complemented by the East Bay Retail Row. Residents enjoy the best of both worlds with modern open amenities and convenient access to retail and dining options.

In Pasig and New Manila, urban vibrancy meets sophisticated living at Rockwell developments such as **The Grove**, **53 Benitez** and **The Vantage at Kapitolyo**. Townhomes in nearby cities offer a unique blend of elegance and convenience for the residents of **205 Santolan** in Quezon City and **The Alvendia** in San Juan.

**53 BENITEZ**

**THE VANTAGE**

### 8 BENITEZ SUITES

At **8 Benitez Suites**, Rockwell's latest intimate community, future residents will soon enjoy the convenience of New Manila and Greenhills within a secure and exclusive garden community. Inspired by the charm of townhome living, this development offers spacious 2-bedroom and 3-bedroom units, providing future residents with a familiar sense of coziness Rockwell is known for. Slated to start its own community by the end of 2024, 8 Benitez Suites promises a lifestyle of comfort and convenience.



# EXPANDING HORIZONS

### ROCKWELL SOUTH AT CARMELRAY

Amidst the serenity of Laguna, **Rockwell South at Carmelray** stands as a haven for those seeking solace in a fresh environment. With nature-inspired landscapes spanning 63 hectares, this thriving horizontal community offers residents a tranquil retreat. With the completion of amenities and parks, including over 1 hectare of facilities at The Country Club at Carmelray—featuring pools, courts, a function room, lawns, parks, and an aviary—lot owners began experiencing the exclusive nature-centric lifestyle in 2023.


### TERRENO SOUTH

In Batangas, **Terreno South** continues to flourish as a lively community with exciting developments in the pipeline covering over 46 hectares. The completion of the Glass House marks a significant milestone, offering a glimpse into future retail concepts that promise to enhance the lifestyle of residents. Phase 5 is currently underway, offering open lots for prospective homeowners. The community's growth is evident as more than half of lots have been turned over and families have begun building their homes, shaping Terreno South into a thriving and dynamic neighborhood.

# ROCKWELL ON THE MOVE

Rockwell's story is a testament to the power of movement — the relentless drive to explore new horizons and embrace fresh opportunities. From its roots in Makati to the energetic vibe of Pampanga, the captivating charm of Bacolod, and the dynamic spirit of Cebu, Rockwell's presence resonates with a sense of possibility and promise. Done Rockwell enriches the lives of those it touches.

## ROCKWELL AT NEPO CENTER

In Pampanga, **Rockwell at Nepo Center** emerges as a testament to our commitment to the province's prosperity. This 4.5-hectare mixed-use development, a joint venture with Juan D. Nepomuceno Realty, stands as Rockwell's first venture in Central Luzon. This is also the inaugural expansion of Power Plant Mall outside Metro Manila. Featuring three mid-rise residential buildings, including The Manansala and The BenCab, Rockwell at Nepo Center shows Rockwell's commitment to creating and redefining communities across the country.

NARA RESIDENCES

Similarly, Rockwell breathes new life to Bacolod, the City of Smiles. The 11-hectare **Nara Residences** continues to offer a blend of residential condominiums and lots. This year, we are gearing up to turnover units to our first residents. Just a stone's throw away, The Pavilions at Nara is open for business. With known favorites such as UCC, Firehook, Coco Ichibanya, and Mitsuyado, Bacolodnons are treated to newfound culinary conveniences. Close to Nara Residences is **Rockwell Center Bacolod**, a 30-hectare master-planned community. Poised to become the next central lifestyle district, Rockwell Center Bacolod currently offers commercial lots and its Bel-Air residential lots. Locals can get excited for the future of Bacolod City with a Power Plant Mall also on the horizon.

ROCKWELL CENTER BACOLOD



ARUGA RESORT AND RESIDENCES - MACTAN

32 SANSON

In Cebu, Rockwell's presence continues to flourish with projects like **32 Sanson**, **Aruga Resort and Residences - Mactan**, and **IPI Center Done Rockwell**. 32 Sanson, Rockwell's first expansion in the Visayas, boasts a 3.2-hectare garden development with five buildings, offering residents a serene retreat. Aruga Resort and Residences - Mactan sprawls across a 5.2-hectare property, offering unique leisure experiences across a 270-meter beachfront — the longest in the island. Meanwhile, IPI Center, a joint venture with International Pharmaceuticals Inc., introduces residential, office, and retail components. Its first residential tower, Lincoln, was launched in October 2023. This year, a new investment opportunity arrives with the launch of 1 Rockwell, IPI Center's first office building.

IPI CENTER DONE ROCKWELL

## LANDBANKING BEYOND THE METRO:

# THE KEY TO ROCKWELL'S SUSTAINAIBLE GROWTH

Over the past five years, Rockwell Land has embarked on a journey of relentless expansion, growing our portfolio fivefold, and setting a strategic trajectory for the next five. As of 2023, our total land holdings stand at an impressive 500 hectares, valued at over Php 10 billion.

While maintaining a strong presence in Metro Manila, we are actively diversifying our offerings across other urban areas where robust infrastructure and commercial activity are enhancing land values.

In the Visayas region, significant strides have been made with projects in Bacolod and Cebu, featuring a diverse range of products including high-rise condominiums, beachfront developments, commercial lots, retail spaces, and residential lots. Additionally, expansion is imminent, with plans for development in the region of over 20 hectares of land, further solidifying our presence in the Visayas.

Our momentum continues in Central Luzon and Southern Luzon, where notable success has been witnessed in previous projects. Over 90% of our extensive land bank, totaling over 400 hectares, is strategically located in Pampanga, Laguna, Batangas, and Bulacan.

ROLLING TERRAINS AT THE FUTURE BULACAN SITE



Rolling terrains meet the skyline at a future project in San Jose Del Monte, Bulacan. This community rests amidst open lots and nature-inspired landscapes, spread across over 100 hectares of land. Its first phase will offer lots ranging from 250 to 370 sqm. Enriched by a retail strip, a sprawling central amenity, and venues for family-friendly activities, future residents can look forward to a unique living experience.

Simultaneously, in **Batangas**, a new canvas of dreams unfolds as new Rockwell grounds take shape. This 63-hectare mixed-use development, a joint venture with General Milling Corporation (GMC), is poised to thrive in Lipa. Plans for the future continue to unfurl as it launches towards the latter part of 2024. This new development is primed to become a cherished home for generations to come, initially with open lots as product offering. Expansive spaces and amenities will make it the go-to family leisure destination in South Luzon, that caters as well to the locals of the region to experience an elevated lifestyle in this new Rockwell community. Notably, the construction of the 38-meter, six-lane bypass road will provide direct access to the development, connecting the existing bypass road of the city and the Lipa-Alaminos Road that leads to the adjacent province and nearby cities.

PANORAMIC MOUNTAIN VIEWS OF THE LIPA SITE

A MAJESTIC BEACHFRONT EXPERIENCE AWAITS IN THE FUTURE EXPANSIVE LIAN, BATANGAS COMMUNITY

Still in Lipa, **Batangas, atop Taal Lake**, a new Rockwell development will emerge. Spanning 38 hectares, this exclusive development captivates with its panoramic views and a destination restaurant to boot. Residents can find themselves immersed in a world filled with the extraordinary as residential lots will soon be offered when it launches this year. A unique hotel concept, plus wellness activities are expected to complete the experience along with its breathtaking Taal Lake views.

In the same **coastal province of Batangas**, amidst the waves and palm trees, a new Rockwell signature development beckons — a sanctuary of golf and beachfront leisure experiences. Covering over 160 hectares, this haven spans approximately 483 meters of total beachfront across 2 coves and boasts a coastline of around 570 meters. Projected to offer a new Rockwell experience with residential lots, golf course, and a hotel, this development promises life's tranquility by the sea.



The 500-hectare land bank is projected to generate a 60% increase in revenue for the company until 2028, with a significant portion originating from our projects in South and Central Luzon.

As we push our expansion into greater geographies, we remain committed to excellence, innovation, and enduring impact, that will make us surpass our existing milestones. We aim to unlock new avenues for development, create value for our stakeholders, and shape the landscapes of tomorrow.

VIEW OF THE TAAL LAKE FROM THE RIDGES OF THE LIPA SITE

# BOARD OF DIRECTORS

### MONICO V. JACOB
*Independent Director*
April 2016 - Present

**Vice Chairman and CEO**
- STI Education Services Group

**President and CEO**
- STI Education Systems Holdings, Inc.

**Vice Chairman**
- Philplans First, Inc.

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

**Director**
- iAcademy
- Asian Terminals
- ABS-CBN Holdings Corporation
- Phoenix Petroleum Philippines, Inc.

### FRANCIS GILES B. PUNO
*Director*
2013 - Present

**President and COO**
- First Philippine Holdings Corporation
- First Gen Corporation
- First Philippine Industrial Park
- First Philec Inc.

**Director, Vice Chairman & CEO**
- Energy Development Corporation

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

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

### ROBERTA L. FELICIANO
*Director*
2023 - Present

**Managing Director**
- ABS-CBN Foundation, Inc.

**President**
- Yoga Manila, Inc.

**Chairperson**
- The Sea Institute

**Director**
- First Philippine Holdings
- Philippine Council for Non-Government Certification

**Trustee**
- League of Corporate Foundation

### OSCAR J. HILADO
*Independent Director*
2015 - Present

**Chairman Emeritus**
- PHINMA Corporation

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

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

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

### BENJAMIN ERNESTO R. LOPEZ
*Director*
2020 – Present

**Co-Chairman and Senior Executive Vice-President**
- Lopez Inc.

**President**
- INAEC Aviation Corporation

**Vice President**
- First Philippine Holdings Corporation

**Director**
- ABS-CBN Holdings
- ADTEL, Inc.
- First Balfour, Inc.
- First Philippine Electric Corporation
- First Philippine Realty Corporation
- Infopro Business Solutions, Inc.
- Quantum Renewables, Inc
- Rockwell Leisure Club, Inc.

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

**Member**
- ABS-CBN Lingkod Kapamilya Foundation, Inc.
- Management Association of the Philippines
- OML Climate Change Center

### FEDERICO R. LOPEZ
Vice Chairman
2012 - Present

**Chairman and CEO**
- First Philippine Holdings Corporation
- First Gen Corporation
- Lopez Holdings Corporation
- First Balfour, Inc.

**Chairman**
- Energy Development Corporation

**Board Member**
- ABS-CBN Corporation

### NESTOR J. PADILLA
*Chairman*
2023 - Present

*Chief Executive Officer*
1995 - Present

**Chairman**
- BPI Brightnote Assets Corporation
- Rockwell MFA Corporation
- Rockwell Carmelray Development Corporation

**Vice Chairman**
- Rockwell Center Association, Inc.

**President**
- Rockwell IPI Development Corporation

**Senior Vice President**
- First Philippine Holdings Corporation

**Director**
- INAEC Aviation Corporation
- Rockwell Nepo Development Corporation

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

### VALERIE JANE L. SOLIVEN
*President and Chief Operating Officer*
2023 - Present

**President / Chairman**
- Edades Condominium Corporation

**Director**
- Rockwell Hotels & Leisure Management Corp.
- Rockwell Primaries Development Corp.
- Rockwell Primaries South Development Corp.
- Rockwell MFA Corporation
- Tribeca Private Residences Condominium Association Inc.
- Retailscapes, Inc.
- Rockwell Center Association Inc.

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

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

**Deputy Chief Operating Officer**
- First Balfour, Inc.

**Chief Commercial Officer**
- First Philippine Industrial Park, Inc.

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

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

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

**Executive Vice President**
- Lopez Holdings Corporation

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

**Board of Trustee**
- 8 Rockwell Condominium Corporation
- Rockwell Leisure Club, Inc.
- Rockwell IPI Corporation
- INAEC Aviation Corporation

**Advisor**
- Lopez Group Foundation, Inc.

### EMMANUEL S. DE DIOS
*Independent Director*
2023 - Present

**Professor Emeritus**
- University of the Philippines

**Independent Director**
- Bank of the Philippine Islands, Inc.
- ABS-CBN Holdings, Inc.

**Trustee**
- Peace and Equity Foundation, Inc.
- Assisi Development Foundation, Inc.
- Pulse Asia Research, Inc.
- FEU Public Policy Center
- Human Development Network (Phils).

**Board Advisor**
- ABS-CBN Corp.

# MANAGEMENT TEAM

"

The potential for greatness might exist in all of us.
But not everyone has the chance to accept greatness
when it comes...[choose] to develop it,
and to live up to its stark requirements.

**ALBERT F. DEL ROSARIO †**
Independent Director 2017 – April 2023

"

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

MIGUEL L. LOPEZ — TREASURER AND SENIOR VICE PRESIDENT, OFFICE DEVELOPMENT
ESTELA Y. DASMARIÑAS — SENIOR VICE PRESIDENT, HUMAN RESOURCES
VALERIE JANE L. SOLIVEN — PRESIDENT AND CHIEF OPERATING OFFICER
DAVY T. TAN — EXECUTIVE VICE PRESIDENT, PROJECT AND BUSINESS DEVELOPMENT
ELLEN V. ALMODIEL — EXECUTIVE VICE PRESIDENT, CHIEF FINANCIAL OFFICER, AND CHIEF COMPLIANCE OFFICER

# MANAGEMENT TEAM

TRACEY G. CASTILLO — VICE PRESIDENT AND CHIEF MARKETING OFFICER
MANUEL L. LOPEZ, JR. — PRESIDENT, ROCKWELL LEISURE CLUB, INC, AND ADVISOR TO THE BOARD OF DIRECTORS
ANGELA MARIE B. PAGULAYAN — VICE PRESIDENT, PROPERTY MANAGEMENT
CHRISTINE T. COQUEIRO — VICE PRESIDENT, RETAIL DEVELOPMENT
VIENN T. GUZMAN — VICE PRESIDENT, ROCKWELL CEBU
ALEXIS NIKOLAI S. DIESMOS — VICE PRESIDENT, PROJECT DEVELOPMENT
JOVIE JADE V. LIM-DY — VICE PRESIDENT, RESIDENTIAL SALES

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| PAUL VINCENT R. CHUA | VICE PRESIDENT, BUSINESS DEVELOPMENT |
| JESSE S. TAN | VICE PRESIDENT, OFFICE DEVELOPMENT |
| STELLA MAY A. FORTU | VICE PRESIDENT, CORPORATE PLANNING, AND CHIEF RISK OFFICER |
| VERGEL V. RAPE | VICE PRESIDENT, PROJECT DEVELOPMENT |
| SHERRY ROSE I. LORENZO | ASSISTANT VICE PRESIDENT, FINANCE AND ACCOUNTING, AND COMPTROLLER |
| KAREN F. GO | VICE PRESIDENT, PROJECT DEVELOPMENT |
| ROMEO G. DEL MUNDO | ASSISTANT VICE PRESIDENT, INTERNAL AUDIT AND CHIEF AUDIT OFFICER |
| MARIA CRISTINA M. SKROBANEK | VICE PRESIDENT, OPERATIONS |

## CONSULTANTS

| | |
|---|---|
| RINA C. ARNAIZ | PROJECT DEVELOPMENT |
| JOSE CARLO S. CONSUNJI | MARKETING |
| ELMER T. DE LEON | AFFORDABLE HOUSING |
| BENITO P. JAPITANA | FINANCE AND ACCOUNTING |
| MA. LOURDES L. PINEDA | BUSINESS DEVELOPMENT |
| SALVA R. CATACUTAN | HOUSEKEEPING SERVICES |
| ROCHELLE C. BAYLON | DESIGN AND PLANNING |
| GABRIEL I. PAULINO | DESIGN AND PLANNING |
| KHODAYAR D. ROSTAMI KHANGHAHI | PROJECT DEVELOPMENT |
| ANNA MARIA P. BALDEMECA | FINANCE AND ACCOUNTING |
| JACKO M. ZIALCITA | DESIGN AND PLANNING |

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| ATTY. MA. FE CAROLYN G. PINOY | ASSISTANT CORPORATE SECRETARY, VICE PRESIDENT, LEGAL, AND CHIEF DATA PRIVACY OFFICER |
| ATTY. ENRIQUE I. QUIASON | CORPORATE SECRETARY |

# ASSISTANT VICE PRESIDENTS

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|---|---|
| JOY Z. HERRERA | PROPERTY MANAGEMENT |
| JOCELYN S. BARLETA | RESIDENTIAL LEASING |
| BENJIE C. GANNOD | PROPERTY MANAGEMENT |
| GENG B. BRILLANTES | PROPERTY MANAGEMENT, AND GENERAL MANAGER FOR ROCKWELL LEISURE CLUB |
| RACHEL M. QUINTO | ROCKWELL PRIMARIES |
| MONA M. NARCISO | HANDOVER |
| ANNABELLE A. ONG - TUÑACAO | CUSTOMER EXPERIENCE |

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| RINNA L. TIU | ROCKWELL AT NEPO CENTER |
| TEO B. MANUEL | TALENT DEVELOPMENT |
| NADINE D. VILLANUEVA | HUMAN RESOURCES |
| MIKE A. AUSTRIA | TALENT ACQUISITION |
| THEA L. GOLEZ | RESIDENTIAL SALES |
| MIKA B. NAGUIAT | RESIDENTIAL SALES |

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|---|---|
| MAY L. CORONEL | RESIDENTIAL SALES |
| CHRIS B. GECHA | PROJECT DEVELOPMENT |
| YSABEL P. RUFINO-DE LEON | RESIDENTIAL SALES |
| MARILIE M. LOPEZ | ROCKWELL BACOLOD |
| MARCO N. VINLUAN | AFFORDABLE HOUSING |
| CARLA B. ASCIO | DESIGN AND PLANNING |

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|---|---|
| MA. RICA S. GUILLEN | COST AND PROCUREMENT |
| BYRON M. RIMAS | PROJECT DEVELOPMENT |
| CHARM V. RODRIGUEZ | DESIGN AND PLANNING |
| JEFF R. CARONAN | PROJECT DEVELOPMENT |
| REDELYN L. FLORES | COST AND PROCUREMENT |

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|---|---|
| BENNIE C. NAVARRO | HUMAN RESOURCES |
| ANDRE A. LOPEZ | DESIGN AND PLANNING |
| JEFFREY M. TORRES | INFORMATION TECHNOLOGY |
| ELLA A. BONTUYAN | HUMAN RESOURCES |
| GEMMA M. ABAYON | INFORMATION SYSTEMS |
| THONY A. MONSAYAC | DESIGN AND PLANNING |

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| WHENG U. DAVID | FINANCE AND ACCOUNTING |
| ESTELITO A. DELA CRUZ JR. | GENERAL SECURITY |
| TONI C. SISON | HUMAN RESOURCES |
| ALBERT M. LOBERES | LEGAL |
| IMEE G. RAMOS | HUMAN RESOURCES |
| DOMINIC L. YANG | FINANCE AND ACCOUNTING |

# CORPORATE GOVERNANCE

## COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

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

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

a. Appointment of a compliance officer, who shall directly report to the Chairman of the Board of Directors and monitor compliance with the provisions and requirements of the Corporate Governance Manual. Subject to the further review and approval of the Board of Directors, the compliance officer shall also determine the violations of the Corporate Governance Manual and recommend to the Chairman of the Board of Directors the appropriate actions for such violations;

b. Identification of the general duties and responsibilities of the Board of Directors who shall be responsible for the Company's compliance with all relevant laws, regulations and codes of best business practices in order to sustain the Company's competitiveness and profitability in a manner consistent with its corporate objectives and the best interest of its stockholders and other stakeholders. The Corporate Governance Manual also directs the Board of Directors to adopt a system of internal checks and balances. Identify and monitor key risk areas and key performance indicators with due diligence, and also monitor the effectiveness of management policies and decisions;

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

d. Appointment of an External and Internal Auditor. The External Auditor shall ensure the independence of the audit of the Company in order to provide an objective assurance on the manner by which the financial statements of the Company will be prepared and presented to the stockholders. The Internal Auditor, on the other hand, shall have in place an independent audit system which shall provide the reasonable assurance that key organizational and procedural controls are effective, appropriate and complied with, taking into account the nature and complexity of the Company's business and business culture, the volume, size and complexity of the transactions, the degree of centralization and delegation of authority, the extent and effectiveness of information technology and the extent of regulatory compliance;

e. Training requirements for existing and potential Directors and Senior Management;

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

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

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

Rockwell continues to abide by all the governance regulatory requirements. It has filed the certificate required by the SEC certifying it, as well as its directors, officers and employees, compliance with the manual last April 19, 2017 when we filed our definitive information statement. Rockwell submitted to the Philippine Stock Exchange its responses to the Disclosure Template on Corporate Governance for Listed Companies last March 31, 2017. In December 2017, the SEC mandated all companies to submit an Integrated Annual Corporate Governance Report (I-ACGR) by 31 May of each year in lieu of several reports required in the past years. The Company has submitted its I-ACGR annually starting 30 May 2018.

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

Pursuant to the Manual of Corporate Governance, the Board has formed committees: Audit, Corporate Governance, Risk Oversight and Related Party Transactions Committees.

Rockwell also has an Internal Audit Group ("IAG") that assists the Board through the Audit Committee in the discharge of its duties and responsibilities as provided for in the Manual on Code of Corporate Governance. The IAG reports to the Audit Committee and provides assurance, process innovation and consulting functions for Rockwell in the areas of internal control, corporate governance and risk management. It conducts its internal audit activities following a risk-based methodology in accordance with the Institute of Internal Auditors' (IIA) International Standards for Professional Practice of Internal Auditing (ISPPIA) under the Internal Professional Practices Framework. It bears mention that an independent director chairs the Audit Committee.

The Risk Oversight and Related Party Transactions Committees are composed of 5 and 4 members of the Board respectively. An independent director heads each of the committees. The Corporate Governance Committee is composed of 5 members of the Board, three of which are independent directors including the Chairman.

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

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

# CORPORATE SOCIAL RESPONSIBILITY & COMMUNITY BUILDING

One shall always do business in a manner that will result not just in the long-term mutual benefit of our businesses, but more importantly of the various publics and communities that we serve.

**OSCAR M. LOPEZ †**
Chairman Emeritus 2012 – April 2023

We have always strived to paint a brighter future with our signature touch. Rockwell does this not only through land development, but also through the sustainable practices we commit to every year. Just as the dawn of a new day brings new hues to the skyline, our CSR efforts have helped bring new life and color to the communities within our reach.

## PLAYGROUND AND CLASSROOM REVIVAL

At the heart of our endeavors lies the White Cross Children's Home, a sanctuary and home for young orphans in San Juan City. Understanding the need for safe and fun spaces for the underprivileged, Rockwell Land took on the mission to repaint playgrounds and classrooms. On March 3 and July 14, we successfully transformed lived-in spaces into vibrant canvases of joy and learning.

## SERVATHON 2023: PLANTING SEEDS OF NOURISHMENT

Nurturing new life is a responsibility we hold dear. In collaboration with Hands On Manila, we dedicated ourselves to planting nutritious food for at-risk pregnant women and new mothers, ensuring that every seed sown blossoms into health and vitality. Over 210 hours in the month of October were rendered with Rockwell Land volunteers.

## COMMUNITY OUTREACH

In the bustling streets of Mandaluyong and Pasig City, and beyond, our outreach programs reached out with warmth and empathy. Collaborating closely with local parishes, including those in Mandaluyong City, Pasig City, and Quezon City, we extended our hands to uplift spirits, offer support, and paint smiles across faces.



## CHRISTMAS CHEER DONE ROCKWELL

As the holiday season adorned the city with festive lights, Rockwell Land embraced the spirit of giving with open arms. In partnership with various organizations and local government units, including San Juan City Hall and several parishes such as Saints Peter & Paul Parish in Makati, Our Lady of Fatima Parish in Mandaluyong, and others, we shared the warmth of the season with families and service providers alike. Over 4,000 families received in-kind donations during the Christmas season, ensuring that no one felt alone during the month of December.

The generosity of our donors and the dedication of our volunteers created a ripple of compassion and kindness. With meaningful in-kind donations and more than 700 hours volunteered, each contribution became a brushstroke, painting a picture of solidarity and sustainability.

As we reflect on the past year's achievements, we look forward to the new communities that await our help. With dedication and a commitment, Rockwell Land continues to pave the way for a brighter, more colorful future, where every stroke of kindness creates ripples of change.




# ROCKWELL LAND SUSTAINING TOMORROW

In our commitment to building a sustainable future, Rockwell Land continues to pioneer initiatives that prioritize environmental stewardship and resource efficiency. Here's a glimpse into our sustainability-related initiatives as part of our Corporate Social Responsibility (CSR) efforts.


## POWERING AHEAD WITH RENEWABLE ENERGY

Embracing the shift towards cleaner energy solutions, Rockwell Land has installed electric vehicle (EV) chargers in our commercial developments such as Power Plant Mall, 8 Rockwell, 1 Proscenium, and RBC Sheridan, encouraging the adoption of electric vehicles for a greener commute. Additionally, over 97% of all our projects, residential or commercial, are powered by renewable energy. One way we do this is by having integrated solar panels into the infrastructure of projects such as Santolan Town Plaza.

## COOLING THE CLIMATE

To further reduce our carbon footprint, we have upgraded cooling units across our properties, enhancing energy efficiency and minimizing environmental impact. By automating mall chiller units, we optimize energy consumption, ensuring that cooling processes are both effective and eco-friendly.

## ILLUMINATING THE FUTURE WITH LED LIGHTING

In a concerted effort to conserve energy, Rockwell Land has transitioned to LED lighting in all common areas of our developments. This switch not only reduces electricity consumption but also extends the lifespan of lighting fixtures, promoting sustainability throughout our properties.

### CHAMPIONING RECYCLING AND WASTE REDUCTION

Rockwell Land actively collaborates with partners such as Smart Recycle, Riverainier, and Far East Fuel to advance waste recycling efforts. By fostering partnerships with industry leaders in waste management, we contribute to the circular economy, diverting waste from landfills and promoting a more sustainable approach to resource management.


### CONSERVING WATER, PRESERVING LIFE

Water conservation is paramount in our sustainability agenda. Through the conversion of fixtures to low-flow alternatives, we have significantly reduced water consumption across all of our developments. Furthermore, we utilize recycled water for the irrigation of plants, conserving precious freshwater resources while nurturing green spaces within our communities.

### TOWARDS A GREENER HORIZON

As we forge ahead on our sustainability journey, Rockwell Land remains steadfast in our commitment to environmental responsibility. Through conscious initiatives and strategic partnerships, we strive to build a future where sustainability is not just a goal but a way of life.



## ROCKWELL LAND CREATING CONNECTION THROUGH COMMUNITY

This year, Rockwell Land charted new horizons of connection, continuing to tell a story of shared joy, creativity, and culinary delights. Let's embark on a journey as seasons unfold, looking through the colorful events that marked our commitment to fostering bonds and creating unforgettable memories.

### EASTER FUN AT ROCKWELL'S BUNNY BARNYARD

As the gentle breeze of renewal whispered through the air, families gathered at The Fifth at Rockwell for a day of Easter festivities on April 9, 2023. Laughter filled the atmosphere as children dashed between games, their faces alight with the thrill of the hunt for hidden treasures. Alongside, an array of food stalls offered a range of treats and refreshing drinks. At the heart of the celebration, the crowd gathered to relish a performance by Madison Events. The atmosphere was electrified with music as the talented performers engaged the audience with interactive games and lively routines. Amidst the colorful Party Painters and the whimsy of animal ears, childhood memories were made at The Fifth.


### FLAVOR CARAVAN - TERRENO SOUTH

On July 15-16, 2023, the summer sun beat down on the bustling streets of Lipa City as the Flavor Caravan found its destination at Terreno South. Attendees eagerly embarked on a culinary journey, ready to explore the diverse flavors that awaited. Participating merchants, including well-known Manila-based brands like Brothers Burger, Shakey's, Auntie Anne's, and the beloved Power Plant Cinema Popcorn, offered familiar tastes that added a touch of home to the flavorful event. The Flavor Caravan also unveiled a treasure trove of local delights, showcasing the rich flavors of Batangas. Attendees were treated to the unique taste of IJO & Uniqo Bakery, where scrumptious pastries melted in their mouths, while Bohol Bee Farm delighted with its array of native delicacies. To top it off, the refreshing brews of R&B Milk Tea provided the perfect complement to the summer heat.

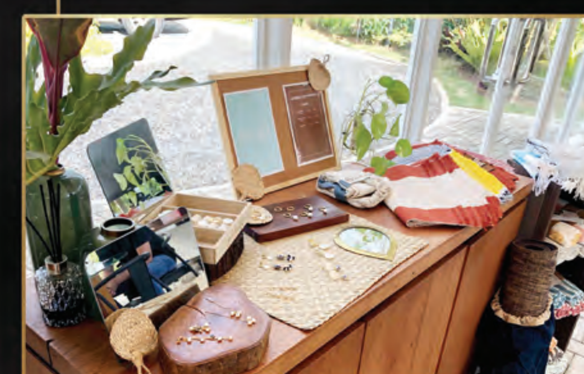
### READY, SET, ROLL:
### GET YOUR GAME FACE ON THIS HALLOWEEN AT ROCKWELL!

A new day began as The Fifth at Rockwell transformed into a playground of enchantment on October 28-29, 2023. Almost 800 children rolled dice and navigated through a maze of games — joyful voices reverberated through the air. The day unfolded, and everyone gathered at the center of the venue to enjoy captivating performances by Tectonix. They dazzled the crowd with a Dancing Balloon Show. Wizzo performed next and delighted the audience with a Puppet and Magic Show. Food stalls lined the perimeter, offering a delectable array of treats to satisfy every craving. The event culminated in a raffle, adding an extra element of excitement to the festivities.




### BRINGING BACOLOD FLAVORS TO MAKATI

In Rockwell Center Makati, the Namit Namit Food Festival was held on November 10-12, 2023. The event drew thousands of attendees to celebrate Negrense culinary heritage. Co-presented by Sugarsmiles Philippines Movement Inc. (SPMI) and partnered with San Miguel Brewery and The Keg, the festival showcased the flavors of Bacolod like Bacolod Chicken Inasal, JT's Manukan Grille, and Inasalan sa Dalan alongside beloved favorites such as Manolo's by Chef Manny Torrejon, Pat-pat's Kansi, and Ereñeta-Manaloto Chorizo de Bacolod. From Grem's Deli to the century-old El Ideal Bakery, attendees embarked on a gastronomic journey through the flavors of Bacolod, creating connections over shared plates of savory delights and sweet indulgences. Attendees immersed themselves in the sights, sounds, and smells of the festival, savoring the unique culinary tapestry of Negros Occidental. From Quan Delicacies to Marissa's Artisan Ice Cream & Pies, each vendor added a distinct flavor to the colorful mosaic of Bacolod's food scene.




### WEEKEND FEASTS AND FINDS

At Nara Residences in Bacolod, the Weekend Feasts and Finds provided friends and families with an opportunity to gather last August 25-27, 2023. The event drew hundreds, eager to indulge in a culinary journey curated by renowned names such as Kalina, Pico Bowls, Blaise, and Rebel Cafe. Delectable dishes from Maki Project to Stark Cafe & Lounge filled event goers.

Through each event, Rockwell Land's commitment to community shone bright. We continued to create ways for connections that bind neighbors, friends, and families together. As the seasons came and went, the bonds forged in these moments continued to grow, ensuring that Rockwell's communities remained strong for years to come.

# 2023 PERFORMANCE REVIEW

## RESULT OF OPERATIONS

Rockwell Land Corporation ended the year with a record consolidated net income after tax (NIAT) of Php 3.4 billion, a 31% increase from Php 2.6 billion in 2022.

Of the consolidated net income, Php 3.1 billion is attributable to equity holders of the parent company, and is 35% higher than 2022's Php 2.3 billion.

Consolidated revenues reached Php 18.5 billion in 2023 with Residential Development and Commercial Development accounting for 78% and 22% of the total amount, respectively. Below is a table showing the breakdown of total consolidated revenues.

| | 2023 | % TO TOTAL | 2022 | % TO TOTAL | 2021 | % TO TOTAL |
|---|---|---|---|---|---|---|
| **Residential Development** | 14,434 | 78% | 12,217 | 74% | 10,300 | 81% |
| **Commercial Development** | 4,077 | 22% | 4,291 | 26% | 2,423 | 19% |
| **Total Consolidated Revenues** | **18,511** | **100%** | **16,508** | **100%** | **12,724** | **100%** |
| **Share in Net Income of JV and Associates** | 466 | | 376 | | 368 | |

## RESIDENTIAL SEGMENT

Residential Development revenue grew 18% to Php 14.4 billion on the back of higher project bookings, significant construction progress and completion of the West Tower of The Arton in Quezon City, The Vantage East (the second tower of The Vantage at Kapitolyo in Pasig), and Fordham Tower of East Bay Residences in Muntinlupa.

Reservation sales for the year reached Php 20.3 billion, a decrease of 6% from last year's Php 21.5 billion due to lower sales from nearly completed projects The Balmori Suites and Rockwell South at Carmelray. Majority of this year's sales were from Edades West in Rockwell Center, and the newly launched provincial developments, Lincoln at IPI Center in Cebu and the fifth cluster of Rockwell South at Carmelray. Aside from these two projects, the Company also launched Terreno South Phase 5 in Batangas.

## COMMERCIAL SEGMENT

Commercial developments continued its robust performance in 2023 with total revenues reaching Php 4.1 billion. This is slightly lower by 5% vs. last year as decrease in revenues from office sales were offset by strong leasing performance across all segments.

Revenues from retail operations grew to Php 2.2 billion, 27% higher than the previous year. Improvements have been seen in both occupancy and rental rates, on top of new retail space openings during the year.

Office leasing operations posted Php 1.1 billion of revenues, growing 14% year-on-year, mainly driven by higher rental rates and the addition of office spaces in 1 Proscenium.

Share in net income of joint venture and associate reached Php 465.7 million in 2023, 24% higher than the previous year. This pertains mainly to Rockwell's share in the operations of RBC Ortigas, under the Rockwell-Meralco BPO venture.

## COSTS AND EXPENSES

Cost of real estate amounted to Php 9.4 billion in 2023, 2% higher than the Php 9.3 billion that was recorded in 2022 tracking the increase in residential revenues.

General and administrative expenses amounted to Php 2.4 billion in 2023, a 16% increase from the previous year due to higher business taxes from higher collections last year. Increases in hotel and cinema direct costs, and personnel costs have also been recorded.

Interest Expense amounted to Php 1.6 billion, 32% higher than last year's Php 1.2 billion. Interest incurred grew as average interest rate increased from 5.0% in 2022 to 5.5%, and loan balance from Php 25.1 to Php 25.8 billion.

## CASH FLOW AND FUNDING

Consolidated EBITDA amounted to Php 6.8 billion, a 26% increase from last year. Residential Development contributed 57% while Commercial Development accounted for 43%.

The company spent a total of Php 15.8 billion for project and capital expenditures in 2023. Bulk of the expenditures pertain to development costs of The Arton, Aruga Resort and Residences - Mactan, The Balmori Suites, Nara Residences, and Proscenium, and costs to acquire properties. Capital expenditures were funded through a combination of internally- generated funds and debt availments.

The company declared and paid dividends amounting to Php 461.6 million to its shareholders, 20% of the previous year's Net Income.

By the end of 2023 debt level was at Php 25.8 billion while the net-debt-to-equity ratio stood at 0.67x.

## FINANCIAL POSITION

Total assets as of December 31, 2023 amounted to Php 74.6 billion, 7% higher from the previous year. The increase was mainly driven by higher real estate inventories coming from new acquisitions and development costs incurred.

Total Liabilities as of December 31, 2023 amounted to Php 42.3 billion, slightly higher than last year's Php 42.1 billion due to additional loans payable.

Total Equity as of December 31, 2023 amounted to Php 32.3 billion, a 17% increase from 2022. This is largely due to the Php 3.4 billion record NIAT, Php 3.1 billion of which is attributable to Parent Stockholders, while Php 286 million is attributable to Minority Shareholders.

## KEY PERFORMANCE INDICATORS

| KPI | 2023 | 2022 | 2021 |
|---|---|---|---|
| **EBITDA**[1] *(Php billions)* | 6.8 Billion | 5.4 Billion | 4.4 Billion |
| **Current Ratio**[2] *(x)* | 3.43 | 3.16 | 3.29 |
| **Net DE Ratio**[3] *(x)* | 0.67 | 0.78 | 0.92 |
| **Asset to Equity Ratio**[4] *(x)* | 2.31 | 2.53 | 2.50 |
| **Interest Coverage Ratio**[5] *(x)* | 4.57 | 4.42 | 4.00 |
| **ROA**[6] | 4.71% | 3.86% | 3.48% |
| **ROE**[7] | 11.36% | 9.69% | 8.69% |
| **EPS**[8] *(Php)* | 0.51 | 0.38 | 0.27 |

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

# FINANCIAL STATEMENTS

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY TO FINANCIAL STATEMENTS

The management of **ROCKWELL LAND CORPORATION AND SUBSIDIARIES** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as of December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, 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 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 Company's ability to continue as a going concern, disclosing, as applicable matters related to going concem 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 is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated 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 fairess of presentation upon completion of such audit.

**NESTOR J. PADILLA**
CHAIRMAN OF THE BOARD
AND CHIEF EXECUTIVE OFFICER

**ELLEN V. ALMODIEL**
EXECUTIVE VICE PRESIDENT,
CHIEF FINANCE & COMPLIANCE OFFICER

Signed this 3rd day of April 2024

APR 11 2024

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

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

Doc No. 200;
Page No. 41;
Book No. XLIII;
Series of 2024.

MA. FE CAROLYN GO-PINOY
Appointment No. M-157 until December 31, 2024
Roll of Attorneys No. 39698
IBP Lifetime No. 0147554 / ZAMBASULTA
PTR No. 9577554 / 1.10.2023 / Makati City
8 Rockwell, Hidalgo Drive, Makati City



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Building a better working world

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1226 Makati City
Philippines

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

## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Rockwell Land Corporation

### Opinion

We have audited the consolidated financial statements of Rockwell Land Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2023, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements of the Group as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023 are prepared in all material respects, in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC), as described in Notes 2 and 3 to the consolidated financial statements.

### Basis for Opinion

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

### Emphasis of Matter

We draw attention to Notes 2 and 3 to the consolidated financial statements which indicate that the consolidated financial statements have been prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs on the 2023 consolidated financial statements are discussed in detail in Note 3. Our opinion is not modified in respect of this matter.

### Key Audit Matters

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

### Real Estate Revenue Recognition

The Group's revenue recognition process, policies and procedures are significant to our audit because these involve application of significant judgment and estimation in the following areas: (1) assessment of the probability that the entity will collect the consideration from the buyer and (2) application of the output method as the measure of progress in determining real estate revenue.

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

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

The disclosures related to the real estate revenue are included in Notes 5 and 20 to the consolidated financial statements.

### Audit Response

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

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

For the application of the output method, in determining real estate revenue, we obtained an understanding of the Group's processes for determining the percentage of completion (POC). We obtained the certified POC reports and performed test of relevant controls. We inspected the certified POC reports prepared by the project engineers 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 inspected the supporting details of POC reports showing the completion of the major activities of the project construction.

### 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, 2023, 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, 2023 are expected to be made available to us after the date of this auditor's report.

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, as modified by the application of financial reporting reliefs issued and approved by the SEC, as described in Notes 2 and 3 to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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



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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in accordance with PFRSs, as modified by the application of financial reporting reliefs issued and approved by the SEC, as described in Notes 2 and 3 to the consolidated financial statements.

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

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

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

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 Loubelle V. Mendoza.

SYCIP GORRES VELAYO & CO.

Loubelle V. Mendoza

Loubelle V. Mendoza
Partner
CPA Certificate No. 115161
Tax Identification No. 301-422-247
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-145-2021, August 11, 2021, valid until August 10, 2024
PTR No. 10079978, January 6, 2024, Makati City

April 3, 2024

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

| | December 31 | |
|---|---|---|
| | **2023** | 2022 |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents (Notes 7, 28 and 29) | **₱4,251,289** | ₱3,517,752 |
| Trade and other receivables (Notes 8, 16, 20, 26, 28 and 29) | **1,127,495** | 3,917,432 |
| Contract assets (Notes 8, 20 and 28) | **9,237,501** | 12,024,821 |
| Real estate inventories (Notes 9, 11 and 12) | **24,411,338** | 17,981,211 |
| Advances to contractors (Note 9) | **2,000,280** | 1,814,366 |
| Other current assets (Notes 10, 28 and 29) | **3,838,097** | 3,481,948 |
| Total Current Assets | **44,866,000** | 42,737,530 |
| **Noncurrent Assets** | | |
| Investment properties (Notes 9, 11, 12 and 16) | **14,624,071** | 14,666,614 |
| Property and equipment (Notes 9, 11 and 12) | **2,648,963** | 2,154,070 |
| Investments in joint venture and associate (Note 13) | **5,726,874** | 5,878,073 |
| Contract assets - net of current portion (Notes 8, 20 and 28) | **6,110,549** | 3,745,457 |
| Investment in equity instruments at fair value through other comprehensive income (FVOCI) (Notes 14, 28 and 29) | **61,549** | 36,711 |
| Deferred tax assets - net (Note 25) | **59,238** | 107,405 |
| Other noncurrent assets (Notes 11, 12, 22, 26, 28 and 29) | **499,803** | 328,015 |
| Total Noncurrent Assets | **29,731,047** | 26,916,345 |
| | **₱74,597,047** | ₱69,653,875 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Trade and other payables (Notes 9, 13, 15, 17, 20, 24 and 28) | **₱9,730,914** | ₱9,500,352 |
| Current portion of interest-bearing loans and borrowings (Notes 11, 16, 26, 28 and 29) | **2,812,449** | 2,833,346 |
| Subscription payable (Note 13) | **367,150** | 1,179,150 |
| Income tax payable | **160,414** | 24,997 |
| Total Current Liabilities | **13,070,927** | 13,537,845 |
| **Noncurrent Liabilities** | | |
| Interest-bearing loans and borrowings - net of current portion (Notes 11, 16, 26, 28 and 29) | **23,031,839** | 22,260,138 |
| Deferred tax liabilities - net (Note 25) | **1,219,343** | 1,475,856 |
| Subscription payable - net of current portion (Note 13) | **2,355,410** | 1,743,410 |
| Lease liabilities - net of current portion (Notes 15, 27 and 28) | **663,600** | 649,569 |
| Pension liability - net (Note 24) | **84,762** | 72,043 |
| Deposits and other liabilities (Notes 15, 17, 28 and 29) | **1,876,456** | 2,352,407 |
| Total Noncurrent Liabilities | **29,231,410** | 28,553,423 |
| Total Liabilities | **42,302,337** | 42,091,268 |
| **Equity Attributable to Equity Holders of the Parent Company** | | |
| Capital stock (Notes 18 and 19) | **6,270,882** | 6,270,882 |
| Additional paid-in capital | **28,350** | 28,350 |
| Other comprehensive income (Note 14) | **45,580** | 20,580 |
| Other equity adjustments (Note 19) | **540,323** | 540,323 |
| Share-based payments (Note 18) | **69,700** | 69,700 |
| Retained earnings (Note 19): | | |
| Appropriated | **14,700,000** | 11,700,000 |
| Unappropriated | **6,530,847** | 6,974,257 |
| | **28,185,682** | 25,604,092 |
| Less cost of treasury shares (Notes 1 and 19) | **185,334** | 185,334 |
| Total Equity Attributable to Equity Holders of the Parent Company | **28,000,348** | 25,418,758 |
| Non-controlling interests (Note 6) | **4,294,362** | 2,143,849 |
| Total Equity | **32,294,710** | 27,562,607 |
| | **₱74,597,047** | ₱69,653,875 |

*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 | | |
|---|---|---|---|
| | **2023** | 2022 | 2021 |
| **REVENUES** | | | |
| Revenue from sale of real estate (Note 20) | **₱11,914,442** | ₱11,382,413 | ₱8,925,994 |
| Lease income (Note 11) | **2,256,045** | 1,889,427 | 1,227,788 |
| Interest income (Notes 7, 8 and 21) | **2,057,077** | 1,477,459 | 1,482,381 |
| Others (Notes 5 and 20) | **2,283,447** | 1,758,665 | 1,087,540 |
| | **18,511,011** | 16,507,964 | 12,723,703 |
| **EXPENSES** | | | |
| Cost of real estate (Notes 5, 9, 11 and 22) | **9,434,611** | 9,268,529 | 6,896,070 |
| General and administrative expenses (Notes 11, 12, 13, 22, 23 and 24) | **2,392,675** | 2,067,051 | 1,668,777 |
| Selling expenses (Notes 22 and 23) | **1,223,438** | 960,372 | 931,906 |
| | **13,050,724** | 12,295,952 | 9,496,753 |
| **INCOME BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX** | **5,460,287** | 4,212,012 | 3,226,950 |
| **OTHER INCOME (EXPENSES)** | | | |
| Interest expense (Notes 16, 17, 22 and 27) | **(1,599,014)** | (1,213,289) | (1,141,452) |
| Share in net income of joint venture and associate (Note 13) | **465,711** | 375,628 | 368,273 |
| Foreign exchange gain (loss) – net | **(2,941)** | 17,979 | 12,312 |
| | **(1,136,244)** | (819,682) | (760,867) |
| **INCOME BEFORE INCOME TAX** | **4,324,043** | 3,392,330 | 2,466,083 |
| **PROVISION FOR INCOME TAX (Note 25)** | **924,491** | 798,254 | 257,450 |
| **NET INCOME** | **3,399,552** | 2,594,076 | 2,208,633 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | |
| Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods: | | | |
| Remeasurement gain (loss) on employee benefits (Note 24) | **(131,668)** | 155,623 | 75,358 |
| Fair value gain on equity instruments designated at FVOCI (Note 14) | **25,000** | 6,361 | – |
| Income tax effect | **36,663** | (35,108) | (36,425) |
| | **(70,005)** | 126,876 | 38,933 |
| **TOTAL COMPREHENSIVE INCOME** | **₱3,329,547** | ₱2,720,952 | ₱2,247,566 |
| **Net Income Attributable To** | | | |
| Equity holders of the Parent Company | **₱3,113,226** | ₱2,301,911 | ₱1,640,936 |
| Non-controlling interests | **286,326** | 292,165 | 567,697 |
| | **₱3,399,552** | ₱2,594,076 | ₱2,208,633 |
| **Total Comprehensive Income Attributable To** | | | |
| Equity holders of the Parent Company | **₱3,043,221** | ₱2,428,787 | ₱1,679,869 |
| Non-controlling interests | **286,326** | 292,165 | 567,697 |
| | **₱3,329,547** | ₱2,720,952 | ₱2,247,566 |
| **Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 30)** | | | |
| Basic | **₱0.5087** | ₱0.3761 | ₱0.2680 |
| Diluted | **₱0.5087** | ₱0.3761 | ₱0.2679 |

*See accompanying Notes to Consolidated Financial Statements.*

## ROCKWELL LAND CORPORATION AND SUBSIDIARIES
### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
**FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021**
**(Amounts in Thousands)**

| | Equity Attributable to Equity Holders of the Parent Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital Stock (Notes 18 and 19) | Additional Paid-in Capital | Other Comprehensive Income (Note 14) | Other Equity Adjustments (Note 19) | Share-based Payments (Note 18) | Retained Earnings (Note 19) Appropriated | Retained Earnings (Note 19) Unappropriated | Treasury Shares (Notes 1 and 19) | Total | Non-controlling Interests (Note 6) | Total Equity |
| Balance at December 31, 2022 | ₱6,270,882 | ₱28,350 | ₱20,580 | ₱540,323 | ₱69,700 | ₱11,700,000 | ₱6,974,257 | (₱185,334) | ₱25,418,758 | ₱2,143,849 | ₱27,562,607 |
| Net income | – | – | – | – | – | – | 3,113,226 | – | 3,113,226 | 286,326 | 3,399,552 |
| Other comprehensive income (Notes 14 and 24) | – | – | 25,000 | – | – | – | (95,005) | – | (70,005) | – | (70,005) |
| Total comprehensive income | – | – | 25,000 | – | – | – | 3,018,221 | – | 3,043,221 | 286,326 | 3,329,547 |
| Reversal of appropriation (Note 19) | – | – | – | – | – | (11,000,000) | 11,000,000 | – | – | – | – |
| Appropriation (Note 19) | – | – | – | – | – | 14,000,000 | (14,000,000) | – | – | – | – |
| Non-controlling interest arising from incorporation of a subsidiary (Note 6) | – | – | – | – | – | – | – | – | – | 2,728,656 | 2,728,656 |
| Cash dividends (Note 19) | – | – | – | – | – | – | (461,631) | – | (461,631) | – | (461,631) |
| Subsidiary's redemption of preferred shares from non-controlling interests (Note 6) | – | – | – | – | – | – | – | – | – | (585,281) | (585,281) |
| Subsidiary's payment of dividends to non-controlling interests (Note 6) | – | – | – | – | – | – | – | – | – | (279,188) | (279,188) |
| Balance at December 31, 2023 | ₱6,270,882 | ₱28,350 | ₱45,580 | ₱540,323 | ₱69,700 | ₱14,700,000 | ₱6,530,847 | (₱185,334) | ₱28,000,348 | ₱4,294,362 | ₱32,294,710 |
| | | | | | | | | | | | |
| Balance at December 31, 2021 | ₱6,270,882 | ₱28,350 | ₱14,219 | ₱540,323 | ₱69,700 | ₱9,700,000 | ₱6,881,951 | (₱185,334) | ₱23,320,091 | ₱2,661,082 | ₱25,981,173 |
| Net income | – | – | – | – | – | – | 2,301,911 | – | 2,301,911 | 292,165 | 2,594,076 |
| Other comprehensive income (Notes 14 and 24) | – | – | 6,361 | – | – | – | 120,515 | – | 126,876 | – | 126,876 |
| Total comprehensive income | – | – | 6,361 | – | – | – | 2,422,426 | – | 2,428,787 | 292,165 | 2,720,952 |
| Reversal of appropriation (Note 19) | – | – | – | – | – | (9,000,000) | 9,000,000 | – | – | – | – |
| Appropriation (Note 19) | – | – | – | – | – | 11,000,000 | (11,000,000) | – | – | – | – |
| Cash dividends (Note 19) | – | – | – | – | – | – | (330,120) | – | (330,120) | – | (330,120) |
| Subsidiary's redemption of preferred shares from non-controlling interests (Note 6) | – | – | – | – | – | – | – | – | – | (534,004) | (534,004) |
| Subsidiary's payment of dividends to non-controlling interests (Note 6) | – | – | – | – | – | – | – | – | – | (275,394) | (275,394) |
| Balance at December 31, 2022 | ₱6,270,882 | ₱28,350 | ₱20,580 | ₱540,323 | ₱69,700 | ₱11,700,000 | ₱6,974,257 | (₱185,334) | ₱25,418,758 | ₱2,143,849 | ₱27,562,607 |

| | Equity Attributable to Equity Holders of the Parent Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital Stock (Notes 18 and 19) | Additional Paid-in Capital | Other Comprehensive Income (Note 14) | Other Equity Adjustments (Note 19) | Share-based Payments (Note 18) | Retained Earnings (Note 19) Appropriated | Retained Earnings (Note 19) Unappropriated | Treasury Shares (Notes 1 and 19) | Total | Non-controlling Interests (Note 6) | Total Equity |
| Balance at December 31, 2020 | ₱6,270,882 | ₱28,350 | ₱14,219 | ₱540,323 | ₱69,700 | ₱9,700,000 | ₱5,419,654 | (₱185,334) | ₱21,857,794 | ₱3,003,974 | ₱24,861,768 |
| Net income | – | – | – | – | – | – | 1,640,936 | – | 1,640,936 | 567,697 | 2,208,633 |
| Other comprehensive loss (Notes 14 and 24) | – | – | – | – | – | – | 38,933 | – | 38,933 | – | 38,933 |
| Total comprehensive income | – | – | – | – | – | – | 1,679,869 | – | 1,679,869 | 567,697 | 2,247,566 |
| Cash dividends (Note 19) | – | – | – | – | – | – | (217,572) | – | (217,572) | – | (217,572) |
| Subsidiary's redemption of preferred shares from non-controlling interests (Note 6) | – | – | – | – | – | – | – | – | – | (676,332) | (676,332) |
| Subsidiary's payment of dividends to non-controlling interests (Note 6) | – | – | – | – | – | – | – | – | – | (234,257) | (234,257) |
| Balance at December 31, 2021 | ₱6,270,882 | ₱28,350 | ₱14,219 | ₱540,323 | ₱69,700 | ₱9,700,000 | ₱6,881,951 | (₱185,334) | ₱23,320,091 | ₱2,661,082 | ₱25,981,173 |

*See accompanying Notes to Consolidated Financial Statements.*

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

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2023** | 2022 | 2021 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income before income tax | **₱4,324,043** | ₱3,392,330 | ₱2,466,083 |
| Adjustments for: | | | |
| Interest income (Notes 7, 8 and 21) | **(2,057,077)** | (1,477,459) | (1,482,381) |
| Interest expense (Notes 16, 17, 22 and 27) | **1,599,014** | 1,213,289 | 1,141,452 |
| Depreciation and amortization (Notes 11, 12 and 22) | **840,789** | 755,738 | 762,755 |
| Share in net income of joint venture and associate (Note 13) | **(465,711)** | (375,628) | (368,272) |
| Pension expense, net of contributions (Note 24) | **(118,949)** | (6,265) | 22,271 |
| Provision for disallowance of claim for refund (Note 22) | **17,544** | – | 8,500 |
| Unrealized foreign exchange loss (gain) - net | **2,941** | (17,979) | (12,312) |
| Operating income before working capital changes | **4,142,594** | 3,484,026 | 2,538,096 |
| Decrease (increase) in: | | | |
| Trade and other receivables | **4,838,135** | 3,490,329 | (455,008) |
| Contract assets | **422,228** | (3,199,719) | 1,628,360 |
| Real estate inventories | **(4,252,701)** | (175,816) | (1,683,020) |
| Advances to contractors | **(185,914)** | (97,188) | (146,464) |
| Other current assets | **(356,149)** | (759,232) | (574,223) |
| Increase (decrease) in: | | | |
| Trade and other payables | **299,458** | 2,523,135 | (323,204) |
| Deposits and other liabilities | **(331,818)** | 359,205 | 206,712 |
| Net cash generated from operations | **4,575,833** | 5,624,740 | 1,191,249 |
| Income taxes paid | **(1,149,627)** | (996,256) | (183,491) |
| Interest received | **216,879** | 64,215 | 52,842 |
| Net cash provided by operating activities | **3,643,085** | 4,692,699 | 1,060,600 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Acquisitions of: | | | |
| Investment properties (Note 11) | **(675,350)** | (304,570) | (531,115) |
| Property and equipment (Note 12) | **(274,559)** | (236,606) | (466,084) |
| Investment in associate (Note 13) | **–** | – | (634,446) |
| Dividends received (Note 13) | **416,045** | 490,479 | 304,220 |
| Decrease in investment in joint venture (Note 13) | **200,865** | 53,200 | – |
| Decrease in other noncurrent assets | **(189,170)** | 141,830 | 260,679 |
| Net cash provided by (used in) investing activities | **(522,169)** | 144,333 | (1,066,746) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from availments of loans and borrowings (Note 16) | **3,500,000** | 2,828,600 | 11,596,000 |
| Payments of: | | | |
| Interest-bearing loans and borrowings (Note 16) | **(2,746,008)** | (4,507,278) | (9,504,580) |
| Dividends (Note 19) | **(461,631)** | (330,120) | (217,572) |
| Lease liabilities (Notes 15 and 27) | **(38,986)** | (37,663) | (36,401) |
| Debt issue cost (Note 16) | **(26,250)** | (15,803) | (61,470) |
| Interest paid | **(1,547,094)** | (1,162,548) | (1,091,712) |
| Subsidiary's redemption of preferred shares from non-controlling interests (Note 6) | **(585,281)** | (534,004) | (676,332) |
| Subsidiary's payment of dividends to non-controlling interests (Note 6) | **(279,188)** | (275,394) | (234,257) |
| Payment of subscription payable (Note 6) | **(200,000)** | (80,000) | (200,000) |
| Benefits paid (Note 24) | **–** | (7,913) | – |
| Net cash used in financing activities | **(2,384,438)** | (4,122,123) | (426,324) |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | **(2,941)** | 17,979 | 12,312 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **733,537** | 732,888 | (420,158) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **3,517,752** | 2,784,864 | 3,205,022 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)** | **₱4,251,289** | ₱3,517,752 | ₱2,784,864 |

*See accompanying Notes to Consolidated Financial Statements.*



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

### 1. Corporate Information

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

Rockwell Land became a public company in 2012 following the declaration of 51% ownership by Manila Electric Company (Meralco) as property dividend in favor of common stockholders, except for foreign common shareholders who were paid the cash equivalent of the property dividend (see Note 19).

As at December 31, 2023 and 2022, First Philippine Holdings Corporation (FPHC) owns 86.58% of Rockwell Land and the rest by the public. Lopez, Inc. is the ultimate parent company.

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

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on April 3, 2024.

### 2. Basis of Preparation and Statement of Compliance

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

| | | Percentage of Ownership | | |
|---|---|---|---|---|
| Subsidiaries | Nature of Business | **2023** | 2022 | 2021 |
| Rockwell Integrated Property Services, Inc. | Service provider | **100.0** | 100.0 | 100.0 |
| Rockwell Primaries Development Corporation (Rockwell Primaries) | Real estate development | **100.0** | 100.0 | 100.0 |
| Stonewell Property Development Corporation | Real estate development | **100.0** | 100.0 | 100.0 |
| Rockwell Performing Arts Theater Corporation | Theater operator | **100.0** | 100.0 | 100.0 |
| Rockwell Hotels & Leisure Management Corp. | Hotel management | **100.0** | 100.0 | 100.0 |
| Retailscapes Inc. (Retailscapes) | Commercial development | **100.0** | 100.0 | 100.0 |
| Rockwell Primaries South Development Corporation (Rockwell Primaries South) (through Rockwell Primaries) | Real estate development | **100.0** | 100.0 | 100.0 |
| Rockwell MFA Corp. (Rock MFA) | Real estate development | **80.0** | 80.0 | 80.0 |
| Rockwell Leisure Club, Inc. (Rockwell Club) | Leisure club | **74.7** | 75.0 | 75.1 |
| Rockwell Carmelray Development Corporation (RCDC, formerly Carmelray Property Holdings, Inc.) | Real estate development | **70.0** | 71.6 | 63.1 |
| Rockwell GMC Development Corporation (RGDC)* | Real estate development | **60.0** | – | – |

**A subsidiary incorporated in 2023*

All subsidiaries are incorporated in the Philippines.

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

## 3. Changes in Accounting Policies and Disclosures

New Standards, Interpretations and Amendments
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

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

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

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

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

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

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

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

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

- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*

  The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

  The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

  The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

  Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023.

  The amendment is currently not applicable to the Group.

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

*Effective beginning on or after January 1, 2024*

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

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

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

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

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

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

- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

  The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

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

*Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

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

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

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

On December 15, 2021, the FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

- Amendments to PAS 21, *Lack of exchangeability*

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted and that fact must be disclosed. When applying the amendments, an entity cannot restate comparative information.

*Deferred effectivity*

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

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

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

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

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

In November 2020, the PIC issued the following Q&As which provide additional guidance on the real estate industry issues covered by the above SEC deferrals:

- PIC Q&A 2020-04, which provides additional guidance on determining whether the transaction price includes a significant financing component
- PIC Q&A 2020-02, which provides additional guidance on determining which uninstalled materials should not be included in calculating the POC

On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023. A summary of the PIC Q&A provisions covered by the SEC deferral and the related deferral period follows:

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

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

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

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

The Group availed of the SEC relief to defer the above specific provision of PIC Q&A No. 2018-12-D on determining whether the transaction price includes a significant financing component. Had this provision been adopted, the mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. The Group elected to adopt the guidance using the modified retrospective approach. The adoption of this guidance will impact interest income, interest expense, revenue from real estate sales, installment contracts receivable or contract assets, provision for deferred income tax, deferred tax asset or liability, and the balance of retained earnings as of January 1, 2024. The Group has assessed that the mismatch constitutes a significant financing component for its contracts to sell and is currently finalizing the quantification of the impact to its consolidated financial statements.



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

## 4. Summary of Material Accounting Policies

<u>Business Combinations</u>

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. It is then considered in the determination of goodwill.

If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because the fair values to be assigned to the acquiree's identifiable assets and liabilities can be determined only provisionally, the Group accounts for the combination using provisional values. Adjustments to those provisional values as a result of completing the initial accounting shall be made within twelve (12) months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date. Goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

<u>Financial Instruments</u>

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

a. Financial Assets

Financial assets are classified in four categories:

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

The Group has no financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments) and financial assets at FVPL as at December 31, 2023 and 2022.

- *Financial Assets at Amortized Cost (Debt Instruments)*. This category is most relevant to the Group. Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in the consolidated statement of comprehensive income when the asset is derecognized, modified or impaired.

  The Group's financial assets at amortized cost includes cash and cash equivalents, trade and other receivables, restricted cash and refundable deposits as at December 31, 2023 and 2022.

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

  Equity instruments designated at FVOCI are not subject to impairment assessment.

  The Group elected to classify irrevocably its quoted and unquoted equity securities under this category as at December 31, 2023 and 2022.

- *Impairment of Financial Assets*

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

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

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

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

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

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

b. Financial Liabilities

Financial liabilities are classified at initial recognition as financial liabilities at FVPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group has no financial liabilities at FVPL and derivatives designated as hedging instruments.

The Group's financial liabilities include trade and other payables (excluding statutory payables), lease liabilities, interest-bearing loans and borrowings and subscription payable as at December 31, 2023 and 2022.

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

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

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

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

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

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts; and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Real Estate Inventories
Real estate inventories consist of condominium units, residential house and lots for sale and development. These are properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation. These are held as inventory and are measured at the lower of cost and net realizable value (NRV).

Cost includes:
- Land cost
- Amounts paid to contractors for construction and development
- Planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less specifically identifiable estimated costs of completion and the estimated costs of sale. The carrying amount of inventories is reduced through the use of allowance account and the amount of loss is charged to profit or loss.

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



Advances to Contractors
Advances to contractors represent advance payments on services to be incurred in connection with the Group's operations. These are capitalized to projects under "Real estate inventories", "Investment properties" and "Property and equipment" accounts in the consolidated statements of financial position upon actual receipt of services. These are considered as nonfinancial instruments as these will be applied against future billings from contractors normally within one year or normal operating cycle.

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

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.

Investment in Joint Venture and Associate
Investment in joint venture and associate is accounted for under the equity method of accounting. An associate is an entity over which the Group has significant influence or the power to participate in the financial and operating policy decisions of the investee, but has no control or joint control over those policies. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*Cinema, Mall and Other Revenues (presented under Other Revenue)*. Revenue is recognized when services are rendered.

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

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

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

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

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

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

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

*Contract Balances*

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

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

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

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

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

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

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

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

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

*Amortization, Derecognition and Impairment of Contract Fulfillment Assets and Capitalized Costs to Obtain a Contract.* The Group amortizes contract fulfillment assets and capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included under cost of real estate.

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

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

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

Interest Income
Revenue is recognized using the effective interest, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Unearned discount is recognized as income over the terms of the related financial assets at amortized cost (i.e., loans and receivables) using the effective interest method and is shown as deduction to the related financial assets.

Leases
*Right-of-use assets.* The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The costs of right-of-use assets include the amount of lease liability recognized, and lease payments made at or before the commencement date. Right-of-use asset are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets of 35 years. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

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

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

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

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

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

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

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

*Lease Liabilities.* At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

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

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

Other equity adjustments represent the difference between the fair value of the consideration and the book value of the shares sold of the non-controlling interests.



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

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

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

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

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

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

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

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

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

Income Tax

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

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

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

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

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

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

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

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

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

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

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

Borrowing Costs
Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets (included in "Property and equipment" and "Investment properties" accounts in the consolidated statement of financial position). Capitalization ceases when pre-selling of real estate inventories under construction commences. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment of those borrowings.

The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

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

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

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

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

Segment Reporting
The Group's operating businesses are organized and managed separately into two 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 31.

## 5. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

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

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

- *Quantitative criteria*
  Installment contracts receivable
  - For individual customers - upon issuance of Final Notice of Cancellation ("FNOC") when monthly payments are 120 days past due
  - For corporate customers - when monthly payments are 30 days past due, and upon issuance of FNOC.

- *Qualitative criteria*

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

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

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

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

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

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

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

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

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

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

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

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

Revenue from sale of real estate recognized over time amounted to ₱11,914.4 million, ₱11,382.4 million and ₱8,926.0 million in 2023, 2022 and 2021, respectively, while room, cinema and other revenues recognized at a point in time amounted to ₱2,283.4 million, ₱1,758.7 million and ₱1,087.5 million in 2023, 2022 and 2021, respectively (see Note 20).

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



*Common use service area (CUSA) charges – Principal versus Agent Assessment*. The Group assessed itself as principal for CUSA, air-conditioning charges and electricity and water usage being charged to its tenants. Accordingly, the Group presented the revenue from recoveries and its related costs on a gross basis as part of "Others" under revenue and "Cost of real estate", respectively, in the consolidated statements of comprehensive income.

Total CUSA adjustments recognized amounted to ₱772.3 million in 2023, ₱544.2 million in 2022 and ₱418.6 million in 2021.

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

Lease income earned from investment properties amounted to ₱2,256.0 million, ₱1,889.4 million and ₱1,227.8 million in 2023, 2022 and 2021, respectively (see Note 11).

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

The rent concessions resulted to reduction in rental income in 2022 and 2021 amounting to ₱84.9 million and ₱456.5 million, respectively (nil in 2023) (see Note 11).

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

*Determination of Control over an Investee Company*. Control is presumed to exist when an investor 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. The Parent Company has established that it has the ability to control its subsidiaries by virtue of either 100% or majority interest in the investee companies (see Note 6).

*Interests in Joint Ventures*. Management has assessed that it has joint control in its joint venture agreements and joint venture parties have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Under the Joint Venture Agreement, each party's share in any proceeds, profits, losses, and other economic value derived under the Joint Venture as well as any economic benefits and losses derived from the utilization of the access ways and open spaces of the joint venture property shall be proportional to the respective financial contributions made by each party (see Note 13).

*Interest in an Associate*. The Parent Company owns 38.49% and 41.21% of Rockwell Nepo Development Corporation (RNDC), formerly NepWell Property Management, Inc., as at December 31, 2023 and 2022, respectively . The contractual arrangement relative to the JV Agreement with T.G.N. Realty Corporation does not give two or more of those parties joint control over the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. However, considering the percentage shareholdings of each party to the JVA and the agreement on quorum and voting, multiple combinations of parties could collectively control the arrangement. The Parent Company's management has assessed that it has significant influence in its JVA with T.G.N. Realty Corporation shareholders as the Parent Company has representation in the BOD of RNDC, participation in the policy-making processes and provision of essential technical information as the sole project developer and marketing and sales agent (see Note 13).

*Contingencies*. The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results.

The Group currently does not believe these proceedings will have a material effect on the financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 27). No provision for contingencies was recognized in 2023, 2022 and 2021.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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

The Group's revenue from sale of real estate is recognized using the percentage-of-completion method. This is measured principally on the basis of the estimated completion of a physical proportion of the contract work. In view of the recent signs of increased market activity with the easing of community quarantines in key areas of the Philippines, the progress of the Group's performance obligation is directly affected which resulted to higher percentage of completion in the current period as compared to previous year.

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

Revenue from sale of real estate recognized over time amounted to ₱11,914.4 million, ₱11,382.4 million and ₱8,926.0 million in 2023, 2022 and 2021, respectively.

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

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

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

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

*Inputs, Assumptions and Estimation Techniques.* ECLs are measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECLs are the discounted product of the PD, LGD, and EAD, defined as follows:

- *PD*

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

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

- *LGD*

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

- *EAD*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group grouped its installment contracts receivable for collective measurement into (i) individuals and (ii) corporate customers. No impairment losses were recognized for installment contracts receivable, recognized as trade receivables, in 2023 and 2022.

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

The carrying values of cash and cash equivalents, trade and other receivables and contract assets are disclosed in Notes 7, 8, 20 and 28.

*Fair Value of Financial Assets, Investment Properties and Financial Liabilities.* Entities are required to disclose for each class of financial assets and liabilities and investment properties the fair value of that class of assets and liabilities in a way that permits it to be compared with the corresponding carrying amount in the consolidated statements of financial position, which requires the use of accounting judgment and estimates. While significant components of fair value measurement are determined using verifiable objective evidence (i.e., foreign exchange rates and interest rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and liabilities would affect the disclosures made by management. The fair values of the Group's financial assets, investment properties and financial liabilities are set out in Note 29.

*Evaluation of Net Realizable Value of Real Estate Inventories.* Real estate inventories are carried at the lower of cost or NRV. The carrying value of real estate inventories are adjusted when the NRV becomes lower than cost due to changes in estimated selling prices less cost to sell.

Real estate inventories, stated at cost, amounted to ₱24,411.3 million and ₱17,981.2 million as at December 31, 2023 and 2022, respectively (see Note 9).

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

There were no changes in the estimated useful lives of investment properties and property and equipment in 2023, 2022 and 2021.

Investment properties, net of accumulated depreciation, (excluding land and investment properties in progress) amounted to ₱11,417.7 million and ₱11,403.6 million as at December 31, 2023 and 2022, respectively (see Note 11).

Property and equipment, net of accumulated depreciation and amortization, (excluding land and construction in progress) amounted to ₱1,867.3 million and ₱1,163.4 million as at December 31, 2023 and 2022, respectively (see Note 12).

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

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

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

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

| | **2023** | 2022 |
|---|---|---|
| Investment properties (see Note 11) | **₱14,624,071** | ₱14,666,614 |
| Property and equipment (see Note 12) | **2,648,963** | 2,154,070 |
| Investments in joint venture and associate (see Note 13) | **5,726,874** | 5,878,073 |
| Advances to contractors (see Notes 11 and 12) | **86,614** | 202,921 |

The fair value of the investment properties amounted to ₱32.2 billion and ₱30.7 billion as at December 31, 2023 and 2022, respectively (see Note 11).

The Group has considered and assessed that the Group's nonfinancial assets are not impaired. As at December 31, 2023 and 2022, no other impairment indicators were identified for the Group's nonfinancial assets.

No impairment loss was recognized in 2023, 2022 and 2021.

*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 ₱59.2 million and ₱107.4 million as at December 31, 2023 and 2022, respectively. Deductible temporary difference, NOLCO and MCIT for which no deferred tax assets have been recognized amounted to ₱4.1 million as at December 31, 2022 (nil as at December 31, 2023) (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 ₱84.8 million and ₱72.0 million as at December 31, 2023 and 2022, 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. Non-controlling Interests

a. RGDC

On March 30, 2023, the Parent Company and General Milling Corporation (GMC) entered into a joint venture agreement to form an entity to jointly develop a property into a mixed-use project with residential and retail components. Pursuant to the agreement, Rockwell GMC Development Corporation (RGDC) was incorporated. The Parent Company will be the sole and exclusive project development manager and sole marketing and sales agent of RGDC, contributing cash with 60% ownership interest in RGDC while GMC contributed land and shall contribute cash for 40% ownership interest in RGDC.

Non-controlling interest in RGDC amounted to ₱2,711.4 million as at December 31, 2023, after recognizing non-controlling interest in net loss of RGDC amounting to ₱17.3 million in 2023.

b. RCDC

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

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

RCDC's summarized financial information follows:

| | **2023** | 2022 |
|---|---|---|
| Current assets | **₱3,342,892** | ₱6,081,905 |
| Noncurrent assets | **186,655** | 196,530 |
| Current liabilities | **812,675** | 1,138,619 |
| Noncurrent liabilities | **347,359** | 640,304 |
| Revenues | **1,760,580** | 1,906,447 |
| Total comprehensive income | **535,508** | 480,564 |

| | **2023** | 2022 |
|---|---|---|
| Cash flows: | | |
| Operating | **₱2,948,606** | ₱1,406,276 |
| Financing | **(2,665,507)** | (713,799) |

In 2023, RCDC redeemed voting preferred shares of the Parent Company and non-controlling interest holder amounting to ₱585.3 million resulting to 70.0% ownership interest by RLC, and paid dividends to non-controlling interest holder amounting to ₱279.2 million.

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

Non-controlling interest in RCDC amounted to ₱980.1 million and ₱1,609.4 million as at December 31, 2023 and 2022, respectively.

c. Rock MFA

On July 14, 2017, the Parent Company entered into a Joint Venture Agreement with Mitsui Fudosan (Asia) Pte. Ltd. (Mitsui) to develop the residential component of its project in Quezon City called "The Arton by Rockwell". In accordance with the Agreement, Rock MFA was incorporated on August 22, 2017 by the Parent Company and Mitsui through SEAI Metro Manila One, Inc. (MFAP) to handle the development of "The Arton by Rockwell". As at December 31, 2023 and 2022, the Parent Company owns 80% interest in Rock MFA.

Non-controlling interest in Rock MFA amounted to ₱537.7 million, ₱472.8 million and ₱379.3 million as at December 31, 2023, 2022 and 2021, respectively.

## 7. Cash and Cash Equivalents

This account consists of:

| | **2023** | 2022 |
|---|---|---|
| Cash on hand and in banks | **₱1,285,495** | ₱980,792 |
| Short-term investments | **2,965,794** | 2,536,960 |
| | **₱4,251,289** | ₱3,517,752 |

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 ₱216.9 million, ₱22.9 million and ₱6.3 million in 2023, 2022 and 2021 respectively (see Note 21).

## 8. Trade and Other Receivables and Contract Assets

Trade and other receivables consist of:

| | **2023** | 2022 |
|---|---|---|
| Trade receivables from: | | |
| Sale of real estate (see Note 20) | **₱294,583** | ₱3,278,946 |
| Lease | **532,670** | 406,312 |
| Due from related parties (see Note 26) | **75,960** | 145,527 |
| Subscriptions receivable (see Note 26) | **208,000** | – |
| Advances to officers and employees (see Note 26) | **29,891** | 46,947 |
| Others | **11,570** | 65,427 |
| | **1,152,674** | 3,943,159 |
| Less allowance for ECLs | **25,179** | 25,727 |
| | **₱1,127,495** | ₱3,917,432 |

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

As of December 31, contract assets consist of:

| | **2023** | 2022 |
|---|---|---|
| Current | **₱9,237,501** | ₱12,024,821 |
| Noncurrent | **6,110,549** | 3,745,457 |
| | **₱15,348,050** | ₱15,770,278 |

Contract assets represent excess of recognized revenues from contracts with real estate customers determined based on percentage of completion against amounts billed to customers. As at December 31, 2023, the movement in contract assets comprises the reclassifications to installment contracts receivables from sale of real estate, and unbilled revenues recognized for the year amounting to ₱12,033.7 million and ₱11,611.5 million, respectively. As at December 31, 2022, the movement in contract assets comprises of the reclassifications to installment contracts receivables from sale of real estate, and unbilled revenues recognized for the year amounting to ₱3,279.0 million and ₱6,479.0 million, respectively (see Note 20).

Interest income earned from sale of real estate amounted to ₱1.8 billion, ₱1.4 billion and ₱1.4 billion in 2023, 2022 and 2021, respectively (see Note 21). Unamortized unearned interest on these receivables and contract assets amounted to ₱4.1 billion and ₱3.6 billion as at December 31, 2023 and 2022, respectively.

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

| | **2023** | 2022 |
|---|---|---|
| Trade receivables/contract assets at nominal amount | **₱19,748,927** | ₱22,694,430 |
| Less unearned interest: | | |
| Balance at beginning of year | **3,645,206** | 3,336,872 |
| Unearned interest | **2,261,050** | 1,721,578 |
| Amortization (see Note 21) | **(1,799,962)** | (1,413,244) |
| Balance at end of year | **4,106,294** | 3,645,206 |
| Trade receivables/contract assets at discounted amount | **₱15,642,633** | ₱19,049,224 |

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

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

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

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

| | **2023** | | | 2022 | | |
|---|---|---|---|---|---|---|
| | **Trade Receivables from Lease** | **Others** | **Total** | Trade Receivables from Lease | Others | Total |
| Balance at beginning of year | **₱9,594** | **₱16,133** | **₱25,727** | ₱15,690 | ₱18,833 | ₱34,523 |
| Reversal (see Note 22) | **(2,944)** | **–** | **(2,944)** | (6,096) | (2,700) | (8,796) |
| Provision (see Note 22) | **–** | **2,396** | **2,396** | – | – | – |
| Balance at end of year | **₱6,650** | **₱18,529** | **₱25,179** | ₱9,594 | ₱16,133 | ₱25,727 |



## 9. Real Estate Inventories

This account consists of:

| | **2023** | 2022 |
|---|---|---|
| Land and development costs | **₱15,260,561** | ₱11,931,384 |
| Land held for future development and other developments costs (see Note 26) | **8,339,691** | 4,920,448 |
| Condominium units for sale | **811,086** | 1,129,379 |
| | **₱24,411,338** | ₱17,981,211 |

The rollforward analysis of this account follows:

| | **2023** | 2022 |
|---|---|---|
| At January 1 | **₱17,981,211** | ₱17,243,928 |
| Construction/development costs incurred (see Note 27) | **8,230,153** | 5,414,704 |
| Cost of real estate sold (shown as part of "Cost of real estate" account in the consolidated statements of comprehensive income) | **(8,061,449)** | (8,208,501) |
| Land acquired | **6,604,653** | 2,969,613 |
| Transfers to property and equipment (see Note 12) | **(460,299)** | (134,250) |
| Transfers from investment properties (see Note 11) | **117,069** | 695,717 |
| Balance at end of year | **₱24,411,338** | ₱17,981,211 |

As at December 31, 2023 and 2022, land held for future development and other development costs mainly pertain to land acquisitions in Metro Manila and certain provinces.

As at December 31, 2023 and 2022, condominium units for sale pertains to unsold units of various completed projects.

As at December 31, 2023 and 2022, advances to contractors, shown separately in the consolidated statements of financial position, mainly pertain to advances related to the development of various projects.

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

Contract fulfillment assets, included under land and development costs, mainly pertain to unamortized portion of the land cost totaling ₱4,777.4 million and ₱6,364.5 million as at December 31, 2023 and 2022, respectively.

Estimated cost to complete various on-going projects expected to be completed until year 2028 amounted to ₱16.9 billion and ₱22.3 billion as at December 31, 2023 and 2022, respectively.

## 10. Other Current Assets

This account consists of:

| | **2023** | 2022 |
|---|---|---|
| Creditable withholding tax | **₱1,671,088** | ₱1,555,700 |
| Input VAT | **926,979** | 973,915 |
| Prepaid costs (see Note 20) | **728,050** | 537,224 |
| Deposit for land acquisition (see Note 26) | **158,676** | – |
| Restricted cash | **155,944** | 250,285 |
| Refundable deposits | **96,045** | 88,215 |
| Supplies | **56,647** | 18,649 |
| Others | **44,668** | 57,960 |
| | **₱3,838,097** | ₱3,481,948 |

Prepaid costs primarily pertain to costs to obtain a contract which consist of sales commission pertaining to real estate sold capitalized as deferred selling expense (see Note 20).

As at December 31, 2023 and 2022, restricted cash represents escrow account to cover all payments received from the buyers for the sale of real estate with restriction on withdrawal and remittance. The escrow account is required to be maintained until satisfactory compliance with the conditions of the Temporary License to Sell issued by the Department of Human Settlements and Urban Development.

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

## 11. Investment Properties

The rollforward analysis of this account follows:

| | 2023 | | | | |
|---|---|---|---|---|---|
| | **Land** | **Buildings and Improvements** | **Right-of-use Assets** | **Investment Properties in Progress** | **Total** |
| At January 1, 2023, net of accumulated depreciation and amortization | **₱2,803,529** | **₱10,940,161** | **₱463,414** | **₱459,510** | **₱14,666,614** |
| Additions to construction (see Note 27) | **-** | **474,445** | **-** | **200,905** | **675,350** |
| Transfers to real estate inventories (see Note 9) | **-** | **-** | **-** | **(117,069)** | **(117,069)** |
| Reclassification | **-** | **140,514** | **-** | **(140,514)** | **-** |
| Depreciation and amortization (see Note 22) | **-** | **(585,556)** | **(15,268)** | **-** | **(600,824)** |
| At December 31, 2023, net of accumulated depreciation and amortization | **₱2,803,529** | **₱10,969,564** | **₱448,146** | **₱402,832** | **₱14,624,071** |
| At January 1, 2023: | | | | | |
| Cost | **₱2,803,529** | **₱15,415,258** | **₱524,486** | **₱459,510** | **₱19,202,783** |
| Accumulated depreciation and amortization | **-** | **(4,475,097)** | **(61,072)** | **-** | **(4,536,169)** |
| Net carrying amount | **₱2,803,529** | **₱10,940,161** | **₱463,414** | **₱459,510** | **₱14,666,614** |
| At December 31, 2023: | | | | | |
| Cost | **₱2,803,529** | **₱16,022,489** | **₱524,486** | **₱402,832** | **₱19,753,336** |
| Accumulated depreciation and amortization | **-** | **(5,052,925)** | **(76,340)** | **-** | **(5,129,265)** |
| Net carrying amount | **₱2,803,529** | **₱10,969,564** | **₱448,146** | **₱402,832** | **₱14,624,071** |

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Land | Buildings and Improvements | Right-of-use Assets | Investment Properties in Progress | Total |
| At January 1, 2022, net of accumulated depreciation and amortization | ₱2,930,648 | ₱10,703,212 | ₱478,682 | ₱521,554 | ₱14,634,096 |
| Additions to construction (see Note 27) | – | 282,892 | – | 21,678 | 304,570 |
| Transfers (to) from real estate inventories (see Note 9) | (356,900) | (51,034) | – | (287,783) | (695,717) |
| Transfers (to) from property and equipment (see Note 12) | 229,781 | 90,414 | – | 619,337 | 939,532 |
| Reclassification | – | 415,276 | – | (415,276) | |
| Depreciation and amortization (see Note 22) | – | (500,599) | (15,268) | – | (515,867) |
| At December 31, 2022, net of accumulated depreciation and amortization | ₱2,803,529 | ₱10,940,161 | ₱463,414 | ₱459,510 | ₱14,666,614 |
| At January 1, 2022: | | | | | |
| Cost | ₱2,930,648 | ₱14,677,710 | ₱524,486 | ₱521,554 | ₱18,654,398 |
| Accumulated depreciation and amortization | – | (3,974,498) | (45,804) | – | (4,020,302) |
| Net carrying amount | ₱2,930,648 | ₱10,703,212 | ₱478,682 | ₱521,554 | ₱14,634,096 |
| At December 31, 2022: | | | | | |
| Cost | ₱2,803,529 | ₱15,415,258 | ₱524,486 | ₱459,510 | ₱19,202,783 |
| Accumulated depreciation and amortization | – | (4,475,097) | (61,072) | – | (4,536,169) |
| Net carrying amount | ₱2,803,529 | ₱10,940,161 | ₱463,414 | ₱459,510 | ₱14,666,614 |

Investment properties are carried at cost. Investment properties consist of the "Power Plant" Mall(₱3.1 billion and ₱3.2 billion as at December 31, 2023 and 2022, respectively), other investment properties held for lease within and outside Rockwell Center (₱11.0 billion and ₱10.9 billion as at December 31, 2023 and 2022, respectively) and land held for appreciation (₱539.7 million as at December 31, 2023 and 2022).

Investment properties in progress include costs incurred for the construction of Rockwell Performing Arts Theater. General borrowing costs capitalized as part of investment properties amounted to ₱46.2 million in 2022 (nil in 2023) (see Note 16). Average capitalization rate used for this ongoing project is 4.82% in 2022.

Amortization of discount on retention payable, capitalized as part of construction costs, amounted to nil and ₱1.8 million in 2023 and 2022 (see Note 17).

As at December 31, 2023 and 2022, advances to contractors, included under "Other noncurrent assets" account in the consolidated statements of financial position, amounting to ₱80.8 million and ₱165.4 million, respectively, primarily pertain to advances related to the development of Rockwell Performing Arts Theater, One Proscenium projects and Mall Expansion.

Lease income earned from investment properties amounted to ₱2,256.0 million, ₱1,889.4 million and ₱1,227.8 million in 2023, 2022 and 2021, respectively. Direct operating expenses incurred amounted to ₱526.8 million, ₱433.6 million and ₱399.5 million in 2023, 2022 and 2021, respectively.

As a consequence of the COVID-19 pandemic, the Group provided certain rent concessions to its tenants of commercial spaces in the form of lease payment holidays and lease reduction from March 2020 to December 31, 2022. The Group accounted for the rent concessions as not a lease modification. The rent concessions resulted to reduction in rental income amounting to ₱84.9 million and ₱456.5 million in 2022 and 2021, respectively (nil in 2023).



The aggregate fair value of the Group's Power Plant Mall amounted to ₱12.8 billion and ₱12.6 billion as at December 31, 2023 and 2022, respectively. The aggregate fair value of other investment properties held for lease within and outside Rockwell Center and land held for appreciation amounted to ₱19.3 billion and ₱18.1 billion as at December 31, 2023 and 2022, respectively.

The fair value as at December 31, 2023 and 2022 was determined by independent professionally qualified appraiser accredited by the SEC. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation.

The fair value of the mall and investment properties held for lease 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 29).

The fair value of land held for appreciation and land component of assets under construction was arrived at through the use of the "Market Data Approach." "Market Data Approach" is based on the assumption that no prudent purchaser will buy more than what it will cost him to acquire an equally desirable substitute parcel or site. This approach is primarily based on sales and listings, which are adjusted for time of sale, location, and general characteristics of comparable lots in the neighborhood where the subject lot is situated. This is included under Level 2 in the fair value hierarchy (see Note 29).

The fair value of assets recently completed and undergoing construction was arrived at through the use of the "Cost Approach". "Cost Approach" is based on the amount required to replace the service capacity of an asset (frequently referred to as current replacement cost). This approach is applied by estimating the amount that currently would be required to construct a substitute software asset of comparable utility. This is included under Level 3 in the fair value hierarchy (see Note 29).

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

## 12. Property and Equipment

The rollforward analysis of this account follows:

| | 2023 | | | | | |
|---|---|---|---|---|---|---|
| | **Land** | **Buildings and Improvements** | **Office Furniture and Other Equipment** | **Transportation Equipment** | **Construction in Progress** | **Total** |
| Cost | | | | | | |
| At January 1 | **₱683,864** | **₱2,017,434** | **₱2,265,896** | **₱387,424** | **₱306,850** | **₱5,661,468** |
| Additions | **-** | **55,980** | **178,194** | **40,385** | **-** | **274,559** |
| Transfers from real estate inventories (see Note 9) | **6,980** | **453,319** | **-** | **-** | **-** | **460,299** |
| Reclassification | **-** | **215,989** | **-** | **-** | **(215,989)** | **-** |
| Disposals | **-** | **-** | **(89,156)** | **(52,071)** | **-** | **(141,227)** |
| At December 31 | **690,844** | **2,742,722** | **2,354,934** | **375,738** | **90,861** | **6,255,099** |
| Accumulated Depreciation and Amortization | | | | | | |
| At January 1 | **-** | **1,279,651** | **1,943,080** | **284,667** | **-** | **3,507,398** |
| Depreciation and amortization (see Note 22) | **-** | **81,206** | **123,358** | **35,401** | **-** | **239,965** |
| Disposals | **-** | **-** | **(89,156)** | **(52,071)** | **-** | **(141,227)** |
| At December 31 | **-** | **1,360,857** | **1,977,282** | **267,997** | **-** | **3,606,136** |
| Net Book Value at December 31 | **₱690,844** | **₱1,381,865** | **₱377,652** | **₱107,741** | **₱90,861** | **₱2,648,963** |

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

As at December 31, 2023 and 2022, advances to contractors, included under "Other noncurrent assets" account in the consolidated statements of financial position, amounting to ₱5.8 million and ₱37.6 million, respectively, primarily pertain to advances related to the development of "Mactan Hotel".

## 13. Investments in Joint Venture and Associate

This account consists of:

| | 2023 | 2022 |
|---|---|---|
| Investment in: | | |
| Joint venture | **₱4,922,842** | ₱5,116,073 |
| Associate | **804,032** | 762,000 |
| | **₱5,726,874** | ₱5,878,073 |

The details and movement in investments in joint venture and associate are as follows:

| | 2023 | 2022 |
|---|---|---|
| Cost: | | |
| Balance at beginning of year | **₱5,512,549** | ₱3,047,339 |
| Additional investment | **-** | 2,518,410 |
| Return of investment | **(200,865)** | (53,200) |
| | **5,311,684** | 5,512,549 |
| Accumulated share in net income: | | |
| Balance at beginning of year | **365,524** | 480,376 |
| Share in net income | **465,711** | 375,618 |
| Dividend distribution | **(416,045)** | (490,470) |
| Balance at end of year | **415,190** | 365,524 |
| Carrying value | **₱5,726,874** | ₱5,878,073 |

a. RIDC

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

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

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

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

The increase in RIDC's authorized capital stock was approved by the SEC in April 2022, with the Parent Company accruing the remaining portion of its subscription amounting to ₱2,518.4 million as of December 31, 2022. Out of the accrued subscription, ₱775.0 million will be paid in 2023 while the remaining will be paid within 1 year based on the terms of the JVA. In 2023, the subscription payment was revised depending on the cashflow requirements for the project development with ₱163.0 million to be paid in 2024.

RIDC's statements of financial position include the following:

| | 2023 | 2022 |
|---|---|---|
| Current assets | **₱2,476,514** | ₱2,994,954 |
| Noncurrent assets | **4,036,569** | 3,457,179 |
| Current liabilities | **67,450** | 32,657 |
| Noncurrent liabilities | **156,223** | 157,688 |
| Cash and cash equivalents | **596,680** | 521,188 |
| Real estate inventories | **1,698,108** | 1,590,569 |

RIDC's statements of comprehensive income include the following:

| | 2023 | 2022 |
|---|---|---|
| Revenue (including interest income on cash in banks) | **₱34,412** | ₱600 |
| Costs and expenses | **3,084** | 47,461 |
| Provision for (benefit from) deferred income tax | **3,704** | (11,828) |
| Total comprehensive income (loss) | **27,624** | (35,033) |

The carrying value of the Parent Company's investment in RIDC amounted ₱3.1 million and ₱3.1 million as at December 31, 2023 and 2022, respectively. Share in net income (loss) of RIDC, recognized as part of "Share in net income of joint venture and associate", amounted to ₱13.8 million and (₱17.4) in 2023 and 2022, respectively.

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

| | 2023 | 2022 |
|---|---|---|
| Net assets of RIDC | **₱6,289,410** | ₱6,261,788 |
| Interest of the Parent Company in the net assets of RIDC | **50%** | 50% |
| Carrying amount of investment in RIDC | **₱3,144,705** | ₱3,130,894 |

As at December 31, 2023 and 2022, RIDC has no commitments and contingencies.

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

b. Unincorporated JV

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 (called "Rockwell Business Center" or "RBC"), 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 ₱9.9 million, ₱7.5 million and ₱4.4 million in 2023, 2022 and 2021, respectively (see Note 26). 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 December 6, 2013, Meralco and the Parent Company entered into a Supplemental Agreement to the JV Agreement to include their respective additional rights and obligations, including the development and construction of the third tower of the BPO Building. Under the Supplemental Agreement, Meralco shall contribute the corresponding use of the land where the third BPO Building will be constructed while the Parent Company shall provide the additional funds necessary to cover the construction costs. Construction of the third tower was completed in December 2014.

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

| | 2023 | 2022 |
|---|---|---|
| Current assets | **₱885,034** | ₱974,122 |
| Noncurrent assets | **2,089,612** | 2,288,408 |
| Current liabilities | **197,349** | 74,441 |
| Noncurrent liabilities | **237,101** | 352,116 |
| Cash and cash equivalents | **511,589** | 579,315 |
| Current financial liabilities (excluding trade and other payables and provisions) | **47,579** | 44,850 |
| Noncurrent financial liabilities (excluding trade and other payables and provisions) | **341,798** | 332,415 |

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

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Revenue | **₱1,162,746** | ₱1,113,797 | ₱1,062,447 |
| Cost and expenses | **263,228** | 247,843 | 207,013 |
| Depreciation and amortization expense | **212,157** | 211,461 | 212,191 |
| Interest income | **23,225** | 8,702 | 2,039 |
| Provision for income tax | **125,062** | 116,318 | 112,788 |
| Total comprehensive income/net income | **585,524** | 546,877 | 532,493 |

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

| | 2023 | 2022 |
|---|---|---|
| Cost: | | |
| Balance at beginning of year | **₱1,612,461** | ₱1,665,661 |
| Return of investment* | **(200,865)** | (53,200) |
| | **1,411,596** | 1,612,461 |
| Accumulated share in net income: | | |
| Balance at beginning of year | **372,719** | 480,376 |
| Share in net income** | **409,867** | 382,813 |
| Dividend distribution | **(416,045)** | (490,479) |
| Balance at end of year | **366,541** | 372,719 |
| Carrying value | **₱1,778,137** | ₱1,985,180 |

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

In 2020, the Parent Company and Meralco have agreed that effective January 1, 2020, all income sharing distribution in excess of the JV's retained earnings shall be treated as return of capital.

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

| | 2023 | 2022 |
|---|---|---|
| Net assets of the unincorporated JV | **₱2,540,196** | ₱2,835,973 |
| Interest of the Parent Company in the net assets of the unincorporated JV | **70%** | 70% |
| Carrying amount of investment in joint venture | **₱1,778,137** | ₱1,985,181 |

As at December 31, 2023 and 2022, the unincorporated JV has no commitments and contingencies.

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

On November 6, 2020, the Parent Company subscribed to 746,698,125 redeemable preference shares and 9,451,878 common shares of RNDC, equivalent to 40% of RNDC's outstanding capital stock, for a total consideration of ₱756.2 million. As at December 31, 2020, the Parent Company made partial payment of the subscription price amounting to ₱72.0 million and accounted for such investment as an associate. The purchase price allocation resulted to recognition of RNDC's assets and liabilities at fair value, with land as the primary asset, and embedded goodwill amounting to ₱51.0 million.

As at December 31, 2023 and 2022, the Parent Company made a partial payment of the subscription price amounting to ₱200.0 million and ₱80.0 million, respectively, while the remaining unpaid subscription of the Parent Company in RNDC amounting to ₱204.2 million and ₱404.2 million, respectively, is recognized as subscription payable in the consolidated statements financial position (see Note 13).

On December 5, 2023, the SEC certified the valuation of real properties in the amount of ₱129,800,000 be applied as payment for RNDC's additional issuance of 129,800,000 redeemable preferred shares to T.G.N. Realty Corporation at par value of ₱1.00 each from the unissued portion of its authorized capital stock bringing the ownership of the Parent Company in RNDC to 38.5% as of December 31, 2023 from 41.2% as of December 31, 2022.

As at December 31, 2023 and 2022, the Group's investment in RNDC amounted to ₱804.0 million and ₱762.0 million, respectively. Share in net income of RNDC, recognized as part of "Share in net income of joint venture and associate", amounted to ₱42.0 million and ₱10.3 million in 2023 and 2022, respectively.

## 14. Investment in Equity Instruments at FVOCI

As at December 31, this account consists of:

| | 2023 | 2022 |
|---|---|---|
| Quoted | **₱58,280** | ₱33,280 |
| Unquoted | **3,269** | 3,431 |
| | **₱61,549** | ₱36,711 |

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

| | 2023 | 2022 |
|---|---|---|
| Balance at beginning of year | **₱33,280** | ₱26,919 |
| Unrealized gain on fair value adjustments | **25,000** | 6,361 |
| Balance at end of year | **₱58,280** | ₱33,280 |

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

## 15. Trade and Other Payables

This account consists of:

| | 2023 | 2022 |
|---|---|---|
| Trade | **₱1,647,268** | ₱1,206,993 |
| Accrued expenses: | | |
| Project costs | **3,573,461** | 3,005,039 |
| Selling, marketing and promotions | **529,379** | 483,210 |
| Employee benefits (see Note 24) | **136,754** | 93,369 |
| Interest | **134,476** | 107,289 |

*(Forward)*

| | 2023 | 2022 |
|---|---|---|
| Utilities | **₱82,815** | ₱66,408 |
| Repairs and maintenance | **69,171** | 45,048 |
| Taxes and licenses | **62,904** | 105,831 |
| Producers' share | **30,867** | 27,021 |
| Others | **195,698** | 193,527 |
| Contract liabilities: | | |
| Deposits from pre-selling of condominium units (see Notes 17 and 20) | **972,366** | 103,764 |
| Excess of collections over recognized receivables (see Notes 17 and 20) | **601,965** | 762,844 |
| Advance payments from members and customers (see Note 20) | **11,695** | 11,646 |
| Current portions of: | | |
| Retention payable (see Note 17) | **890,273** | 910,960 |
| Security deposits (see Note 17) | **354,707** | 359,611 |
| Deferred lease income (see Note 17) | **188,355** | 185,314 |
| Lease liabilities (see Note 27) | **26,761** | 27,858 |
| Output VAT | **147,770** | 340,921 |
| Deferred output VAT | **39,887** | 1,136,501 |
| Due to related parties (see Note 26) | **29,224** | 107,159 |
| Others | **5,118** | 220,039 |
| | **₱9,730,914** | ₱9,500,352 |

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

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

Accrued expenses are normally settled within 12 months.

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

Deposits from pre-selling of condominium units represent cash received from buyers of certain projects with pending recognition of revenue. The current portion of these deposits are expected to be applied against receivable from sale of condominium units the following year (see Notes 9 and 20).

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

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

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

## 16. Interest-bearing Loans and Borrowings

This account consists of:

| | Effective Interest Rate | 2023 | 2022 |
|---|---|---|---|
| Current | | | |
| Term loan | Fixed 3.43%-6.24%<br>Floating 6.14%-7.57% | **₱2,836,245** | ₱2,856,010 |
| Less unamortized loan transaction costs | | **23,796** | 22,664 |
| | | **₱2,812,449** | ₱2,833,346 |
| Noncurrent | | | |
| Term loan | Fixed 3.43%-6.24%<br>Floating 6.14%-7.57% | **₱23,123,635** | ₱22,349,880 |
| Less unamortized loan transaction costs | | **91,796** | 89,742 |
| | | **₱23,031,839** | ₱22,260,138 |

Term Loan
PNB. On May 25, 2016, December 19, 2019 and September 13, 2021, the Parent Company entered into unsecured credit facilities with PNB each amounting to ₱5.0 billion, for a total of ₱15.0 billion. As at September 13, 2022, ₱3.5 billion of the credit facility with PNB has expired. The Parent Company will pay 70% of the loan amounts quarterly over the term of the loans and the balance upon maturity.

Details of drawdowns are as follows:

| Drawdown | Drawdown Date | Maturity | Start of Principal Payment | No. of Quarterly Payments | Amount (in billions) |
|---|---|---|---|---|---|
| 1 | May 2016 | 10 years | August 2018 | 32 | ₱1.0 |
| 2 | August 2017 | 7 years | August 2019 | 20 | 1.0 |
| 3 | September 2017 | 7 years | September 2019 | 20 | 1.0 |
| 4 | October 2017 | 7 years | October 2019 | 20 | 1.0 |
| 5 | December 2017 | 7 years | December 2019 | 20 | 1.0 |
| 6 | December 2019 | 7 years | December 2021 | 20 | 1.0 |
| 7 | January 2020 | 7 years | April 2022 | 20 | 1.0 |
| 8 | December 2020 | 7 years | March 2023 | 20 | 1.0 |
| 9 | February 2021 | 7 years | May 2022 | 24 | 2.0 |
| 10 | October 2021 | 7 years | January 2024 | 20 | 1.0 |
| 11 | April 2022 | 7 years | January 2024 | 22 | 0.5 |
| | | | | | ₱11.5 |

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

Schedule of drawdowns are shown below.

| Drawdown | Drawdown Date | Maturity | Start of Principal Payment | No. of Quarter Payments | Amount (in billions) |
|---|---|---|---|---|---|
| 1 | June 2016 | 7 years | September 2018 | 20 | ₱1.0 |
| 2 | June 2016 | 10 years | September 2018 | 32 | 1.0 |
| 3 | September 2016 | 7 years | December 2018 | 20 | 0.5 |
| 4 | June 2017 | 10 years | September 2018 | 32 | 1.0 |
| 5 | October 2017 | 10 years | September 2018 | 32 | 0.5 |
| | | | | | ₱4.0 |

On November 18, 2019, the Parent Company entered into an unsecured credit facility with Metropolitan Bank and Trust Company (MBTC) amounting to ₱5.0 billion. The Parent Company will pay 50% of the loan amount quarterly over the term of the loan and the balance upon maturity.

Schedule of drawdowns are shown below.

| Drawdown | Drawdown Date | Maturity | Start of Principal Payment | No. of Quarterly Payments | Amount (in billions) |
|---|---|---|---|---|---|
| 1 | November 2019 | 7 years | February 2022 | 20 | ₱2.0 |
| 2 | December 2019 | 7 years | February 2022 | 20 | 1.0 |
| 3 | March 2020 | 7 years | June 2022 | 20 | 1.0 |
| 4 | August 2020 | 7 years | November 2022 | 20 | 1.0 |
| | | | | | ₱5.0 |

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

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

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

Schedule of drawdowns are shown below.

| Drawdown | Drawdown Date | Maturity | Start of Principal Payment | No. of Quarterly Payments | Amount (in billions) |
|---|---|---|---|---|---|
| 1 | June 2016 | 10 years | September 2018 | 32 | ₱0.5 |
| 2 | May 2017 | 10 years | September 2018 | 32 | 0.5 |
| | | | | | ₱1.0 |

*BDO*. On January 20, 2020, the Parent Company entered into an unsecured credit facility with BDO amounting to ₱10.0 billion. The Parent Company will pay 48% of the loan amount quarterly over the term of the loan and the balance upon maturity.

Schedule of drawdowns are shown below.

| Drawdown | Drawdown Date | Maturity | Start of Principal Payment | No. of Quarter Payments | Amount (in billions) |
|---|---|---|---|---|---|
| 1 | February 2020 | 10 years | May 2022 | 32 | ₱1.0 |
| 2 | April 2020 | 10 years | July 2022 | 32 | 1.0 |
| 3 | July 2020 | 10 years | October 2022 | 32 | 2.0 |
| 4 | September 2020 | 10 years | December 2022 | 32 | 1.0 |
| 5 | April 2021 | 9 years | May 2022 | 32 | 1.0 |
| 6 | June 2021 | 9 years | May 2022 | 32 | 1.0 |
| 7 | August 2021 | 9 years | May 2022 | 32 | 1.0 |
| 8 | September 2021 | 9 years | May 2022 | 32 | 1.0 |
| 9 | October 2021 | 9 years | May 2022 | 32 | 1.0 |
| | | | | | ₱10.0 |



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

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

| Drawdown | Drawdown Date | Maturity | Start of Principal Payment | No. of Quarter Payments | Amount (in billions) |
|---|---|---|---|---|---|
| 1 | Dec 2022 | 10 years | March 2024 | 36 | ₱1.5 |
| 2 | March 2023 | 10 years | March 2024 | 36 | 3.5 |
| | | | | | ₱5.0 |

As at December 31, 2023, the credit facility with BDO has been fully utilized.

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

As at December 31, 2023 and 2022, the loan proceeds received by Rockwell MFA from SEAI Metro Manila One, Inc. amounted to nil and ₱128.6 million, respectively.

The loan bears an interest rate equal to the base rate plus the applicable spread of 150 bps. The base rate may be any benchmark rate relevant to the currency and term of the loan. The outstanding loan drawdowns in 2018 and 2019 amounting to ₱105.6 million shall be payable in lumpsum on December 31, 2022, while the loan drawdowns in 2020 amounting to ₱110.0 million shall be payable on December 31, 2023. On November 3, 2022, Rockwell MFA and the Creditor agreed to defer the maturity date of loan with principal amounting to ₱41.0 million and ₱64.6 million from December 31, 2022 to December 31, 2024 and June 30, 2024, respectively. On November 6, 2023, the Rockwell MFA and the Creditor agreed to defer the maturity date of loan with principal amounting to ₱110.0 million; ₱64.6 million and ₱142.6 million from December 31, 2023; June 30, 2024 and December 31, 2024 to December 31, 2027, respectively.

The outstanding balance of the term loans, net of unamortized loan transaction costs, amounted to ₱25,844.3 million and ₱25,093.5 million as of December 31, 2023 and 2022, respectively.

<u>Contracts to Sell (CTS) Loan Financing</u>
The Group entered into loan financing agreements with financial institutions to fund the ongoing construction of its projects whereby the Group assigned its installment contracts receivables under its CTS on a with recourse basis. These receivables are used as collateral to secure the corresponding loans obtained until full settlement in 2022.

The CTS loans bear fixed interest rates ranging from 5.0% to 6.0%. Principal payments on the loan amounting to ₱1,262.5 million were made in 2022.

<u>Short-term Loans</u>
In 2022, the Parent Company obtained short-term loans from various financial institutions bearing interest rates ranging from 2.45% to 3.00% with terms of three months. As at December 31, 2023 and 2022, outstanding short-term loans amounted to nil.

*Loan Transaction Costs*. As at December 31, 2023 and 2022, loan transaction costs consisting of documentary stamp tax and underwriting fees on the corporate notes and bonds were capitalized and presented as a deduction from the related loan balance.

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

| | **2023** | 2022 |
|---|---|---|
| Balance at beginning of year | **₱112,406** | ₱137,480 |
| Additions | **26,250** | 15,802 |
| Amortization (see Note 22) | **(23,064)** | (40,876) |
| Balance at end of year | **₱115,592** | ₱112,406 |

*Interest expense*. Interest expense on interest-bearing loans and borrowings amounted to ₱1,479.3 million, ₱1,105.6 million and ₱1,024.3 million in 2023, 2022 and 2021, respectively (see Note 22). Interest expense capitalized as part of investment properties amounted to nil and ₱46.2 million in 2023 and 2022, respectively (see Note 11).

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

| Year | Amount |
|---|---|
| 2024 | ₱2,836,245 |
| 2025 | 2,952,345 |
| 2026 | 6,581,261 |
| 2027 | 2,534,169 |
| 2028 and onwards | 11,055,860 |
| | ₱25,959,880 |

*Covenants*. The loan contains, among others, covenants regarding incurring additional long-term debt and paying out dividends, to the extent that such will result in a breach of the required debt-to-equity ratio (2:1 max.) and current ratio (1:1 min.). As at December 31, 2023 and 2022, the Group has complied with these covenants (see Note 28).

## 17. Deposits and Other Liabilities

This account consists of:

| | 2023 | 2022 |
|---|---|---|
| Retention payable - net of current portion of ₱890.2 million in 2023 and ₱911.0 million in 2022 (see Note 15) | **₱786,626** | ₱700,999 |
| Contract liabilities: | | |
| Security deposits - net of current portion of ₱354.7 million in 2023 and ₱359.6 million in 2022 (see Note 15) | **391,310** | 339,443 |
| Deferred lease income - net of current portion of ₱188.4 million in 2023 and ₱185.3 million in 2022 (see Note 15) | **224,844** | 194,736 |
| Deposits from pre-selling of condominium units - net of current portion of ₱972.4 million in 2023 and ₱103.8 million in 2022 (see Notes 15 and 20) | **160,118** | 381,290 |
| Excess of collections over recognized receivables - net of current portion of ₱602.0 million in 2023 and ₱762.8 million in 2022 (see Notes 15 and 20) | **86,217** | 539,392 |
| Condominium and utility deposits | **187,965** | 157,204 |
| Others (see Notes 15 and 24) | **39,376** | 39,343 |
| | **₱1,876,456** | ₱2,352,407 |

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

As discussed in Note 4, the Group uses discounted cash flow analysis to measure the fair value of retention payable. The resulting difference between the transaction price and fair value at initial recognition is recognized in the consolidated statements of financial position as a reduction from "Real estate inventories". The retention payable is carried at amortized cost using effective interest method. The amortization of discount on retention payable is expensed as part of the "Interest expense" account in the consolidated statements of comprehensive income (see Note 22).

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

| | 2023 | 2022 |
|---|---|---|
| Balance at beginning of year | **₱44,399** | ₱32,457 |
| Additions | **60,339** | 28,060 |
| Amortization (see Notes 11 and 22) | **(44,737)** | (16,118) |
| Balance at end of year | **₱60,001** | ₱44,399 |

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.

Condominium and utility deposits primarily pertains to customer's security upon purchase of an unit and upfront payments for services such as water and electricity.

## 18. Share-based Payment Plans

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

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

The primary terms of the grants follow:

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

The fair value of equity-settled share options granted is estimated as at the date of grant using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the option grants:

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

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

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

There were no share options granted or exercised in 2023, 2022 and 2021.

As at December 31, 2023 and 2022, the outstanding ESOP shares are as follows:

| | 2023 | 2022 |
|---|---|---|
| Number of grants | **63,918,000** | 63,918,000 |
| Cancellations | **(13,630,000)** | (4,429,000) |
| Exercised | **(15,000,000)** | (15,000,000) |
| Remaining shares | **35,288,000** | 44,489,000 |

As at December 31, 2023 and 2022, total share-based payment transactions, net of applicable tax, amounting to ₱69.7 million are presented as "Share-based payments" account under the equity section of the consolidated statements of financial position.

## 19. Equity

a. Capital Stock

As at December 31, 2023 and 2022, capital stock consists of:

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

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

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

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

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

As of December 31, 2023 and 2022, the Parent Company has total shareholders of 45,456 and 45,777, respectively, on record. For this purpose, public shares held under PCD Nominee are counted as two (one for PCD Nominee - Filipino and another for PCD Nominee - Foreign).

b. Other Equity Adjustments

This account represents the difference between the consideration received from the sale of the proprietary shares and the carrying value of the related interest amounting to ₱540.3 million as at December 31, 2023 and 2022.

c. Treasury Shares

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

d. Retained Earnings

As at December 31, 2023 and 2022, the unappropriated consolidated retained earnings include undistributed net earnings of subsidiaries amounting to ₱422.6 million and ₱409.3 million, respectively. Such undistributed net earnings are not currently available for dividend distribution unless declared by the BOD of the subsidiaries. Retained earnings are further restricted to the extent of the cost of treasury shares. As at December 31, 2023 and 2022, retained earnings available for dividend declaration amounted to ₱5.0 billion and ₱5.4 billion, respectively.

On December 7, 2023, the Parent Company's BOD approved the appropriation of retained earnings amounting to ₱14.0 billion (after reversal of ₱11.0 billion appropriation) out of the total retained earnings as of December 31, 2023 to partially fund capital expenditures of the Parent Company from 2024 to 2025.

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

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

As at December 31, 2023 and 2022, appropriated retained earnings amounted to ₱14.7 billion and ₱11.7 billion, respectively.

e. Dividends

On July 28, 2023, the Parent Company's BOD approved the declaration of a regular cash dividend of ₱0.0752 per share to all common shareholders of record as at August 23, 2023 amounting to ₱459.9 million and 6% per annum cumulative cash dividend from July 1, 2022 to June 30, 2023 to all preferred shareholders amounting to ₱1.7 million. Payments of cash dividends for common shares were made on September 18, 2023.

On September 30, 2022, the Parent Company's BOD approved the declaration of a regular cash dividend of ₱0.0537 per share to all common shareholders of record as at October 18, 2022 amounting to ₱328.4 million and 6% per annum cumulative cash dividend from July 1, 2021 to June 30, 2022 to all preferred shareholders amounting to ₱1.7 million. Payments of cash dividends for common shares were made on November 14, 2022.

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

As at December 31, 2023 and 2022, unpaid cumulative dividends on preferred shares amounted to ₱0.8 million for each year.

## 20. Revenue from Contracts with Customers

Disaggregated Revenue Information

The Group derives revenue from the transfer of goods and services over time and at a point in time, in different product types and in geographical locations within the Philippines.

The Group's disaggregation of revenue from contracts with customers by primary geographical market and major products/service lines and the reconciliation of the disaggregated revenue with the Group's two strategic divisions are presented below (excluding interest and lease income):

| | **2023** | |
|---|---|---|
| | **Residential Development** | **Commercial Development** |
| Primary geographical markets | | |
| National Capital Region | **₱8,943,625** | **₱1,739,281** |
| Southern Luzon | **614,528** | **–** |
| Central Visayas | **1,881,938** | **–** |
| Western Visayas | **1,018,517** | **–** |
| | **₱12,458,608** | **₱1,739,281** |

(Forward)



| | **2023** | |
|---|---|---|
| | **Residential Development** | **Commercial Development** |
| Major product/service lines | | |
| Sale of high-end residential condominium units | **₱9,575,433** | **₱–** |
| Sale of residential lots | **2,107,911** | **–** |
| Sale of affordable housing units | **15,732** | **–** |
| Sale of office spaces | **–** | **215,366** |
| Room revenue | **–** | **225,665** |
| Cinema revenue | **–** | **193,672** |
| Others | **759,532** | **1,104,578** |
| | **₱12,458,608** | **₱1,739,281** |
| Timing of revenue recognition | | |
| Transferred over time | **₱11,699,076** | **₱215,366** |
| Transferred at a point in time | **759,532** | **1,523,915** |
| | **₱12,458,608** | **₱1,739,281** |

| | 2022 | |
|---|---|---|
| | Residential Development | Commercial Development |
| Primary geographical markets | | |
| National Capital Region | ₱7,155,032 | ₱2,297,880 |
| Southern Luzon | 1,790,857 | – |
| Central Visayas | 1,441,882 | – |
| Western Visayas | 455,427 | – |
| | ₱10,843,198 | ₱2,297,880 |
| Major product/service lines | | |
| Sale of high-end residential condominium units | ₱8,363,114 | ₱– |
| Sale of residential lots | 1,886,350 | – |
| Sale of affordable housing units | 11,688 | – |
| Sale of office spaces | – | 1,121,262 |
| Room revenue | – | 184,588 |
| Cinema revenue | – | 119,693 |
| Others | 582,046 | 872,337 |
| | ₱10,843,198 | ₱2,297,880 |
| Timing of revenue recognition | | |
| Transferred over time | ₱10,261,152 | ₱1,121,262 |
| Transferred at a point in time | 582,046 | 1,176,618 |
| | ₱10,843,198 | ₱2,297,880 |

| | 2021 | |
|---|---|---|
| | Residential Development | Commercial Development |
| Primary geographical markets | | |
| National Capital Region | ₱4,715,161 | ₱1,171,906 |
| Southern Luzon | 3,600,183 | – |
| Central Visayas | 526,284 | – |
| Western Visayas | – | – |
| | ₱8,841,628 | ₱1,171,906 |
| Major product/service lines | | |
| Sale of high-end residential condominium units | ₱4,847,062 | ₱– |
| Sale of residential lots | 3,143,608 | – |
| Sale of affordable housing units | 456,576 | – |
| Sale of office spaces | – | 478,749 |
| Room revenue | – | 63,654 |
| Cinema revenue | – | 8,986 |
| Others | 394,382 | 620,517 |
| | ₱8,841,628 | ₱1,171,906 |
| Timing of revenue recognition | | |
| Transferred over time | ₱8,447,246 | ₱478,749 |
| Transferred at a point in time | 394,382 | 693,157 |
| | ₱8,841,628 | ₱1,171,906 |

Contract Balances

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

| | **2023** | 2022 |
|---|---|---|
| Trade receivables* (see Note 8) | **₱294,583** | ₱3,278,946 |
| Contract assets (see Note 8) | **15,348,050** | 15,770,278 |
| Deposits from pre-selling of condominium units** (see Notes 15 and 17) | **1,132,484** | 485,054 |
| Excess of collections over recognized receivables** (see Note 15 and 17) | **688,182** | 1,302,236 |
| Advances payments from members and customers** (see Note 15) | **11,695** | 11,646 |

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

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

Contract assets represent the right to consideration that was already delivered by the Group in excess of the amount recognized as installment contracts receivable. This is reclassified as installment contracts receivable when the monthly amortization of the customer is already due for collection. In 2023 and 2022, the movement in contract assets is mainly due to revenue recognized relative to the increase in percentage of completion of certain projects and the collection of outstanding receivables of completed residential condominium units.

No allowance for expected credit losses related to trade receivables from sale of real estate and contract assets was recognized as at December 31, 2023 and 2022.

Contract liabilities consist of deposits from pre-selling of condominium units (i.e., collections from real estate customers which have not reached the equity threshold to qualify for revenue recognition, excess of collections over recognized receivables (i.e., excess of collections over the goods and services transferred by Group based on percentage of completion) and advance payments from members and customers (membership dues received but are not yet due as at reporting period). In 2023 and 2022, the movement in contract liabilities is mainly due to additional deposits received from pre-selling of condominium units in the "Edades West" and "Rockwell South Cluster 5" projects, excess of collections over revenue recognized of certain projects and the collection of outstanding receivables of completed residential condominium units of certain projects.

Revenue recognized from amounts included in contract liabilities at the beginning of 2023 and 2022 amounted to ₱2,102.9 million and ₱1,178.4 million, respectively.

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

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

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

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

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

| | **2023** | 2022 |
|---|---|---|
| Within one year | **₱6,275,596** | ₱9,692,821 |
| More than one year | **11,963,100** | 7,590,432 |
| | **₱18,238,696** | ₱17,283,253 |

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

*Room, cinema and other revenues*
The performance obligation is satisfied as the related services are rendered.

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

As at December 31, 2023 and 2022, sales commission pertaining to real estate sold capitalized as deferred selling expense as part of "Prepaid costs" included under "Other current assets" in the consolidated statements of financial position amounted to ₱529.4 million and ₱264.2 million, respectively (see Note 10). For the year ended December 31, 2023, 2022 and 2021, the amortization related to incremental costs to obtain a contract recorded under "Selling expenses" account in the consolidated statements of comprehensive income amounted to ₱431.3 million, ₱492.0 million and ₱459.9 million, respectively (see Note 22). No impairment loss was recognized in the consolidated statements of comprehensive income for the years ended December 31, 2023, 2022 and 2021 related to the Group's incremental costs to obtain a contract.



The Group considers land as contract fulfillment asset. Additions to land are disclosed in Note 9 to the consolidated financial statements. No impairment on contract fulfillment assets was recognized for the years ended December 31, 2023, 2022 and 2021.

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

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

## 21. Interest Income

This account consists of:

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Interest income from: | | | |
| Amortization of unearned interest (see Note 8) | **₱1,799,962** | ₱1,413,244 | ₱1,429,539 |
| Penalty charges | **34,255** | 35,492 | 38,426 |
| Cash and cash equivalents (see Note 7) | **216,879** | 22,856 | 6,336 |
| In-house financing | **5,981** | 5,867 | 8,080 |
| | **₱2,057,077** | ₱1,477,459 | ₱1,482,381 |

## 22. Expenses

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

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Included in: | | | |
| Cost of real estate (see Note 11) | **₱600,824** | ₱515,867 | ₱500,069 |
| General and administrative expenses (see Note 12) | **239,965** | 239,871 | 262,686 |
| | **₱840,789** | ₱755,738 | ₱762,755 |

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

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Taxes and licenses (see Note 6) | **₱547,540** | ₱444,405 | ₱354,717 |
| Personnel (see Notes 23 and 24) | **500,156** | 480,436 | 428,925 |
| Depreciation and amortization (see Note 12) | **239,965** | 239,871 | 262,686 |
| Repairs and maintenance | **156,862** | 112,727 | 82,390 |
| Dues and subscriptions | **95,211** | 89,430 | 51,885 |
| Utilities | **99,515** | 85,152 | 76,498 |
| Entertainment, amusement and recreation | **82,130** | 79,923 | 46,653 |
| Contracted services | **78,926** | 65,548 | 33,517 |
| Marketing and promotions | **84,083** | 77,162 | 48,280 |
| Rental expense | **73,737** | 56,136 | 25,718 |
| Producer's share | **74,468** | 67,066 | 7,497 |
| Fuel and oil | **57,751** | 55,030 | 40,354 |
| Accommodations | **41,467** | 9,868 | 5,040 |
| Professional fees | **36,638** | 53,443 | 73,457 |
| Insurance | **24,794** | 21,193 | 19,053 |
| Donation and contributions | **21,327** | 20,125 | 11,403 |
| Security services | **22,264** | 19,369 | 14,009 |
| Provision for disallowance of claim for refund | **17,544** | – | 8,500 |
| Provision for (reversal of) ECLs (see Note 8) | **(548)** | (8,796) | 17,531 |
| Transportation and travel | **17,444** | 15,442 | 5,952 |
| Office supplies | **14,883** | 10,995 | 9,687 |
| Bank charges | **5,030** | 5,750 | 4,198 |
| Others | **101,488** | 66,776 | 40,827 |
| | **₱2,392,675** | ₱2,067,051 | ₱1,668,777 |

The Group recognized provision for disallowance of claim for input VAT refund amounting to ₱17.5 million and ₱8.5 million in 2023 and 2021, respectively (nil in 2022). As at December 31, 2022, input VAT being claimed for refund, recognized under "Other noncurrent assets" in the consolidated statement of financial position, amounted to ₱17.5 million (nil as at December 31, 2023).

Selling expenses
Selling expenses are comprised of:

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Marketing and promotions | **₱556,651** | ₱254,878 | ₱308,130 |
| Commissions and amortization of prepaid costs (see Notes 4 and 9) | **431,260** | 491,997 | 459,856 |
| Personnel (see Notes 23 and 24) | **120,654** | 103,303 | 76,639 |
| Entertainment, amusement and recreation | **37,629** | 28,443 | 24,314 |
| Contracted services | **18,404** | 14,181 | 8,162 |
| Others | **58,840** | 67,570 | 54,805 |
| | **₱1,223,438** | ₱960,372 | ₱931,906 |

Interest Expense
Interest expense is comprised of:

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Interest expense on interest-bearing loans and borrowings (see Note 16) | **₱1,479,293** | ₱1,105,554 | ₱1,024,258 |
| Interest expense on lease liabilities (see Note 27) | **51,920** | 50,741 | 49,740 |
| Amortization of: | | | |
| Loan transaction costs (see Note 16) | **23,064** | 40,876 | 22,898 |
| Discount on retention payable (see Note 17) | **44,737** | 16,118 | 44,556 |
| | **₱1,599,014** | ₱1,213,289 | ₱1,141,452 |

## 23. Personnel Expenses

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

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Salaries and wages and other employee benefits (see Notes 22 and 24) | **₱565,441** | ₱508,004 | ₱423,885 |
| Pension costs (see Notes 22 and 24) | **55,369** | 75,735 | 81,679 |
| | **₱620,810** | ₱583,739 | ₱505,564 |

## 24. Pension Costs and Other Employee Benefits

a. Pension Costs

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

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The Group's retirement plan meets the minimum retirement benefit specified under Republic Act 7541.

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

Net Pension Costs

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Current service cost | **₱53,072** | ₱63,770 | ₱70,946 |
| Net interest cost | **2,297** | 11,965 | 10,733 |
| Net pension cost | **₱55,369** | ₱75,735 | ₱81,679 |

Net Pension Liability

| | 2023 | 2022 |
|---|---|---|
| Present value of benefit obligation | **₱801,806** | ₱577,479 |
| Fair value of plan assets | **(717,044)** | (505,436) |
| Net pension liability | **₱84,762** | ₱72,043 |

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

| | 2023 | 2022 |
|---|---|---|
| Defined benefit obligation at beginning of year | **₱577,479** | ₱695,850 |
| Current service cost | **53,072** | 63,770 |
| Interest cost | **40,423** | 33,249 |
| Actuarial loss (gain) in other comprehensive income/loss due to: | | |
| Experience adjustments | **27,057** | 666 |
| Change in assumptions | **108,800** | (183,470) |
| Benefits paid | **(5,025)** | (32,586) |
| Defined benefit obligation at end of year | **₱801,806** | ₱577,479 |

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

| | 2023 | 2022 |
|---|---|---|
| Fair values of plan assets at beginning of year | **₱505,436** | ₱454,006 |
| Interest income included in net interest cost | **38,126** | 21,284 |
| Actual contributions | **174,318** | 82,000 |
| Gain (loss) on plan assets in other comprehensive income/loss | **4,189** | (27,181) |
| Benefits paid | **(5,025)** | (24,673) |
| Fair values of plan assets at end of year | **₱717,044** | ₱505,436 |

The Group does not expect to contribute to its pension plan in 2024.

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

| | 2023 | 2022 |
|---|---|---|
| Investments in: | | |
| Government securities | **66.32%** | 11.44% |
| Loans and debt instruments | **2.66%** | 36.43% |
| Other securities | **31.02%** | 52.13% |
| | **100.00%** | 100.00% |

The principal assumptions used as of January 1 in determining pension cost obligation for the Group's plans are as follows:

| | 2023 | 2022 |
|---|---|---|
| Discount rate | **7.23-7.34%** | 5.16-5.18% |
| Future salary rate increases | **10.00%** | 10.00% |

As of December 31, 2023, discount rate and future salary rate increases are 6.14-6.19% and 10.00%, respectively.

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

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

| | 2023 | 2022 |
|---|---|---|
| Cash in banks: | | |
| MBTC | **₱18,080** | ₱18,603 |
| BDO | **89** | 3,007 |
| Receivables - net of payables: | | |
| MBTC | **4,131** | 2,318 |
| BDO | **1,475** | 504 |
| Investments held for trading: | | |
| MBTC | **440,074** | 320,511 |
| BDO | **253,195** | 160,493 |
| | **₱717,044** | ₱505,436 |

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

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

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

i. Government securities' maturities range from 1 to 20 years with interest rates ranging from 3.00% to 10.125%.
ii. The Corporate bonds are certificates of indebtedness issued by top and usually listed corporations exhibiting sound financial performance and enjoying good credit from reputable/accredited agencies. Maturity dates range from 1 to 5 years with interest rates ranging from 4.41% to 7.06%.
iii. Investment in stocks represents equity securities of companies listed in the PSE.

The Retirement Plan has investment in shares of stock of the Parent Company amounting to ₱58.0 million and ₱57.6 million as at December 31, 2023 and 2022, respectively.

The Group's retirement fund is exposed to a short-term risk since 42% of it is in equities. On the long term, should there be any major corrections in the local equities market, the correction should have a positive impact of the fund since historically the equities market have always out-performed the fixed income market in the long term.

There are no outstanding balances arising from transactions between the Retirement Plan and the Group as at December 31, 2023 and 2022. Except as stated above, there were no other transactions entered into during the year by the Retirement Plan relating to the Group.

In 2023 and 2022, 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:

| | **2023** | | 2022 | |
|---|---|---|---|---|
| | **Increase (Decrease) in Basis Points** | **Increase (Decrease) in Defined Benefit Obligation** | Increase (Decrease) in Basis Points | Increase (Decrease) in Defined Benefit Obligation |
| Discount rate | **+100** | **(₱92,785)** | +100 | (₱64,748) |
| | **-100** | **111,905** | -100 | 77,656 |
| Future salary increases | **+100** | **110,596** | +100 | 77,752 |
| | **-100** | **(93,791)** | -100 | (66,163) |

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 | **2023** | 2022 |
|---|---|---|
| Less than 1 year | **₱55,812** | ₱53,693 |
| More than 1 year to 5 years | **89,411** | 72,263 |
| More than 5 years to 10 years | **445,838** | 295,902 |
| More than 10 years to 15 years | **483,751** | 473,338 |
| More than 15 years to 20 years | **954,050** | 881,310 |
| More than 20 years | **4,950,193** | 4,242,786 |

b. Other Employee Benefits

Other employee benefits consist of accumulated employee vacation and sick leave benefit amounting to ₱7.0 million, ₱5.1 million and ₱4.8 million in 2023, 2022 and 2021, respectively (see Note 22).

The present value of the defined benefit obligation of other employee benefits amounted to ₱126.3 million and ₱98.0 million as at December 31, 2023 and 2022, respectively (see Notes 15 and 17).

## 25. Income Taxes

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

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Current | **₱1,285,044** | ₱996,256 | ₱183,491 |
| Deferred | **(360,553)** | (198,002) | 73,959 |
| | **₱924,491** | ₱798,254 | ₱257,450 |

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

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

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

| | **2023** | 2022 |
|---|---|---|
| Net deferred tax assets: | | |
| Lease liabilities | **₱159,386** | ₱162,068 |
| Right-of-use asset | **(152,210)** | (155,088) |
| Unutilized NOLCO | **46,313** | 118,919 |
| Deferred lease income | **5,749** | 8,541 |
| Allowance for ECLs and others | **-** | 207,557 |
| Excess of taxable gross profit over accounting gross profit | **-** | (181,000) |
| Excess of fair value over carrying value of asset acquired in a business combination | **-** | (96,160) |
| Capitalized interest | **-** | 29,886 |
| Unutilized excess MCIT | **-** | 6,337 |
| Accrued/deferred selling expense | **-** | 5,066 |
| Unrealized foreign exchange loss and others | **-** | (4,023) |
| Other employee benefits | **-** | 3,925 |
| Unamortized past service cost | **-** | 1,377 |
| | **₱59,238** | ₱107,405 |

| | **2023** | 2022 |
|---|---|---|
| Net deferred tax liabilities: | | |
| Excess of accounting gross profit over taxable gross profit | **(₱1,416,158)** | (₱2,287,360) |
| Lease liabilities | **132,457** | 47,364 |
| Excess of fair value over carrying value of asset acquired in a business combination | **(96,160)** | – |
| Right-of-use asset | **(79,132)** | (723) |
| Deferred lease income | **83,118** | 74,148 |
| Unamortized past service cost | **43,633** | 24,266 |
| Share-based payment | **31,886** | 23,078 |
| Other employee benefits | **30,967** | 23,727 |
| Unfunded pension cost | **19,936** | 17,059 |
| Unutilized NOLCO | **15,073** | 25,614 |
| Unrealized foreign exchange loss and others | **8,156** | (2,976) |
| Accrued/deferred selling expense | **6,886** | 34,857 |
| Allowance for ECLs and others | **(5)** | 6,304 |
| Capitalized interest | **-** | 624,575 |
| Unrealized gain on investment in equity instruments at FVOCI | **-** | (90,441) |
| Unutilized excess MCIT | **-** | 4,652 |
| | **(₱1,219,343)** | (₱1,475,856) |

As of December 31, 2022, certain subsidiaries have deductible temporary difference, NOLCO and MCIT amounting to ₱3.8 million, ₱0.3 million and ₱0.03 million, respectively, 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. ..

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

As at December 31, 2023, NOLCO of certain subsidiaries can be carried forward and claimed as deduction against regular taxable income as follows:

| Year Incurred | Expiry Date | Amount |
|---|---|---|
| 2020 | 2025 | ₱50,852 |
| 2021 | 2026 | 75,846 |
| 2022 | 2025 | 60,290 |
| 2023 | 2026 | 58,554 |
| | | ₱245,542 |

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:

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Statutory income tax rate | **25.0%** | 25.0% | 25.0% |
| Additions to (deductions from) income tax resulting from: | | | |
| Share in net income of joint venture and associate | **(2.7%)** | (2.3%) | (1.4%) |
| Nontaxable income and others | **(0.9%)** | (0.7%) | (0.9%) |
| Effective income tax rate | **21.4%** | 22.0% | 22.7% |

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

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

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

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

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

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.

On June 20, 2023, the Bureau of Internal Revenue issued Revenue Memorandum Circular (RMC) No. 69-2023 reverting the Minimum Corporate Income Tax (MCIT) rate to 2% of gross income effective July 1, 2023 pursuant to Republic Act (RA) No. 11534, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises (CREATE)" Act. MCIT rate was previously reduced from 2% to 1% effective July 1, 2020 to June 30, 2023 upon the effectivity of CREATE Act in 2021.

Consequently, the Group recognized MCIT using the effective rate of 1.5% in 2023 in accordance with RMC 69-2023.

## 26. Related Party Transactions

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

The following table summarizes these significant transactions with related parties:

| Related Parties | Relationship | Nature of Transaction | Period | Transaction Amount | Amounts Owed from (to) Related Parties | Terms | Conditions |
|---|---|---|---|---|---|---|---|
| ABS-CBN Group | Under common control | Land acquisitions (see Note 9) | **2023** | **₱733,487** | **(₱25,472)** | Payable in tranches based on the agreement; noninterest-bearing | Unsecured |
| | | | 2022 | ₱786,186 | (₱107,159) | | |
| | | | 2021 | ₱– | ₱– | | |
| | Under common control | Deposit for land acquisition (see Note 10) | **2023** | **158,676** | **158,676** | Payable in tranches based on the agreement; noninterest-bearing | Unsecured, no impairment |
| | | | 2022 | – | – | | |
| | | | 2021 | – | – | | |
| Rockwell - Meralco BPO | Joint venture | Advances | **2023** | **1,844** | **3,429** | On demand; non-interest-bearing | Unsecured, no impairment |
| | | | 2022 | (2,329) | 1,585 | | |
| | | | 2021 | (19,873) | 3,914 | | |
| | | Management fee (see Note 13) | **2023** | **9,872** | **651** | On demand; non-interest-bearing | Unsecured, no impairment |
| | | | 2022 | 7,527 | 3,388 | | |
| | | | 2021 | 4,355 | 4,355 | | |
| SEAI Metro Manila One, Inc. | Non-controlling shareholder | Loan payable (see Note 16): Principal | **2023** | **-** | **(540,200)** | Payable on December 31, 2022; interest-bearing | Unsecured |
| | | | 2022 | 128,600 | (540,200) | | |
| | | | 2021 | 196,000 | (411,600) | | |
| | | Interest | **2023** | **128,600** | **-** | | |
| | | | 2022 | 23,740 | - | | |
| | | | 2021 | 15,086 | - | | |
| Carmelray shareholders | Non-controlling shareholders | Advances (included under "Other noncurrent assets" account in the consolidated statement of financial position) | **2023** | **-** | **-** | 3 years from the launch of the Phase 1 of the "Rockwell South" project; noninterest-bearing | Unsecured; no impairment |
| | | | 2022 | - | 100,000 | | |
| | | | 2021 | - | 300,000 | | |
| RNDC | Joint Venture | Project Management Fee | **2023** | **28,588** | **2,809** | On demand; non-interest-bearing | Unsecured; no impairment |
| | | | 2022 | 3,181 | 276 | | |
| | | | 2021 | 390 | 233 | | |
| | | Marketing Fee | **2023** | **85,870** | **15,598** | On demand; non-interest-bearing | Unsecured; no impairment |
| | | | 2022 | 44,908 | 3,326 | | |
| | | | 2021 | 20,662 | 6,503 | | |
| | | Sales Commission | **2023** | **50,297** | **4,220** | On demand; non-interest-bearing | Unsecured; no impairment |
| | | | 2022 | 56,014 | 3,797 | | |
| | | | 2021 | 56,846 | 24,247 | | |
| | | Construction Management Fee | **2023** | **110,447** | **1,139** | On demand; non-interest-bearing | Unsecured; no impairment |
| | | | 2022 | 10,018 | 967 | | |
| | | | 2021 | 3,023 | 1,053 | | |
| | | Reimbursement | **2023** | **(6,794)** | **(3,752)** | On demand; non-interest-bearing | Unsecured; no impairment |
| | | | 2022 | 30,758 | 1,821 | | |
| | | | 2021 | 178,179 | – | | |

*(Forward)*



| Related Parties | Relationship | Nature of Transaction | Period | Transaction Amount | Amounts Owed from (to) Related Parties | Terms | Conditions |
|---|---|---|---|---|---|---|---|
| RIDC | Joint Venture | Reimbursement | **2023** | **(₱25,717)** | **₱4,650** | On demand; non-interest-bearing | Unsecured; no impairment |
| | | | 2022 | ₱30,367 | ₱30,367 | | |
| | | Management Fee | **2023** | **91,834** | **43,464** | On demand; non-interest-bearing | Unsecured; no impairment |
| | | | 2021 | – | – | | |
| GMC | Non-controlling shareholder | Subscriptions receivable (see Note 8) | **2023** | **208,000** | **208,000** | On demand; non-interest-bearing | Unsecured; no impairment |
| | | | 2022 | – | – | | |
| Advances to officers and employees | | Advances (see Note 8) | **2023** | **(17,056)** | **29,891** | 30-day; noninterest-bearing | Unsecured; no impairment |
| | | | 2022 | – | 46,947 | | |
| | | | 2021 | – | 47,555 | | |
| Due from related parties (see Note 8) | | | **2023** | | **₱75,960** | | |
| | | | 2022 | | ₱145,527 | | |
| Deposit for land acquisition (see Note 10) | | | **2023** | | **₱158,676** | | |
| | | | 2022 | | ₱– | | |
| Due to related parties (see Note 15) | | | **2023** | | **(₱29,224)** | | |
| | | | 2022 | | (₱107,159) | | |
| Loan payable (see Note 16) | | | **2023** | | **(₱540,200)** | | |
| | | | 2022 | | (₱540,200) | | |
| Subscriptions receivable (see Note 8) | | | **2023** | | **₱208,000** | | |
| | | | 2022 | | ₱– | | |
| Advances to officers and employees (see Note 8) | | | **2023** | | **₱29,891** | | |
| | | | 2022 | | ₱46,947 | | |

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/in tranches. There have been no guarantees provided for or received for any related party receivables or payables. For the years ended December 31, 2023, 2022 and 2021, the Group has not made any provision for expected credit losses relating to amounts owed by related parties. This assessment is undertaken at each financial year through examination of the financial position of the related party and the market in which the related party operates.

Compensation of Key Management Personnel of the Group

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Short-term employee benefits | **₱134,496** | ₱124,478 | ₱110,230 |
| Post-employment pension and other benefits (Note 24) | **39,451** | 49,253 | 40,010 |
| Total compensation attributable to key management personnel | **₱173,947** | ₱173,731 | ₱150,240 |

## 27. Commitments and Contingencies

Lease Commitments

The Group has entered into agreements for the lease of land to be used for various commercial projects. These noncancelable leases have remaining terms of twenty-one years and are automatically renewable for additional ten to twenty-five years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

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

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

| | 2023 | 2022 |
|---|---|---|
| Depreciation expense of right-of-use assets included in investment properties (see Notes 11 and 22) | **₱15,268** | ₱15,268 |
| Interest expense on lease liabilities (see Note 22) | **51,920** | 50,741 |
| Expenses relating to short-term leases and low-value assets (included under "General and administrative expenses" account) (see Note 22) | **73,737** | 56,136 |
| | **₱140,925** | ₱122,145 |

The rollforward analysis of lease liabilities follows:

| | 2023 | 2022 |
|---|---|---|
| At January 1 | **₱677,427** | ₱664,349 |
| Interest expense (see Note 22) | **51,920** | 50,741 |
| Payments | **(38,986)** | (37,663) |
| As at December 31 | **690,361** | 677,427 |
| Less current portion (see Note 15) | **26,761** | 27,858 |
| Noncurrent portion | **₱663,600** | ₱649,569 |

Future minimum undiscounted lease payments are as follows:

| Year | 2023 | 2022 |
|---|---|---|
| Within one year | **₱40,379** | ₱38,986 |
| Year 2 | **42,398** | 40,379 |
| Year 3 | **43,375** | 42,398 |
| Year 4 | **45,544** | 43,375 |
| Year 5 and beyond | **1,867,947** | 1,913,491 |
| | **₱2,039,643** | ₱2,078,629 |

Capital Commitments
The Group entered into contracts covering land acquisitions, construction works related to various projects with related parties and different contractors and suppliers. As at December 31, 2023 and 2022, the contract sum awarded amounted to ₱16.7 billion and ₱21.9 billion, respectively, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Land acquisitions are consummated following the terms of the contracts. As at December 31, 2023 and 2022, ₱13.7 billion and ₱18.6 billion, respectively, has been incurred.

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

## 28. Financial Risk Management Objectives and Policies

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

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

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

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. As at December 31, 2023 and 2022, 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.

| | **2023** | | | | |
|---|---|---|---|---|---|
| | **Within 1 Year** | **1-2 Years** | **2-3 Years** | **More than 3 Years** | **Total** |
| ***Fixed Rate*** | | | | | |
| Interest-bearing loans and borrowings | **₱2,255,445** | **₱2,371,545** | **₱4,820,261** | **₱10,930,029** | **₱20,377,280** |
| ***Floating Rate*** | | | | | |
| Interest-bearing loans and borrowings | **580,800** | **580,800** | **1,761,000** | **2,660,000** | **5,582,600** |
| Short-term investments | **2,965,794** | **-** | **-** | **-** | **2,965,794** |

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

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.

| | **2023 Effect on income before income tax increase (decrease)** | |
|---|---|---|
| Change in basis points | **+100 basis points** | **-100 basis points** |
| Floating rate borrowings | **(49,281)** | **49,281** |

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



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.

| | **2023** | | |
|---|---|---|---|
| | **Gross Maximum Exposure** | **Net Exposure** | **Financial Effect of Collateral or Credit Enhancement** |
| Cash and cash equivalents* | **₱4,247,612** | **₱4,177,330** | **₱70,282** |
| Trade receivables from: | | | |
| Sale of real estate | **294,583** | **-** | **294,583** |
| Lease | **532,670** | **-** | **532,670** |
| Due from related parties | **75,960** | **75,960** | **-** |
| Advances to officers and employees | **29,891** | **29,891** | **-** |
| Other receivables | **11,570** | **11,570** | **-** |
| Refundable deposits** | **96,045** | **96,045** | **-** |
| Restricted cash** | **155,944** | **154,944** | **1,000** |
| | **₱5,444,275** | **₱4,545,740** | **₱898,535** |

| | 2022 | | |
|---|---|---|---|
| | Gross Maximum Exposure | Net Exposure | Financial Effect of Collateral or Credit Enhancement |
| Cash and cash equivalents* | ₱3,516,053 | ₱3,435,949 | ₱80,104 |
| Trade receivables from: | | | |
| Sale of real estate | 3,278,946 | 327,747 | 2,951,199 |
| Lease | 406,312 | – | 406,312 |
| Due from related parties | 145,527 | 145,527 | – |
| Advances to officers and employees | 46,947 | 46,947 | – |
| Other receivables | 165,327 | 165,327 | – |
| Refundable deposits** | 88,215 | 88,215 | – |
| Restricted cash** | 250,285 | 247,785 | 2,500 |
| | ₱7,897,612 | ₱4,457,497 | ₱3,440,115 |

**Excluding cash on hand amounting to 3,677 and 1,699 as at December 31, 2023 and 2022, 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.

| | **2023** | | |
|---|---|---|---|
| | **A Rating** | **B Rating** | **Total** |
| Cash and cash equivalents | **₱4,251,289** | **₱–** | **₱4,251,289** |
| Trade receivables from: | | | |
| Sale of real estate | **294,583** | **-** | **294,583** |
| Lease | **461,726** | **70,944** | **532,670** |
| Due from related parties | **75,960** | **-** | **75,960** |
| Advances to officers and employees | **29,891** | **-** | **29,891** |
| Other receivables | **11,570** | **-** | **11,570** |
| Refundable deposits | **96,045** | **-** | **96,045** |
| Restricted cash | **155,944** | | **155,944** |
| | **₱5,377,008** | **₱70,944** | **₱5,447,952** |

| | 2022 | | |
|---|---|---|---|
| | A Rating | B Rating | Total |
| Cash and cash equivalents | ₱3,517,752 | ₱– | ₱3,517,752 |
| Trade receivables from: | | | |
| Sale of real estate | 2,309,386 | 969,560 | 3,278,946 |
| Lease | 359,141 | 47,171 | 406,312 |
| Due from related parties | 145,527 | – | 145,527 |
| Advances to officers and employees | 46,947 | – | 46,947 |
| Other receivables | 165,327 | – | 165,327 |
| Refundable deposits | 88,215 | – | 88,215 |
| Restricted cash | 250,285 | – | 250,285 |
| | ₱6,882,580 | ₱1,016,731 | ₱7,899,311 |

For trade receivables from sale of real estate, customers who have no history of delayed payment are classified as having a credit rating of "A" while customers who have history of delayed payment but is currently updated are given a credit rating of "B".

Trade receivables from lease are classified as having a credit rating of "A" when tenants pay within the discount period and "B" when tenants pay on or before due date.

As at December 31, 2023 and 2022, the analyses of the age of financial assets are as follows:

| | **2023** | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Current** | **Less than 30 Days** | **31 to 60 Days** | **61 to 90 Days** | **More than 90 Days** | **Impaired Financial Assets** | **Total** |
| Cash and cash equivalents | **₱4,251,289** | **₱–** | **₱–** | **₱–** | **₱–** | **₱–** | **₱4,251,289** |
| Trade receivables from: | | | | | | | |
| Sale of real estate | **245,145** | **4,170** | **1,700** | **1,522** | **42,046** | **–** | **294,583** |
| Lease | **461,726** | **45,004** | **9,212** | **4,870** | **11,858** | **–** | **532,670** |
| Due from related parties | **75,960** | **–** | **–** | **–** | **–** | **–** | **75,960** |
| Advances to officers and employees | **29,891** | **–** | **–** | **–** | **–** | **–** | **29,891** |
| Other receivables | **11,570** | **–** | **–** | **–** | **–** | **–** | **11,570** |
| Refundable deposits | **96,045** | **–** | **–** | **–** | **–** | **–** | **96,045** |
| Restricted cash | **155,944** | **–** | **–** | **–** | **–** | **–** | **155,944** |
| | **₱5,327,570** | **₱49,174** | **₱10,912** | **₱6,392** | **₱53,904** | **₱–** | **₱5,447,952** |

| | 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Current | Less than 30 Days | 31 to 60 Days | 61 to 90 Days | More than 90 Days | Impaired Financial Assets | Total |
| Cash and cash equivalents | ₱3,517,752 | ₱– | ₱– | ₱– | ₱– | ₱– | ₱3,517,752 |
| Trade receivables from: | | | | | | | |
| Sale of real estate | 3,185,947 | 17,641 | 8,986 | 7,010 | 59,362 | – | 3,278,946 |
| Lease | 361,004 | 29,766 | 11,843 | 2,987 | 712 | – | 406,312 |
| Due from related parties | 145,527 | – | – | – | – | – | 145,527 |
| Advances to officers and employees | 46,947 | – | – | – | – | – | 46,947 |
| Other receivables | 165,327 | – | – | – | – | – | 165,327 |
| Refundable deposits | 88,215 | – | – | – | – | – | 88,215 |
| Restricted cash | 250,285 | – | – | – | – | – | 250,285 |
| | ₱7,761,004 | ₱47,407 | ₱20,829 | ₱9,997 | ₱60,074 | ₱– | ₱7,899,311 |

Financial assets are considered past due when collections are not received on due date.

Past due accounts which pertain to trade receivables from sale of real estate are recoverable since the legal title and ownership of the real estate will only be transferred to the customers upon full payment of the contract price. In case of cancellation, the real estate becomes available for sale. The fair value of the real estate amounted to ₱56.4 billion and ₱53.9 billion as at December 31, 2023 and 2022, respectively.

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

The changes in the gross carrying amount of receivables and unbilled revenue from sale of real estate in 2023 and 2022 did not materially affect the allowance for ECLs.

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets in 2023 and 2022:

| | **2023** | | |
|---|---|---|---|
| | **Trade receivables from sale of real estate and lease** | | |
| | **High-end** | **Affordable** | **Lease** |
| ECL rate | **0.0%** | **0.0%** | **1.3%** |
| Estimated total gross carrying amount at default | **₱14,943,859** | **₱698,774** | **₱532,670** |

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



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, 2023 and 2022, 11% and 11% of the Group's debt will mature in less than one year as at December 31, 2023 and 2022, 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, 2023 and 2022 based on contractual undiscounted payments.

| | **2023** | | | | |
|---|---|---|---|---|---|
| | **On Demand** | **Due Within 3 Months** | **Due Between 3 and 12 Months** | **Due After 12 Months** | **Total** |
| Trade and other payables* | **₱–** | **₱6,697,185** | **₱–** | **₱–** | **₱6,697,185** |
| Interest-bearing loans and borrowings | | | | | |
| Principal | **–** | **709,061** | **2,127,184** | **23,123,635** | **25,959,880** |
| Interest** | **–** | **311,701** | **906,499** | **3,941,122** | **5,159,322** |
| Lease liabilities | **–** | **9,665** | **17,096** | **663,600** | **690,361** |
| Retention payable*** | **–** | **–** | **890,273** | **786,626** | **1,676,899** |
| Security deposits*** | **–** | **54,865** | **299,842** | **391,310** | **746,017** |
| | **₱–** | **₱7,782,477** | **₱4,240,894** | **₱28,906,293** | **₱40,929,664** |

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

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

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

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

| | **2023** | | | | | |
|---|---|---|---|---|---|---|
| | **On Demand** | **Within 30 Days** | **31 to 60 Days** | **61 to 90 Days** | **Over 90 Days** | **Total** |
| Cash and cash equivalents | **₱1,285,495** | **₱2,965,794** | **₱–** | **₱–** | **₱–** | **₱4,251,289** |
| Trade receivables from: | | | | | | |
| Sale of real estate | **245,145** | **4,170** | **1,700** | **1,522** | **42,046** | **294,583** |
| Lease | **461,726** | **45,004** | **9,212** | **4,870** | **11,858** | **532,670** |
| Contract assets | **–** | **₱2,729** | **1,194** | **598** | **15,343,529** | **15,348,050** |
| Investment in equity instruments at FVOCI | **–** | **–** | **–** | **–** | **61,549** | **61,549** |
| | **₱1,992,366** | **₱3,017,697** | **₱12,106** | **₱6,990** | **₱15,458,982** | **₱20,488,141** |

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

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, 2023 and 2022.

The Group monitors its capital adequacy using the net debt-to-equity ratio, which is interest-bearing loans and borrowings less cash and cash equivalents divided by equity. The Group's policy is to limit the net debt-to-equity ratio to 1.0x.

The Group is required to maintain debt-to-equity ratio as set forth in the Fixed Rate Corporate Notes Facility Agreement and Bonds. The Agreement provides for a higher debt to equity ratio than the internal limit set by the Group (see Note 16).

| | **2023** | 2022 |
|---|---|---|
| Interest-bearing loans and borrowings | **₱25,959,880** | ₱25,093,484 |
| Less cash and cash equivalents | **4,251,289** | 3,517,752 |
| Net debt | **21,708,591** | 21,575,732 |
| Equity | **32,294,710** | 27,562,607 |
| Net debt-to-equity ratio | **0.67** | 0.78 |

## 29. Fair Value Measurement

Set out below is a comparison by class of carrying values and fair values of the Group's assets and liabilities for which fair values are determined for measurement and/or disclosure as at December 31, 2023 and 2022.

| | | | **2023** | | |
|---|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | **Level 1** | **Level 2** | **Level 3** |
| Assets | | | | | |
| Investment properties | **₱14,624,071** | **₱32,164,213** | **₱–** | **₱2,074,206** | **₱30,090,007** |
| Due from related parties | **75,960** | **75,232** | **–** | **–** | **₱75,232** |
| Investment in equity instruments at FVOCI | **61,549** | **61,549** | **58,280** | **–** | **3,269** |
| | **14,761,580** | **32,300,994** | **58,280** | **2,074,206** | **30,168,508** |
| Liabilities | | | | | |
| Interest-bearing loans and borrowings (including noncurrent portion) | **25,844,288** | **24,429,077** | **–** | **–** | **24,429,077** |
| Subscription payable | **2,722,560** | **2,408,407** | **–** | **–** | **2,408,407** |
| Retention payable (including noncurrent portion) | **1,676,899** | **1,616,898** | **–** | **–** | **1,616,898** |
| Security deposits (including noncurrent portion) | **746,017** | **712,031** | **–** | **–** | **712,031** |
| | **₱30,989,764** | **₱29,166,413** | **₱–** | **₱–** | **₱29,166,413** |

| | | | 2022 | | |
|---|---|---|---|---|---|
| | Carrying Value | Fair Value | Level 1 | Level 2 | Level 3 |
| Assets | | | | | |
| Investment properties | ₱14,666,614 | ₱30,654,523 | ₱– | ₱2,087,823 | ₱28,566,700 |
| Due from related parties | 145,527 | 144,857 | – | – | 144,857 |
| Investment in equity instruments at FVOCI | 36,711 | 36,711 | 33,280 | – | 3,431 |
| | 14,848,852 | 30,836,091 | 33,280 | 2,087,823 | 28,714,988 |
| Liabilities | | | | | |
| Interest-bearing loans and borrowings (including noncurrent portion) | 25,093,484 | 25,262,802 | – | – | 25,262,802 |
| Retention payable (including noncurrent portion) | 2,922,560 | 2,816,155 | – | – | 2,816,155 |
| Security deposits (including noncurrent portion) | 1,611,959 | 1,480,171 | – | – | 1,480,171 |
| Subscription payable | 699,054 | 560,671 | – | – | 560,671 |
| | ₱30,327,057 | ₱30,119,799 | ₱– | ₱– | ₱30,119,799 |

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

*Cash and Cash Equivalents*, Trade Receivables from Sale of Real Estate, Trade Receivables from Lease, Other Receivables, Restricted Cash, Refundable Deposits and Trade and Other Payables. Due to the short-term nature of transactions, the carrying values of these instruments approximate the fair values as at financial reporting period.

*Investments in Equity Securities.* The fair values of quoted equity securities were determined by reference to published two-way quotes of brokers as at financial reporting date. Unquoted equity securities for which no other reliable basis for fair value measurement is available were valued at cost as the difference between the carrying value and fair value of these unquoted equity securities is not material to the consolidated financial statements.

*Due from Related Parties.* The fair value was calculated by discounting the expected future cash flows at prevailing credit adjusted BVAL interest rate of 3.82% and 3.82% as at December 31, 2023 and 2022, respectively.

*Interest-bearing Loans and Borrowings.* The fair values of fixed rate loans were calculated by discounting the expected future cash flows at prevailing credit adjusted BVAL interest rates ranging 5.12% to 6.12% as at December 31, 2023 and 3.91% to 7.22% as at December 31, 2022.

*Retention Payable and Security Deposits.* The fair values were calculated by discounting the expected future cash flows at prevailing credit adjusted BVAL interest rates ranging 5.12% to 6.12% as at December 31, 2023 and 3.91% to 7.22% as at December 31, 2022.

For the years ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.



## 30. Basic/Diluted Earnings Per Share Computation

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| | (In Thousands, Except Numbers of Shares and Per Share Data) | | |
| Net income attributable to equity holders of the Parent Company | **₱3,113,226** | ₱2,301,911 | ₱1,640,936 |
| Dividends on preferred shares | **(1,650)** | (1,650) | (1,650) |
| Net income attributable to common shares (a) | **3,111,576** | 2,300,261 | 1,639,286 |
| Common shares at beginning of year | **6,116,762,198** | 6,116,762,198 | 6,116,762,198 |
| Weighted average number of common shares - basic (b) | **6,116,762,198** | 6,116,762,198 | 6,116,762,198 |
| Dilutive potential common shares under the ESOP | **–** | – | 1,575,521 |
| Weighted average number of common shares - diluted (c) | **6,116,762,198** | 6,116,762,198 | 6,118,337,719 |
| Per share amounts: | | | |
| Basic (a/b) | **₱0.5087** | ₱0.3761 | ₱0.2680 |
| Diluted (a/c) | **₱0.5087** | ₱0.3761 | ₱0.2679 |

In 2023 and 2022, the diluted EPS did not consider the effect of stock options outstanding since these were anti-dilutive. In 2021, the Parent Company considered the effect of stock options outstanding since these are dilutive.

## 31. Segment Information

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

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

The Group manages its operations under the following business segments:

- *Residential Development* is engaged in the development, selling, and property management of all residential projects of the Group. It also includes the operations of the Rockwell Club.
- *Commercial Development* is engaged in the sale, leasing and other related operations in the course of the management of commercial buildings or spaces used for retail and office leasing, including cinema, hotel and resort operations.

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

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

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

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

Disclosure of the geographical information regarding the Group's revenues from external customers and total assets have not been provided since all of the Group's consolidated revenues are derived from operations within the Philippines.

Business Segments

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

| | | **2023** | |
|---|---|---|---|
| | **Residential Development** | **Commercial Development** | **Total** |
| Revenue | **₱14,434,134** | **₱4,076,877** | **₱18,511,011** |
| Costs and expenses | **(10,610,538)** | **(1,599,397)** | **(12,209,935)** |
| Share in net income of joint venture and associate | **55,844** | **409,867** | **465,711** |
| Other income – net | **(2,914)** | **(27)** | **(2,941)** |
| EBITDA | **3,876,526** | **2,887,320** | **6,763,846** |
| Depreciation and amortization | | | **(840,789)** |
| Interest expense | | | **(1,599,014)** |
| Provision for income tax | | | **(924,491)** |
| Consolidated net income | | | **₱3,399,552** |

| | 2023 | | |
|---|---|---|---|
| | **Residential Development** | **Commercial Development** | **Total** |
| Assets and Liabilities | | | |
| Segment assets | **₱50,816,482** | **₱721,420** | **₱51,537,902** |
| Investment properties | **1,127,710** | **13,496,361** | **14,624,071** |
| Investment in joint venture and associate | **3,948,737** | **1,778,137** | **5,726,874** |
| Deferred tax assets - net | **14,352** | **44,886** | **59,238** |
| Property and equipment | **1,715,617** | **933,346** | **2,648,963** |
| Total assets | **₱57,622,898** | **₱16,974,150** | **₱74,597,048** |
| Segment liabilities | **₱32,375,768** | **₱8,707,226** | **₱41,082,994** |
| Deferred tax liabilities – net | **1,219,343** | **–** | **1,219,343** |
| Total liabilities | **₱33,595,111** | **₱8,707,226** | **₱42,302,337** |

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

(Forward)

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

| | 2021 | | |
|---|---|---|---|
| | Residential Development | Commercial Development | Total |
| Revenue | ₱10,300,361 | ₱2,423,342 | ₱12,723,703 |
| Costs and expenses | (7,681,839) | (1,052,159) | (8,733,998) |
| Share in net income of joint venture and associate | (4,472) | 372,745 | 368,273 |
| Other income – net | 12,312 | – | 12,312 |
| EBITDA | 2,626,362 | 1,743,928 | 4,370,290 |
| Depreciation and amortization | | | (762,755) |
| Interest expense | | | (1,141,452) |
| Provision for income tax | | | (257,450) |
| Consolidated net income | | | ₱2,208,633 |

## 32. Supplemental Disclosure of Cash Flow Information

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

| | **January 1, 2023** | **Cash Flows** | **Reclassification from Noncurrent to Current** | **Interest Expense/ Discount Amortization** | **December 31, 2023** |
|---|---|---|---|---|---|
| Current portion of interest-bearing loans and borrowings | **₱2,833,346** | **(₱2,833,346)** | **₱2,812,449** | **₱–** | **₱2,812,449** |
| Interest-bearing loans and borrowings - net of current portion | **22,260,138** | **3,561,088** | **(2,812,449)** | **23,062** | **23,031,839** |
| Lease liabilities | **677,427** | **(38,986)** | **–** | **51,920** | **690,361** |
| Total liabilities from financing activities | **₱25,770,911** | **₱688,756** | **₱–** | **₱74,982** | **₱26,534,649** |

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

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

b. In 2023, the Group's material non-cash investing activities include the subsidiary's issuance of shares to non-controlling interest amounting to ₱2,728.7 million (see Note 6). In 2022 and 2021, the Group's material non-cash investing activities include the investment in a joint venture and an associate with unpaid subscription amounting to ₱2,518.4 million and ₱484.2 million, respectively (see Note 13).

## 33. Events After the Reporting Period

a. Step Acquisition of an Associate

On January 15, 2024, the Parent Company subscribed to an additional 1,488,253,578 shares from the unissued portion of the existing authorized capital stock of RNDC, consisting of 16,878,344 common shares and 1,471,375,234 redeemable preferred shares for an aggregate subscription price of ₱1,488.3 million. As partial payment for the subscription, the Parent Company paid ₱190.0 million in cash to RNDC which was paid upon the execution of the agreement.

As a result, the Parent Company's ownership interest in RNDC increased from 38.49% to 65.00% and the transaction was accounted for as a business combination using the acquisition method. Accordingly, the Parent Company's previously held interest of 38.49% was remeasured at acquisition date resulting in recognition of gain on remeasurement of ₱16.3 million.

The provisional fair values and corresponding carrying amounts of the identifiable assets and liabilities of RNDC at acquisition date are as follows (in thousands):

| | Provisional Fair Value | Carrying Value |
|---|---|---|
| Cash and cash equivalents | ₱157,584 | ₱157,584 |
| Receivables and contract assets | 106,329 | 106,329 |
| Subscriptions receivable | 1,858,903 | 1,858,903 |
| Real estate inventories | 719,148 | 653,100 |
| Other current assets | 451,951 | 451,951 |
| Investment properties | 856,332 | 685,505 |
| Trade and other payables | (303,829) | (303,829) |
| Deferred tax liability - net | (92,015) | (32,797) |
| Net assets | 3,754,403 | ₱3,576,746 |
| Non-controlling interests (35% of fair value of net assets acquired) | (1,314,041) | |
| Fair value of previously held interest | (822,169) | |
| Gain on bargain purchase | (129,939) | |
| Consideration transferred | ₱1,488,254 | |

The identifiable net assets included in the purchase price allocation above were based on a provisional assessment of their fair values while the Group sought an independent valuation for the real estate inventories and investment properties of RNDC. The valuation had not been completed as of April 3, 2024.

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

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

If the acquisition had taken place at the beginning of the year 2023, RNDC's contributions to the 2023 consolidated revenue and consolidated net income would have been ₱464.3 million and ₱76.6 million, respectively.

The gain on bargain purchase was the result of the higher increase in the fair value of RNDC's real estate inventories and investment properties as compared to the consideration transferred by the Parent Company.

Analysis of cash flow at acquisition date is as follows:

| | |
|---|---|
| Cash acquired from the subsidiary | ₱157,584 |
| Cash paid* | (190,000) |
| Net cash outflow on acquisition | (₱32,416) |

**Partial payment out of total subscription price of ₱1,488.3 million*

b. New Loan Facilities

On February 28, 2024, the BOD of Parent Company approved the following items:

1. ₱5.0 billion term loan facility of up to ten years with Philippine National Bank (PNB). The proceeds of the loan will be used to fund capital expenditures, land acquisitions, and other investments.

2. ₱5.0 billion term loan facility of up to seven years with Rizal Commercial Banking Corporation (RCBC). The proceeds of the loan will be used to fund capital expenditures, land acquisitions, and other investments.



# FPH MISSION, PURPOSE & WAY OF PROCEEDING

**OUR MISSION**

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

**OUR PURPOSE**

We recognize that unbridled consumption and the singular pursuit of bottom line growth are at the roots of the climate crisis, alienation from nature, and deep social and economic divisions, which have become existential threats to humanity today. Our planetary support systems and basic social institutions are now at a breaking point. Overcoming these challenges will require a paradigm shift in the way we think, live and do business. Pursuing sustainability that simply seeks to do less harm is no longer a viable path. Business today urgently needs to become a regenerative force that elevates everything it touches – our customers, our employees, our suppliers, our contractors, our communities, our Earth, and our investors. Together, we need to create symbiotic, mutually beneficial relationships with nature and society that benefit more than just shareholders.

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

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

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

**OUR WAY OF PROCEEDING**

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

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

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

Our mission and purpose will guide everything we do.

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As Rockwell builds its vision across new lands,
new opportunities begin to stand.
On the grounds we touch, ambitions grow.
Life stories unfold. Dreams take on a new glow.

This year, our legacy expands
through bustling streets, and in nature's sway.
Amidst these territories we've broken through,
Our signature stroke holds bold and true.

We create these spaces and touch these grounds
so that our distinctive experience is unbound.
The year ends with us atop our highest highs.
All seems bright in Rockwell's light.

**2023 DONE ROCKWELL**

ROCKWELL LAND