SEC Number: 62893
PSE Number:
File Number:

ROCKWELL LAND CORPORATION

(Company's Full Name)

2F 8 Rockwell, Hidalgo Drive, Rockwell Center, Makati City

(Company's Address)

(632) 793-0088

(Telephone Number)

December 31, 2018

(Year Ending)

SEC Form 17-A Annual Report

(Form Type)

HEAD OFFICE
Management Division
ICTD APR 12 2019 16
BY:
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal period ended **December 31, 2018**

2. Commission Identification Number **62893**

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

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

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

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

7. Address of issuer's principal office and postal code:
2F 8 Rockwell, Hidalgo Drive, Rockwell Center, Makati City

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

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

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

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

Amount of Debt Outstanding
PhP24,226,816,000

11. Are any or all of the securities listed on a Stock Exchange?

Yes [**X**] No [ ]

Stock Exchange:	**Philippine Stock Exchange**
Securities Listed:	**Common shares**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [**X**] No [ ]

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

Yes [**X**] No [ ]

TABLE OF CONTENTS

PART I – BUSINESS AND GENERAL INFORMATION

Item 1 BUSINESS

Background

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

The Company was incorporated on August 11, 1975 as First Philippine Realty and Development Corporation. On February 23, 1995, the name was amended to Rockwell Land Corporation in. On September 27, 1996, the SEC approved the increase in capital stock of the Company from P1.0 million to P6.0 billion with three major shareholders subscribing to the increase, namely: Manila Electric Company (Meralco), First Philippine Holdings Corporation (FPH) and Lopez Holdings Corporation (formerly Benpres Holdings Corporation or LPZ). During the increase, the Company also amended its articles of incorporation to include the increase in capital stock and the increase in number of directors from 5 to 11. On May 4, 2000, the SEC approved the articles of merger of the Company with Hubbard Realty Holdings Inc., Farragut Realty Holdings Inc., Mc Pherson Square, Inc., and Foggy Bottom, Inc., with the Company as the surviving entity. In July 2008, the SEC approved the Company’s increase in authorized capital stock from P6.0 billion divided into 6,000,000,000 Common Shares with P1.00 par value each to P9.0 billion divided into 8,890,000,000 Common Shares with the same par value and 11,000,000,000 Preferred Shares with a P0.01 par value each with existing shareholders subscribing to the increase in capital. In August 2009, LPZ sold its share in the Company to FPH therefore leaving the Company with only two (2) major shareholders, namely Meralco and FPH.

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

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

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

As of December 31, 2018, FPH continues to owns 86.58% of the Company.

Subsidiaries and Affiliates

Rockwell Integrated Property Services, Inc. (RIPSI), a wholly owned subsidiary of the Company, was incorporated in February 19, 1999 to establish, own, manage, operate and carry on the business of maintaining and cleaning buildings and other facilities. To date, RIPSI manages twenty (20) properties. These properties consist of the various Rockwell residential condominium buildings located in the Rockwell Center in Makati City, The Grove in Pasig City, East Bay Residences in Muntinlupa, and 32 Sanson in Cebu City, as well as the townhouse and midrise developments of Alvendia in San Juan, and 205 Santolan and 53 Benitez in Quezon City.

Rockwell Primaries Development Corporation ("Primaries", formerly Rockwell Homes Inc., and Primaries Development Corporation) a wholly owned subsidiary of the Company, was incorporated in September 2012 to primarily cater to the broader market under a second brand "Rockwell Primaries". The subsidiary envisions itself to be the preferred developer in terms of providing exceptional and quality living at a more affordable price. Primaries commenced operations in mid-2013 with the launch of its first project, 53 Benitez, located in Quezon City. Its second project, The Vantage at Kapitolyo in Pasig City, was launched in 2015. 53 Benitez was completed in 2016 while Vantage is expected to be completed by 2021.

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

Primaries Properties Sales Specialist Inc. (PPSSI), a wholly owned subsidiary, was incorporated in November 2012 primarily to as act the sales and marketing arm of Primaries. Operations were discontinued in 2017.

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

Retailscapes Inc., a wholly owned subsidiary of the Company, was incorporated in November 2014 to develop and operate pocket retail projects of the Company. Its first project, the Santolan Town Plaza was launched with the opening of the cinemas and some retail stores last December 2017.

Rockwell Primaries South Development Corporation (Rockwell Primaries South), formerly ATR KimEng Land, Inc., is 60% owned by Rockwell Primaries Development Corporation (Rockwell Primaries) and 40% owned by ATR Holdings, Inc. and Dragon Eagle International Limited. Rockwell Primaries South will complete the development of the undeveloped portion (61,787 square meters) of the Tribecca Private Residences located along the East Service Road in Muntinlupa City. The new development was launched in October 2016 as East Bay Residences,with The Fordham, the first of the five towers to be developed.

Rockwell MFA Corporation (Rockwell MFA) is a joint venture between the Company and by Mitsui Fudosan (Asia) Pte. Ltd. (Mitsui) through SEAI Metro Manila One, Inc., which was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on August 22, 2017. The Company owns 80% of the business. Its first project, The Arton West, was launched in July 2017.

The Company also has ownership in Rockwell Leisure Club Inc. (RLCI), owning 1,491 ordinary shares and 33% of 801 proprietary shares. Overall share of Rockwell Land to RLCI is at 76.4% by the end of 2018. RLCI is a non-profit premier leisure club created to complement Rockwell Land's exclusive lifestyle concept. Opened in December 1999, the Rockwell Club offers its resident members and proprietary shareholders a first-class social, sports and recreational facility within the Rockwell Center.

Business Segments

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

RESIDENTIAL DEVELOPMENT

The residential development segment involves the development, sales and property management of all residential units under the Rockwell and Primaries brands. This segment currently accounts for 65% of the Company's EBITDA. Its portfolio of completed projects comprises of the following:

West Block Residential Towers (2000)

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

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

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

The Manansala (2005)

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

Joya Lofts and Towers (2008)

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

One Rockwell (2011)

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

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

The Grove by Rockwell is the Company's first project outside of Rockwell Center in Makati and its first venture into the upper mid-market segment. The project is situated on a 5.4 hectare prime property along the major thoroughfare of E. Rodriguez Jr. Ave. in Pasig and will consist of six residential towers with a small retail and commercial area. The Grove's master plan intends to retain 75% of its area for open-space and landscaped environment with a resort-inspired design for its 620 unit owners.

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

Edades Tower and Garden Villas (2015)

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

205 Santolan by Rockwell (2015)

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

The Alvendia (2015)

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

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

Following the launch of the Phase 1 of The Grove by Rockwell, Phase 2 (Towers C & D) was introduced to the market in November 2010 with 975 units and turnover to the buyers started in April 2015.

The Grove by Rockwell – Towers E & F (2017)

Towers E & F, The Grove's final phase which totaled 875 units, was completed and turned over to unit owners in September and June 2016, respectively.

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

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

53 Benitez (2016)

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

32 Sanson Phase1 – Raffia & Gemelina (2017)

The Company acquired a 3.1 hectare lot in Lahug, Cebu City in 2012 to expand to other strategic urban centers in the Philippines. This is the Company's first venture outside the region of Luzon and Cebu City is one of the most progressive provincial cities in the country. The primarily residential project will have 2 phases; the 135 units for the 1st phase and 218 units for the 2nd phase.

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

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

Stonewell (completion by 2019)

Rockwell Land's first affordable housing project is situated in a 5.9-hectare property in Sto. Tomas, Batangas, referred to as Stonewell Acacia Homes. This residential development features 564 socialized housing units and 188 economic units whose turnover to unit owners has been underway since 2017. The second phase, Mahogany Homes, was launched on September 2018. The latter is a three hectare property comprised of 443 socialized housing units. Complemented by a retail complex along the national highway in Sto. Tomas, the third phase, Royal Palm Homes, will bring in additional 323 socialized housing units, due for launch by second half of 2019.

Edades Suites (2019)

This project is an expansion to the Edades Tower and Garden Villas which was completed in 2015. This is a 23-storey tower which only features 54 very prime units. This was launched on May 2016 and was sold out by end of 2016.

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

Towers Buri and Solihiya are 8-storey buildings, adding a total of 231 units. Buri started selling in September 2015 while Solihiya was launched in August 2017. They are due for completion in March 2019 and December 2020, respectively.

The Proscenium (completion by 2020)

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

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

Turnover of Kirov and Sakura started in November 2018. The rest are scheduled for completion from 2019 to 2020.

The Vantage at Kapitolyo (completion by 2021)

The Vantage at Kapitolyo is Primaries' first integrated high-rise condominium and offers 755 residential units. It is strategically located at the corner of United Street and West Capitol Drive in the bustling Kapitolyo district in Pasig. This two-tower residential development that features an amenity deck at the podium and two-story retail area aims to provide easy access to central business districts, academic institutions and hospitals.

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

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

East Bay Residences (Phased completion starting 2021)

East Bay Residences is Rockwell Primaries' first vertical development in the South of Metro Manila. The Fordham is the first of the five towers launched under this 6.2 hectare development. This 15-storey tower offers 307 units of 2 to 3-bedroom units. This will be complemented by a clubhouse, which opened in February 2018, and a retail row that is expected to open in 2019.

The Arton by Rockwell (Phased completion from 2021-2023)

The Arton by Rockwell is Rockwell's first high-end residential development within the Katipunan university row in Quezon City. The project comprises of 3 towers ranging between 24 to 34 stories high with 400-600 units each. The Arton West was launched on July 2017 and the Arton North last March 2018. The third tower is due for launch in the 1st half of 2020.

Aruga Resort and Residences Mactan-Cebu by Rockwell

Aruga Resort and Residences Mactan-Cebu by Rockwell is Rockwell's first ever mixed-use resort project. Located on Punta Engaño in Mactan, Cebu, the property's expansive 300 meter beachfront faces the Hilutungan Channel and Olango Island. The first phase of the development, comprised of 276 residential units, was officially launched in August 2018. The development will also feature a 300-room Aurga resort hotel which will start welcoming guests in 2023.

Terreno South (previously called Rockwell in Lipa)

Terreno South is Rockwell Land's first premium-grade, green horizontal community in the South. Acquired in 2016, the 38-hectare property will be developed in phases with the first phase set to be launched by 4th quarter of 2018. Product offerings include open lots and house and lot packages for the middle market segment segment, including a one-hectare retail development to complement the needs of the residential community

COMMERCIAL DEVELOPMENT

The Commercial development segment of the Company develops, leases and manages its retail and office developments. As of 2018, the Company has a total portfolio of 219,700 sqm of leasable space.

Power Plant Mall

The Power Plant Mall is a four-level shopping center with 42,093 sqm. leasable area and three (3) levels of parking. The Power Plant Mall provides the leisure component for the occupants of the residential towers and offices within the Rockwell Center.

With the aim of providing its patrons with a better recreational experience, Rockwell Land commenced the expansion of Power Plant Mall during the last quarter of 2015. The new and improved Mall is expected to house a more comprehensive portfolio of brands and dining concepts as well as a larger chapel. The expansion added 5,620 sqm of leasable space. By end 2017, Michelin star awarded Din Tai Fung opened. This is among the world's Top 10 Best Restaurants by the New York Times in 2017. To date, the expansion is 78% occupied and is enjoying very good patronage.

Two new theaters, Cinema 7 & 8, opened in December 2017. Adjacent to these 2 new cinemas is a VIP lounge where guests can wait and purchase food items more conveniently. These added a total of 433 additional seats.

The Fifth at Rockwell also opened on November 2018 and is located at R5 of Power Plant Mall with 1,059 sqm that can accommodate 450 to 600 guests for banquets and 800 to 900 guests for cocktail events.

Other Retail Spaces

The Company also maintains 13,289 sqm of retail spaces on the ground floor of its residential and office projects, providing services, convenience and dining choices to residents/tenants and non-residents/ non-tenants alike. These include retail hubs outside the Rockwell Center including spaces in RBC Tower 3 in Ortigas and the Retail Row at The Grove in Pasig City.

Rockwell Business Center- Ortigas (RBC Ortigas)

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

RBC Ortigas is the Company's first venture into the office market. It contains three towers that have a total leasable area of 73,130 sqm of office and 3,700 sqm of retail space.

8 Rockwell

8 Rockwell is a premium world-class 20-storey building that achieved a gold LEED certification. It has 20 physical floors where about 7.2 floors were sold and occupied by the Company resulting in 18,500 sqm of net leasable space by 2016. It also offers a luxury retail row which is now home to foreign brands like Balenciaga, Lanvin, Laduree and Vera Wang, the last three brands being the first in the Philippines. Sharing the same roof are ABS-CBN's ANC Studio, Wyeth Philippines, Pfizer and Takeda (pharmaceutical), Ogilvy (international advertising agency) and Estee Lauder (leading global cosmetics company), to name a few.

Rockwell Business Center – Sheridan (RBC Sheridan)

The latest in the Company's portfolio of office developments, RBC Sheridan will house 44,000 sqm of office space and 3,820 sqm of retail area. The two-tower development, which was launched in 2014, is complete by 2017. The building reached 99% occupancy by end of 2018.

Santolan Town Plaza

Retailscapes, Inc. launched its first community retail venture in December 2017 and was completed by June 2018. Santolan Town Plaza aims to house 9,780 sqm of office and 9,450 sqm of retail to provide the community of residents within and around the San Juan area with casual dining restaurants, 4 cinemas and an elevated retail and leisure experience. This is expected to be fully completed by 2nd quarter of 2018. First locators that opened in 2017 were Marketplace by Rustan's, Starbucks, True Value, among others. The building reached a combined 49% occupancy by end 2018.

HOTEL OPERATIONS

Aruga by Rockwell

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

Following the success of its first project in the hotel business, the Company launched another 80 keys Aruga at The Grove starting April 2016. The new serviced apartments aim to provide travelers, businessmen and vacationing families the comfort of staying in a resort-themed setting while never leaving the Metro. However, the Company discontinued the Aruga at the Grove on September 2017.

Aruga Hotel Makati

To complete the promise of delivering luxury and redefining lifestyles, the Company is set to launch Aruga Hotel Makati, its first luxury boutique hotel in 2020. This will be located at the heart of Rockwell Center in Makati City, located above the newly expanded Power Plant Mall. It is envisioned to serve both leisure and business travelers with its distinctly Filipino brand of service, *Aruga*. It will display an urban resort style in its amenities to its 200 hotel suites, 700-seater ballroom and meetings rooms. Amenities will feature a wine and lobby lounge, gym and swimming pool. Construction of the Aruga Hotel Makati began in 2016.

Aruga Resort Mactan

Further expanding the hospitality business, the Company plans to open its first beach resort hotel in Cebu. This is located within a 3.7 hectare lot is situated along the stretch of well-known beach resorts in Punta Engano, Lapu-Lapu City, Cebu. This is presently undergoing design and planning and is expected to launch by 2023.

Customers and Distribution Methods of Products

The Company caters to a wide range of customers, not any one of whom account for 20% or more of its revenues. Its residential projects are sold to both local individuals and corporations and foreign individuals with the local market accounting for about 77% of sales by end 2018, down from previous three year's average of 86% (2016-2018). For its commercial leasing business, its customers are individuals and institutions.

Residential projects are sold to clients primarily through the Company's in-house sales team which exclusively sells Rockwell projects, complemented by a network of licensed brokers. Its in-house sales team, now numbering 128, consists of regular employees and is headed by licensed brokers. The Company also has an in-house leasing team which handles its commercial retail and office business.

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

Competition

Rockwell Land has initially developed vertical residential projects in Metro Manila, targeting high-end and the upscale markets. With a view of expanding its customer base, the Company has since catered to the affordable segment and broadened its reach outside Metro Manila with its Stonewell project. The company's focus on diversification has led it to increase its retail and office portfolio through the years. In 2013, the Company entered into a new market, Hotel and Leisure, by introducing Aruga Serviced Apartments. In 2018, Terreno South in Lipa, Batangas is its first foray into mid-market horizontal community. Rockwell Land believes that it can effectively compete in the property sectors that it competes in, given the Company's strong brand name and its track record of project innovations and successful delivery.

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

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

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

With the growth in the Philippine economy experienced since 2010, the Company has observed that big players have diversified across income segments and expanded geographically. This is true for both residential and retail development, resulting in heavier competition in the markets that we are present in.

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

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

Suppliers

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

Rockwell Land maintains an in-house project development team that it has built over the past six completed residential projects. This team of about 203 employees with specialization in various engineering and architectural disciplines is tasked to ensure that projects are delivered on time according to a specified quality and budget. It manages the different projects by strictly monitoring project milestones in coordination with the general contractors and ensuring that issues during construction are resolved timely.

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

Intellectual Property

The Company currently owns following registered trademarks, namely:

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

ROCKWELL

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

THE GROVE
by Rockwell

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

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

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

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

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

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

PROSCENIUM
AT ROCKWELL

9. PRIMARIES A ROCKWELL COMPANY
TM Registration No. 4-2012-00014881
Issued on 4 July 2013, valid until 4 July 2023

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

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

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

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

13. PROSCENIUM (WORD MARK)
TM Registration No. 4-2012-00014354
Issued on 25 April 2013, valid until 25 April 2023

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

15. THE GORGEOUS MESS
TM Appl. No. 4-2015-00504659
Issued on 16 June 2016, valid until 16 June 2026

16. 8 ROCKWELL
TM Appl. No. 4-2016-00501938
Issued on 04 August 2016, valid until 4 August 2026

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

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

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

20. SANTOLAN TOWN PLAZA
TM Registration No. 4-2016-00500580
Issued on 3 December 2016, valid until 3 December 2026

21. EIGHT COFFEE BAR
TM Registration No. 4-2016-00503014
Issued on 24 March 2017, valid until 24 March 2027

22. HELLO ROCKWELL
TM Registration No. 4-2016-00506181
Issued on 24 March 2017, valid until 24 March 2027

23. EDADES TOWER AND GARDEN VILLAS
TM Registration No. 4-2010-00011100
Issued on 24 March 2017, valid until 24 March 2027

24. THE ARTON
TM Registration No. 4-2017-00501639
Issued on 17 December 2017, valid until 17 December 2027

25. THE ARTON BY ROCKWELL
TM Registration No. 4-2017-00501550
Issued on 1 March 2018, valid until 1 March 2028

26. THE ARTON BY ROCKWELL (Sky Blue)
TM Registration No. 4-2017-00501551
Issued on 1 March 2018, valid until 1 March 2028

27. THE ARTON BY ROCKWELL (Cream)
TM Registration No. 4-2017-00501552
Issued on 3 May 2018, valid until 3 May 2028

28. THE ARTON BY ROCKWELL (Dark Blue)
TM Registration No. 4-2017-00501553
Issued on 3 May 2018, valid until 3 May 2028

29. THE GRID (Logo)
TM Registration No. 4-2017-00503574
Issued on 8 February 2018, valid until 8 February 2028

30. THE GRID
TM Registration No. 4-2017-00503576
Issued on 5 April 2018, valid until 5 April 2028

31. THE GRID FOOD MARKET
TM Registration No. 4-2017-00503575
Issued on 5 April 2018, valid until 5 April 2028

32. THE GRID FOOD MARKET (Logo)
TM Registration No. 4-2017-00503573
Issued on 5 April 2018, valid until 5 April 2028

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

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

2. 32 SANSON BY ROCKWELL (with color claim)
   TM Appl. No. 4-2012-014880 filed on 12 December 2018

3. 32 SANSON BY ROCKWELL
   TM Appl. No. 4-2012-014880 filed on 12 December 2018

4. EVENTS HALL THE FIFTH AT ROCKWELL
   TM Appl. No. 4-2018-00017655 filed on 5 October 2018
   TM Appl. No. 4-2018-00017657 filed on 5 October 2018

5. TERRENO SOUTH
   TM Appl. No. 4-2018-019226 filed on 24 October 2018

6. THE FIFTH AT ROCKWELL
   TM Appl. No. 4-2018-00017658 filed on 5 October 2018
   TM Appl. No. 4-2018-00017656 filed on 5 October 2018

7. THE ROCKWELL BUSINESS CENTER
   TM Appl. No. 4-2018-00016865 filed on 25 September 2018

8. THE PROSCENIUM RESIDENCES
   TM Appl. No. 4-2018-019230 filed on 24 October 2018
   TM Appl. No. 4-2018-019231 filed on 24 October 2018
   TM Appl. No. 4-2018-019232 filed on 24 October 2018

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

1. ARUGA
   TM Registration No. 4-2015-00505825
   Issued on 12 May 2016, valid until 12 May 2026

2. ARUGA (with background)
   TM Registration No. 4-2015-00505829
   Issued on 12 May 2016, valid until 12 May 2026

3. ARUGA BY ROCKWELL (with background)
   TM Registration No. 4-2018-014427
   Issued on 7 February 2019, valid until 7 February 2029

4. ARUGA BY ROCKWELL
   TM Registration No. 4-2018-014039
   Issued on 7 February 2019, valid until 7 February 2029

At the time of this writing, Rockwell Hotel and Leisure Management Corporation has the following pending trademark applications:

1. ARUGA SERVICED APARTMENTS
   TM Appl. No. 4-2018-014426 filed on 17 August 2018

2. ARUGA BY ROCKWELL RESORT AND RESIDENCES MACTAN – CEBU (Ocean Blue)
TM Appl. No. 4-2018-00015498 filed on 6 September 2018

3. ARUGA BY ROCKWELL RESORT AND RESIDENCES MACTAN – CEBU (Cream)
TM Appl. No. 4-2018-00015500 filed on 6 September 2018

4. ARUGA BY ROCKWELL RESORT AND RESIDENCES MACTAN – CEBU (Teal Blue)

TM Appl. No. 4-2018-00015496 filed on 6 September 2018

5. ARUGA BY ROCKWELL RESORT AND RESIDENCES MACTAN – CEBU (Brown)
TM Appl. No. 4-2018-00015497 filed on 6 September 2018

6. ARUGA BY ROCKWELL RESORT AND RESIDENCES MACTAN (Brown)
TM Appl. No. 4-2018-00016264 filed on 17 September 2018

7. ARUGA BY ROCKWELL RESORT AND RESIDENCES MACTAN (Ocean Blue)
TM Appl. No. 4-2018-00016265 filed on 17 September 2018

8. ARUGA BY ROCKWELL RESORT AND RESIDENCES MACTAN (Teal Blue)
TM Appl. No. 4-2018-00016266 filed on 17 September 2018

9. ARUGA BY ROCKWELL RESORT AND RESIDENCES MACTAN (Cream)
TM Appl. No. 4-2018-00016263 filed on 17 September 2018

10. ARUGA BY ROCKWELL RESORT MACTAN (Brown)
TM Appl. No. 4-2018-00016252 filed on 17 September 2018

11. ARUGA BY ROCKWELL RESORT MACTAN (Ocean Blue)
TM Appl. No. 4-2018-00016258 filed on 17 September 2018

12. ARUGA BY ROCKWELL RESORT MACTAN (Teal Blue)
TM Appl. No. 4-2018-00016257 filed on 17 September 2018

13. ARUGA BY ROCKWELL RESORT MACTAN (Cream)
TM Appl. No. 4-2018-00016254 filed on 17 September 2018

14. ARUGA BY ROCKWELL MACTAN (Brown)
TM Appl. No. 4-2018-00016267 filed on 17 September 2018

15. ARUGA BY ROCKWELL MACTAN (Ocean Blue)
TM Appl. No. 4-2018-00016268 filed on 17 September 2018

16. ARUGA BY ROCKWELL MACTAN (Teal Blue)
TM Appl. No. 4-2018-00016269 filed on 17 September 2018

17. ARUGA BY ROCKWELL MACTAN (Cream)
TM Appl. No. 4-2018-00016270 filed on 17 September 2018

18. ARUGA BY ROCKWELL RESORT AND RESIDENCES (Brown)
TM Appl. No. 4-2018-00016260 filed on 17 September 2018

19. ARUGA BY ROCKWELL RESORT AND RESIDENCES (Ocean Blue)
TM Appl. No. 4-2018-00016261 filed on 17 September 2018

20. ARUGA BY ROCKWELL RESORT AND RESIDENCES (Teal Blue)
TM Appl. No. 4-2018-00016262 filed on 17 September 2018

21. ARUGA BY ROCKWELL RESORT AND RESIDENCES (Cream)
TM Appl. No. 4-2018-00016259 filed on 17 September 2018

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

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

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

3. THE VANTAGE GREENHOUSE
TM Registration No. 4-2017-00502986
Issued on 28 December 2017, valid until 28 December 2028

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

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

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

1. EAST BAY RESIDENCES
TM Appl. No. 4-2018-016864 filed on 25 September 2018

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

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

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

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

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

Research and Development

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

Employees

As of December 31, 2018, Rockwell Land and its subsidiaries had a total of 2,414 employees, including 1,088 organic employees and 1,326 non-organic (contractual and agency) employees. The breakdown of organic employees per business unit is as follows:

Business Units	Number of Employees
Residential Development	636
Commercial Leasing	168
Shared	191
Hotel and Leisure	93
TOTAL	**1,088**

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

Function	Number of Employees
Operational	492
Technical	420
Administrative	176
TOTAL	**1,088**

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

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

Item 2 PROPERTIES

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

Following is the list of properties owned by the Company as of December 31, 2018. The list excludes properties which have been completed or have been launched as development projects since titles of properties in these projects have already been or will be transferred to the buyers and/or the respective condominium corporations.

	Location	**Description and use**
Investment Properties		
Power Plant Mall	Rockwell Center, Makati	Retail
Estrella lots	Estrella St., Makati City	Company use (office & storage)
Grove retail	The Grove, Pasig City	Company use (office and retail)
8 Rockwell	Rockwell Center, Makati	Office and retail
Various retail spaces	The Manansala, Joya Lofts and Towers, One Rockwell, Edades, #38 Rockwell Drive -- all within Rockwell Center, Makati RBC Sheridan, Santolan Town Plaza, The Vantage Gallery, East Bay Retail Row, 53 Benitez Retail	Retail
Batangas property	Sto. Tomas, Batangas	Retail development
Quezon City property	Quezon City	Retail development
Property, Plant & Equipment		
Aruga Serviced Apartments	Rockwell Center, Makati	Hotel development
Power Plant Mall (Level 5 onwards)	Rockwell Center, Makati	Hotel development
Aruga Resort & Residences-Mactan	Mactan, Cebu	Hotel development

Investment in Shares of Stock	**No. of Shares**	**Par or Market Value and Description**
Rockwell Primaries Development Corporation	500,000,000 Common Stock	₱500.0 Million
Rockwell Primaries South Development Corporation (formerly ATR KimEng Land)*	1,860,000 Common Stock	₱186 Million
Stonewell Property Development Corporation	12,500,000 Common Stock	₱12.5 Million
Primaries Properties Sales Specialists Inc.	2,500,000 Common Stock	₱2.5 Million
Rockwell Integrated Property Services Inc.	20,000,000 Common Stock	₱20.0 Million
Rockwell Leisure Club Inc.	801 Proprietary Shares and 1,491 Ordinary Shares	₱376.2 Million (Market Value) and ₱1.5 Million (Par Value of Ordinary Shares)

Investment in Shares of Stock	No. of Shares	Par or Market Value and Description
Rockwell Hotels & Leisure Management Corp.	5,000,000 Common Stock	₱5.0 Million
Retailscapes Inc.	334,000,000 Common Stock	P334.0 Million
Rockwell MFA Corp.	500,000 Common Stock 13,500,000 Preferred Shares	₱1,400.0 Million
Carmelray Property Holdings, Inc.**	900,000 Common Stock 44,100,000,000 Preferred Shares	₱450.0 Million

** indirect subsidiary*
***associate*

Item 3 LEGAL PROCEEDINGS

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

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

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

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

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

Item 4 SUBMISSIONS OF MATTERS TO A VOTE OF SECURITY HOLDERS

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

PART II – SECURITIES OF REGISTRANT

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

(1) Market Information

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

(b) STOCK PRICES

	Common	
	High	Low
2018		
First Quarter........................	1.97	1.93
Second Quarter	2.04	2.00
Third Quarter	1.98	1.92
Fourth Quarter	2.01	1.99

ROCK was trading at an average price of ₱1.99 per share as of April 12, 2019.

(c) DIVIDENDS PER SHARE – The Company declared cash dividends in July 19, 2018 of P0.0683 per Common Share to stockholders of record as of August 03,2018 payable on or before August 17, 2018.

The number of common and preferred shareholders of record as of December 31, 2018 was 46,772 and 27,301 who owned at least (1) board lot. As of December 31, 2018, common and preferred shares issued and subscribed were 6,243,382,344 shares (inclusive of 126,620,146 treasury shares) and 2,750,000,000 respectively.

Top 20 Stockholders of Common Shares as of December 31, 2018:

	Name	No. of Shares Held	% to Total
1.	First Philippine Holdings Corporation	5,296,015,375	86.58201%
2.	PCD Nominee Corporation (Filipino)	528,685,835	8.64323%
3.	PCD Nominee Corporation (Foreign)	115,914,302	1.89503%
4.	Mantes Corporation	32,373,508	0.52926%
5.	Padilla, Nestor J.	15,000,001	0.24523%
6.	Yan, Lucio W.	1,136,324	0.01858%
7.	Cheng, Charlotte Cua	886,422	0.01449%
8.	Avesco Marketing Corporation	801,574	0.01310%
9.	B.P. Insurance Agency, Inc.	792,139	0.01295%
10.	Makati Supermarket Corporation	677,238	0.01107%
11.	Croslo Holdings Corporation	584,297	0.00955%
12.	Tan, Simeon Y.	458,804	0.00750%
13.	Carlos, Jose Ignacio A.	455,667	0.00745%
14.	Tan, Lozano	422,730	0.00691%
15.	Flordeliza, Virgilio C.	398,550	0.00652%
16.	Aquino, Antonino T., &/Or Evelina S. Aquino	377,231	0.00617%
17.	BP Insurance Agency, Inc.	328,969	0.00538%
18.	Concepcion, Raul Joseph	316,854	0.00518%
19.	Foresight Realty & Development Corporation	305,353	0.00499%
20.	Enriquez, Albert N.	280,451	0.00458%

Stockholders of Preferred Shares as of December 31, 2018:

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

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

Recent Sales of Unregistered Securities

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

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

Exempt Transactions and Securities

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

Date	Amount (In Thousands)	Type of Security	Issued to:
January 2013	₱4,000,000.00	Fixed Rate Corporate Notes	Primary institutional lenders
March 2013	₱2,000,000.00		
May 2013	₱1,000,000.00		
July 2013	₱1,500,000.00		
August 2013	₱1,500,000.00		
June, September 2016; June,October 2017	₱3,500,000.00	Fixed Rate Term Loan	MBTC
June, September 2016	₱1,500,000.00	Floating Rate Term Loan	MBTC
May 2016; August-October and December 2017	₱4,500,000.00	Fixed Rate Term Loan	PNB
March, April, August, September and October 2018	₱1,961,898,238	Fixed Rate CTS Financing Loan	BDO
May, June, August 2018	₱1,356,176,284	Fixed Rate CTS Financing Loan	Chinabank
August 2018	₱219,680,094	Fixed Rate CTS Financing Loan	Maybank
March 2018	₱321,865,769	Fixed Rate CTS Financing Loan	MBTC
March, April, May, July 2018	₱986,979,283	Fixed Rate CTS Financing Loan	PNB

Date	Amount (In Thousands)	Type of Security	Issued to:
February, March, July 2018	₱450,000,000	Floating Rate Term Loan	BDO
October 2018	₱300,000,000	Floating Rate Term Loan	BOC
July and December 2018	₱1,000,000,000	Fixed Rate Term Loan	MBTC
February 2018	₱200,000,000	Floating Rate Term Loan	MBTC
December 2018	₱200,000,000	Fixed Rate Term Loan	PNB
July 2018	₱41,000,000	Fixed Rate Term Loan	SEAI Metro Manila Once, Inc.

*Refer to supplementary information of the 2018 Consolidated Financial Statements for more details.

PART III – FINANCIAL INFORMATION

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

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

PART III – FINANCIAL INFORMATION

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

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

INTRODUCTION

Rockwell Land Corporation’s net income after tax (NIAT) in 2018 amounted to ₱2.5 billion, a growth of 18% compounded annually since 2016. As a percentage to revenues, net income was 16% for 2018, 15% for 2017 and 14% for 2016.

Total revenues grew to ₱15.7 billion in 2018, increasing at a compounded annual rate of 11% since 2016. Residential development accounted for 86% of the total revenues in 2018, slightly lower than its 88% due to a higher contribution from commercial revenues. The contribution of Hotel Operations remains at 2% of total revenues.

Earnings before interest, taxes, depreciation and amortization (EBITDA) in 2018 amounted to ₱4.5 billion representing 28% of total revenues and a 15% compounded annual growth since 2016. EBITDA from Residential Development accelerated by 16% annually from 2016 mainly due to the strong performance of The Vantage development. On the other hand, Commercial Development accelerated by 11% from ₱1.1B to P1.5 in 2 years due to additional leasable spaces of 90,000 sqm. The operational expenses grew as occupancy rise in 2018, causing EBITDA margin to decline from

2016's 82% to 75% of the segment revenue. Meanwhile, the Hotel Operations' EBITDA declined to ₱74 million due to the discontinuance of Aruga at The Grove in September 2017. By end 2018, about half of the The Grove Serviced Apartments were sold and the remainder were held for long-term lease arrangements.

Residential development, commercial development and hotel operations contributed 65%, 33% and 2% to total EBITDA in 2018, respectively.

The ratio of cost of real estate to total revenues improved to 58% coming from 61% in 2018 and 2016. This is mainly due to higher sales.

Besides the recent acquisitions, the Company is not aware of any event that could materially affect the statement of comprehensive income reported in this Annual Report except for the impact to the financial statements of the full adoption of the PFRS 15 which took effect starting January 2018.

By the end of 2018 debt level was at ₱24.2 billion while the net-debt-to-equity ratio stands at 1.15. The debt is composed of the outstanding balances of ₱10.0 billion corporate notes drawn in portion from January to August 2013, ₱5.0 billion from bond issuance in November 2013 and ₱17.6 billion terms loans drawn from 2016-2018. About ₱2.0B or 8% of the total debt has a floating interest rate. Below is a table showing the key performance indicators of the Company for 2016-2018.

KPI	2018	2017	2016
EBITDA (P)	4.5 billion	3.6 billion	3.4 billion
Current Ratio (x)	2.19	2.96	3.01
Net DE Ratio (x)	1.15	0.98	0.91
Asset to Equity Ratio (x)	2.95	2.76	2.58
Interest coverage ratio (x)	3.85	4.73	4.54
ROA	4.80%	4.68%	4.80%
ROE	13.74%	12.51%	12.20%
EPS (P)	0.42	0.34	0.30

Notes:

(1) EBITDA [Net Income + (Interest Expense, Provision for Income Tax, Depreciation & Amortization)]

(2) Current ratio [Current assets/Current liabilities]

(3) Net debt to equity ratio [(Total Interest bearing debt)-(Cash and cash equivalents) / Total Equity]

(4) Assets to Equity Ratio [Total Assets/Total Equity]

(5) Interest coverage ratio [EBITDA/ Total interest payments]

(6) ROA [Net Income/Average Total Assets]

(7) ROE [Net Income/ Average Total Equity]

(8) EPS [Net Income/number of common shares outstanding]

RESULTS OF OPERATIONS

The following section provides information on the results of operations and financial condition for the periods 2016-2018.

Review of 2018 versus 2017

The following table shows the breakdown of the revenues by business segment for the periods 2016-2018.

	2018	% to Total	2017	% to Total	2016	% to Total
Residential Development (1)	13,411	86%	12,567	88%	11,040	87%
Commercial Development (2)	1,990	13%	1,424	10%	1,324	10%

Hotel Operations(3)	283	2%	313	2%	347	3%
Total Consolidated Revenues	**15,684**	**100%**	**14,303**	**100%**	**12,711**	**100%**
Share in Net Income (Losses) in JV (4)	*271*		*265*		*254*	

Notes:

1. *Revenues from this segment consist of the following projects in the years indicated: 205 Santolan (2016), The Grove (2016 to 2018), The Proscenium Towers (2016 to 2018), 53 Benitez (2016 to 2017),32 Sanson (2016 to 2018), Vantage (2016-2018), Edades Suites (2016-2018), Stonewell (2016-2018), The Arton West (2017-2018),Aruga Resort and Residences -Mactan (2018).*
2. *Revenues from this segment include leasing income, cinema revenues and revenue from sale of office units from 8 Rockwell and Proscenium projects. The amounts exclude revenues from RBC. Under the Accounting policy for a jointly controlled entity, results of operations of RBC are not consolidated line by line.*
3. *Revenues from Hotel Operations come from the operations of Aruga Serviced Apartments in Edades Tower and The Grove (2016-2017).*
4. *These amounts represent the Company's share in the net income after tax of RBC.*

Below is another table showing the breakdown of revenues by type of revenue for the periods 2016-2018.

	2018	% to Total	2017	% to Total	2016	% to Total
Residential Sales(1)	13,087	83%	12,171	85%	10,834	85%
Office Sales(2)	42	0%	74	1%	77	1%
Commercial Leasing	1,511	10%	1,007	7%	915	7%
Room Revenues	220	2%	286	2%	326	3%
Others(3)	824	5%	765	5%	559	4%
Total Consolidated Revenues	**15,684**	**100%**	**14,303**	**100%**	**12,711**	**100%**

Notes:

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

Business Segments

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

Residential Development contributed 86% of the total revenues of 2018. Total revenues reported from the sale of condominium units, including accretion of interest income, amounted to ₱13.4 billion. The 7% increase in this segment's revenue was largely influenced by higher construction accomplishment for Edades Suites and Rockwell Primaries' The Vantage as well as higher bookings of 32 Sanson, Grove and Vantage. EBITDA from this segment amounted to ₱2.9 billion, which represents 65% of the total EBITDA of ₱4.5 billion.

Reservation sales reached ₱14.9 billion, 30% higher than last year's ₱11.6 billion, driven by Proscenium, Arton and Aruga Resort & Residences - Mactan, which was launched in 2018.

Commercial Development revenues amounted to ₱2.0 billion, higher by 40% than last year. Leasing Income, which accounts for bulk of the segment revenues, grew from ₱1.0 billion to ₱1.5 billion due mainly from the mall expansion and RBC Sheridan. Overall, contribution from the Commercial segment improved from 10% to 13% of total revenues. This excludes the share in the joint venture (RBC) as this is reported as "Share in Net Losses (Income) of JV" under Other Income (Expenses) and not consolidated line by line in the consolidated financial statements.

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

- Revenues from Retail operations amounted to ₱1.2 billion and accounted for 7% of total consolidated revenues. This increased by 26% vs. last year's revenues of ₱909.5 million, mainly driven by the opening of the expansion of the Power Plant Mall in 2018 which added 5,600 sqm of leasable area.
- Cinema Operations amounted to ₱277.7 million and comprised 2% of the total revenues due to opening of six (6) new cinemas.

- Office Leasing accelerated to ₱451.0 million from ₱198.8 million last year due to increased occupancy from RBC Sheridan and 8 Rockwell.

- Rockwell-Meralco BPO Venture, generated gross revenues of ₱701.4 million, which grew by 2% from last year's ₱689.0 million from the annual rent escalation. At its 70% share, the Company generated revenues of ₱491.0 million and a share in net income of ₱270.6 million. To reiterate, only the ₱270.6 million share in net income of RBC is reflected in the Company's consolidated statements of comprehensive income as "Share in Net Losses (Income) of JV".

The Commercial segment's EBITDA amounted to ₱1.5 billion, comprised of Retail and Office at 62% and 38%, respectively. EBITDA increased by 22% from last year's ₱1.2 billion due to the additional leasable spaces from new projects in retail and office.

Hotel Operations contributed 2% of the total consolidated revenues for 2018. Revenues declined from ₱312.7 to ₱283.5 million but resulted only to a 2% drop in EBITDA from ₱75.4 million to ₱73.7 million in 2018 due to lower operating expenses with the discontinuance of Aruga at The Grove.

Costs and Expenses

Cost of real estate amounted to ₱9.0 billion in 2018, 3% higher than the ₱8.8 billion that was recorded in 2017. This is net of the PFRS 15 adjustment which amounted to ₱443.4 million. The increase was mainly due to substantial completion of Proscenium, the Vantage and 32 Sanson.

General and administrative expenses (G&A) amounted to ₱2.2 billion which represents 14% of the total revenues. The level of expenses grew by 20% vs. last year's ₱1.8 billion. This is mainly attributable to additional expenses incurred from taxes due to higher collections in 2017; higher manpower costs, depreciation expenses and occupancy and administrative costs with the opening of new projects, RBC Sheridan in July 2017 and the Power Plant Mall Expansion and Santolan Town Plaza both opened in early 2018.

Interest Expense amounted to ₱309.2 million, which is 23% higher than last year's ₱251.0 million. Interest incurred increased as loan balance increase from ₱20.0 billion to ₱24.3 billion at a higher average interest rate per annum of 5.4% vs. 2017's 5.3%. In addition, interest on loans drawn for the completed commercial projects previously capitalized are now expensed outright.

Share in Net Losses (Income) of JV recorded at ₱270.6 million, a 2% growth from last year of ₱264.7 million. At 70% share, the gross revenues increased by 2% to ₱491.0 million due to higher rental rate. The share in net income is reported net of taxes and represents the Company's share in the operations generated by RBC.

Provision for Income Tax

Provision for income tax amounted to ₱955.2 million, which is 19% higher than last year's provision of ₱799.7 million. The effective tax rate for 2018 is 27.3%, slightly lower than 2017's 27.7% and still lower than the statutory tax rate of 30.0% due to the Company's share in the income of RBC, which is no longer subject to income tax.

Project and capital expenditures

The Company spent a total of ₱12.7 billion gross of VAT for project and capital expenditures in 2018. Bulk of the expenditures pertained to development costs of Proscenium, Aruga Hotel in Makati, Aruga Resort and Residences – Mactan and final payments for new retail and office projects in 2018.

FINANCIAL CONDITION

Total Assets as of December 31, 2018 amounted to ₱57.0 billion, which grew by 15% from last year's ₱48.9 billion mainly due to completed and ongoing construction of residential development projects, Aruga Hotel in Makati and several investmet properties, as well as recognition of Trade receivables following the completion progress of ongoing residential projects (Edades Suites and The Vantage).

Total Liabilities as of December 31, 2018 amounted to ₱37.7 billion, higher than 2017's ₱31.2 billion. The increase in liabilities was mainly from loans availed to fund construction of both residential and commercial projects.

Total Equity as of December 31, 2018 amounted to ₱19.3 billion. The 9% acceleration is mainly attributable to the ₱2.5 billion Net Income in 2018 and the adjustment from the adoption of PFRS 15 amounting to ₱548.4 billion.

Current ratio as of December 31, 2018 is 2.19x from 2.96x the previous year while Net debt to equity ratio increased to 1.15x in 2018 from 0.98x in 2017.

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

Statement of Comprehensive Income Items – 2018 vs. 2017

5% increase in Sale of condominium units
Mainly driven by higher sales bookings of 32 Sanson, Grove and the Vantage projects and higher construction completion from Edades Suites and Vantage

20% increase in Interest Income
Mainly due to higher interest income accretion from sales bookings at Proscenium, The Arton, Vantage and Aruga Resort and Residences – Mactan, which launched 276 units in October 2018.

49% increase in Lease income
Due to increased leasable area from the mall expansion and RBC Sheridan.

23% decrease in Room revenues
Due the discontinuance of Aruga at the Grove serviced apartments

31% increase in Cinema revenues
Primarily due to additional seating capacity from six (6) new cinemas

3% increase in Cost of Real Estate
Primarily due higher sales and construction completion from Vantage and 32 Sanson Phase 2, and higher construction completion from Proscenium and Edades Suites as both projects are nearly sold out.

19% increase in General and Administrative Expenses
Due to increase in expenses from higher taxes due to higher collection in 2017 and higher operating expense (manpower, occupancy and administrative expenses) and depreciation of the newly launched retail and office projects.

10% increase in Selling Expenses
Primarily due to higher marketing expenses, driven by change in accounting standards of PFRS 15 amounting to P132 million, which were previously classified as prepaid selling expenses and amortized over the construction period. Under the new standard, marketing expenses are now classified as period costs.

23% increase in Interest Expense
Mainly due to higher loan balance and interest rate per annum

2% increase in Share in Net Income of Joint Venture
Attributable to higher rental rates of RBC Ortigas

338% increase in Foreign Exchange Gain
Due to the impact of weaker Peso on the US dollar collections

20% increase in Comprehensive Income
Mainly due to the remeasurement loss on employee benefits following a drop in stock market performance in 2018 vs. 2017.

Balance Sheet items – 2018 vs. 2017

20% decrease in Cash and Cash Equivalents
Primarily due to construction activities for ongoing residential, commercial and hotel projects.

50% increase in Receivables and contract assets (Current and Non-current)
Mainly due to higher cumulative sales bookings and higher construction completion

9% increase in Land and Development Costs
Due to ongoing construction completion

25% decrease in Advances to Contractors
Due to ongoing construction completion of Proscenium’s Kirov and Sakura which are nearly complete

66% decrease in Condominium Units for Sale
Due to sales from existing inventory of Grove CD and EF.

16% decrease in Other Current Assets
Due to lower deferred selling expenses.

17% increase in Joint Venture and Associate
Mainly due to new JV Agreement with Carmelray Property Holdings Inc.

37% increase in Property and equipment
Mainly due to increase in construction in progress for Aruga Hotel

19% increase in Investment in equity instruments at FVOCI (Available-for-sale investments)
Due to fair value remeasurement

39,199% increase in Deferred Tax Asset
The increase is primarily due to NOLCO coming from subsidiaries.

169% increase in Noncurrent Asset
Due to change in accounting treatment for Advances to Contractors related to Commercial Projects, which classifies advances on Investment Properties and PPE as long-term.

19% increase in Trade and Other Payables
Mainly attributable to increase in deferred output VAT.

22% increase in Interest Bearing Loan and Borrowings (Current + Non current)
Due to loan drawdown of ₱7.2B, mostly at short-term and CTS financing agreement

5% increase in Installment Payable – net of current portion
Due to accretion of interest expense

48% increase in Deferred Tax Liabilities
Due to increase in revenue recognition from Edades Suites, Proscenium Residences and Vantage, and increase in deferred selling expense

5% decrease in Pension liability
Mainly due to remeasurement gain on plan assets for the year 2018

56% increase in Deposits and other liabilities
Primarily due to the increase deposits in preselling for The Arton by Rockwell, and higher Security deposits resulting from higher occupancy from the mall expansion, RBC Sheridan and Santolan Town Plaza

36% increase in Other Comprehensive Income
Due to market appreciation of investments

15% increase in Retained Earnings
Due to net income after tax of ₱2.5 billion for 2018 net of dividends and PFRS 15 impact amounting to ₱419 million and ₱548.4 million, respectively. Additional appropriation to retained earnings for capital expenditures and asset acquisitions amounted to ₱2.0 billion.

RESULTS OF OPERATIONS

The following section provides information on the results of operations and financial condition for the periods 2015-2017.

Review of 2017 versus 2016

The following table shows the breakdown of the revenues by business segment for the periods 2015-2017.

	2017	% to Total	2016	% to Total	2015	% to Total
Residential Development (1)	12,567	88%	11,040	87%	6,515	73%
Commercial Development (2)	1,424	10%	1,324	10%	2,147	24%
Hotel Operations(3)	313	2%	347	3%	260	3%
Total Consolidated Revenues	**14,303**	**100%**	**12,711**	**100%**	**8,922**	**100%**
Share in Net Income in JV (4)	*265*		*254*		*171*	

Notes:

1. *Revenues from this segment consist of the following projects in the years indicated: 205 Santolan (2016), The Grove (2015 to 2017), The Proscenium Towers (2015 to 2017), 53 Benitez (2015 to 2017),32 Sanson (2015 to 2017), Vantage (2016-2017), Edades Suites (2016-2017), Stonewell (2016-2017), The Arton West (2017).*
2. *Revenues from this segment include leasing income, cinema revenues and revenue from sale of office units from 8 Rockwell project. The amounts exclude revenues from RBC. Under the Accounting policy for a jointly controlled entity, results of operations of RBC are not consolidated line by line.*
3. *Revenues from Hotel Operations come from the operations of Aruga Serviced Apartments in Edades Tower and The Grove (2016-2017).*
4. *These amounts represent the Company's share in the net income after tax of RBC.*

Below is another table showing the breakdown of revenues by type of revenue for the periods 2015-2017.

	2017	% to Total	2016	% to Total	2015	% to Total
Residential Sales(1)	12,171	85%	10,834	85%	6,266	70%
Office Sales(2)	74	1%	77	1%	1,045	12%
Commercial Leasing	1,007	7%	915	7%	793	9%
Room Revenues	286	2%	326	3%	260	3%
Others(3)	765	5%	559	4%	558	6%
Total Consolidated Revenues	**14,303**	**100%**	**12,711**	**100%**	**8,922**	**100%**

Notes:

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

Business Segments

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

Residential Development contributed 88% of the total revenues of 2017. Total revenues reported from the sale of condominium units, including accretion of interest income, amounted to ₱12.2 billion. The 12% increase in this segment's revenue was largely influenced by higher bookings of the Proscenium projects, and with higher construction accomplishment for Edades Suites and Rockwell Primaries' The Vantage. EBITDA from this segment amounted to ₱2.4 billion, which represents 65% of the total EBITDA of ₱3.6 billion.

Reservation sales reached ₱11.6 billion, slightly lower than last year's ₱11.8 billion, still driven by Proscenium and The Vantage. Sales from The Arton, which was the only project launched in 2017, amounts to ₱1.6 billion.

Commercial Development revenues amounted to ₱1.4 billion, higher by 7% than last year. Leasing Income, which accounts for bulk of the segment revenues, grew from ₱915.0 million to ₱1.0 billion due mainly from higher occupancy of 8 Rockwell. Sale of office units slightly dropped by 4% with a 5% contribution to total segment revenues. Overall, Commercial segment contributed 10% of total revenues, same as last year. This excludes the share in the joint venture (RBC) as this is reported as "Share in Net Losses (Income) of JV" under Other Income (Expenses) and not consolidated line by line in the consolidated financial statements.

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

- Revenues from Retail operations amounted to ₱909.5 million and accounted for 6% of total consolidated revenues. This dropped by 3% vs. last year's revenues of ₱941.0 million, mainly driven by closures of several stores affected by the construction of the expansion of the Power Plant Mall. The latter will add 5,600 sqm of leasable area starting 2018.

- Cinema Operations amounted to ₱211.3 million and comprised 2% of the total consolidated revenues. Despite the usual price increase imposed on an annual basis, overall revenues declined by 4% from last year's ₱220.2 million due to fewer blockbuster movies.

- Revenue from sale of office units amount to ₱74.5 million, down by 4% compared to last year. In 2015, sale of office spaces at 8 Rockwell amounted to ₱1.0 billion.

- Office Leasing for units located in 8 Rockwell accelerated to ₱198.8 million from ₱80.6 million last year due to increase occupancy from 2016's 34% to 80% by end 2017.

- Office Leasing, operated under the Rockwell-Meralco BPO Venture, generated gross revenues of ₱689.0 million, which grew by 3% from last year's ₱673.0 million due to higher occupancy and rent escalation. At its 70% share, the Company generated revenues of ₱482.0 million and a share in net income of ₱263.6 million. To reiterate, only the ₱264.8 million share in net income of RBC is reflected in the Company's consolidated statements of comprehensive income as "Share in Net Losses (Income) of JV".

The Commercial segment's EBITDA amounted to ₱1.2 billion, comprised of Retail and Office at 65% and 35%, respectively. EBITDA increased by 5% from last year's ₱1.1 billion due to the increase in occupancy of office, which yields higher EBITDA margin of 83% compared to retail.

Hotel Operations contributed 2% of the total consolidated revenues for 2017. Revenues declined by 10% from ₱346.7 to ₱312.7 million, resulting to a 15% drop in EBITDA from ₱ 88.6 million to ₱ 75.4 million in 2017, after Aruga at The Grove was discontinued.

Costs and Expenses

Cost of real estate amounted to ₱8.7 billion in 2017, 12% higher than the ₱7.8 billion that was recorded in 2016. The substantial completion of The Vantage, Proscenium and Edades Suites were the main drivers in the increase in cost.

General and administrative expenses (G&A) amounted to ₱1.8 billion which represents 13% of the total revenues. The level of expenses grew by 16% vs. last year's ₱1.6 billion. This is mainly attributable to additional expenses incurred from taxes due to higher collections of The Grove and 53 Benitez in 2017; higher depreciation, occupancy and administrative costs due to 8 Rockwell and RBC Sheridan which opened 1st quarter of 2016 and July 2017, respectively; and higher manpower costs.

Interest Expense amounted to ₱251.0 million, which is 36% lower than last year's ₱389.8 million. Despite higher loan balance and average interest rates of 5.3% p.a. vs. 2016's 4.8% p.a., the decrease is primarily due to higher portion capitalized to development costs in 2017 compared to 2016.

Share in Net Losses (Income) of JV recorded at ₱264.7 million, a 4% growth from last year of ₱254.2 million. At 70% share, the gross revenues increased by 29% to ₱482.0 million due to higher rental rate and occupancy. The share in net income is reported net of taxes and represents the Company's share in the operations generated by RBC.

Provision for Income Tax

Provision for income tax amounted to ₱799.7 million, which is 19% higher than last year's provision of ₱671.9 million. The effective tax rate for 2017 is 27.7%, slightly higher than 2016's 27.0%, but which is lower than the statutory tax rate of 30.0% due to the Company's share in the income of RBC, which is no longer subject to income tax.

Project and capital expenditures

The Company spent a total of ₱11.8 billion for project and capital expenditures in 2017. Bulk of the expenditures pertained to development costs of Proscenium, PowerPlant Mall Expansion, RBC Sheridan and Santolan Town Plaza.

FINANCIAL CONDITION

Total Assets as of December 31, 2017 amounted to ₱48.9 billion, which grew by 21% from last year's ₱40.4 billion mainly due to completed and ongoing construction of Investment properties as well as recognition of Trade receivables following the completion progress of ongoing residential projects.

Total Liabilities as of December 31, 2017 amounted to ₱31.2 billion, higher than 2016's ₱24.8 billion. The increase in liabilities was mainly from loans availed to fund construction of both residential and commercial projects.

Total Equity as of December 31, 2017 amounted to ₱17.7 billion. The 11% acceleration, which is at par with 2016, is mainly attributable to the ₱2.1 billion Net Income in 2017.

Current ratio as of December 31, 2017 is 2.96x from 3.01x the previous year while Net debt to equity ratio increased to 0.98x in 2017 from 0.91x in 2016.

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

<u>Statement of Comprehensive Income Items</u> – 2017 vs. 2016

12% increase in Sale of condominium units
Mainly driven by higher sales bookings of Proscenium and first-time Revenue recognition for 32 Sanson Phase 2, Edades Suites and Vantage projects

12% increase in Interest Income
Mainly due to higher interest income accretion from sales bookings of Proscenium, Edades Suites, and Vantage

10% increase in Lease income
Due to rental rate escalation for retail and office projects, and ramp up of occupancy in 8 Rockwell and RBC Sheridan

12% decrease in Room revenues
Due the discontinuance of Aruga at the Grove serviced apartments

4% decrease in Cinema revenues
Primarily due to fewer blockbuster movies compared to 2016

12% increase in Cost of Real Estate
Primarily due substantial construction completion from Proscenium and start of Revenue and Cost recognition for 32 Sanson Phase 2, Edades Suites and Vantage projects.

16% increase in General and Administrative Expenses
Due to increase in expenses from higher taxes due to higher collection of Upon-Turnover Dues, repairs and maintenance, depreciation and manpower costs.

17% increase in Selling Expenses
Primarily due to higher sales commission and marketing expenses

36% decrease in Interest Expense
Mainly due to higher capitalization of interest

4% increase in Share in Net Income of Joint Venture
Attributable to higher rental rates and higher occupancy of RBC Ortigas

134% decrease in Foreign Exchange Gain
Due to the impact of weaker Peso on the US dollar collections

150% increase in Comprehensive Income
Mainly due to the remeasurement of gain on employee benefits following a strong stock market performance in 2017 and increase in fixed income securities

Balance Sheet items – 2017 vs. 2016

78% increase in Cash and Cash Equivalents
Primarily due to collections from various projects: The Grove, Proscenuim, 32 Sanson Phase 1, and 53 Benitez by Rockwell Primaries, and proceeds from loan borrowings.

40% increase in Trade and Other Receivable
Mainly due to higher sales bookings from Proscenium and projects which started to recognize revenues in 2017, namely: Edades Suites and Vantage.

13% decrease in Advances to Contractors
Due to substantial completion of Mall Expansion, RBC Sheridan and Santolan Town Plaza

5% increase in Real Estate Inventories
Mainly due to additional condominium units for sale from the completion of The Grove E&F in 2017 and the discontinuance of The Grove Serviced Apartments (SA). About 33 SA units were transferred to unit inventory.

4% decrease in Other Current Assets
Mainly due to the release of Restricted cash in upon the issuance of permanent license to sell for the Edades Suites and Fordham (East Bay) projects

53% increase in Investment Properties
Mainly due to substantial construction progress for RBC Sheridan, Santolan Town Plaza and Mall Expansion projects

100% decrease in Land Held for Future Development
Due to reclassification to real estate inventories and investment properties under PIC Q & A on land classification

17% increase in Available-for-sale investments
Due to fair value remeasurement

72% decrease in Deferred Tax Asset
Mainly due to amortization of past service cost

23% increase in Trade and Other Payables
Mainly attributable to increase in development cost accruals, output VAT payable and higher security deposit from new tenants.

27% increase in Interest Bearing Loan and Borrowings (Current + Non current)
Due to long-term loan drawdown of ₱6.0B, net of repayments

5% increase in Installment Payable – net of current portion
Due to accretion of interest expense

19% increase in Deferred Tax Liabilities
Due to increase in revenue recognition from The Arton, Edades Suites and Vantage.

42% decrease in Pension liability
Mainly due to remeasurement gain on plan assets for the year 2017

57% increase in Deposits and other liabilities
Primarily due to the retention payable for Santolan Town Plaza and Rockwell Primaries Vantage and 53 Benitez, and higher Security deposits resulting from higher occupancy from 8 Rockwell and RBC Sheridan

40% increase in Other Comprehensive Income
Due to market appreciation of investments

20% increase in Retained Earnings
Due to net income after tax of ₱ 2.1 billion for 2017 net of dividends amounting to ₱ 365 million. Additional appropriation to retained earnings for capital expenditures and asset acquisitions amounted to ₱ 2.0 billion.

Item 7 FINANCIAL STATEMENTS

The consolidated financial statements as of December 2018 and 2017 and for each of the three years in the period ended December 31,2018 and the Supplementary Schedules per SRC Rule 68, as amended are hereto attached as Exhibit A and Exhibit B, respectively.

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

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

The Company has engaged SGV & Co., with Ms. Gaile A. Macapinlac as the engagement partner, for the audit of the Company's books starting 2017. The Company has complied with SRC Rule 68, paragraph 3(b)(ix) re: five year rotation requirement for the signing partner.

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

Audit and Audit-Related Fees

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

Year ended 31 December	2016	2017	2018
Audit and Audit-related fees (net of VAT)	Php 3.2 million	Php3.3 million	Php4.0 million
Audit and Audit-related fees (net of VAT) – with subsidiaries	Php 4.8 million	Php4.9 million	Php5.9 million

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

PART IV – MANAGEMENT AND CERTAIN SECURITY HOLDERS

Item 9 DIRECTORS and EXECUTIVE OFFICERS of the ISSUER

The overall management and supervision of the Company is undertaken by the Board of Directors (BOD). There are 11 members of the Board of Directors. The regular directors were elected during the annual meeting of the stockholders held on May 30,2018, to serve for a term of one year and until their successors are elected and qualified. The composition of the Company's Board of Directors is as follows:

Manuel M. Lopez
Oscar M. Lopez
Federico R. Lopez
Eugenio L. Lopez III
Nestor J. Padilla
Miguel Ernesto L. Lopez
Francis Giles B. Puno
Jose Valentin A. Pantangco Jr.
Oscar J. Hilado (Independent Director)
Monico V. Jacob (Independent Director)
Albert F. Del Rosario (Independent Director)

The Company's key executive officers as of December 31, 2018 are as follows:

Nestor J. Padilla	President & Chief Executive Officer
Miguel Ernesto L. Lopez	Treasurer and Senior Vice-President–Office Development
Valerie Jane Lopez-Soliven	Executive Vice-President and Chief Revenue Officer
Ellen V. Almodiel	Executive Vice-President, Chief Finance and Compliance Officer
Maria Lourdes Lacson-Pineda	Senior Vice-President – Business Development
Davy T. Tan	Senior Vice-President – Business Development
Baldwin T. Chua	Senior Vice-President and GM, Hotel & Leisure Development
Manuel L. Lopez, Jr.	President of Rockwell Leisure Club. Inc. and Adviser to BOD
Estela Y. Dasmarinas	Vice-President - Human Resources

Adela D. Flores	Vice President – Property Management
Angela Marie B. Pagulayan	Vice-President – Hotel & Leisure Development
Jovie Jade L. Dy	Vice-President – Residential Sales
Christine T. Coqueiro	Vice-President and GM- Retail Development
Jesse S. Tan	Vice-President – Office Development
Geraldine B. Brillantes	Assistant Vice-President and GM, Rockwell Leisure Club
Rica L. Bajo	Assistant Vice-President – Finance & Accounting, Chief Risk Officer and Data Privacy Officer
Romeo G. Del Mundo, Jr.	Assistant Vice-President – Internal Audit & Chief Audit Officer
Enrique I. Quiason	Corporate Secretary
Esmeraldo C. Amistad	Assistant Corporate Secretary

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

Manuel M. Lopez – 76, Filipino

Mr. Lopez has served as the Chairman of Rockwell Land since 1995. He is currently the Chairman and CEO of Lopez Holdings Corporation. Concurrently, he is the Chairman of the Board of Rockwell Leisure Club, Sky Vision Corporation and Bayan Telecommunications Holdings Corporation. He is the Vice Chairman of Lopez Inc. He is a Director of ABS-CBN Corp., First Philippine Realty Corporation and Lopez Group Foundation. He is the President of Eugenio Lopez Foundation. He also served as Philippine Ambassador to Japan from 2011-2016, for which his exemplary works conferred him the rank of Grand Cross, Gold Distinction, Datu to the Order of Sikatuna by President Benigno Aquino. He served as the Chairman of the Board of MERALCO from July 2010 to June 2012 after his retirement as Chairman and CEO for nearly 10 years since 2001. Mr. Lopez holds a Bachelor of Science degree in Business Administration from the University of the East and attended the Program for Management Development at the Harvard Business School.

Oscar M. Lopez - 89, Filipino

Mr. Lopez has served as Vice-Chairman of Rockwell Land from 1995 to 2012 until he became Chairman Emeritus of FPH in June 2010. He is FPH's Chief Strategic Officer and Chairman of the Executive Committee and the Corporate Governance Committee. He is also currently the Chairman Emeritus of Lopez Holdings, Energy Development Corporation (EDC), First Gen Corporation, First Balfour, Inc., First Philippine Electric Corporation, First Philippine Industrial Corporation, First Philippine Realty Corp., and FPH Capital Resources, Inc. Prior to this, he was the Chairman of FPH from 1986 to 2010. Mr. Lopez is also the Chairman of ABS-CBN Holdings Corp and Director of ABS-CBN Corp. He chairs both the Eugenio Lopez Foundation and Lopez Group Foundation, Inc. He is a Director of Asian Eye Institute and ADTEL, Inc. He studied at the Harvard College and graduated cum laude (Bachelor of Arts) in 1951. He finished his Masters of Public Administration at the Littauer School of Public Administration, also at Harvard in 1955.

Federico R. Lopez – 57, Filipino

Mr. Lopez is the Vice-Chairman of Rockwell Land since August 2012. He is the Chairman and CEO of FPH, First Gen Corp., and Energy Development Corporation. He is also Chairman of the Board of First Balfour, First Philippine Industrial Park, Inc., First Philippine Electric Corporation, First Philec, Inc., FP Island Energy Corporation, First Philippine Realty Corporation, First Industrial Science and Technology School, Inc., Pi Energy Inc. and Pi Healty Inc. He is also a Director of ABS-CBN Corporation and Asian Eye Institute. He is a member of the following World President's Organization organizations: World President's Organization, Chief Executives Organization, ASEAN Business Club, Makati Business Club, Management Association of the Philippines, Philippine Chamber of Commerce and Industry, European Chamber of Commerce, and New York Philharmonic International Advisory Board. He is Chairman of the Board of Trustees of the Oscar M. Lopez Center for Climate Change Adaptation and Disaster Risk Management Foundation (OML

Center) and the Sikat Solar Challenge Foundation. He is also a Trustee of the Philippine Forest Foundation, the World Wildlife Fund Philippines, and the Philippine Disasters Recovery Foundation. Mr. Lopez graduated with a Bachelor of Arts Degree with a Double Major in Economics & International Relations (Cum Laude) from the University of Pennsylvania in 1983.

Eugenio L. Lopez III - 66, Filipino

Mr. Lopez has been a Director at Rockwell Land since 1995. He currently sits as Chairman Emeritus of ABS-CBN Corporation after retiring as its Chairman of the Board in April 2018. He was Chairman and CEO of ABS-CBN Corporation from 1997 to 2012 and its President from 1994-1997. He is the Chairman of Sky Cable Corporation, Infopro Business Solutions, Inc., Ang Misyon Inc., Play Innovations, Inc., and INAEC Aviation Corp.; and Chairman and CEO of ADTEL. He is also the Vice Chairman of Lopez Holdings Corporation and Knowledge Channel. He also sits in the boards of FPH, First Gen Corporation, ABS-CBN Film Production, Inc. (Star Cinema), OML Center, Asian Eye Institute and Endeavor Philippines. Mr. Lopez is Chairman Emeritus of ABS-CBN Lingkod Kapamilya Foundation, Inc. (previously ABS-CBN Foundation, Inc.) and member of the Board of Trustees Eugenio Lopez Foundation Inc and Beacon Academy. He graduated with a Bachelor of Arts degree in Political Science from Bowdoin College and a Master’s degree in Business Administration from the Harvard Business School.

Miguel Ernesto L. Lopez - 50, Filipino

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

Nestor J. Padilla - 64, Filipino

Mr. Padilla has been a Director at Rockwell Land since 1997, and has been the President and Chief Executive Officer since 1995. He has also served as a Director in Rockwell Club and has served as a Trustee of the Rockwell Residential Towers Condominium Corporation. He was previously a Director of First Philippine Realty Corporation, First Batangas Hotel Corporation, First Philippine Industrial Park, Terraprime, Inc., FPIP Property Developers & Management Corporation, FPIP Utilities, Inc. and Grand Batangas Resort Development, Inc. Prior to 1995, he held the position of Chief Executive Officer in Lippo Land in Indonesia and was the Executive Director of Indo Ayala Leasing. Mr. Padilla holds a Bachelor of Science degree in Business Management from the Ateneo de Manila University.

Francis Giles B. Puno - 54, Filipino

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

Oscar J. Hilado – 81, Filipino

Mr. Hilado has been an Independent Director of Rockwell Land since 2015. He is also an independent director of FPH from 1996 up to 2016. He is the Chairman of the Philippine Investment Management (PHINMA), Inc., PHINMA Corporation and PHINMA Property Holdings. He is currently Vice Chairman of PHINMA Energy and Power Generation Corporations. He is a director of various companies such as A. Soriano Corporation, Philex Mining Corporation, Smart Communications, Inc., Digital Telecommunications Phils., Inc. (DIGITEL), Roxas Holdings,Inc., Manila Cordage Company, United Pulp and Paper Company, Inc., Seven Seas Resorts & Leisure, Inc., Beacon Property Ventures, Inc. and several universities and colleges across the Philippines, to name a few. He graduated with Highest Honors and with a Gold Medal for General Excellence and a Bachelor of Science in Commerce Degree from De La Salle College (Bacolod). He pursued his Degree of Masters in Business Administration at the Harvard Graduate School of Business Administration from 1960-1962. Mr. Hilado is a Certified Public Accountant.

***Monico V. Jacob* -** 73, Filipino

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

***Albert F. Del Rosario* -** 79, Filipino

Mr. Del Rosario was elected as an independent director of Rockwell Land on June 8, 2017. He served as Secretary of Foreign Affairs of the Philippines from February 2011 to March 2016 and as Philippine Ambassador to the United States of America from October 2001 to August 2006. Prior to entering public service, the Ambassador was on the Board of Directors of over 50 firms over four decades spanning insurance, banking, real estate, shipping, telecommunications, advertising, consumer products, retail, pharmaceutical and food industries. He is a Chairman of Philippine Stratbase Consultancy, Inc., Gotauco del Rosario Insurance Brokers, Inc., Stratbase ADR Institute, Inc., Citizens for Promoting Human Rights, Inc. and a director of First Pacific Company, Indra Philippines, Inc., PLDT Inc., Metro Pacific Investments Corporation, Metro Pacific Tollways Corporation, Two Rivers Pacific Holdings Corporation, Metro Pacific Resources, Inc., Metro Pacific Holdings, Inc., Metro Pacific Asset Holdings, Inc., Philippine Telecommunications Investment Corporation, Enterprise Investment Holdings, Inc. and Asia Insurance (Phil.). He is a recipient of numerous awards and has been recognized for his valuable contributions to the Philippines and abroad, including but not limited to the following: the Order of Sikatuna, Rank of Datu, the Order of Lakandula with the Rank of Grand Cross (Bayani) for co-chairing the 2015 APEC Summit, the EDSA II Presidential Heroes Award in 2001 and the Philippine Army Award in 1991. He graduated from Xavier High School in New York and received his Bachelor of Science Degree in Economics from New York University. He is a recipient of an honorary Doctor of Laws degree (Honoris Causa) from New York's College of Mount Saint Vincent.

Valerie Jane L. Soliven – 50, Filipino

Ms. Soliven served the Company for 23 years and is currently the Executive Vice-President since October 2018 and Chief Revenue Officer since August 2017. She headed Rockwell's Sales and Marketing team for 20 years. Before joining Rockwell Land, she worked at the Manila Garden Suites, EDSA Shangri-La Hotel and the Shangri-La Hotel in Singapore. Ms. Soliven, a licensed broker, holds a Bachelor of Science degree in Hotel and Restaurant Administration from the University of the Philippines. She completed a Management Development Program from the Asian Institute of Management in 2006.

***Ellen V. Almodiel* -** 45, Filipino

Ms. Almodiel is currently the Executive Vice President and Chief Finance & Compliance Officer. She has been the Chief Finance Officer since 2014. She was appointed as Chief Compliance Officer last June 2017. She started in Rockwell Land as Finance Manager in 2004 and briefly served as Manager of the Business Development Team. Prior to joining Rockwell Land, she was a Financial Analyst and later an Assistant to the Group Chief Finance Officer of the Alcantara Group of Companies and Finance Manager of NextStage, Inc.. Ms. Almodiel, a Certified Public Accountant, holds a Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines, where she graduated cum laude.

***Maria Lourdes L. Pineda* -** 49, Filipino

Ms. Pineda has been with the Company for nearly 20 years and is currently Senior Vice-President of Business Development. She previously served as SVP for Rockwell Primaries Development Corporation, Vice-President for Retail and General Manager of the Power Plant Mall as well as Membership Relations Manager for Rockwell Club. Prior to joining Rockwell Land, she worked for four years at Jewelmer International, a French-Filipino company specializing on exquisite jewelry. Ms. Pineda holds a Bachelor of Science degree in Hotel and Restaurant Management from the University of the Philippines. She completed a Management Development Program from the Asian Institute of Management in 2006.

Davy T. Tan – 45, Filipino

Mr. Tan joined Rockwell Land in 2007 as Financial Analyst and Budget Manager and was promoted to Senior Vice-President for Business Development in 2017. Prior to joining Rockwell Land, he spent six years with Filinvest Alabang, Inc., a subsidiary of Filinvest Development Corporation, as Proof and Control Officer of the Festival Supermall and later as Finance Analyst. He was also an Accounting Officer at D.M. Consunji, Inc. and Junior Auditor at Punongbayan and Araullo. Mr. Tan, a Certified Public Accountant, holds a Bachelor of Science degree in Accountancy from the University of the East.

Baldwin T. Chua – 45, Filipino

Mr. Chua joined Rockwell Land in 2017 as Senior Vice President for Hotel and Leisure Development. Mr. Chua has 20 years of experience in the hotel industry. Prior to joining Rockwell Land, he was the Director of Hotel Development Planning and Feasibility of Marriott International – Asia Pacific based in Hong Kong. He also worked with Mandarin Oriental Hotel Group as the Corporate Director of Revenue Management in New York, and as Regional Revenue Manager for 12 hotels in Asia and Europe. Mr. Chua received his Bachelor of Science Degree, Major in Management Engineering with Honorable Mention from Ateneo de Manila University and holds a Master of Science Degree in Real Estate Development from Columbia University, New York.

Manuel L. Lopez, Jr. - 51, Filipino

Mr. Lopez is currently the President of Rockwell Leisure Club, Inc. (RLCI) and Adviser to the Board of Rockwell Land starting 2017. He was a board member of RLCI since 2016 and has been a Director at Rockwell Land since 2011 until his resignation in 2017. He is the Chairman and CEO of Global Integrated Contact Facilities Inc. (GICF) and SLASHdotPH since 2015 and 2014, respectively. He serves as a Director of Lopez Inc., Philippine Trade Foundation, Inc., and an Executive Vice President of Benpres Insurance Agency Inc. He had served as a Director of ABS-CBN Broadcasting Corporation, Central CATV,Inc. (Sky Cable), Philippine Commercial Capital Inc., among others. He was previously the Chairman and CEO of PacificHub Corporation for 10 years, Mr. Lopez holds a Bachelor of Science degree in Business Administration from De La Salle University.

Estela Y. Dasmariñas – 58, Filipino

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

Adela D. Flores **-** 65, Filipino

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

Angela Marie B. Pagulayan *–44*, Filipino

Ms. Pagulayan is currently Vice President for Hotel and Leisure Development and has been with Rockwell Land Corporation for a total of 17 years, starting off her career in Customer Service. She has then held various positions in Sales and Marketing, Retail, Rockwell Club and Residential Leasing before becoming an Assistant Vice President for Hotel and Leisure. She is a graduate of De La Salle University with a Bachelor’s Degree in Organizational Communication.

Jovie Jade L. Dy *–34*, Filipino

Ms. Dy is currently Vice President for Residential Sales. She has been with Rockwell Land Corporation for a total of 13 years. She joined Rockwell Land in 2005 as a Sales Executive. In 2007, she was tasked to lead her own team of sales executives and eventually was assigned as Project Sales Head for Grove in 2012 and later on for Proscenium in 2014. In 2016, she became Rockwell Land’s Sales Head. Ms. Dy is a licensed real estate broker and holds a Bachelor of Science degree in Psychology from De La Salle University.

***Christine T. Coqueiro** –39,* Filipino

Ms. Coqueiro is currently Vice President for Retail Development. She has been with Rockwell Land Corporation for a total of 11 years and in 2014 became the Assistant Vice President of Retail Development. Prior to joining Rockwell Land, she worked with Republic Apparel Retailers, Inc for 2 years, and 5 years with Chempak Enterprises. Ms. Coqueiro holds a Bachelor of Science degree in Business Administration Major in Business Management at De La Salle – College of Saint Benilde and is a member of the International Council of Shopping Centers.

***Jesse S. Tan** –37,* Filipino

Mr. Tan is currently a Vice President for Office Development. He has been with the company for 13 years since he joined in April 2006. He started as a Finance and Accounting Supervisor and held various Finance positions until his promotion to Assistant Vice President in 2014. He joined the Office Development team in 2016. Prior to Rockwell Land, he was an Audit Supervisor in Isla Lipana & Co. from 2002-2004. Mr. Tan is a Certified Public Accountant and graduated cum laude with a degree of Bachelor of Science in Accountancy at Centro Escolar University.

Geraldine B. Brillantes –40, Filipino

Ms. Brillantes has been with Rockwell Land for 17 years. She joined Rockwell Land in 2002, shortly after graduating from the University of the Philippines with a Bachelor’s Degree in Tourism. She started in the Front Office of RIPSI, the property management arm of Rockwell Land. She was first promoted as a Building Manager in 2007, assigned to several projects in the same capacity, until she headed the West Block of RIPSI in 2012. She was promoted to Assistant Vice President in the same year before she transferred as General Manager of Rockwell Leisure Club in 2013.

Rica L. Bajo –39, Filipino

Ms. Bajo is currently Assistant Vice President for Finance and Accounting and was appointed Chief Risk Officer and Data Privacy Officer in 2017. She has been with Rockwell Land for 10 years since she started in 2008 as Budget Planning Manager. She held various roles in finance, corporate planning, business development and investor relations until she was promoted to Assistant Vice-President in 2014. Prior to Rockwell Land, she worked as financial analyst at GlaxoSmithKline Philippines, United Laboratories, Inc. (UNILAB) and as Senior Associate at Deutsche Knowledge Services (DKS). She is a Certified Public Accountant and a graduate of Bachelor of Science in Accountancy at De La Salle University.

Romeo G. Del Mundo, Jr. –43 Filipino

Mr. del Mundo is currently Assistant Vice President for Internal Audit since 2014 and appointed Chief Audit Officer in 2017. He started as Finance Manager in 2007 and was assigned to various business units and subsidiaries. He led the Internal Audit Team since 2013 and was promoted to Assistant Vice President in 2014. Prior to joining Rockwell Land, he worked for Citibank N.A., UNILAB, First Metro Investment Corp. and SGV & Co. Mr. del Mundo is a Certified Public Accountant and holds a Bachelor of Science in Commerce, major in Accountancy from the University of Santo Tomas.

***Enrique I. Quiason* -** 58, Filipino

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

Esmeraldo C. Amistad - 52, Filipino

Mr. Amistad has been the Company's Assistant Corporate Secretary since Sept. 2014. He is the Vice President at First Philippine Holdings (FPH) since 2017 and has been with the company since 1997. He was appointed as Asst. Corporate Secretary and Asst. Compliance Officer of FPH in Sept. 2014. He is also the Corporate Secretary and Asst. Corporate Secretary of various FPH subsidiaries and affiliates. He holds a Bachelor of Arts in English (1987) and a Bachelor of Laws (1992) degree both from the University of the Philippines. He has completed the Managerial Leadership Program (2003) and attended the Executive Master's in Business Administration at the Asian Institute of Management (2011).

Significant Employees

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

Rockwell Land maintains that it considers the collective efforts of the Board of Directors and all of the Company's employees as instrumental to its overall success. The business of Rockwell Land is not dependent on any individual person. No employee is indispensable in the organization.

Rockwell Land has institutionalized through documentation, its processes, procedures and training to ensure continuity and scalability of the business without relying on any particular employee.

Item 10 EXECUTIVE COMPENSATION

Compensation of Directors and Executive Officers

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

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

Summary of Compensation Table (Annual Compensation)

(a) Name and Principal Position	(b) Year	(c) Salary	(d) Bonus	(e) Other annual compensation
CEO + 4 most highly compensated executive officers Almodiel, Ellen V. (SVP, Finance and Accounting & Chief Finance and Compliance Officer) Lopez, Miguel Ernesto L. (Treasurer and SVP, Office Development)	2017	P57.3 million	P4.6 million	P 330.0 thousand

Padilla, Nestor J. (President and Chief Executive Officer) Pineda, Ma. Lourdes L. (SVP, Business Development) Soliven, Valerie Jane L. (SVP and Chief Revenue Officer)				
All other Officers and Directors	2017	P20.5 million	P 1.8 million	P 1.5 Million
CEO + 4 most highly compensated executive officers Almodiel, Ellen V. (EVP, Chief Finance and Compliance Officer) Chua, Baldwin T. (SVP, Hotel & Leisure Development) Lopez, Miguel Ernesto L. (Treasurer and SVP, Office Development) Padilla, Nestor J. (President and Chief Executive Officer) Soliven, Valerie Jane L. (EVP and Chief Revenue Officer)	2018	P59.5 million	P5.4 million	P 681 thousand
All other Officers and Directors	2018	P 26.0 million	P2.5 million	P5.7 million
CEO + 4 most highly compensated executive officers Almodiel, Ellen V. (EVP, Chief Finance and Compliance Officer) Chua, Baldwin T. (SVP, Hotel & Leisure Development) Lopez, Miguel Ernesto L. (Treasurer and SVP, Office Development) Padilla, Nestor J. (President and Chief Executive Officer) Soliven, Valerie Jane L. (EVP and Chief Revenue Officer)	2019 (estimate)	P65.4 million	P5.6 million	P715 thousand
All other Officers and Directors	2019 (Estimate)	P 28.6 million	P2.58 million	P6.01 million

**In alphabetical order*

Employment Contracts between the Company and Executive Officers

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

Options Outstanding

On May 2, 2012 and August 3, 2012, the BOD and the stockholders, respectively, approved the implementation of the ESOP to be offered to all regular employees of the Parent Company including employees seconded to other affiliates or other individuals that the Board of Administrators may decide to include. The aggregate number of ESOP shares that may be issued shall not at any time exceed 3% of the issued capital stock of the Company on a fully diluted basis. The maximum numbers of shares a participant is entitled to shall be determined as a multiple of the gross basic monthly salary based on rank and performance for the year preceding the award. The option is exercisable anytime within the Option Term once vested. On December 6, 2012, the SEC authorized the ESOP. The ESOP was implemented in January 3, 2013.

The outstanding options as of 31 December 2018 are as follows:

Name	**No. of Shares**	**Date of Grant**	**Exercise Price**	**Market Price at the Date of Grant**
CEO + 4 most highly compensated executive officers* Almodiel, Ellen V. (EVP, Chief Finance and Compliance Officer) Chua, Baldwin T. (SVP, Hotels and Leisure Development) Lopez, Miguel Ernesto L. (Treasurer and SVP, Office Development) Padilla, Nestor J. (President and Chief Executive Officer) Soliven, Valerie Jane L. (EVP and Chief Revenue Officer)	31,647,000	Various	P1.46	various
All Other Officers & directors	10,997,000	Various	P1.46	various
Total	42,644,000			

**In alphabetical order*

Other Arrangements

Title of Class	**Name and Address of Record Owner and Relationship with Issuer**	**Name of Beneficial Owner and Relationship with Record Owner**	**Citizenship**	**No. of Shares Held**	**% of Total Outstanding Shares**
Common Shares	6th Floor Rockwell Business Center Tower 3, Ortigas Avenue, Pasig City 1604	First Philippine Holdings Corporation is the beneficial and record owner of the shares indicated	Filipino	5,296,015,375	86.5820%
Common Shares	PCD Nominee Corporation 37/F Enterprise Tower I, Ayala Ave., cor. Paseo de Roxas, Makati City Stockholder	PCD Nominee Corporation is the record owner but not the beneficial owner which are owned beneficially by the investing public	Filipino	528,685,835	8.64323%

Common Shares	PCD Nominee Corporation 37/F Enterprise Tower I, Ayala Ave., cor. Paseo de Roxas, Makati City Stockholder	PCD Nominee Corporation is the record owner but not the beneficial owner which are owned beneficially by the investing public	Foreign	115,914,302	1.89503%
TOTAL OUTSTANDING COMMON SHARES				6,116,762,198	100.0%
Preferred Shares	6th Floor Rockwell Business Center Tower 3, Ortigas Avenue, Pasig City 1604	First Philippine Holdings Corporation is the beneficial and record owner of the shares indicated	Filipino	2,750,000,000	100.0%
TOTAL OUTSTANDING PREFERRED SHARES				2,750,000,000	100.0%

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

Item 11 SECURITY and OWNERSHIP of CERTAIN BENEFICIAL OWNERS and MANAGEMENT

a) Security Ownership of Certain Record and Beneficial Owners and Management as of 31 December 2018

b) Security Ownership of Management as of 31 December 2018

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

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Total Outstanding Shares
Common Shares	Manuel M. Lopez Chairman	2,959,173 (direct/indirect)	Filipino	0.0484%
Common Shares	Oscar M. Lopez Director	174,898 (direct/indirect)	Filipino	0.0029%
Common Shares	Federico R. Lopez Vice Chairman	1 (indirect)	Filipino	0.0000%
Common Shares	Nestor J. Padilla Director, President & CEO	21,150,001 (direct/indirect)	Filipino	0.3458%
Common Shares	Miguel Ernesto L. Lopez Director, Treasurer & Senior Vice President, Office Development	243,694 (direct/indirect)	Filipino	0.0040%
Common Shares	Eugenio L. Lopez III Director	1 (indirect)	Filipino	0.0000%
Common Shares	Francis Giles B. Puno Director	5,656 (direct)	Filipino	0.0001%
Common Shares	Jose Valentin A. Pantangco,Jr.	1 (direct)	Filipino	0.0000%

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Total Outstanding Shares
	Director			
Common Shares	Oscar J. Hilado Independent Director	1 (direct)	Filipino	0.0000%
Common Shares	Monico V. Jacob Independent Director	2 (direct)	Filipino	0.0000%
Common Shares	Albert F. Del Rosario Independent Director	2,818 (direct)	Filipino	0.0000%
Common Shares	Enrique I. Quiason Corporate Secretary	3,575 (direct)	Filipino	0.0001%
N.A.	Esmeraldo C. Amistad Asst. Corporate Secretary	None	Filipino	N.A.
N.A.	Valerie Jane L. Soliven Executive Vice-President & Chief Revenue Officer	28,000 (direct)	Filipino	0.0005%
N.A.	Ellen V. Almodiel Executive Vice-President, Chief Finance and Compliance Officer	None	Filipino	N.A.
Common Shares	Ma. Lourdes L. Pineda Senior Vice-President, Business Development	141,272 (direct/indirect)	Filipino	0.0023%
N.A.	Davy T. Tan Senior Vice President, Business Development	None	Filipino	N.A.
Common Shares	Baldwin T. Chua Senior Vice-President, Hotel & Leisure Development	None	Filipino	N.A.
Common Shares	Manuel L. Lopez, Jr. President of Rockwell Leisure Club Inc. & Adviser to the BOD	75,001 (direct/indirect)	Filipino	0.0012%
Common Shares	Estela Y. Dasmariñas Vice-President, Human Resources	1,882 (direct)	Filipino	0.0000%
Common Shares	Adela D. Flores Vice-President, Property Management	4,340 (direct)	Filipino	0.0001%
N.A.	Jovie Jade L. Dy Vice President, Residential Sales	None	Filipino	N.A.
N.A.	Christine T. Coqueiro Vice President, Retail Development	None	Filipino	N.A.
N.A.	Angela Marie B. Pagulayan Vice President, Hotel & Leisure Development	None	Filipino	N.A.
N.A.	Jesse S. Tan Vice President, Office Development	None	Filipino	N.A.
N.A.	Geraldine B. Brillantes	None	Filipino	N.A.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Total Outstanding Shares
	Assistant Vice President and GM, Rockwell Leisure Club			
N.A.	Rica L. Bajo Assistant Vice President, Finance and Accounting Chief Risk and Data Privacy Officer	None	Filipino	N.A.
N.A.	Romeo G. Del Mundo, Jr. Assistant Vice President, Internal Audit and Chief Audit Officer	None	Filipino	N.A.

Change in Control

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

The Company's amended articles of incorporation or amended by-laws do not contain provisions that would delay, defer or prevent a change in control of the Company. Under the Company's amended articles of incorporation and amended by-laws, holders of Preferred Shares are entitled to voting rights. Further, Preferred shares can only be transferred to (a) Philippine citizens and (b) to a corporation of which at least 60% of the total outstanding equity capital is beneficially owned by Philippine citizens and which is not in competition with Meralco, Benpres Holdings Corporation (now "Lopez Holdings Corporation"), FPH, or any of their affiliates. Upon completion of the Dividend Distribution and Listing, the Preferred Shares constitute 31.01% of the Company's outstanding capital stock. As of 31 December 2018, FPH's combined ownership of the Company's Preferred Shares and Common Shares was 90.74% of the total outstanding voting capital stock.

Item 12 CERTAIN RELATIONSHIPS and RELATED TRANSACTIONS

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

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

PART V – CORPORATE GOVERNANCE

Item 13 COMPLIANCE with LEADING PRACTICE on CORPORATE GOVERNANCE

Based on SEC Memorandum Circular No. 15 (series of 2017) dated December 15, 2017, SEC mandated all companies to submit an Integrated Annual Corporate Governance Repot (I-ACGR) by May 31, 2018 in lieu of several reports required in the past years. As of the date of this annual report for the year ending December 31, 2018, Rockwell Land is still in the process of compliance for the I-ACGR.

PART VI – EXHIBITS AND SCHEDULES

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

(a) **Exhibits**

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

Exhibit "A"	-	Audited Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017
Exhibit "B"	-	Supplementary Schedules as per SRC Rule 68, As Amended

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

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

The corporation disclosed the following matters on the dates indicated:

DATE	DESCRIPTION OF THE DISCLOSURE
January 11, 2018	**Item 4 – Resignation, Removal or Election of Registrant's Directors or Officers** Mr. Abel L. Roxas, our Vice President for Project Development, has opted to avail of Rockwell Land's early retirement plan at the age of 53 years old. He has worked for the company since May 2008 and his retirement is effective on January 08, 2018.
February 23, 2018	**Item No.4- Resignation, Removal or Election of Registrant's Directors or Officers** The Company hereby appoints Mr. Baldwin T. Chua as Senior Vice President for Hotel Development. Mr. Chua has 20 years of experience in the hotel industry. Prior to joing Rockwell Land, he was the Director of Hotel Develoment Planning and Feasibility of Marriott International – Asia Pacific based in Hong Kong. He also worked with Mandarin Oriental Hotel Group as the Corporate Director of Revenue Management in New York, and as Regional Revenue Manager for 12 hotels in Asia and Europe. Mr. Chua received his Bachelor of Science Degree, Major in Management Engineering with Honorable Mention from Ateneo de Manila University and holds a Master of Science Degree in Real Estate Development from Columbia University, New York.
March 21, 2018	**Item No. 9 – Other Events**

DATE	DESCRIPTION OF THE DISCLOSURE
	At the regular meeting of the Board of Directors (BOD) of the Corporation held today, the BOD approved the following: a. The Annual Stockholders' Meeting (ASM) will be held on May 30 2018, at 9:00am at R3 Level, Power Plant Mall Cinema, Rockwell Center, Makati City, Philippines. Stockholders of record as of April 6, 2018 are entitled to one vote for each share of stock standing in his name on the stock books of the Corporation. b. The determination of the qualification and/or disqualification of the nominees for board membership pursuant to the guidelines set in the By-Laws and Manual on Corporate Governance. The nominees for the ensuing year 2018-2019 are as follows: Nominated by First Philippine Holdings as non-independent directors: 1. Manuel M. Lopez 2. Oscar M. Lopez 3. Federico R. Lopez 4. Eugenio L. Lopez III 5. Miguel L. Lopez 6. Nestor J. Padilla 7. Francis Giles B. Puno 8. Jose Valentin A. Pantangco, Jr. Nominated by Ms. Perla R. Catahan as independent directors: 1. Oscar J. Hilado 2. Monico V. Jacob 3. Albert F. Del Rosario c. The agenda for the Annual Stockholders' Meeting on May 30, 2018 are as follows: 1. Call to Order 2. Proof of Required Notice 3. Determination of Quorum 4. Approval of the Minutes of the May 31, 2017 Stockholders' Meeting 5. Reports of the Chairman & the President 6. Approval/Ratification of the December 31, 2017 Reports and the Audited Financial Statements 7. Ratification of the Acts of the Board and Management 8. Election of Directors 9. Appointment of External Auditors 10. Other Matters 11. Adjournment

<table>
<tr><th>DATE</th><th>DESCRIPTION OF THE DISCLOSURE</th></tr>
<tr><td></td><td>d. The Corporation’s Consolidated Audited Financial Statements for the year ended December 31, 2017.</td></tr>
<tr><td>May 30, 2018</td><td>
Item 4

A. At the Annual Stockholder’s Meeting held on May 30, 2018, the persons named herein were elected as members of the Board of Directors of Rockwell Land Corporation (the “Corporation”)

<table>
<tr><th><u>Name</u></th><th><u>Nationality</u></th></tr>
<tr><td>Amb. Manuel M. Lopez</td><td>Filipino</td></tr>
<tr><td>Mr. Oscar M. Lopez</td><td>Filipino</td></tr>
<tr><td>Mr. Federico R. Lopez</td><td>Filipino</td></tr>
<tr><td>Mr. Eugenio L. Lopez III</td><td>Filipino</td></tr>
<tr><td>Mr. Nestor J. Padilla</td><td>Filipino</td></tr>
<tr><td>Mr. Miguel Ernesto L. Lopez</td><td>Filipino</td></tr>
<tr><td>Mr. Francis Giles B. Puno</td><td>Filipino</td></tr>
<tr><td>Mr. Jose Valentin A. Pantangco, Jr.</td><td>Filipino</td></tr>
<tr><td>Mr. Oscar J. Hilado*</td><td>Filipino</td></tr>
<tr><td>Mr. Monico V. Jacob*</td><td>Filipino</td></tr>
<tr><td>Mr. Albert F. Del Rosario*</td><td>Filipino</td></tr>
</table>

The following directors were present during the stockholders’ meeting:

<table>
<tr><th><u>Name</u></th><th><u>Nationality</u></th></tr>
<tr><td>Amb. Manuel M. Lopez</td><td>Filipino</td></tr>
<tr><td>Mr. Federico R. Lopez</td><td>Filipino</td></tr>
<tr><td>Mr. Nestor J. Padilla</td><td>Filipino</td></tr>
<tr><td>Mr. Miguel Ernesto L. Lopez</td><td>Filipino</td></tr>
<tr><td>Mr. Francis Giles B. Puno</td><td>Filipino</td></tr>
<tr><td>Mr. Oscar J. Hilado*</td><td>Filipino</td></tr>
<tr><td>Amb. Albert F. Del Rosario*</td><td>Filipino</td></tr>
</table>

<i>*Independent Director</i>

B. At the Organizational Meeting of the Board of Directors held on May 30, 2018, the following persons were elected Officers as well as Chairman and Members of the Board Committees of the Corporation:

<table>
<tr><td>Amb. Manuel M. Lopez</td><td>Chairman of the Board</td></tr>
<tr><td>Oscar M. Lopez</td><td>Chairman Emeritus</td></tr>
<tr><td>Federico R. Lopez</td><td>Vice Chairman</td></tr>
<tr><td>Nestor J. Padilla</td><td>President and Chief Executive Officer</td></tr>
<tr><td>Miguel L. Lopez</td><td>Treasurer and Senior Vice President, Office Developme</td></tr>
<tr><td>Valerie Jane L. Soliven</td><td>Chief Revenue Officer</td></tr>
<tr><td>Ma. Lourdes L. Pineda</td><td>Senior Vice President, Business Development</td></tr>
<tr><td>Ellen V. Almodiel</td><td>Senior Vice President, Chief Finance and Compliance O</td></tr>
<tr><td>Davy T. Tan</td><td>Senior Vice President, Business Development</td></tr>
<tr><td>Baldwin T. Chua</td><td>Senior Vice President, Hotel & Leisure Development</td></tr>
<tr><td>Manuel L. Lopez Jr.</td><td>Board Advisor & Vice President; President, Rockwell</td></tr>
</table>
</td></tr>
</table>

DATE	DESCRIPTION OF THE DISCLOSURE

	Club
Estela Y. Dasmariñas	Vice President, Human Resources
Adela D. Flores	Vice President, Property Management
Angela Marie B. Pagulayan	Vice President, Hotel & Leisure Development
Christine T. Coqueiro	Vice President, Retail Development
Jovie Jade V. Lim-Dy	Vice President, Residential Sales
Jesse S. Tan	Vice President, Office Development
Geraldine B. Brillantes	Asst. Vice President and General Manager, Rockwell Club
Rica L. Bajo	Asst.Vice President, Finance & Accounting, Chief Risk and Data Privacy Officer
Romeo G. Del Mundo Jr.	Asst. Vice President and Chief Audit Officer
Enrique I. Quiason	Corporate Secretary
Esmeraldo C. Amistad	Asst. Corporate Secretary

Audit Committee:

Oscar J. Hilado*- Chairman
Monico V. Jacob*- Member
Francis Giles B. Puno- Member

Risk Oversight Committee:

Amb. Albert F. Del Rosario* - Chairman
Eugenio L. Lopez III- Member
Oscar J. Hilado*- Member
Monico V. Jacob*- Member
Jose Valentin A. Pantangco Jr.- Member

Related Party Transactions Committee:

Monico V. Jacob*- Chairman
Federico R. Lopez- Member
Amb. Albert F. Del Rosario*- Member
Miguel Ernesto L. Lopez- Member

Corporate Governance Committee:

Manuel M. Lopez- Chairman
Oscar M. Lopez- Member
Francis Giles B. Puno- Member
Oscar J. Hilado*- Member

**Independent Director*

Item 9

A. The following matters were likewise approved at the stockholders' meeting:

<table>
<tr><th>DATE</th><th>DESCRIPTION OF THE DISCLOSURE</th></tr>
<tr><td></td><td>
<table>
<tr><th>Item</th><th>For</th><th>Against</th><th>Abstain</th></tr>
<tr><td>Approval of the Minutes of the Annual Stockholders' Meeting meeting held on May 31, 2017</td><td>8,047,727,482 (90.76%)</td><td>0</td><td>0</td></tr>
<tr><td>Report of the Chairman and the President</td><td>8,047,727,482 (90.76%)</td><td>0</td><td>0</td></tr>
<tr><td>Approval of the December 31, 2017 Reports and the Audited Financial Statements</td><td>8,047,727,482 (90.76%)</td><td>0</td><td>0</td></tr>
<tr><td>Ratification of the Acts of the Board of Directors and of Management</td><td>8,047,727,482 (90.76%)</td><td>0</td><td>0</td></tr>
<tr><td>Appointment of Sycip, Gorres, Velayo & Co. as external auditor of the Corporation</td><td>8,047,727,482 (90.76%)</td><td>0</td><td>0</td></tr>
</table>
<p>Total number of attendees in person and represented by proxies is 8,047,727,482 or 90.76% of total voting stock of the Company.</p>
<p>B. Disclosed during the press briefing are the following:</p>

Reservation sales – low double-digit growth in 2018
2018 Revenue and Net Income After Tax guidance - to track last year's low double-digit growth
Recurring EBITDA – to increase from P1.3B to P2.0B annually upon full occupancy of completed projects
2018 CAPEX Budget: P14.0 billion
To spend P4 – P5 billion over the next 1-2 years for land acquisitions

<p>C. Attached is a press release of the Corporation entitled "Rockwell Land's Php 15 Billion Katipunan Project Launches Second Tower Strong"</p>
</td></tr>
<tr><td>July 19, 2018</td><td>
<p>Item 9 – Other Events</p>
<p>At the regular meeting of the Board of Directors (BOD) of the Corporation held today, the BOD approved the declaration of the following cash dividends to shareholders of record as of August 03, 2018, payable on or before August 17, 2018:</p>
<p>a. Cash dividend of ₱ 0.0683 per share to all common shareholders;
b. Cash dividend of P0.0006 per share to all preferred shareholders representing 6% per annum cumulative dividends for the period July 1, 2017 to June 30, 2018.</p>
</td></tr>
<tr><td>October 1, 2018</td><td>
<p>Item 9- Other Events</p>
<p>The Philippine Competition Commission gave its approval for Rockwell Land Corporation (ROCK) to proceed with its joint venture with the Yulo family's Carmelray Property Holdings, Inc. (CPHI) to develop a 63-hectare mixed-use project in Canlubang, Laguna.</p>
<p>ROCK will invest in the project initially purchasing and subscribing to PhP450 million worth of CPHI common and preferred shares equivalent to 14.7% ownership.</p>
</td></tr>
<tr><td>December 6, 2018</td><td>
<p>Item 9 – Other Events</p>
<p>At the regular meeting of the Board of Directors (BOD) of the Corporation held today, the BOD approved the appropriation of P7.0 Billion out of the total Retained Earnings of</p>
</td></tr>
</table>

<table>
<tr><th>DATE</th><th>DESCRIPTION OF THE DISCLOSURE</th></tr>
<tr><td></td><td>P12.1 Billion as of September 30, 2018 for capital expenditures covering the period of 2019-2021.

Item 4 – Resignation, Removal or Election of Registrant's Directors or Officers

The BOD approved the appointment of the following officers:
<table>
<tr><th>Name</th><th>Position</th><th>New Position</th></tr>
<tr><td>Ms. Valerie Jane L. Soliven</td><td>Senior Vice President and Chief Revenue Officer</td><td>Executive Vice President and Chief Revenue Officer</td></tr>
<tr><td>Ms. Ellen V. Almodiel</td><td>Senior Vice President, Chief Finance & Compliance Officer</td><td>Executive Vice President, Chief Finance and Compliance Officer</td></tr>
<tr><td>Mr. Jesse S. Tan</td><td>Assistant Vice President – Office Development</td><td>Vice President – Office Development</td></tr>
</table>
</td></tr>
</table>

SIGNATURES

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

ROCKWELL LAND CORPORATION
By:

MANUEL M. LOPEZ
Chairman of the Board

NESTOR J. PADILLA
President

ELLEN V. ALMODIEL
Chief Financial Officer / Comptroller

ENRIQUE I. QUIASON
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 12th day of April, 2019, affiant exhibiting to me his/their Passports as follows:

Names	**Passport No.**	**Date of Issue**	**Place of Issue**
Manuel M. Lopez	DE0003367	25 April 2015	DFA MANILA
Nestor J. Padilla	EB7323729	03 June 2017	DFA NCR CENTRAL
Ellen V. Almodiel	EC3260629	26 January 2015	DFA NCR CENTRAL
Enrique I. Quiason	EC1299905	03 June 2014	DFA NCR CENTRAL

Doc. No. 22;
Page No. 6;
Book No. X;
Series of 2019

Notary Public

MA. FE CAROLYN GO-PINOY
Notary Public for Makati City
Appointment No. M-303 until December 31, 2020
Roll of Attorneys No. 39698
IBP Lifetime No. 014554 / ZAMBASULTA
PTR No. 7350760/ 1-11-19 / Makati City
MCLE Compliance No. V-0020848
8 Rockwell, Hidalgo Drive
Rockwell Center, Makati City

ROCKWELL LAND CORPORATION

INDEX TO EXHIBITS
Form 17-A, Item 7

No.		
(3)	Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	n.a .
(5)	Instruments Defining the Rights of Security Holders, Including Indentures	n.a.
(8)	Voting Trust Agreement	n.a.
(9)	Material Contracts	n.a.
(10)	2018 Consolidated Financial Statements: Rockwell Land Corporation and Subsidiaries (with notarized Statement of Management Responsibility)	Attached as Exhibit 10
(13)	Letter re: Change in Certifying Accountant	n.a.
(16)	Report Furnished to Security Holders	n.a.
(18)	Subsidiaries of the Registrant	Attached as Exhibit 18
(19)	Published Report Regarding Matters Submitted to Vote of Security Holders	n.a.
(20)	Consent of Experts and Independent Counsel	n.a.
(21)	Power of Attorney	n.a.
(29)	Additional Exhibits	n.a.

EXHIBIT 18: SUBSIDIARIES OF THE REGISTRANT

As of December 31, 2018, Rockwell Land Corporation has nine (9) consolidated subsidiaries as stated below:

Name of Subsidiary	**Percentage of Ownership**
Rockwell Leisure Club, Inc.	76.4%
Rockwell Integrated Property Services, Inc.	100%
Primaries Development Corporation	100%
Stonewell Property Development Corporation	100%
Primaries Properties Sales Specialists Inc.	100%
Rockwell Hotels & Leisure Management Corp.	100%
Retailscapes Inc.	100%
Rockwell Primaries South Development Corporation (formerly ATR KimEng Land)*	60%
Rockwell MFA Corporation	80%

**indirect subsidiary*

ROCKWELL LAND

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

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

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

Signed this 10th day of April 2019.

APR 10 2019

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

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

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

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

SGV
Building a better working world

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

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

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

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Rockwell Land Corporation
2F 8 Rockwell
Hidalgo Drive, Rockwell Center
Makati City

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Adoption of PFRS 15, Revenue from Contracts with Customers

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

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

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

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

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

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

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

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

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

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

Audit Response

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

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

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

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

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

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

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

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

Adoption of PFRS 9, Financial Instruments

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

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

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

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

Audit Response

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

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

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

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

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Gaile A. Macapinlac

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

March 13, 2019

ROCKWELL LAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

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

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

ROCKWELL LAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands, Except Earnings Per Share Value)

	Years Ended December 31		
	2018	2017	2016
REVENUE			
Sale of condominium units (Note 21)	**₱11,360,387**	₱10,777,599	₱9,602,054
Interest income (Notes 7, 8 and 22)	**1,781,008**	1,479,907	1,323,216
Lease income (Note 13)	**1,499,103**	1,006,952	914,783
Room revenue (Notes 13 and 21)	**220,194**	285,730	325,951
Cinema revenue (Note 21)	**277,697**	211,316	220,226
Others (Notes 14 and 21)	**545,906**	541,889	325,073
	15,684,295	14,303,393	12,711,303
EXPENSES			
Cost of real estate (Notes 3, 9 and 23)	**9,031,544**	8,739,992	7,777,643
General and administrative expenses (Notes 13, 23, 24 and 25)	**2,155,287**	1,809,269	1,565,741
Selling expenses (Notes 3, 23 and 24)	**964,918**	877,702	748,202
	12,151,749	11,426,963	10,091,586
INCOME BEFORE OTHER INCOME (EXPENSES)	**3,532,546**	2,876,430	2,619,717
OTHER INCOME (EXPENSES)			
Interest expense (Notes 16 and 23)	**(309,173)**	(250,983)	(389,848)
Share in net income of joint venture (Note 14)	**270,595**	264,763	254,231
Foreign exchange gain - net (Note 30)	**3,273**	(1,378)	4,026
Gain on sale of property and equipment	**–**	–	5
	(35,305)	12,402	(131,586)
INCOME BEFORE INCOME TAX	**3,497,241**	2,888,832	2,488,131
PROVISION FOR INCOME TAX (Note 26)	**955,190**	799,661	671,897
NET INCOME	**2,542,051**	2,089,171	1,816,234
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Net gain on equity instruments designated at FVOCI (Note 11)	**3,650**	–	–
Remeasurement gain (loss) on employee benefits (Note 25)	**(5,204)**	42,515	7,792
Income tax effect	**1,013**	(12,755)	3,938
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Unrealized gain on AFS investments (Note 11)	**–**	2,850	1,000
Income tax effect	**–**	(427)	(100)
	(541)	32,183	12,630
TOTAL COMPREHENSIVE INCOME	**₱2,541,510**	₱2,121,354	₱1,828,864
Net Income Attributable To			
Equity holders of the Parent Company	**₱2,546,847**	₱2,110,245	₱1,823,981
Non-controlling interests	**(4,796)**	(21,074)	(7,747)
	₱2,542,051	₱2,089,171	₱1,816,234
Total Comprehensive Income Attributable To			
Equity holders of the Parent Company	**₱2,546,306**	₱2,142,428	₱1,836,184
Non-controlling interests	**(4,796)**	(21,074)	(7,320)
	₱2,541,510	₱2,121,354	₱1,828,864
Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 32)			
Basic	**₱0.4161**	₱0.3447	₱0.2979
Diluted	**₱0.4153**	₱0.3442	₱0.2977

See accompanying Notes to Consolidated Financial Statements.

ROCKWELL LAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

(Amounts in Thousands)

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

See accompanying Notes to Consolidated Financial Statements.

ROCKWELL LAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

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

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

Rockwell Land Corporation (Rockwell Land or the Parent Company) is incorporated in the Philippines and is engaged in real estate development and sale or lease of condominium and commercial units and lots. The Parent Company's corporate life is 50 years and can be extended for another 50 years on or within five years before the expiration of its term.

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

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

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

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

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for investment in equity instruments at FVOCI in 2018 and available-for-sale investments in 2017 that have been measured at fair value. The consolidated financial statements are presented in Philippine Peso, which is the Parent Company's functional and presentation currency and all values are rounded to the nearest thousands, except when otherwise indicated.

Statement of Compliance

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

Basis of Consolidation

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

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

- The ability to use its power over the investee to affect its returns.

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

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

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

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

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

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

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

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

**Incorporated in August 2017*

All subsidiaries are incorporated in the Philippines.

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

3. Changes in Accounting Policies and Disclosures

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

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

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

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

- PFRS 9, *Financial Instruments*

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

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

  a) Classification and measurement

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

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

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

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

- Cash and cash equivalents, trade receivables and refundable deposits classified as loans and receivables as at December 31, 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortized cost beginning January 1, 2018.
- Equity investments classified as available-for-sale financial assets as at December 31, 2017 are classified and measured as financial assets designated at fair value through other comprehensive income (FVOCI) beginning January 1, 2018.

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

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

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

b) Impairment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- PFRS 15, *Revenue from Contracts with Customers*

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

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

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

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

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

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

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

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

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

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

a) The exclusion of uninstalled materials in the determination of POC would reduce the percentage of completion of real estate projects resulting in a decrease in retained earnings as at January 1, 2018 as well as a decrease in the revenue from real estate sales in 2018.
b) The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell would constitute a significant financing component. Interest income would have been recognized for contract assets and interest expense for contract liabilities using effective interest rate method and this would have impacted retained earnings as at January 1, 2018 and the revenue from real estate sales in 2018. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.

c) The Group is acting as a principal for the provision of air-conditioning services, common use service services and administration and handling services. This would have resulted to the gross presentation of the related revenue and the related expenses and cost. Currently, the related revenue is presented net of costs and expenses. These would not result to any adjustment in the retained earnings as at January 1, 2018 and net income.

d) Upon sales cancellation, the repossessed inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been opted). This would have increased retained earnings as at January 1, 2018 and gain from repossession in 2018. Currently, the Group records the repossessed inventory at cost.

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

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

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

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

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

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

Consolidated Statement of Financial Position as at December 31, 2018

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

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

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

   Before PFRS 15, cost of real estate sold is recognized consistent with the revenue recognition method applied. Cost of condominium units sold before completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

December 31, 2017

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

January 1, 2017

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

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

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

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 the consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2019

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

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

- PFRS 16, *Leases*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Annual Improvements to PFRSs 2015-2017 Cycle

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

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

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

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

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2020

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance* Contracts

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

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

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

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

This new standard will not impact the consolidated financial statements.

Deferred effectivity

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

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

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

  The amendments may apply to future transactions of the Group.

4. Summary of Significant Accounting Policies

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

An asset is current when:

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

All other assets are classified as noncurrent.

A liability is current when:

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

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

Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cash and Cash Equivalents

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

Financial Instruments

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

Accounting Policies Starting January 1, 2018

Financial Assets

- *Initial recognition and measurement*

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

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

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

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

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

- *Subsequent measurement*

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

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

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

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

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

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

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

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

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

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

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

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

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

  ECLs are measured in a way that reflects the following:

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

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

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

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

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

  Loss allowance
  Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:
  - the financial instrument has a low risk of default
  - the borrower has a strong capacity to meet its contractual cash flow obligations in the near term

- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

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

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

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

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

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

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

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

Accounting Policies Prior to January 1, 2018

Financial Assets

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

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

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

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

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

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

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

This category includes mainly the Parent Company's investments in Manila Polo Club shares and Meralco preferred shares as at December 31, 2017.

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

  - *Loans and Receivables*. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of loss shall be charged to current operations.

    The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

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

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

Accounting Policies Applicable to All Periods Presented

a. Derecognition of Financial Assets

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

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

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

b. Financial Liabilities

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

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

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

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

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

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

c. Classification of Financial Instruments Between Liability and Equity

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

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

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

d. Offsetting of Financial Instruments

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

Real Estate Inventories

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

Cost includes:

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

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

Advances to Contractors

Advances to contractors represent advance payments on services to be incurred in connection with ’s operations. These are capitalized to projects under “Real estate inventories” account in the consolidated statement of financial position. These are considered as nonfinancial instruments as these will be applied against future billings from contractors normally within one year.

Investment Properties

Investment properties represent land, building, structures and improvements of the mall (the “Power Plant”), 8 Rockwell, other structures held for lease within the Rockwell Center, The Grove, Santolan Town Plaza, 53 Benitez, RBC Sheridan, East Bay, The Vantage Gallery, The Arton Strip and land held for appreciation. These, except land, are measured initially at cost, including transaction costs, less accumulated depreciation and any impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Land is carried at cost (initial purchase price and other costs directly attributable in bringing such assets to its working condition) less any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of investment properties, except for land. Investment properties are estimated to have a useful life of 5 to 35 years.

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

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

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

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

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

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

Property Acquisition

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

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

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

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

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

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

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

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

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

Property and Equipment

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

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

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

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

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

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

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

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

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

Impairment of Nonfinancial Assets

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

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

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

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

Revenue and Cost Recognition effective January 1, 2018

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Contract Balances

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenue and Cost Recognition prior to January 1, 2018

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see Note 32).

Pension Costs and Other Employee Benefits

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

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

Income Tax

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

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

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

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

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

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

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

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

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

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

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

Borrowing Costs
Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalized. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the

expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

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

Provisions

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

Contingencies

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

Events after the Reporting Period

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

Basic/Diluted Earnings Per Share

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

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

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

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5. Significant Accounting Judgments, Estimates and Assumptions

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

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

Judgments upon adoption of PFRS 9

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

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

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

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

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

- *Qualitative criteria*

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

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

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

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

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

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

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increase in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset falls below an investment grade; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

Real estate revenue recognition upon adoption of PFRS 15

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

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

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

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

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

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

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

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

Lease income earned from investment properties amounted to ₱1,499.1 million, ₱1,007.0 million and ₱914.8 million in 2018, 2017 and 2016, respectively (see Note 12).

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

Transfers made to investment properties amounted to nil and ₱406.7 million in 2018 and 2017, respectively (see Notes 9, 12 and 13).

Interest in a Joint Venture. Management has assessed that it has joint control in its joint venture agreement with Meralco and both parties have rights to the net assets of the arrangement. Under the Joint Venture Agreement, each party's share in any proceeds, profits, losses, and other economic value derived under the Joint Venture as well as any economic benefits and losses derived from the utilization of the access ways and open spaces of the joint venture property shall be proportional to the respective financial contributions made by each party (see Note 14).

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

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

Fair Value of Financial Assets and Financial Liabilities. Entities are required to disclose for each class of financial assets and liabilities the fair value of that class of assets and liabilities in a way that permits it to be compared with the corresponding carrying amount in the consolidated statement of financial position, which requires the use of accounting judgment and estimates. While significant components of fair value measurement are determined using verifiable objective evidence (i.e., foreign exchange rates and interest rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and liabilities would affect the disclosures made by management. The fair values of the Group's financial assets and liabilities are set out in Note 31.

Contingencies. The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material effect on the financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 29). No provision for contingencies was recognized in 2018, 2017 and 2016.

Estimates and Assumptions

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

Estimates upon adoption of PFRS 9

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

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

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

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

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

- *Probability of default*

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

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

- *Loss given default*

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

- *Exposure at default*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Impairment of Financial Assets prior to PFRS 9 Adoption. The Group maintains allowance for doubtful accounts at a level considered adequate to provide for potential uncollectible trade receivables. The level of this allowance is evaluated by management based on the results of the specific and collective assessments of impairment of financial assets, considering the Group's collection experience and other factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the customers, the customers' payment behavior and known market factors. The amount and timing of recorded expenses for any period would therefore differ depending on the judgments and estimates made for each year.

Provision for doubtful accounts amounted to ₱0.06 million in 2017 and ₱1.2 million in 2016 (see Note 23). Trade and other receivables (including noncurrent trade receivables), net of allowance for doubtful accounts, amounted to ₱14.1 billion as at December 31, 2017 (see Note 8).

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

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

There were no changes in the estimated useful lives of investment properties and property and equipment in 2018, 2017 and 2016.

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

Property and equipment, net of accumulated depreciation and amortization, (excluding construction in progress) amounted to ₱2.4 billion and ₱2.5 billion as at December 31, 2018 and 2017, respectively (see Note 13).

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

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

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

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

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

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

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

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

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

Pension Costs and Other Employee Benefits. The determination of the Group's obligation and cost of pension and other employee benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 24 and include, among others, discount rate and expected rate of salary increase. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

Pension liability and other employee benefits amounted to ₱161.9 million and ₱164.7 million as at December 31, 2018 and 2017, respectively. Since there is no minimum funding requirement, the resulting net asset or net liability recognized in the consolidated statements of financial position was determined as the lower of the surplus of the plan and the present value of the future service cost to the Group (see Note 25).

6. Non-controlling Interests

a. Acquisition of Majority Interest in Rockwell Primaries South

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

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

b. Incorporation of Rock MFA

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

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

7. Cash and Cash Equivalents

This account consists:

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

Cash in banks earn interest at the respective bank deposit rates. Short-term investments consist of peso and dollar-denominated placements made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term investment rates.

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

8. Trade and Other Receivables and Contract Asset

Trade and other receivables consist of:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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9. Real Estate Inventories

This account consists of:

	2018	2017 (As restated - see Note 3)
Land and development costs:		
Proscenium (see Note 17)	**₱3,021,290**	₱3,461,074
East Bay Residences (see Note 6)	**1,448,641**	1,263,038
Mactan	**1,261,177**	871,660
The Arton	**1,247,618**	1,042,055
The Vantage	**459,643**	866,404
32 Sanson Phase 2 & 3	**411,373**	583,412
Stonewell	**203,659**	180,199
Edades Suites	**128,150**	440,142
Land held for future development and other developments costs	**2,370,182**	943,614
Condominium units for sale	**244,054**	717,389
	₱10,795,787	₱10,368,987

The rollforward analysis of this account follows:

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

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

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

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

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

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

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

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

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

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

10. **Other Current Assets**

This account consists of:

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

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

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

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

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

As at December 31, this account consists of:

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

Quoted Equity Shares

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

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

Unquoted Equity Shares

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

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12. Investment Properties

The rollforward analysis of this account follows:

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

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

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

	2017 (As restated – see Note 3)			
	Land	Buildings and Improvements	Investment Properties in Progress	Total
At January 1, 2017:				
Cost, as previously reported	₱2,191,469	₱4,508,085	₱3,286,523	₱9,986,077
Add effect of adoption of PIC Q&A 2018-11 (see Note 3)	150,948	–	–	150,948
Cost, as restated	2,342,417	4,508,085	3,286,523	10,137,025
Accumulated depreciation and amortization	–	(2,056,632)	–	(2,056,632)
Net carrying amount	₱2,342,417	₱2,451,453	₱3,286,523	₱8,080,393

	2017 (As restated – see Note 3)			
At December 31, 2017:				
Cost, as previously reported	₱2,192,971	₱11,535,681	₱196,392	₱13,925,044
Add effect of adoption of PIC Q&A 2018-11 (see Note 3)	430,023	–	–	430,023
Cost, as restated	2,622,994	11,535,681	196,392	14,355,067
Accumulated depreciation and amortization	–	(2,256,801)	–	(2,256,801)
Net carrying amount	₱2,622,994	₱9,278,880	₱196,392	₱12,098,266

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

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

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

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

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

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

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

The fair value as at December 31, 2018 and 2017 was determined by independent professionally qualified appraisers. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation.

The value of the mall and investment properties held for lease within the Rockwell Center, The Grove, RBC Sheridan, Santolan Town Plaza and The Vantage Gallery was arrived at through the use of the "Income Approach," particularly the "Discounted Cash Flow Analysis" which is a financial modelling technique based on explicit assumptions regarding the prospective cash flow to a property. This analysis involves the projection of a series of periodic cash flows to an operating property. To this projected cash flow series, an appropriate discount rate is applied to establish an indication of the present value of the income stream associated with the property being valued. In an operating property, periodic cash flow is typically estimated as gross revenue less operating expenses and other outgoings. The series of periodic net operating incomes, along with an estimate of the terminal value, anticipated at the end of the projection period, is then discounted at the discount rate, being a cost of capital or a rate of return used to convert a monetary sum, payable or receivable in the future, into present value. This is included under Level 3 in the fair value hierarchy (see Note 31).

The value of land held for appreciation and land component of assets under construction was arrived at through the use of the "Market Data Approach." "Market Data Approach" is based on the assumption that no prudent purchaser will buy more than what it will cost him to acquire an equally desirable substitute parcel or site. This approach is primarily based on sales and listings, which are adjusted for time of sale, location, and general characteristics of comparable lots in the neighborhood where the subject lot is situated. This is included under Level 2 in the fair value hierarchy (see Note 31).

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

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13. Property and Equipment

The rollforward analysis of this account follows:

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

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

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

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

14. **Investment in Joint Venture and Associate**

This account consists of:

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

Investment in Joint Venture

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

In accordance with the terms of the JV Agreement, the Parent Company acts as the Property Manager of the unincorporated JV. Management fees recognized by the Parent Company, which is shown as part of "Others" account in the consolidated statements of comprehensive income, amounted to ₱11.4 million, ₱9.7 million and ₱5.3 million in 2018, 2017 and 2016, respectively (see Note 28). The unincorporated JV will be managed and operated in accordance with the terms of the JV Agreement and with the Property Management Plan provided for in the JV Agreement. The principal place of business of the unincorporated JV is at Meralco Compound, Ortigas Center, Pasig City.

On November 25, 2009, Meralco and the Parent Company agreed to revise the sharing of earnings before depreciation and amortization to 80% for the Parent Company and 20% for Meralco until 2014 or until certain operational indicators are reached, whichever comes first. Sharing of depreciation and amortization is proportionate to their contribution.

On December 6, 2013, Meralco and the Parent Company entered into a Supplemental Agreement to the JV Agreement to include their respective additional rights and obligations, including the development and construction of the third tower of the BPO Building. Under the Supplemental Agreement, Meralco shall contribute the corresponding use of the land where the third BPO Building will be constructed while the Parent Company shall provide the additional funds necessary to cover the construction costs.

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

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

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

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

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

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

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

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

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

Investment in Associate

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

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

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

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

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

15. **Trade and Other Payables**

This account consists of:

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

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

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

Accrued expenses are normally settled within 12 months.

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

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

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

16. Interest-bearing Loans and Borrowings

This account consists of:

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

Corporate Notes

On November 27, 2012, the Parent Company entered into a Fixed Rate Corporate Notes Facility Agreement ("the Notes") with First Metro Investment Corporation (FMIC), PNB Capital and Investment Corporation, Metropolitan Bank and Trust Company (MBTC) - Trust Banking Group, and Philippine National Bank (PNB) - Trust Banking Group for the ₱10.0 billion Notes for the purpose of refinancing the existing ₱4.0 billion fixed rate corporate notes and to finance the Parent Company's capital expenditures and land acquisitions. Details of the drawdown is as follows:

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

The Notes are payable in 22 quarterly payments which started in October 2014. A portion of Tranche 2 amounting to ₱1.2 billion is paid annually at 1% of the principal amount from the issue date for six (6) years while the remaining 94% of the principal amount is payable in 2020. The Notes contain a negative pledge.

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

Term Loan

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

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

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

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

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

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

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

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

Bonds Payable

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

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

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

Notes Payable

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

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

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

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

Contracts to Sell (CTS) Loan Financing

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

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

Schedule of drawdowns are set out below:

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

Short-term Loans

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

Loan Transaction Costs. As at December 31, 2018 and 2017, loan transaction costs consisting of documentary stamp tax and underwriting fees on the corporate notes and bonds were capitalized and presented as a deduction from the related loan balance.

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

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

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

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

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

Covenants. The loan contains, among others, covenants regarding incurring additional long-term debt and paying out dividends, to the extent that such will result in a breach of the required debt-to-equity ratio and current ratio. As at December 31, 2018 and 2017, the Group has complied with these covenants (see Note 30).

17. **Installment Payable**

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

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

The installment payable and the corresponding land held for development were recorded at present value using the discount rate of 8%. Accretion of interest expense amounting to ₱26.8 million and ₱23.9 million in 2018 and 2017, respectively, was capitalized as part of land and development costs (see Note 9).

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

Installment payable is secured by Stand-By Letters of Credit (SBLC) from MBTC and FMIC totaling ₱2.4 billion until 2020. These SBLC provides for a cross default provision wherein the SBLC shall automatically be due and payable in the event the Parent Company's other obligation is not paid when due or a default in any other agreement shall have occurred, entitling the holder of the obligation to cause such obligation to become due prior to its stated maturity. As at December 31, 2018 and 2017, the Parent Company has not drawn from the facility.

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

As at December 31, 2018 and 2017, the related deferred input VAT amounting to ₱70.3 million is recognized as part of "Other noncurrent assets" account in the consolidated statements of financial position. This deferred input VAT will be claimed against output VAT upon payment of the related installment payable.

18. **Deposits and Other Liabilities**

This account consists of:

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

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

As discussed in Note 4, the Group uses discounted cash flow analysis to measure the fair value of retention payable. The resulting difference between the transaction price and fair value at initial recognition is recognized in the consolidated statements of financial position as a reduction from "Real estate inventories". The retention payable is carried at amortized cost using effective interest method. The amortization of discount on retention payable is capitalized as part of real estate inventories while the related project's construction is in progress (see Note 9).

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

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

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

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

19. Share-based Payment Plans

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

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

The primary terms of the grants follow:

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

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

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

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

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

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

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

As at December 31, 2018 and 2017, total share-based payment transactions, net of applicable tax, amounting to ₱69.7 million are presented as "Share-based payments" account under the equity section of the consolidated statements of financial position.

20. **Equity**

a. Capital Stock

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

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

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

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

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

Date of SEC Approval	Authorized Capital Stock	New Subscriptions/ Issuances	Issue/ Offer Price
May 2012, listing by way of introduction	8,890,000,000	6,228,382,344	₱1.46
Exercise of ESOP shares (see Note 20)	–	15,000,000	
	8,890,000,000	6,243,382,344	

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

b. Other Equity Adjustments

This account represents the difference between the consideration received from the sale of the proprietary shares and the carrying value of the related interest amounting to ₱291.2 million as at December 31, 2018 and 2017.

c. Treasury Shares

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

d. Retained Earnings

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

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

e. Dividends

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

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

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

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

21. Revenue from Contracts with Customers

Disaggregated Revenue Information

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

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

Contract Balances

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

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

**Included under "Trade and other receivables" account*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22. Interest Income

This account consists of:

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

23. Expenses

Depreciation and amortization

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

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

General and Administrative Expenses

General and administrative expenses pertain to the following businesses:

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

a. Real Estate

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

b. Cinema

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

c. Hotel

	2018	2017	2016
Depreciation and amortization (see Note 13)	**₱24,802**	₱32,377	₱50,518
Personnel (see Notes 24 and 25)	**26,002**	12,393	30,636
Utilities	**19,293**	24,217	27,050
Accommodations	**15,564**	17,647	25,146
Contracted services	**11,231**	33,128	9,133
Rental expense	**10,012**	35,652	59,411

(Forward)

	2018	2017	2016
Dues and subscriptions	**₱8,205**	₱17,121	₱13,532
Taxes and licenses	**6,108**	8,325	6,099
Supplies	**4,706**	8,665	11,247
Security services	**4,280**	6,549	6,588
Insurance	**1,377**	1,844	1,354
Others	**17,039**	18,640	21,593
	₱148,619	₱216,558	₱262,307

Selling expenses

Selling expenses are comprised of:

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

Interest Expense

Interest expense is comprised of:

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

24. Personnel Expenses

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

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

25. **Pension Costs and Other Employee Benefits**

a. Pension Costs

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

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

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

Net Pension Costs

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

Pension Liability

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

i. Government securities' maturities range from 1 to 25 years with interest rates ranging from 3.20% to 9.12%.
ii. The Corporate bonds are certificates of indebtedness issued by top and usually listed corporations exhibiting sound financial performance and enjoying good credit from reputable/accredited agencies. Maturity dates range from 7 to 10 years with interest rates ranging from 4.41% to 8.85%.
iii. Investment in stocks represents equity securities of companies listed in the PSE.

The Retirement Plan has investment in shares of stock of the Parent Company amounting to ₱80.4 million and ₱84.8 million as at December 31, 2018 and 2017, respectively.

The Group's retirement fund is exposed to a short term risk since 50% of it is in equities. On the long term, should there be any major corrections in the local equities market, the correction should have a positive impact of the fund since historically the equities market have always out-performed the fixed income market in the long term.

There are no outstanding balances arising from transactions between the Retirement Plan and the Group as at December 31, 2018 and 2017. Except as stated above, there were no other transactions entered into during the year by the Retirement Plan relating to the Group.

In 2018, the sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions were held constant:

	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation
Discount rate	+100	(₱37,562)
	-100	44,885
Future salary increases	+100	47,733
	-100	(45,360)

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

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

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

b. Other Employee Benefits

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

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

26. Income Taxes

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

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

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

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

The components of the Group’s deferred tax assets and liabilities shown in the consolidated statements of financial position are as follows:

	2018	2017
Deferred tax liabilities:		
Unrealized gain on real estate	**₱1,387,479**	₱1,160,457
Deferred selling expense	**88,263**	–
Capitalized interest	**60,061**	63,178
Collections after the ITH period on low-cost housing project (Stonewell)	**5,089**	5,089
Unrealized gain on available-for-sale investments	**1,991**	1,104
Unrealized foreign exchange gain	**1,031**	115
	1,543,914	1,229,943
Deferred tax assets:		
Deferred lease income	**70,830**	58,242
Unfunded pension costs	**25,594**	29,766
Share-based payment	**22,574**	22,574
Other employee benefits	**19,448**	30,437
Unamortized past service cost	**14,995**	13,431
Allowance for doubtful accounts and others	**5,140**	4,714
NOLCO	**77,011**	4,411
MCIT	**3,836**	839
Unrealized foreign exchange loss	**–**	7
	239,428	164,421
	₱1,304,486	₱1,065,522

The above components of deferred tax assets and liabilities are presented in the consolidated statements of financial position as follows:

	2018	2017
Deferred tax assets - net	**₱272,736**	₱694
Deferred tax liabilities - net	**(1,577,222)**	(1,066,216)
	(₱1,304,486)	(₱1,065,522)

The details of the subsidiaries' deductible temporary differences, NOLCO and MCIT for which no deferred tax assets are recognized since management believes that there are no sufficient taxable profits against which the deferred tax assets can be utilized are as follows:

	2018	2017
Advances from members	**₱14,257**	₱11,377
MCIT	**2,301**	3,495
Unfunded pension costs	**8,013**	7,566
NOLCO	**229**	46
Allowance for doubtful accounts	**553**	559
	₱25,353	₱23,043

As at December 31, 2018, MCIT of a subsidiary which can be claimed as deduction from regular taxable income due as follows:

Year Paid	Expiry Year	Amount
2016	2019	₱1,234
2017	2020	1,454
2018	2021	3,449
		₱6,137

MCIT amounting to ₱1.2 million, ₱1.5 million and ₱1.5 million expired in 2018, 2017 and 2016, respectively.

As at December 31, 2018, NOLCO of certain subsidiaries can be carried forward and claimed as deduction against regular taxable income as follows:

Year Incurred	Expiry Date	Amount
2016	2019	₱37
2017	2020	631
2018	2021	256,264
		₱256,932

The reconciliation of the statutory income tax rate to effective income tax rate as shown in the consolidated statements of comprehensive income is summarized as follows:

	2018	2017	2016
Statutory income tax rate	**30.0%**	30.0%	30.0%
Additions to (deductions from) income tax resulting from:			
Share in net income of joint venture	**(2.3%)**	(2.7%)	(3.1%)
Nontaxable income and others	**(0.4%)**	0.4%	0.1%
Effective income tax rate	**27.3%**	27.7%	27.0%

Revenue Memorandum Circular (RMC) No. 35-2012

On August 3, 2012, RMC No. 35-2012 was issued to clarify the taxability of clubs organized and operated exclusively for pleasure, creation and non-profit purposes.

In accordance with this RMC, Rockwell Club pays output VAT under protest starting August 3, 2012 and income tax effective January 1, 2013.

27. Registration with the Board of Investments

On June 6, 2013, the Board of Investments approved the Parent Company’s registration as new operator of Tourist Accommodation Facility for its Edades Serviced Apartments in accordance with the provisions of Omnibus Investments Code of 1987 with entitlement to Income Tax Holiday (ITH) of four years reckoning on February 2014.

On May 27, 2014, the BOI approved the amendments of specific terms and conditions under the Certificate of Registration particularly the registered capacity to cover 94 serviced apartment units and the corresponding change in projections.

Commercial operations of Edades Serviced Apartments started on July 1, 2014. ITH incentive enjoyed by the Parent Company amounted to ₱12.5 million and ₱12.3 million in 2018 and 2017, respectively (see Note 26).

On January 8, 2015, Rockwell Land requested for amendments of investment and project timetable and sales revenue projection under the above mentioned BOI certification due to unforeseen circumstances affecting the construction and changes from projected launch. The request was approved on April 13, 2015.

On June 24, 2015, request for status upgrade of said BOI registration from Non-pioneer to Pioneer status was made. The Parent Company's request for status upgrade for its Edades Serviced Apartments, under BOI Certificate of Registration No 2013-121, was approved on November 4, 2015. Consequently, the ITH period was also amended from 4 years (February 2014-January 2016) to 6 years (February 2014-January 2020).

28. Related Party Transactions

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The following table summarizes these significant transactions with related parties:

Related Parties	**Relationship**	**Nature of Transaction**	**Period**	**Transaction Amount**	**Amounts Owed from (to) Related Parties**	**Terms**	**Conditions**
Rockwell - Meralco BPO	Joint venture	Advances (see Note 15)	**2018**	**₱84,196**	**(₱611,851)**	90-day; noninterest-bearing	Unsecured
			2017	22,931	(527,655)		
			2016	267,840			
		Management fee (see Note 14)	**2018**	**11,387**	**19,589**	On demand; non-interest-bearing	Unsecured, no impairment
			2017	9,684	8,202		
			2016	5,311			
Advances to officers and employees		Advances (see Note 8)	**2018**	**(19,268)**	**40,842**	30-day; noninterest-bearing	Unsecured; no impairment
			2017	14,125	60,110		
			2016	18,261			

Other transactions with related parties pertain to the Project Development and JV Agreement with Meralco (see Note 15).

Terms and Conditions of Transactions with Related Parties
Purchases from related parties are made at normal market prices. Outstanding balances at year-end are unsecured, interest-free, settlement occurs in cash and collectible/payable on demand. There have been no guarantees provided for or received for any related party receivables or payables. For the years ended December 31, 2018, 2017 and 2016, the Group has not made any provision for doubtful accounts relating to amounts owed by related parties. This assessment is undertaken at each financial year through examination of the financial position of the related party and the market in which the related party operates.

Compensation of Key Management Personnel of the Group

	2018	2017	2016
Short-term employee benefits	**₱93,283**	₱84,203	₱73,353
Post-employment pension and other benefits (Note 25)	**37,551**	38,144	36,919
Total compensation attributable to key management personnel	**₱130,834**	₱122,347	₱110,272

29. **Commitments and Contingencies**

Operating Lease Commitments
The Group has entered into agreements for the lease of land to be used for various commercial projects. These noncancellable leases have remaining terms of between two and twenty five years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. Future minimum lease payments are as follows:

Year	Amount (in thousands)
2018	₱32,925
2019	34,554
2020	35,743
2021	36,973
2022 and after	2,093,444
	₱2,233,639

Capital Commitment

a. The Group entered into contract covering Substructure works related to “Proscenium Substructure and Podium” with Megawide Construction Corporation. The contract sum awarded for the work amounted to ₱980.0 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Substructure works commenced in July 2014. Megawide has a deductive change order of ₱527.9 million but with an additional of ₱173.0 million. As at December 31, 2018 and 2017, ₱593.8 million and ₱576.0 million, respectively, has been incurred and paid.

b. The Group entered into contract covering Superstructure works related to “Proscenium Phase 1B” with Megawide Construction Corporation. The contract sum awarded for the work amounted to ₱2.1 billion, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Superstructure works commenced in October 2015. As at December 31, 2018 and 2017, ₱1.8 billion and ₱1.3 billion, respectively, has been incurred and paid.

c. The Group entered into contract covering Superstructure works related to “Proscenium Phase 1A” with Phenix Garuda Construction and Development Corporation. The contract sum awarded for the work amounted to ₱2.4 billion, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Superstructure works commenced in May 2015. As at December 31, 2018 and 2017, ₱1.98 billion and ₱1.4 million, respectively, has been incurred and paid.

d. The Group entered into contract covering Excavation works related to “Proscenium Phase 2” with IPM Construction and Development Corp. The contract sum awarded for the work amounted to ₱61.0 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Excavation works commenced in August 2015. IPM has an additive change order of 11M. As at December 31, 2018 and 2017, ₱61.0 million and ₱57 million, respectively, has been incurred and paid.

e. The Group entered into contract covering Substructure and Superstructure works related to “Proscenium Phase 2” with Phenix Garuda Construction and Development Corporation. The contract sum awarded for the work amounted to ₱2.0 billion, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Superstructure works commenced in May 2016. As at December 31, 2018 and 2017, ₱1.27 billion and ₱593.53 million, respectively, has been incurred and paid.

f. The Group entered into contract covering Superstructure works (Ground – 7th floor) related to “Mall Expansion and Aruga Hotel” with Phenix Garuda Construction and Development Corporation. The contract sum awarded for the work amounted to ₱459.1 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Phenix has an additive change order of ₱344.1 million. Superstructure works commenced in October 2015. As at December 31, 2018 and 2017, ₱784.9 million and ₱609.7 million has been incurred and paid.

g. The Group entered into contract covering Superstructure works (8th floor- Roof deck) related to “Aruga Hotel” with Phenix Garuda Construction and Development Corporation. The contract sum awarded for the work amounted to ₱300.0 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Phenix has an additive change order of ₱37.6 million. Superstructure works commenced in October 2016. As at December 31, 2018 and 2017, ₱297.3 million and ₱124.8 million has been incurred and paid.

h. The Group entered into contract covering General Construction works related to “Rockwell Business Center Sheridan” with Phenix Garuda Construction and Development Corporation. The contract sum awarded for the work amounted to ₱900.0 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Phenix has an additive change order of ₱42.03 million. General Construction Works commenced in October 2015. As at December 31, 2018 and 2017, ₱918.2 million and ₱846.7 million, respectively, has been incurred and paid.

i. The Group entered into contract covering General Construction Works: Structural and Architectural Works - Buri (Basement – Roof Deck level to 9th Story Bldg) related to “32 Sanson by Rockwell” with Omicron Construction. The contract sum awarded for the work amounted to ₱127.9 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and consumable materials and all cost necessary for the proper execution of works. Superstructure works commenced in November 2016. As at December 31, 2018 and 2017, ₱123.4 million and ₱66.5 million has been incurred and paid.

j. The Group entered into contract covering General Construction Works: Structural and Architectural Works - Solihiya (Basement – Roof Deck level to 9th Story Bldg) related to “32 Sanson by Rockwell” with Omicron Construction. The contract sum awarded for the work amounted to 140 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and consumable materials and all cost necessary for the proper execution of works. Superstructure works commenced in May 2018. As at December 31, 2018, 36.38 million has been incurred and paid.

k. The Group entered into contract covering General Construction works related to “Santolan Town Plaza” with Omicron Construction. The contract sum awarded for the work amounted to ₱401.6 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Omicron has an additive change order of ₱237.8 million. General Construction Works commenced in November 2015. As at December 31, 2018 and 2017, ₱597.1 million and ₱404.0 million has been incurred and paid, respectively.

l. The Group entered into a contract with Millennium Erectors Corporation in 2016 covering structural and building enclosure works related to “The Vantage” Project. The contract amounted to a fixed fee of ₱460.0 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of the works. Structural and building enclosure works commenced in 2016. Millenium Erectors Corporation has an additive/deductive change order with net additional of ₱176.03 million. As at December 31, 2018 and 2017, ₱418.7 million and ₱258.8 million has been incurred and paid, respectively.

m. The Group entered into a contract with Omicron Construction in 2018 covering structural and building enclosure works related to “Fordham Tower” Project. The contract amounted to a fixed fee of ₱233.3 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and consumables and all cost necessary for the proper execution of the works. Structural and building enclosure works commenced in 2018. As at December 31, 2018, ₱16.97 million has been incurred and paid.

n. The Group entered into contract covering General Construction Works related to “Edades Suites” with Megawide Construction Corporation. The contract sum awarded for the work amounted to ₱413.0 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. General Construction Works commenced in March 2017. As at December 31, 2018, ₱296.7 million, has been incurred and paid.

o. The Group entered into contract covering General Construction Works related to "Arton Strip" with Phenix Garuda Construction and Development Corporation. The contract sum awarded for the work amounted to ₱164.9 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. General Construction Works commenced in May 2018. As at December 31, 2018, ₱67.1 million, has been incurred and paid.

p. The Group entered into contract covering General Construction Works related to "The Arton" with Phenix Garuda Construction and Development Corporation. The contract sum awarded for the work amounted to ₱670.9 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. General Construction Works commenced in July 2018. As at December 31, 2018, ₱38.81 million, has been incurred and paid.

Contingencies

The Group is contingently liable for lawsuits or claims filed by third parties, which are either pending decision by the courts or under negotiations, the outcomes of which are not presently determinable. It is the opinion of management and its outside legal counsel that it is possible, but not probable that the lawsuits and claims will be settled. Accordingly, no provision for any liability has been made in the consolidated financial statements.

30. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, investment in equity instruments at FVOCI/available-for-sale investments, and interest-bearing loans and borrowings. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables, refundable deposits, trade and other payables, installment payable, retention payable and security deposits which arise directly from its operations.

The Group also occasionally enters into derivative transactions, specifically foreign currency forward contracts to sell US$. The primary purpose was to manage currency risks arising from its foreign currency-denominated receivables from sale of condominium units.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The BOD reviews and approves the policies for managing each of these risks and they are summarized below.

Cash Flow Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of financial instruments will fluctuate because of the changes in market interest rates. The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's interest-bearing loans and borrowings.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. As at December 31, 2018 and 2017, approximately 94% of the Group's borrowings are at a fixed rate of interest.

The following tables set out the principal amounts, by maturity, of the Group’s interest-bearing financial instruments.

	2018				
	Within 1 Year	**1–2 Years**	**2–3 Years**	**More than 3 Years**	**Total**
Fixed Rate					
Interest-bearing loans and borrowings	**₱5,039,743**	**₱4,116,821**	**₱8,116,888**	**₱5,589,871**	**₱22,863,323**
Floating Rate					
Interest-bearing loans and borrowings	**163,600**	**164,000**	**164,100**	**944,900**	**1,436,600**
Short-term investments	**1,317,872**	**–**	**–**	**–**	**1,317,872**

	2017				
	Within 1 Year	1–2 Years	2–3 Years	More than 3 Years	Total
Fixed Rate					
Interest-bearing loans and borrowings	₱2,023,755	₱2,399,515	₱2,548,868	₱11,509,162	₱18,481,300
Floating Rate					
Interest-bearing loans and borrowings	104,584	164,007	164,007	1,067,402	1,500,000
Short-term investments	1,405,645	–	–	–	1,405,645

Interest on financial instruments is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the above tables are noninterest-bearing and are therefore not subject to interest rate risk.

	2018 Effect on income before income tax increase (decrease)	
Change in basis points	**+100 basis points**	**-100 basis points**
Floating rate borrowings	(8,641)	8,641

	2017 Effect on income before income tax increase (decrease)	
Change in basis points	+100 basis points	-100 basis points
Floating rate borrowings	(15,208)	15,208

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future value of the financial instruments will fluctuate because of changes in foreign exchange rates. As a result of the Group’s significant marketing operations in the United States in the past, the Group’s consolidated statement of financial position can be affected significantly by movements in the US$ exchange rates.

Foreign Currency-Denominated Asset

	2018		2017	
	US$	**Peso**	US$	Peso
Cash and cash equivalents	**$459**	**₱24,158**	$667	₱33,297

As at December 31, 2018 and 2017, the exchange rate was ₱52.58 to US$1.00 and ₱49.92 to US$1.00, respectively. Net foreign exchange gain (loss) amounted to ₱3.3 million, (₱1.4 million) and ₱4.0 million in 2018, 2017 and 2016, respectively.

The following tables demonstrate the sensitivity to a reasonably possible change in the US$ exchange rate with respect to Peso, with all other variables held constant, of the Group's December 31, 2018 and 2017 income before income tax (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Group's equity other than those already affecting the income.

	2018	
	Increase/Decrease in US$ Rate (in %)	**Effect on Income Before Income Tax**
Foreign currency-denominated financial assets	+5%	**₱1,207**
	-5%	**(₱1,207)**

	2017	
	Increase/Decrease in US$ Rate (in %)	Effect on Income Before Income Tax
Foreign currency-denominated financial assets	+5%	₱1,665
	-5%	(₱1,665)

Foreign exchange gain or loss is computed for the year based on management's best estimate that the Peso-US$ conversion rate may strengthen or weaken using the year end balances of dollar-denominated cash and cash equivalents. An increase in the US$ rate means a weaker peso while a decrease in the US$ rate means a stronger peso. There has been no change in the methods and assumptions used by management in the above analyses.

Credit Risk

Credit risk is the risk that a counterparty will meet its obligation under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risks from its operating activities (primarily from trade receivables and loans) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Default or delinquency on the part of buyers of condominium units are being monitored on an ongoing basis to enable the Group to determine the appropriate action, usually cancelling the sale and holding the units open for sale. Lease receivables are closely monitored based on aging of the accounts. Accounts determined to be uncollectible are recommended for write off. With regard to the other financial assets of the Group, these are also monitored regularly with the result that the Group's exposure to bad debts is not significant.

Trade receivables from sale of condominium units are secured with pre-completed condominium units. The legal title and ownership of these units will only be transferred to the customers upon full payment of the contract price. For other receivables, since the Group trades only with recognized third parties, there is no requirement for collateral.

The table below summarizes the maximum exposure to credit risk of each class of financial assets.

	2018		
	Gross Maximum Exposure	**Net Exposure**	**Financial Effect of Collateral or Credit Enhancement**
Cash and cash equivalents*	**₱2,053,688**	**₱2,038,518**	**₱15,170**
Trade receivables from:			
Sale of condominium units	**3,677,506**	**258,910**	**3,418,596**
Lease	**378,403**	**18,032**	**360,371**
Other receivables	**163,316**	**163,316**	**–**
Investment in equity instruments at FVOCI:			
Quoted	**20,000**	**20,000**	**–**
Unquoted	**3,308**	**3,308**	**–**
Refundable deposits**	**78,368**	**78,368**	**–**
Restricted cash**	**400,000**	**350,000**	**50,000**
	₱6,774,589	**₱2,930,452**	**₱3,844,137**

	2017		
	Gross Maximum Exposure	Net Exposure	Financial Effect of Collateral or Credit Enhancement
Cash and cash equivalents*	₱2,561,224	₱2,547,062	₱14,162
Trade receivables from:			
Sale of condominium units	13,224,246	340,827	13,039,553
Lease	235,571	78,310	157,261
Other receivables	634,857	634,857	–
Investment in equity instruments at FVOCI:			
Quoted	13,500	13,500	–
Unquoted	3,308	3,308	–
Refundable deposits**	162,240	162,240	–
	₱16,895,056	₱3,780,104	₱13,271,086

**Excluding cash on hand amounting to ₱1,792 and ₱1,718 as at December 31, 2018 and 2017, respectively.*
***Presented as part of "Other current assets" account in the consolidated statements of financial position.*

There are no significant concentrations of credit risk because the Group trades with various third parties.

The tables below show the credit quality by class of financial asset based on the Group's credit rating system.

	2018		
	A Rating	**B Rating**	**Total**
Cash and cash equivalents	**₱2,055,480**	**₱–**	**₱2,055,480**
Trade receivables from:			
Sale of condominium units	**3,288,046**	**389,460**	**3,677,506**
Lease	**311,483**	**66,920**	**378,403**
Advances to officers and employees	**43,067**	**–**	**43,067**
Other receivables	**163,316**	**–**	**163,316**

(Forward)

	2018		
	A Rating	**B Rating**	**Total**
Investment in equity instruments at FVOCI:			
Quoted	**₱20,000**	**₱–**	**₱20,000**
Unquoted	**3,308**	**–**	**3,308**
Refundable deposits	**78,368**	**–**	**62,131**
Restricted cash	**400,000**	**–**	**400,000**
	₱6,363,068	**₱456,380**	**₱6,803,211**

	2017		
	A Rating	B Rating	Total
Cash and cash equivalents	₱2,562,942	₱–	₱2,562,942
Trade receivables from:			
Sale of condominium units	11,997,392	1,037,427	13,034,819
Lease	201,565	34,006	235,571
Advances to officers and employees	60,110	–	60,110
Other receivables	634,857	–	634,857
Available-for-sale investments:			
Quoted	13,500	–	13,500
Unquoted	3,308	–	3,308
Refundable deposits	162,240	–	162,240
	₱15,635,914	₱1,071,433	₱16,707,347

For trade receivables from sale of condominium units, customers who have no history of delayed payment are classified as having a credit rating of "A" while customers who have history of delayed payment but is currently updated are given a credit rating of "B".

Trade receivables from lease are classified as having a credit rating of "A" when tenants pay within the discount period and "B" when tenants pay on or before due date.

As at December 31, 2018 and 2017, the analyses of the age of financial assets are as follows:

	2018						
	Neither Past Due nor Impaired	**Past Due but not Impaired**				**Impaired Financial Assets**	**Total**
		Less than 30 Days	**31 to 60 Days**	**61 to 90 Days**	**More than 90 Days**		
Cash and cash equivalents	**₱2,055,480**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,055,480**
Trade receivables from:							
Sale of condominium units	**3,378,973**	**121,064**	**26,462**	**14,601**	**136,406**	**–**	**3,677,506**
Lease	**336,227**	**37,795**	**3,154**	**–**	**1,227**	**–**	**378,403**
Advances to officers and employees	**43,067**	**–**	**–**	**–**	**–**	**–**	**43,067**
Other receivables	**163,316**	**–**	**–**	**–**	**–**	**–**	**163,316**
Investment in equity instruments at FVOCI:		**–**	**–**	**–**	**–**	**–**	
Quoted	**20,000**	**–**	**–**	**–**	**–**	**–**	**20,000**
Unquoted	**3,308**	**–**	**–**	**–**	**–**	**–**	**3,308**
Refundable deposits	**22,505**	**4,096**	**46,377**	**67**	**5,323**	**–**	**78,368**
	₱6,022,876	**₱162,955**	**₱75,993**	**₱14,668**	**₱142,956**	**₱–**	**₱6,419,448**

	2017						
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired Financial Assets	Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	More than 90 Days		
Cash and cash equivalents	₱2,562,942	₱–	₱–	₱–	₱–	₱–	₱2,562,942
Trade receivables from:							
Sale of condominium units	13,034,819	41,425	5,395	6,846	135,761		13,224,246
Lease	221,915	12,969	678	-	9		235,571
Advances to officers and employees	60,110	–	–	–	–	–	60,110
Other receivables	566,860	–	–	–	2,010	–	568,870
Available-for-sale investments:		–	–	–	–	–	
Quoted	13,500	–	–	–	–	–	13,500
Unquoted	3,308	–	–	–	–	–	3,308
Refundable deposits	16,369	10,695	121,102	176	13,899		162,240
	₱15,074,028	₱1,470,734	₱127,175	₱7,022	₱151,679	₱–	₱16,830,787

Financial assets are considered past due when collections are not received on due date.

Past due accounts which pertain to trade receivables from sale of condominium units and club shares are recoverable since the legal title and ownership of the condominium units and club shares will only be transferred to the customers upon full payment of the contract price. In case of cancellation, the condominium units and club shares become available for sale. The fair value of the condominium units amounted to ₱21.9 billion and ₱23.3 billion as at December 31, 2018 and 2017, respectively. The fair value of the club shares amounted to ₱0.2 million and ₱0.2 million as at December 31, 2018 and 2017.

Past due accounts pertaining to lease are recoverable because security deposits and advance rent paid by the tenants are sufficient to cover the balance in case of default or delinquency of tenants.

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using vintage analysis in 2018:

	High-end	**Affordable**	**Total**
Expected credit loss rate	**0.0%**	**0.0%**	**0.0%**
Estimated total gross carrying amount at default	**₱19,797,103**	**₱73,997**	**₱19,871,100**

Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. As at December 31, 2018 and 2017, 21% and 11% of the Group's debt will mature in less than one year as at December 31, 2018 and 2017, respectively.

The liquidity risk of the Group arises from their financial liabilities. The tables below summarized the maturity profile of the Group's financial liabilities at December 31, 2018 and 2017 based on contractual undiscounted payments.

	2018				
	On Demand	**Due Within 3 Months**	**Due Between 3 and 12 Months**	**Due After 12 Months**	**Total**
Trade and other payables*	**₱–**	**₱2,527,453**	**₱4,459,181**	**₱–**	**₱6,986,634**
Interest-bearing loans and borrowings**	–	**1,550,322**	**3,653,021**	**19,096,580**	**24,299,923**
Installment payable	–	–	–	**571,748**	**571,748**
Retention payable***	–	–	**146,427**	**1,224,578**	**1,371,005**
Security deposits***	–	–	**221,259**	**258,731**	**479,990**
	₱–	**₱4,077,775**	**₱8,479,888**	**₱21,201,887**	**₱33,759,550**

	2017				
	On Demand	Due Within 3 Months	Due Between 3 and 12 Months	Due After 12 Months	Total
Trade and other payables*	₱–	₱2,714,519	₱4,370,312	₱–	₱7,084,831
Interest-bearing loans and borrowings**	–	412,000	1,608,014	17,888,762	19,908,776
Installment payable	–	–	–	544,957	544,957
Retention payable***	–	–	271,912	815,735	1,087,646
Security deposits***	–	–	76,876	230,627	307,503
	₱–	₱3,126,519	₱6,327,114	₱19,480,081	₱28,933,713

**Excluding the current portion of retention payable and security deposits, deposits from pre-selling of condominium units and excess of collections over recognized receivables and other statutory payables.*
***Principal payments*
****Presented as part of "Trade and other payables" and "Deposits and other liabilities" accounts in the consolidated statements of financial position.*

Maturity Profile of Financial Assets and Contract Asset Held for Liquidity Purposes

The table below shows the maturity profile of the Group's financial assets and contract asset based on contractual undiscounted cash flows as at December 31:

	2018					
	On Demand	**Within 30 Days**	**31 to 60 Days**	**61 to 90 Days**	**Over 90 Days**	**Total**
Cash and cash equivalents	**₱646,204**	**₱1,409,276**	**₱–**	**₱–**	**₱–**	**₱2,055,480**
Trade receivables from:						
Sale of condominium units	**–**	**3,677,506**	**–**	**–**	**–**	**3,677,506**
Lease	**336,227**	**37,795**	**3,154**	**–**	**1,227**	**378,403**
Contract assets	**–**	**336,126**	**2,530,540**	**667,538**	**19,483,301**	**23,017,505**
Investment in equity instruments at FVOCI	**–**	**–**	**–**	**–**	**23,308**	**23,308**
	₱982,431	**₱5,460,703**	**₱2,533,694**	**₱667,538**	**₱19,507,836**	**₱29,152,202**

	2017					
	On Demand	Within 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Cash and cash equivalents	₱1,157,147	₱1,405,645	₱–	₱–	₱–	₱2,562,942
Trade receivables from:						
Sale of condominium units	16,446,995	1,014,941	164,840	152,897	896,675	18,676,348
Lease	221,915	12,969	678	–	9	235,571
Available-for-sale investments	–	–	–	–	16,808	16,808
	₱17,826,057	₱2,433,555	₱165,518	₱152,897	₱913,492	₱21,491,669

Capital Management Policy

The primary objective of the Group's capital management is to maximize shareholder value by maintaining a healthy balance between debt and equity (capital) financing in support of its business requirements.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2018 and 2017.

The Group monitors its capital adequacy using the net debt-to-equity ratio, which is interest-bearing loans and borrowings less cash and cash equivalents divided by equity. The Group's policy is to limit the net debt-to-equity ratio to 1.0x.

The Group is required to maintain debt-to-equity ratio as set forth in the Fixed Rate Corporate Notes Facility Agreement and Bonds. The Agreement provides for a higher debt to equity ratio than the internal limit set by the Group (see Note 16).

	2018	2017
Interest-bearing loans and borrowings	**₱24,226,816**	₱19,908,766
Less cash and cash equivalents	**2,055,480**	2,562,942
Net	**22,171,336**	17,345,824
Equity	**19,288,453**	17,714,758
Net debt-to-equity ratio	**1.15**	0.98

31. Fair Value Measurement

Set out below is a comparison by class of carrying values and fair values of the Group's assets and liabilities for which fair values are determined for measurement and/or disclosure as at December 31, 2018 and 2017.

			2018		
	Carrying Value	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Assets					
Investment properties (see Note 12)	**₱12,517,057**	**₱25,723,787**	**₱–**	**₱8,391,472**	**₱17,730,000**
Investment in equity instruments at FVOCI	**23,308**	**23,308**	**20,000**	**–**	**3,308**
	₱12,540,365	**₱25,747,095**	**₱20,000**	**₱8,391,472**	**₱17,733,308**
Liabilities					
Interest-bearing loans and borrowings (including noncurrent portion)	**₱24,226,816**	**₱21,888,599**	**₱–**	**₱–**	**₱21,888,599**
Installment payable	**571,748**	**583,511**	**–**	**–**	**583,511**
Retention payable (including noncurrent portion)	**1,371,005**	**1,210,777**	**–**	**–**	**1,210,777**
Security deposits (including noncurrent portion)	**479,990**	**343,241**	**–**	**–**	**343,241**
	₱26,649,559	**₱24,026,129**	**₱–**	**₱–**	**₱24,026,129**

			2017		
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets					
Loans and receivables:					
Sale of condominium units (including noncurrent portion)	₱13,224,246	₱23,339,483	₱–	₱23,339,483	₱–
Investment properties (see Note 12)	11,668,243	28,677,869		8,391,472	20,286,397
Available-for-sale financial assets	16,808	16,808	13,500	–	3,308
	₱24,909,297	₱52,034,160	₱13,500	₱31,730,955	₱20,289,705
Liabilities					
Other financial liabilities:					
Interest-bearing loans and borrowings (including noncurrent portion)	₱19,908,776	₱20,656,835	₱–	₱–	₱20,656,835
Installment payable	544,957	576,502	–	–	576,502
Retention payable (including noncurrent portion)	1,087,645	1,006,973	–	–	1,006,973
Security deposits (including noncurrent portion)	307,503	317,314	–	–	317,314
	₱21,848,881	₱22,557,624	₱–	₱–	₱22,557,624

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and Cash Equivalents, Trade Receivables from Sale of Condominium Units, Trade Receivables from Lease, Other Receivables, Restricted Cash, Refundable Deposits and Trade and Other Payables. Due to the short-term nature of transactions, the carrying values of these instruments approximate the fair values as at financial reporting period.

Investments in Equity Securities. The fair values of quoted equity securities were determined by reference to published two-way quotes of brokers as at financial reporting date. Unquoted equity securities for which no other reliable basis for fair value measurement is available, were valued at cost, net of impairment, if any.

Interest-bearing Loans and Borrowings. The fair values of fixed rate loans were calculated by discounting the expected future cash flows at prevailing credit adjusted BVAL interest rates ranging from 5.4% to 7.5% as at December 31, 2018 and credit adjusted PDEx interest rates from 3.2% to 5.7% as at December 31, 2017.

Installment Payable. The fair value of installment payable were calculated by discounting the expected cash flows at prevailing credit adjusted PDEx interest rates ranging from 5.4% to 7.5% as at December 31, 2018 and from 3.2% to 5.7% as at December 31, 2017.

Retention Payable and Security Deposits. The fair values were calculated by discounting the expected future cash flows at prevailing credit adjusted PDEx interest rates ranging from 5.4% to 7.5% as at December 31, 2018 and from 3.2% to 5.7% as at December 31, 2017.

For the years ended December 31, 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

32. Basic/Diluted Earnings Per Share Computation

	2018	2017	2016
	(In Thousands, Except Numbers of Shares and Per Share Data)		
Net income attributable to equity holders of the Parent Company	**₱2,546,847**	₱2,110,245	₱1,823,981
Dividends on preferred shares	**(1,650)**	(1,650)	(1,650)
Net income attributable to common shares (a)	**2,545,197**	2,108,595	1,822,331
Common shares at beginning of year	**6,116,762,198**	6,116,762,198	6,116,762,198
Weighted average number of common shares – basic (b)	**6,116,762,198**	6,116,762,198	6,116,762,198
Dilutive potential common shares under the ESOP	**12,158,791**	9,513,500	4,183,823
Weighted average number of common shares – diluted (c)	**6,128,920,989**	6,126,275,698	6,120,946,021
Per share amounts:			
Basic (a/b)	**₱0.4161**	₱0.3447	₱0.2979
Diluted (a/c)	**₱0.4153**	₱0.3442	₱0.2977

33. Segment Information

PFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker.

For management purposes, the Group’s operating segments is determined to be business segments as the risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group manages its operations under the following business segments:

- *Residential Development* is engaged in the development, selling, and property management of all residential projects of the Group. It also includes the operations of the Rockwell Club.

- *Commercial Development* is engaged in the sale, leasing and other related operations in the course of the management of commercial buildings or spaces used for retail and office leasing, including cinema operations.

- *Hotel* segment is engaged in leasing of serviced apartments and management of hotel and resort operations. Its hotel portfolio includes serviced apartments located in Edades Towers and Garden Villas, and The Grove and Joya Lofts and Towers until 2017 where its operations were discontinued.

The Group does not have any customers which constitutes 10% or more of the Group's revenue.

Management monitors the operating results of each business unit separately for the purpose of making decisions about resource allocation and performance assessment. Performance is evaluated based on net income for the year and earnings before interest, taxes and depreciation and amortization, or *EBITDA*. Net income for the year is measured consistent with consolidated net income in the consolidated financial statements. *EBITDA* is measured as net income excluding depreciation and amortization, interest expense and provision for income tax. *EBITDA* is a non-GAAP measure.

The Group centrally manages cash and its financing requirements, income taxes and resource allocation. Resource allocation are measured against profitability among potential investments and made in view of the Group's existing business portfolio.

The President, the Group's chief operating decision maker, monitors operating results of its business segments separately for the purpose of performance assessment and making recommendations to the Board about resource allocation. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit and loss in the consolidated financial statements.

Disclosure of the geographical information regarding the Group's revenues from external customers and total assets have not been provided since all of the Group's consolidated revenues are derived from operations within the Philippines.

Business Segments

The following tables present information regarding the Group's residential development and commercial development and hotel business segments:

	2018			
	Residential Development	**Commercial Development**	**Hotel**	**Total**
Revenue	**₱13,411,276**	**₱1,989,530**	**₱283,489**	**₱15,684,295**
Costs and expenses	**(10,508,472)**	**(774,885)**	**(209,807)**	**(11,493,164)**
Share in net income of a joint venture	**–**	**270,595**	**–**	**270,595**
Other income - net	**3,175**	**77**	**21**	**3,273**
EBITDA	**2,905,979**	**1,485,317**	**73,703**	**4,464,999**
Depreciation and amortization				**(658,585)**
Interest expense				**(309,173)**
Provision for income tax				**(955,190)**
Consolidated net income				**₱2,542,051**

	2018			
	Residential Development	**Commercial Development**	**Hotel**	**Total**
Assets and Liabilities				
Segment assets	**₱36,273,899**	**₱586,061**	**₱346,822**	**₱37,206,782**
Investment properties	**–**	**12,517,057**	**–**	**12,517,057**
Investment in joint venture and associate	**–**	**3,357,375**	**–**	**3,357,375**
Property and equipment	**2,457,215**	**735,640**	**706,832**	**3,899,687**
Total assets	**₱38,731,114**	**₱17,196,133**	**₱1,053,654**	**₱56,980,901**
Segment liabilities	**₱32,509,116**	**₱3,476,518**	**₱129,592**	**₱36,115,226**
Deferred tax liabilities -net	**1,577,222**	**–**	**–**	**1,577,222**
	₱34,086,338	**₱3,476,518**	**₱129,592**	**₱37,692,448**

	2017			
	Residential Development	Commercial Development	Hotel	Total
Revenue	₱12,566,999	₱1,423,700	₱312,694	₱14,303,393
Costs and expenses	(10,189,897)	(508,093)	(237,262)	(10,935,252)
Share in net income of a joint venture	–	264,763	–	264,763
Other income - net	(1,377)	–	(1)	(1,378)
EBITDA	2,375,725	1,180,370	75,431	3,631,526
Depreciation and amortization				(491,711)
Interest expense				(250,983)
Provision for income tax				(799,661)
Consolidated net income				₱2,089,171
Assets and Liabilities				
Segment assets	₱30,493,074	₱422,139	₱592,979	₱31,508,190
Investment properties	813,542	10,650,215	204,486	11,668,243
Investment in joint venture	–	2,881,116	–	2,881,116
Property and equipment	1,498,014	716,782	626,650	2,841,446
Total assets	₱32,804,630	₱14,670,252	₱1,424,115	₱48,898,997
Segment liabilities	₱26,792,169	₱3,154,420	₱171,434	₱30,118,023
Deferred tax liabilities -net	1,066,216	–	–	1,066,216
	₱27,858,385	₱3,154,420	₱171,434	₱31,184,239

	2016			
	Residential Development	Commercial Development	Hotel	Total
Revenue	₱11,040,158	₱1,324,416	₱346,729	₱12,711,303
Costs and expenses	(8,876,504)	(456,690)	(258,127)	(9,591,321)
Share in net income of joint venture	–	254,231	–	254,231
Other income - net	4,031	–	–	4,031
EBITDA	2,167,685	1,121,957	88,602	3,378,244
Depreciation and amortization				(500,265)
Interest expense				(389,848)
Provision for income tax				(671,897)
Consolidated net income				₱1,816,234

34. Supplemental Disclosure of Cash Flow Information

The changes in the Group's liabilities arising from financing activities are as follows:

	January 1, 2018	**Cash Flows**	**Reclassification from Noncurrent to Current**	**Net Amortization of Discount**	**December 31, 2018**
Current portion of interest-bearing loans and borrowings	**₱2,020,014**	**(₱2,020,014)**	**₱5,173,729**	**₱–**	**₱5,173,729**
Interest-bearing loans and borrowings - net of current portion	**17,888,752**	**6,336,834**	**(5,173,729)**	**1,230**	**19,053,087**
Installment payable	**544,957**	**–**	**–**	**26,971**	**571,748**
Total liabilities from financing activities	**₱20,453,723**	**₱4,319,279**	**₱–**	**₱28,201**	**₱24,798,564**

	January 1, 2017	Cash Flows	Reclassification from Noncurrent to Current	Net Amortization of Discount	December 31, 2017
Current portion of interest-bearing loans and borrowings	₱1,711,506	(₱1,711,506)	₱2,020,014	₱–	₱2,020,014
Interest-bearing loans and borrowings - net of current portion	13,922,440	5,992,979	(2,020,014)	6,653	17,888,752
Installment payable	521,054	–	–	23,903	544,957
Total liabilities from financing activities	₱16,155,000	₱4,281,473	₱–	₱30,556	₱20,453,723

35. Events after Reporting Period

On March 13, 2019, Rockwell Primaries' BOD approved the subscription to 1,000,000 Series A shares of Rockwell Primaries South at par value of ₱100.00 each for a total amount of ₱100.0 million by way of conversion of advances into equity.

SGV
Building a better
working world

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Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Rockwell Land Corporation
2F 8 Rockwell
Hidalgo Drive, Rockwell Center
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Rockwell Land Corporation and its subsidiaries as at December 31, 2018 and 2017, and for each of the three years in the period ended December 31, 2018, and have issued our report thereon dated March 13, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Gaile A. Macapinlac

Gaile A. Macapinlac
Partner
CPA Certificate No. 98838
SEC Accreditation No. 1621-A (Group A),
March 21, 2017, valid until March 20, 2020
Tax Identification No. 205-947-572
BIR Accreditation No. 08-001998-126-2017,
February 9, 2017, valid until February 8, 2020
PTR No. 7332571, January 3, 2019, Makati City

March 13, 2019

ROCKWELL LAND CORPORATION

INDEX TO SUPPLEMENTARY SCHEDULES Form 17-A, Item 7

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE A – FINANCIAL ASSETS
As of December 31, 2018

Name of Issuing Entity and Association of Each Issue	Number of Share or Principal Amount	Amount in the Balance Sheet	Value based on Market Quotation at end of reporting period	Income Received and Accrued
(Amount in thousands)				
Loans and Receivable				
A.) Cash		₱2,055,480	₱2,055,480	₱5,000
B.) Trade receivables:				
- Sale from Condominium Units		3,677,506	21,944,436	1,769,431
- Lease		378,403	378,403	–
C.) Advances to officers and employees		43,067	43,067	–
D.) Others		163,316	163,316	–
E.) Refundable Deposits		78,368	78,368	–
Available for sale securities				
A.) Quoted	1 share	20,000	20,000	–
B.) Unquoted		3,308	3,308	–

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
As of December 31, 2018

Name	Beginning balance	Additions	Deductions	Ending balance		Total
				Current	Non-Current	
Accounts Receivable						
Officers & Directors	₱111,828,701	₱-	₱37,576,533	₱31,277,500	₱42,974,667	₱74,252,167
Employees	230,291,105	-	45,632,973	15,931,778	168,726,354	184,658,132
TOTAL	**₱342,119,806**	**₱-**	**₱84,979,638**	**₱21,326,715**	**₱326,368,018**	**₱342,119,806**

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE C – ACCOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
As of December 31, 2018

Name and Designation of Debtor	Beginning balance	Additions	Amounts Collected	Current	Non-Current	Ending balance
Rockwell Leisure Club Inc.	₱12,160,614	₱21,075,219	₱(38,646,895)	₱(5,411,062)	–	₱(5,411,062)
Rockwell Integrated Property Services, Inc.	₱39,197,362	₱29,204,363	₱(66,559,490)	₱1,842,235	–	₱1,842,235
Rockwell Primaries Development Corporation	₱1,658,630,733	₱735,558,944	₱(30,097,617)	₱1,036,000,000	₱ 1,328,092,060	₱2,364,092,060
Stonewell Property Development Corporation	₱1,012,113	-	₱(24,616)	₱987,497	–	₱987,497
Primaries Properties Sales Specialists Inc.	₱1,598,014	₱80,191	-	₱1,678,205	–	₱1,678,205
Rockwell Hotels & Leisure Management Corp	₱19,818,664	₱1,113,592.00	₱(14,862,115)	₱6,070,141	–	₱6,070,141
Retailscapes, Inc.	₱25,576,415	₱354,347,739	-	-	₱379,924,154	₱379,924,154
Rockwell MFA Corp.	₱211,649,193	₱400,310,013	₱(407,729,936)	₱164,000,000	₱40,229,270	₱204,229,270

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE D – INTANGIBLE ASSETS – OTHER ASSETS
As of December 31, 2018

Description	Beginning balance	Additions at Cost	Charged to Cost & Expenses	Charged to Other Accts	Other Changes	Ending balance
N/A	N/A	N/A	N/A	N/A	N/A	N/A

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE E – LONG TERM DEBT
As of December 31, 2018

Title of Issue & Type of Obligation	Amount Authorized by Indenture	Current Portion of Long-Term Debt	Long-Term Debt (net of Current Portion)	Average Interest Rate	No. of Periodic Installments	Maturity Date
Philippine Peso, 7-Year FRCN due 2020	3,140,000,000	1,612,000,000	1,528,000,000	4.83%	5	1/7/2020
Philippine Peso, 7-year & 1 quarter fixed-rate retail peso bonds due on 2021	5,000,000,000	-	5,000,000,000	5.09%	1	2/15/2021
Philippine Peso, 7-year fixed-rate loan due 2023	926,400,000	147,200,000	779,200,000	4.44%	18	3/17/2023
Philippine Peso, 7-year fixed-rate loan due 2024	4,000,000,000	210,000,000	3,790,000,000	5.63%-6.74%	21	8/10/2024
						9/29/2024
						10/26/2024
						12/22/2024
Philippine Peso, 10-year fixed-rate loan due 2026	3,342,338,710	315,322,581	3,027,016,129	5.00%-6.24%	30	5/31/2026
						6/17/2026
						6/17/2026
						6/17/2026
						6/17/2026
Philippine Peso, 1-Year fixed-rate notes due 2019	568,280,051	29,017,934	539,262,117	5.00%	2	12/23/2019
Philippine Peso, 2-Year fixed-rate notes due 2020	703,210,956	238,719,136	464,491,820	5.00%-5.68%	22	1/28/2020
					2	1/25/2020
Philippine Peso, 3-Year fixed-rate notes due 2021	3,224,647,125	570,037,486	2,654,609,639	5.00%-5.99%	12	3/15/2021
					12	4/6/2021
					36	6/30/2021
					36	6/28/2021
					12	7/12/2021
					40	12/15/2021
					1	8/22/2021
					36	8/30/2021
					1	9/27/2021
					1	10/12/2021
Philippine Peso, 4-year fixed-rate loan due 2022	41,000,000	-	41,000,000	7.15%	1	12/31/2022
Philippine Peso, 5-Year fixed-rate notes due 2019	117,446,195	117,446,195	-	5.69%	1	12/22/2019
Philippine Peso, 1-Year	1,800,000,000	1,800,000,000	-	4.90%-6.25%	1	1/0/1900
						1/0/1900

floating-rate notes due 2019						7/25/2019
						1/0/1900
						1/0/1900
Philippine Peso, 7-year floating-rate loan due 2023	481,600,000	73,600,000	408,000,000	4.76%	19	6/28/2023
Philippine Peso, 10-year floating-rate loan 2026	955,000,000	90,000,000	865,000,000	4.27%	30	3/17/2026

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE F – INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
As of December 31, 2018

Name of Related Party	Beginning balance	Ending balance
N/A	N/A	N/A

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE G – GUARANTEES OF SECURITIES OF OTHER ISSUERS
As of December 31, 2018

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed & Outstanding	Amount owed by Person for which Statement is filed	Nature of Guarantee
N/A	N/A	N/A	N/A	N/A

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE H – CAPITAL STOCK
As of December 31, 2018

				Number of Shares Held By		
Title of Issue	**Number of Shares Authorized**	**Number of Shares Issued and Outstanding**	**Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights**	**Related Parties**	**Directors, Officers and Employees**	**Others**
Common Shares	8,890,000,000	6,116,762,198(a)	42,644,000	5,296,015,375	24,715,315	796,031,508
Preferred Shares	11,000,000,000	2,750,000,000	0	2,750,000,000	0	0

(a) *Net of treasury shares of 126,620,146*

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE I – LIST OF APPLICABLE STANDARDS AND INTERPRETATIONS
As of December 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		**Adopted**	**Not Adopted**	**Not Applicable**
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	✓		
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions	✓		
PFRS 3	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes			✓
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓

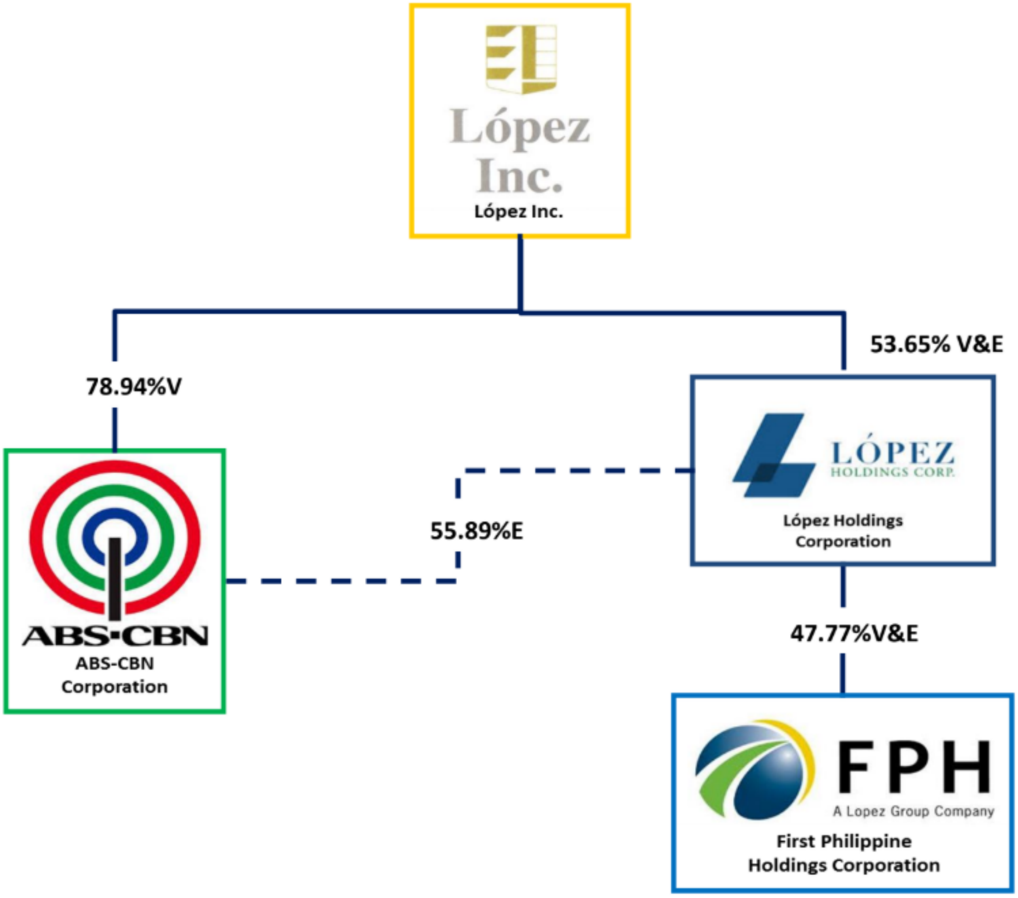
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		**Adopted**	**Not Adopted**	**Not Applicable**
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements	✓		
PAS 28	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property	✓		
	Amendments to PAS 40, Transfers of Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease			✓
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2018**		**Adopted**	**Not Adopted**	**Not Applicable**
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment	✓		
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners	✓		
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies			✓
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases—Incentives			✓
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets—Web Site Costs			✓

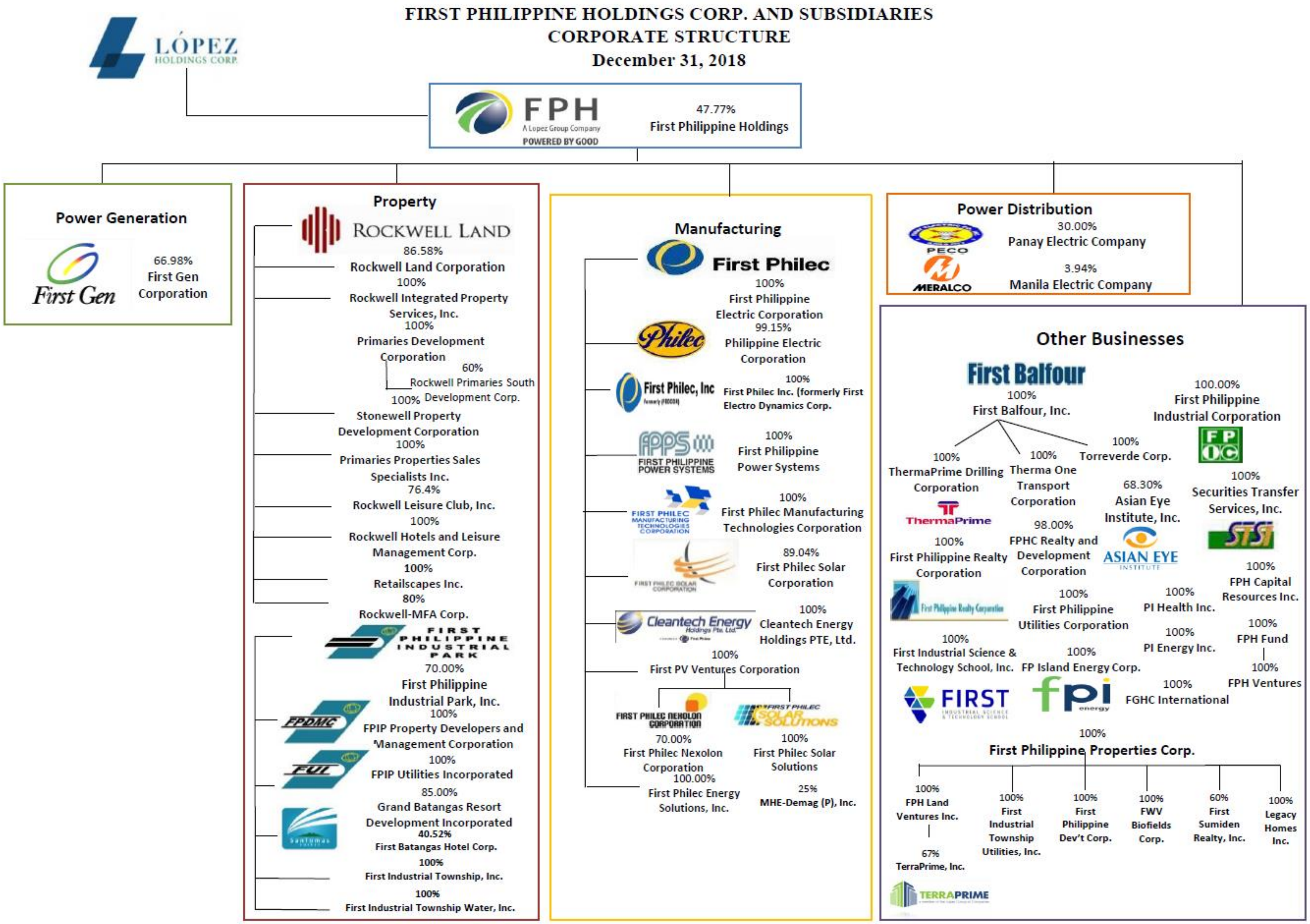
ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE J – RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
As of December 31, 2018
Amount in thousands

	Amount
Unappropriated retained earnings, beginning	₱5,731,176
Adjustments:	
Effect of adoption of new accounting standard	(430,254)
(See adjustments in previous year's reconciliation)	(67,829)
Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning	5,233,093
Add:	
Net income during the year closed to retained earnings	2,223,122
Less:	
Appropriation of retained earnings, net of reversal	(2,000,000)
Dividend declaration	(419,425)
Unappropriated retained earnings available for dividend, as adjusted, ending	₱5,036,790

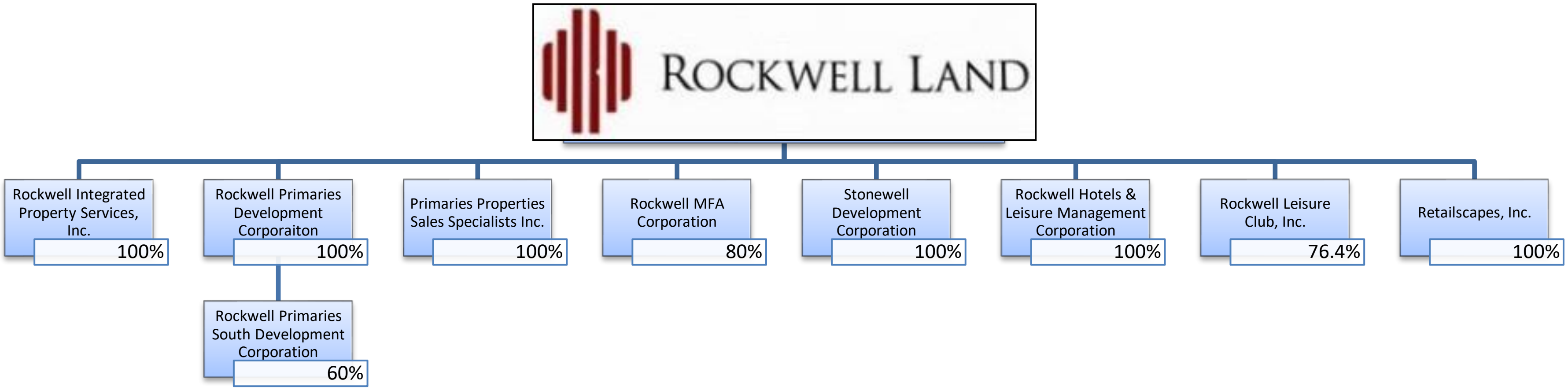
ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE K - MAP OF RELATIONSHIPS OF COMPANIES WITHIN THE GROUP(A)
As of December 31, 2018



ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE K – MAP OF RELATIONSHIPS OF COMPANIES WITHIN THE GROUP (B)
As of December 31, 2018



ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE K – MAP OF RELATIONSHIPS OF COMPANIES WITHIN THE GROUP(C)
As of December 31, 2018



ROCKWELL LAND CORPORATION AND SUBSIDIARIES
SCHEDULE L – FINANCIAL RATIOS
As of December 31, 2018

KPI	2018	2017	2016
EBITDA (P)	4.5 billion	3.6 billion	3.4 billion
Current Ratio (x)	2.19	2.96	3.01
Net DE Ratio (x)	1.15	0.98	0.91
Asset to Equity Ratio (x)	2.95	2.76	2.58
Interest coverage ratio (x)	3.85	4.73	4.54
ROA	4.80%	4.68%	4.80%
ROE	13.74%	12.51%	12.20%
EPS (P)	0.42	0.34	0.30

Notes:
(1) EBITDA [Net Income + (Interest Expense, Provision for Income Tax, Depreciation & Amortization)]
(2) Current ratio [Current assets/Current liabilities]
(3) Net debt to equity ratio [(Total Interest bearing debt)-(Cash and cash equivalents) / Total Equity]
(4) Assets to Equity Ratio [Total Assets/Total Equity]
(5) Interest coverage ratio [EBITDA/ Total interest payments]
(6) ROA [Net Income/Average Total Assets]
(7) ROE [Net Income/ Average Total Equity]
(8) EPS [Net Income/number of common shares outstanding]

ROCKWELL LAND

Report of the Audit Committee

(For the year ended December 31, 2018)

The Audit Committee's roles and responsibilities are defined in the Corporate Governance Manual of Rockwell Land Corporation and the Audit Committee Charter. We assist the Board of Directors in fulfilling its oversight responsibility to the shareholders relating to: a) Integrity of financial statements and the financial reporting process; b) Appointment, re-appointment, remuneration, qualifications, independence and performance of independent auditor; c) Effectiveness of internal control system; d) Review of the sufficiency and effectiveness of the risk management process; and e) Oversight on Internal Audit function. We confirm that:

1) An Independent Director chairs the Audit Committee. Two out of the three members of the Audit Committee are independent directors;
2) We had five Committee meetings during the year, four regular meetings and one special committee meeting, all of which are in-person meetings;
3) We have reviewed and approved the 2018 Internal Audit Plan, including its scope, resources and the subsequent changes thereto;
4) We have reviewed and discussed the reports of the Internal Auditors, ensuring that management is taking appropriate corrective actions in a timely manner, including addressing internal controls and compliance issues;
5) We have discussed and approved the overall scope and audit plan of SGV & Co. for the audit of 2018 Financial Statements. We have also discussed the results of their audits and their assessment of Rockwell Land's internal control and the overall quality of the financial reporting process;
6) We have reviewed and discussed the quarterly unaudited financial statements and year-end audited financial statements of Rockwell Land with the Management and SGV & Co.;

These activities were performed in the following context:

- The management has the primary responsibility for the financial statements and the financial reporting process; and
- That SGV & Co. is responsible for expressing an opinion on the conformity of Rockwell Land's consolidated financial statements with the Philippine Financial Reporting Standards.

7) For the year ended December 31, 2018, Rockwell Land has engaged its independent auditor, SGV & Co. to do other audit related and non-audit services aside from the conduct of year-end financial audit. Such engagements were presented to and reviewed by the Audit Committee and concluded that the nature and scope are not incompatible with their role as independent auditor and the related fees are not significant to impair their independence;
8) We have reviewed the report on regulatory compliance and ensured that appropriate timely actions are taken and requirements are complied with;
9) We have reviewed and approved the Management Representation letter for the year ended December 31, 2018 before submission to our external auditor.

ROCKWELL LAND

Based on the reviews and discussions undertaken, and subject to the limitations on our roles and responsibilities referred to above, the Audit Committee recommends to the Board of Directors that the audited financial statements be included in the Annual Report for the year ended December 31, 2018 for filing with the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE). We are also recommending to the Board of Directors the re-appointment of SGV & Co., as Rockwell Land Corporation's independent auditor for 2019 based on the review of its performance and qualifications.

March 13, 2019

OSCAR J. HILADO
Chairman

MONICO V. JACOB
Member

FRANCIS GILES B. PUNO
Member