# COVER SHEET
## for
## AUDITED FINANCIAL STATEMENTS

**SEC Registration Number**

| 6 | 2 | 8 | 9 | 3 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|

**Company Name**

ROCKWELL LAND CORPORATION AND SUBSIDIARIES

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

THE GARAGE AT ROCKWELL CENTER, ESTRELLA ST., ROCKWELL CENTER, MAKATI CITY

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

### COMPANY INFORMATION

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

| No. of Stockholders | Annual Meeting Month/Day | Fiscal Year Month/Day |
|---|---|---|
| 48,448 | 2-Jun | 31-Dec |

### CONTACT PERSON INFORMATION

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

| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
|---|---|---|---|
| MS. ELLEN V. ALMODIEL | ellena@rockwell.com.ph | 793 0088 | |

**CONTACT PERSON'S ADDRESS**

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

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

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

**SEC Number: 62893**
PSE Number:
File Number:

**ROCKWELL LAND CORPORATION**

(Company's Full Name)

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

(Company's Address)

**(632) 793-0088**

(Telephone Number)

**December 31, 2015**

(Year Ending)

**SEC Form 17-A Annual Report**

(Form Type)

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-A**

**ANNUAL REPORT PURSUANT TO SECTION 17**

**OF THE SECURITIES REGULATION CODE AND SECTION 141**

**OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal period ended **December 31, 2015**

2. Commission Identification Number **62893**

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

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

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

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

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

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

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

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

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

Amount of Debt Outstanding
**PhP13,848,172,925**

SEC
Electronic Records Management Division
ICTD
APR 14 2016
BY:
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

11. Are any or all of the securities listed on a Stock Exchange?
Yes [**X**]No [ ]

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

12. Indicate by check mark whether the registrant:

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

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

Yes [**X** ] No [ ]

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# PART I – BUSINESS AND GENERAL INFORMATION

## Item 1 BUSINESS

**Background**

Rockwell Land Corporation (the "Company" or "Rockwell Land" ) is a premier property developer for residential and commercial projects that cater to the high-end and upper-mid markets mainly in Metro Manila. It is primarily engaged in the residential development of high-rise condominiums as well as in retail and office leasing and serviced apartment operations.

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

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

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

On June 28, 2012 and July 27, 2012, FPH purchased additional shares of the Company from Beacon Electric Asset Holdings, Inc. and San Miguel Corporation, respectively. As of December 31, 2015, FPH 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 1999 to establish, own, manage, operate and carry on the business of maintaining and cleaning buildings and other facilities.

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 2nd 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.

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

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

Rockwell Hotels & Leisure Management Corporation (Rockwell Hotels), a wholly owned subsidiary of the Company, was incorporated last June 20, 2013 for the management of hotel and resort operations.

Retailscapes Inc., a wholly owned subsidiary of the Company, was incorporated in November 2014 to develop and operate pocket retail projects of the Company.

The Company also has ownership in Rockwell Leisure Club Inc. (RLCI), owning 1,500 ordinary shares and 765 proprietary shares. RLCI is a non-profit premier leisure club created to complement Rockwell Land's exclusive lifestyle concept. Opened in December 1999, the Rockwell Club offers its resident members and proprietary shareholders a first-class social, sports and recreational facility within the Rockwell Center.

**<u>Business Segments</u>**

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 50% of the Company's EBITDA. Its portfolio of completed projects comprises of the following:

**West Block Residential Towers (2000)**

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

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

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

**The Manansala (2005)**

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

**Joya Lofts and Towers (2008)**

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

**One Rockwell (2011)**

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

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

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

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

**Edades Tower and Garden Villas (2015)**

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

**205 Santolan by Rockwell (2015)**

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

**The Alvendia (2015)**

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

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

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

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

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

The final phase of the Company's first project outside of Rockwell Center was launched last July 2011. The completion of the last 2 towers will be in 2016 and commencement of turnover in the same year will stand as a testament of Rockwell's expansion within the Metro.

**53 Benitez (completion by 2016)**

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

**The Proscenium (completion by 2020)**

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

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

**32 Sanson (completion by 2019)**

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 1$^{st}$ phase and 253 units for the 2$^{nd}$ phase for a total of 388 units. The project was launched in January 2014 and the 1$^{st}$ phase is scheduled for completion in 2016.

**The Vantage at Kapitolyo (completion by 2020)**

The Vantage at Kapitolyo, Primaries' first integrated vertical high-rise condominium, was launched on August 2015. Strategically located at the center of the Metro's major commercial centers, this two-tower residential development that includes a podium with a two-story retail area aims to provide easy access to central business districts, academic institutions and hospitals.

**Stonewell (completion by 2017)**

Rockwell Land's first affordable housing project is situated in a 5.9 hectare property in Sto. Tomas, Batangas. The project features 564 socialized housing units and 188 economic units which will be completed and turned over in 2017.

## COMMERCIAL DEVELOPMENT

The Commercial development segment of the Company develops, leases and manages its retail and office developments. As of 2015, the Company has a total portfolio of 144,608 sqm of leasable space.

### Power Plant Mall

The Power Plant Mall is a four-level shopping center of 41,281 sqm. leasable area with three (3) levels of parking. The Power Plant Mall provides the leisure component for the occupants of the residential towers and offices within the Rockwell Center.

With the aim of providing its patrons with a better recreational experience, Rockwell Land commenced the expansion of Power Plant Mall during the last quarter of 2015. The new and improved Mall is expected to house a more comprehensive portfolio of brands and dining concepts as well as a larger chapel. The expansion will provide additional 5,012 sqm of leasable space by 2017.

### Other Retail Spaces

The Company also maintains 8,459 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.

### Rockwell Business Center (RBC)

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

Rockwell Business Center is the Company's first venture into the office market. It contains three towers that have a total leasable area of 76,831 sqm of office and 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 and offers 18,037 sqm of net leasable space. 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 (pharmaceutical), Ogilvy (international advertising agency) and Estee Lauder (leading global cosmetics company), to name a few.

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

### RBC - Sheridan

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

### Santolan Town Plaza

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

## HOTEL OPERATIONS

**Aruga by Rockwell**

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

Following the success of its first project in the hotel business, the Company is set to launch the 80-keys Aruga at The Grove in 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.

## 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 72% of sales in the last three years. 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 74, consists of regular employees and is headed by licensed brokers. The Company also has an in-house leasing team which handles leasing of tenants for its retail and office business.

The Company maintains websites and various model units which serve as touch points for its customers. Beginning in late 2011, it has again tapped the Filipinos living overseas or abroad through international roadshows. Since 2013, the Company formally organized an International Sales team which is focused on servicing the current international markets as well as establishing new markets.

## Competition

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

As a luxury property developer, the Company competes with Ayala Land Premier, Shang Properties, and Century Properties. For its Primaries brand, the Company competes with the likes of Avida Land, Robinsons Land, and DMCI Homes. Rockwell Land is able to effectively compete in the high-end and middle market segments based on reputation, quality, reliability, location, amenities, and price.

With respect to the socialized and economic housing segments, the Company competes with Amaia, Camella Homes, DMCI Homes, and SM Development Corporation.

Rockwell Land believes that its competitors in the retail segment include Ayala Land, Shang Properties, and Ortigas & Company. The Company competes based on reputation, quality, and tenant mix. For its office segment, the Company considers Robinsons Land, Megaworld, and Ayala Land 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 and Discovery. 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 131 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

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

PROSCENIUM AT ROCKWELL

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

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

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

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

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

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

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

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

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

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

2. THE GORGEOUS MESS
   TM Appl. No. 4-2015-504659 filed on 17 August 2015

3. BRICKS TO CLICKS
   TM Appl. No. 4-2015-504658 filed on 17 August 2015

4. RBC ORTIGAS
   TM Appl. No. 4-2015-505272 filed on 8 September 2015

5. RBC SHERIDAN
   TM Appl. No. 4-2015-505271 filed on 8 September 2015

The following registered trademark is owned by Rockwell Hotels and Leisure Corporation, a subsidiary of the Company:

1. ARUGA BY ROCKWELL
   TM Registration No. 4-2014-00001617
   Issued on 30 October 2014, valid until 30 October 2024
   Registrant: Rockwell Hotels and Leisure Corporation

The following are pending trademark applications by Rockwell Hotels and Leisure Corporation:

1. ARUGA
   TM Appl. No. 4-2015-505825/828 filed on 9 October 2015

2. ARUGA AT THE GROVE
   TM Appl. No. 4-2015-505826/829 filed on 9 October 2015

3. ARUGA BY ROCKWELL AT THE GROVE
   TM Appl. No. 4-2015-505824/827 filed on 9 October 2015

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

2. THE VANTAGE AT KAPITOLYO
   TM Appl. No. 4-2015-00503590 filed on 1 July 2015

3. THE VANTAGE PIN

TM Appl. No. 4-2015-505440 filed on 16 September 2015

The following trademark was applied for registration by Retailscapes Inc., a subsidiary of the Company:

1. RETAILSCAPES
   TM Appl. No. 4-2015-502880filed on 26 May 2015

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

3. TOWN PLAZA
   TM Appl. No. 4-2016-500579 filed on 29 January 2016

4. HILLSIDE PLAZA
   TM Appl. No. 4-2015-0054799 filed on 25 August 2015

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

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

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

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

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

On March 25, 2008, Meralco and Rockwell Land entered into a Joint Venture Agreement with respect to the property in the Meralco-Ortigas complex, Pasig City covered by TCT No. (210867) 12101 also known as the Rockwell Business Center. Under the Joint Venture agreement, Meralco and Rockwell Land entered into agreements on property management over the property, the allocation of the ownership and the sharing of the rentals over the project development. Sharing of earnings is on an 80:20 basis (80% for the Company and 20% for Meralco) until 2014 or until certain operational indicators are reached, whichever comes first, after which sharing will be on a 70:30 basis. The agreement to operate is effective for 25 years.

**Research and Development**

Although the expense for research and development did not amount to a significant percentage versus revenues, extra measures are being taken by the Company to improve its research and development function. The Company, along with its plans for expansion, has made several efforts to engage with industry consultants and research services last year. The Company's efforts to pursue research and development led its incorporation in the various business units.

**Employees**

As of December 31, 2015, Rockwell Land and its subsidiary had a total of 1,791 employees, including 860 organic employees and 931 non-organic (contractual and agency) employees. The breakdown of organic employees per business unit is as follows:

| Business Units | Number of Employees |
|---|---|
| Residential Development | 590 |
| Commercial Leasing | 76 |
| Shared | 135 |
| Hotels | 59 |
| **TOTAL** | **860** |

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

| Function | Number of Employees |
|---|---|
| Operational | 460 |
| Technical | 278 |
| Administrative | 122 |
| **TOTAL** | **860** |

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, 2015. 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** |
|---|---|---|
| **Land and improvements** | | |
| Power Plant Mall | Rockwell Center, Makati | Retail |
| Estrella lots | Estrella St., Makati City | Company use (office & storage) |
| Grove retail | The Grove, Pasig City | Company use (office and retail) |
| 8 Rockwell | Rockwell Center, Makati | Office and retail |
| Various retail spaces | The Manansala, Joya Lofts and Towers, One Rockwell, Edades, #38 Rockwell Drive -- all within Rockwell Center, Makati | Retail |
| **Land for development** | | |
| J.P Rizal property | Makati City | Residential development |
| Cebu property | Mactan, Cebu | Residential development |

| **Investment in Shares of Stock** | **No. of Shares** | **Par or Market Value and Description** |
|---|---|---|
| Rockwell Primaries Development Corporation | 500,000,000 Common Stock | ₱500.0 Million |
| Rockwell Primaries South Development Corporation (formerly ATR KimEng Land)* | 1,860,000 Common Stock | ₱186 Million |
| Stonewell Property Development Corporation | 12,500,000 Common Stock | ₱12.5 Million |
| Primaries Properties Sales Specialists Inc. | 2,500,000 Common Stock | ₱2.5 Million |
| Rockwell Integrated Property Services Inc. | 20,000,000 Common Stock | ₱20.0 Million |
| Rockwell Leisure Club Inc. | 765 Proprietary Shares available for sale and 1,500 Ordinary Shares | ₱228.6 Million |
| Rockwell Hotels & Leisure Management Corp. | 5,000,000 Common Stock | ₱5.0 Million |
| Retailscapes Inc. | 93,750,000 Common Stock | P93.8Million |

- *indirect subsidiary*

**Item 3 LEGAL PROCEEDINGS**

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

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

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

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

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

**Item 4 SUBMISSIONS OF MATTERS TO A VOTE OF SECURITY HOLDERS**

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

## PART II – SECURITIES OF REGISTRANT

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

**(1) Market Information**

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

(b) STOCK PRICES

| | Common | |
|---|---|---|
| | High | Low |
| 2015 | | |
| First Quarter......................... | 1.95 | 1.72 |
| Second Quarter .................... | 1.79 | 1.65 |
| Third Quarter ....................... | 1.72 | 1.50 |
| Fourth Quarter ..................... | 1.67 | 1.38 |

ROCK was trading at P 1.59 per share as of April 13, 2016.

(c) DIVIDENDS PER SHARE – The Company declared cash dividends in July 01, 2015 of P0.0511 per Common Share to stockholders of record as of July 15, 2015, payable on or before August 10, 2015.

The number of common and preferred shareholders of record as of December 31, 2015 was 48,448 and 1, respectively. As of December 31, 2015, 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, 2015:

| | Name | No. of Shares Held | % to Total |
|---|---|---|---|
| 1. | First Philippine Holdings Corporation | 5,296,015,375 | 86.58200% |
| 2. | PCD Nominee Corporation (Filipino) | 538,299,628 | 8.800401% |
| 3. | PCD Nominee Corporation (Foreign) | 116,280,635 | 1.901016% |
| 4. | Padilla, Nestor J. | 15,000,001 | 0.245228% |
| 5. | Lopez, Manuel M., &/Or Ma. Teresa L. Lopez | 8,869,411 | 0.145002% |
| 6. | Lopez, Manuel Moreno or Lopez, Maria Teresa Lagdameo | 3,960,000 | 0.064740% |
| 7. | Lopez, Manuel M. | 2,805,387 | 0.045864% |
| 8. | Yan, Lucio W. | 1,136,324 | 0.018577% |
| 9. | Cheng, Charlotte Cua | 886,422 | 0.014492% |
| 10. | Avesco Marketing Corporation | 801,574 | 0.013105% |
| 11. | B.P. Insurance Agency, Inc. | 792,139 | 0.012950% |
| 12. | Makati Supermarket Corporation | 677,238 | 0.011072% |
| 13. | Croslo Holdings Corporation | 584,297 | 0.009552% |
| 14. | Tan, Simeon Y. | 458,804 | 0.007501% |
| 15. | Carlos, Jose Ignacio A. | 455,667 | 0.007449% |
| 16. | Tan, Lozano | 422,730 | 0.006911% |
| 17. | Flordeliza, Virgilio C. | 398,550 | 0.006516% |
| 18. | Aquino, Antonio T., &/Or Evelina S. Aquino | 377,231 | 0.006167% |
| 19. | BP Insurance Agency, Inc. | 328,969 | 0.005378% |
| 20. | Concepcion, Raul Joseph | 316,854 | 0.005180% |

Stockholders of Preferred Shares as of December 31, 2015:

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

Rock 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 | 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 | | |

## 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 in 2015 amounted to ₱1.6 billion. The Company's net income grew by 8% compounded annually since 2013. As a percentage to revenues, this year's net income was 18% for 2015 and 2014.

Total revenues grew to ₱8.9 billion in 2015, growing at a compounded annual rate of 7% since 2013. Residential development accounts for 73% of the total revenues in 2015, which is lower from its 84% share in 2014. On the other hand, Commercial development accounts for 24% of the total revenues, higher compared to 15% in 2014 mainly due the sale of office units from 8 Rockwell. The contribution of Hotel Operations likewise grew from 1% of total revenues in 2014 to 3% in 2015.

EBITDA in 2015 amounted to ₱3.1 billion representing 35% of total revenues. EBITDA is derived by adding interest expense, depreciation and amortization and provision for income tax to Net Income. EBITDA has grown annually by 9% since 2013. While EBITDA from Residential development declined by 26% in 2015, the Commercial Development increased its EBITDA by 49%, mainly from the Sale of 8 Rockwell units. On the other hand, the Hotel Operations grew its EBITDA by 974% to ₱61.8 million upon being fully operational in 2015.

The ratio of cost of real estate to total revenues registered at 50% vs. the previous year's ratio of 54% primarily due lower construction completion for The Grove Towers C-F projects, corresponding to lower cost based on completion.

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

By the end of 2015, Net debt level was at ₱11.6 billion and stands at 0.82 of total equity. The debt is composed of P10.0 billion corporate notes drawn in portion from January to August 2013, P5.0 billion proceeds from bond issuance, and P0.5 billion short-term bridge loans. Below is a table showing the key performance indicators of the Company for 2013-2015.

| KPI | 2015 | 2014 | 2013 |
|---|---|---|---|
| EBITDA (P) | 3.1 billion | 3.1 billion | 2.6 billion |
| Current Ratio (x) | 2.92 | 2.47 | 4.13 |
| Net DE Ratio (x) | 0.82 | 0.70 | 0.52 |
| Asset to Equity Ratio (x) | 2.54 | 3.04 | 3.03 |
| Interest coverage ratio (x) | 6.25 | 5.60 | 8.03 |
| ROA | 4.4% | 4.2% | 5.1% |

| KPI | 2015 | 2014 | 2013 |
|---|---|---|---|
| ROE | 12.1% | 12.9% | 13.1% |
| EPS (P) | 0.27 | 0.26 | 0.23 |

***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 2013-2015.

### Review of 2015 versus 2014

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

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

*Note:*

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

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

| | 2015 | % to Total | 2014 | % to Total | 2013 | % to Total |
|---|---|---|---|---|---|---|

| | | | | | | |
|---|---|---|---|---|---|---|
| Residential Sales[1] | 6,170 | 69% | 7,092 | 80% | 6,573 | 84% |
| Commercial Leasing | 793 | 9% | 735 | 8% | 727 | 9% |
| Office Sales[2] | 1,043 | 12% | 336 | 4% | | |
| Hotel Revenues | 260 | 3% | 90 | 1% | | |
| Others[3] | 656 | 7% | 600 | 7% | 530 | 7% |
| Total Consolidated Revenues | **8,922** | **100%** | **8,853** | **100%** | **7,830** | **100%** |

*Note:*

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

Total revenues for 2015 amounted to P8.9 billion where about 81% came from sale of residential and commercial condominium units, including accretion of interest income. Reservation sales reached ₱7.3 billion mainly coming from the Proscenium towers.

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

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

**Business Segments**

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

***Residential Development*** contributed 73% of the total revenues of 2015. Total revenues reported from the sale of condominium units, including accretion of interest income, amounted to ₱6.5 billion. The 12% decrease in this segment's revenue was primarily due to the lower completion of The Grove, Edades, and Alvendia, which were substantially complete already in 2014. EBITDA from this segment amounted to ₱1.6 billion and contributed 51% to the total EBITDA of ₱3.1 billion.

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

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

- Revenues from Retail operations amount to ₱885.4 million and accounts for 10% of total revenues. It grew by 7% vs. last year's revenues of ₱825.0 million. This mainly resulted from rental escalation and the replacement of underperforming stores with new and better performing tenants.

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

- Revenue from sale of office units amount to ₱1,043 million. This revenue pertains to revenue recognized based on completion and related interest income recognized from sale of office units of 8 Rockwell project.

- Office Leasing, operated under the Rockwell-Meralco BPO Venture, generated gross revenues of ₱517.9 million, which is higher by 60% than last year's ₱324.4 million due to higher occupancy of the third tower, which is 100% occupied as of end of the year. At its 80% share, the Company generated revenues of ₱414.3 million and share in net income of ₱170.8 million. To reiterate, only the ₱170.8 million share in net income of RBC is reflected in the Company's consolidated statements of comprehensive income as "Share in Net Losses (Income) of JV".

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

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

**Costs and Expenses**

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

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

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

***Share in Net Losses (Income) of JV*** recorded a net income of ₱170.8 million. This is a 66% increase from last year's net income of ₱102.8 million. At 80% share, the gross revenues increased by 60% to ₱ 414.3 million due to higher average occupancy rate of RBC's 3rd tower. The share in net income is reported net of taxes and represents the Company's share in the operations generated by RBC.

**Provision for Income Tax**

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

**Project and capital expenditures**

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

**FINANCIAL CONDITION**

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

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

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

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

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

<u>Statement of Comprehensive Income Items</u> – 2015 vs. 2014

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

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

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

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

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

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

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

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

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

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

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

*440% increase in Comprehensive Income*

Mainly due to remeasurement of gains (loss) on employee benefits based on Revised PAS 19 in 2013

Balance Sheet items – 2015 vs. 2014

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

*9% decrease in Trade and Other Receivable*
Mainly due to higher collections from The Grove, and Edades Tower, and Alvendia.

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

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

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

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

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

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

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

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

*30% decrease in Other Non-Current Assets*
Due to decrease in deferred input vat.

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

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

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

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

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

*8% increase in Deferred Tax Liabilities*

Primarily due to increase in revenue recognition for The Grove EF, Proscenium, Lincoln, Sakura and 32 Sanson

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

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

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

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

**Review of 2014 versus 2013**

Total revenues amounting to ₱8.9 billion grew by 13% vs. last year's ₱7.9 billion. About 80% of the revenues came from sale of condominium units and accretion of interest income. Reservation sales reached ₱12.9 billion achieving a growth of 2% from previous year's ₱ 12.6 billion where more than half came from Proscenium with its towers Sakura & Kirov (November 2012), Lincoln (February 2013), Lorraine and Garden Villa (April 2014) and Proscenium Tower (September 2014).

Total EBITDA amounted to ₱3.1 billion, which is 19% higher than last year's ₱2.6 billion driven by the growth of both Residential and Commercial Development Total EBITDA margin registered at 35% of total revenues in 2014, slightly higher than 2013's 33% due to accretion on interest income of Proscenium in 2014 and higher margins on other ongoing residential projects. Contributions to total EBITDA from residential development and commercial leasing are at 68% and 32%, respectively.

Resulting net income after tax amounts to ₱1.6 billion, up by 11% from previous year's net income of ₱1.4 billion. The net income after tax margin remained at 18% of total revenues. The effective income tax rate is lower than the statutory rate of 30% in 2014 due to the Company's share in the income of RBC, which is no longer subject to income tax.

**Business Segments**

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

***Residential Development*** revenues amounted to ₱7.4 billion comprising 84% of the total revenues of 2014. The 9% growth in this segment's revenue was primarily attributable to the full year construction completion of Alvendia, start of revenue recognition from completion for Proscenium Lincoln, and higher accretion of interest income mainly from newly launched projects, Proscenium Tower, Lorraine and Garden Villa.

EBITDA from this segment amounted to ₱2.1 billion and contributed 68% to the total EBITDA of ₱3.1 billion. The 19% EBITDA growth from last year is due mainly from higher accretion of interest income and cost savings recognition for the projects nearing completion.

***Commercial Development*** revenues amounted to ₱1.4 billion comprising 15% of the total revenues of 2014 and is 34% higher than last year's revenues of ₱1.0 billion mainly due to sale of some units in 8 Rockwell. 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 ₱825.0 million and accounted for 9% of total revenues. The 4% growth vs. last year’s revenues of ₱794.5 million is mainly from rental escalation and the replacement of underperforming stores with new and better performing tenants.

- Cinema Operations amounted to ₱ 194.4 million and accounted for 2% of the total revenues. It dropped by 12% from last year’s ₱220.5 million due to lower ticket sales and renovation of two cinemas on the 4th quarter of 2014.

- Revenue from sale of office units amounting to ₱335.5 million pertains to revenue recognized based on completion and related interest income recognized from sale of office units of 8 Rockwell project.

- Office Leasing, operated under the Rockwell-Meralco BPO Venture, generated gross revenues of ₱324.4 million, which is higher by 10% than last year’s ₱295.3 million due to higher average occupancy of the first two towers and the start of leasing income recognition for the 3rd tower. At its 80% share, the Company generated revenues of ₱259.5 million and share in net income of ₱102.8 million.

The segment’s EBITDA amounted to ₱980.7million, which accounted for 32% of the total EBITDA of ₱3.1 billion. The 18% EBITDA growth from last 2013’s ₱830.5 million is mainly from sale of office units and improved performance of Retail and Office operations.

***Hotel Operations*** has commenced for Aruga by Rockwell in Edades Tower by 2014. The segment contributed ₱89.6 million in revenues and ₱5.6million in EBITDA.

**Costs and Expenses**

***Cost of real estate and selling*** amounted to ₱5.1 billion in 2014 and is 57% of total revenues. This is slightly down from last year’s 58% ratio due to higher income from interest accretion in 2014 and recognition of cost savings for the projects nearing completion.

***General and administrative expenses (G&A)*** amounted to ₱1.1 billion and represents 13% of the total revenues. The 6% growth vs. last year’s ₱1.0 billion is due to higher depreciation & amortization expenses from new property and equipment and higher business permit incurred arising from higher collection for The Grove towers C-F, Proscenium Lincoln, Kirov, Lorraine and Edades projects.

***Interest Expense*** amounted to ₱603.8 million, which is 75% higher than last year’s ₱345.2 million. The increase was mainly due to full year recognition of interest expense for P10.0 billion corporate notes drawn in tranches in 2013 and issuance of P5.0 billion bonds on November 2013. The P10.0 billion corporate notes was secured to partially fund development costs of the ongoing projects and land acquisition while the P5.0 billion bonds issuance was to partially finance the capital expenditures of the Proscenium project. By end of 2014, total debt amounting to P15.0 billion has an average interest rate of 4.8%, same from last year’s average interest rate.

***Share in Net Losses (Income) of JV*** recorded a net income of ₱102.8 million with a 10% increase from last year’s net income of ₱93.3 million. At 80% share, the gross revenues increased by 10% to P259.5 million due to higher average occupancy rate of the first two towers and the start of leasing income recognition for the 3rd tower. The share in net income is reported net of taxes and represents the Company’s share in the operations generated by RBC.

**Provision for Income Tax**

Provision for income tax amounted to ₱613.4 million, which is 5% higher than last year's provision of ₱582.2 million. The decrease in effective tax rate is attributable to non-grant of ESOP expenses which is a non-deductible expense.

**Project and capital expenditures**

The Company spent a total of ₱8.7 billion for project and capital expenditures in 2014, which is 16% lower than same period last year. The increase was primarily due on development costs of ongoing projects.

**FINANCIAL CONDITION**

Total Assets as of December 31, 2014 amounted to ₱39.2 billion, which grew by 14% from last year's ₱34.4 billion. The increase is mainly from land acquisitions, recognition of receivables from ongoing projects and higher development costs.

Total Liabilities as of December 31, 2014 amounted to P26.3 billion, which is 14% higher than 2013's ₱23.1 billion. The increase in liabilities is primarily attributable to additional payables for construction costs of the ongoing projects and increase in cash received from buyers of Proscenium and 32 Sanson pending recognition of revenue to be applied against receivable from sale of condominium units the following year.

Current ratio as of December 31, 2014 is 2.47x from 4.13x the previous year while net debt to equity ratio increased to 0.70x in 2014 from 0.52x in 2013.

**Other Matters**

The Company's subsidiary Rockwell Primaries acquired 60% ownership in ATR KimEng Land, Inc (now Rockwell Primaries South) in December 2014.

Retailscapes, a new wholly owned subsidiary of the Company, was incorporated in November 2014 to develop and operate pocket retail projects of the Company.

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

Statement of Comprehensive Income Items – 2014 vs. 2013

*14% increase in Sale of Condominium Units*
Mainly due to full year construction completion of Alvendia and start of revenue recognition from completion for Proscenium Lincoln

*14% increase in Interest Income*
Mainly due to higher interest income accretion arising from The Grove C-F, Alvendia, 53 Benitez and Proscenium residential towers.

*13% decrease in Cinema revenues*
Due to lower occupancy rate and renovation of two cinemas in December 2014

*100% increase in Hotel revenues*
Due to start of hotel operations by Aruga Serviced Apartments in Edades Tower

*19% increase in Other revenues*
Primarily due to Other income from residential business.

*13% increase in Cost of Real Estate*
Mainly due to corresponding increase from construction completion from The Grove C-F and Alvendia projects, as well as 53 Benitez and Proscenium Lincoln which started recognition for completion on February 2014 and December 2014, respectively.

*6% increase in General and Administrative Expenses*
Primarily attributable to higher depreciation & amortization expenses and taxes & licenses

*12% decrease in Selling Expenses*
Mainly due to lower amortization of prepaid marketing costs and commission expenses.

*75% increase in Interest Expense*
Due to full year recognition of interest expense for P10.0 billion corporate notes drawn in tranches in 2013 and P5.0 bonds issued in November 2013

*10% increase in Share in Net Income of Joint Venture*
Due to higher average occupancy rate of the first two towers and the start of leasing income recognition for the 3rd tower on the 4th quarter of the year.

*6% increase in Foreign Exchange Gain*
Due to higher dollar assets and peso depreciation in 2014

*85% decrease in Comprehensive Loss*
Mainly due to remeasurement of gains (loss) on employee benefits based on Revised PAS 19 in 2013

<u>Balance Sheet items – 2014 vs. 2013</u>

*33% decrease in Cash and Cash Equivalents*
Primarily due to capital expenditures for the construction of ongoing projects and investment properties.

*61% increase in Trade and Other Receivable*
Mainly due to recognition of receivables of The Grove C-F, Alvendia, 8 Rockwell and 53 Benitez projects as it follows % completion, partially offset by substantial collection from Edades and 205 Santolan projects.

*28% decrease in Advances to Contractors*
Primarily due to recoupment and recognition as part of development costs as it follows % completion.

*180% increase in Condominium Units for Sale*
Due to completion of 205 Santolan which resulted to reclassification from land & development costs to condominium units for sale.

*30% increase in Land and development costs*
Due to additional construction costs incurred for The Grove Towers C&D and E & F, Proscenium, 53 Benitez and 32 Sanson projects.

*30% increase in Other Current Assets*
Mainly due to higher prepaid sales & marketing costs for Proscenium and 32 Sanson projects.

*44% decrease in Non-current Trade Receivables*
Due to reclassification to current year for accounts receivable due within one year.

*25% increase in Investment Properties*

Mainly attributable to the increase in construction of 8 Rockwell.

*25% increase in Investment in Joint Venture*
Mainly due to construction costs of RBC Tower 3 and the Company's share in net income of joint venture.

*15% increase in Property, Plant & Equipment*
Due to increase in construction costs incurred for Edades and The Grove Serviced Apartments and acquisition of additional property & equipment.

*28% decrease in Deferred Tax Asset*
Decrease in DTA balance of advanced rental income and unamortized past service cost.

*8% increase in Other Non-Current Assets*
Due to advance payment for land acquisition.

*79% increase in Trade and Other Payables*
Mainly attributable to additional payables for the construction costs of the ongoing projects and increase in deposit from preselling of Proscenium and 32 Sanson units.

*83% decrease in Income Tax Payable*
Due to payment of income tax for the year 2014.

*319% increase in Current Portion of Interest Bearing Loan and Borrowings*
Due to additional P1.2 billion loan amortization due within one year.

*8% decrease in Non-current Portion of Interest Bearing Loan and Borrowings*
Due to reclassification to current portion of loan amortization.

*60% decrease in Non-current Portion of Installment Payable*
Payment of installment in 2014 and reclassification to current portion of the amount payable in June 2015.

*128% increase in Deferred Tax Liabilities*
Primarily due to unrealized gain on real estate for The Grove towers A-D, 8 Rockwell, Alvendia and Proscenium Lincoln

*20% increase in Pension Liability and other employee benefits*
Due to provision for retirement benefits for the year 2014. Additional contribution to the Plan was made during the second half of the year.

*52% decrease in Deposits and other liabilities*
Due to reclassification to current portion of the deposit from preselling of Proscenium and 32 Sanson units

*26% increase in Retained Earnings*
Due to net income after tax of ₱1.6 billion, net of dividends paid to preferred and common shares amounting to P284.4 million.

**Item 7 FINANCIAL STATEMENTS**

The consolidated financial statements as of December 2015 and 2014 and for each of the three years in the period ended December 31,2015 and the Supplementary Schedules per SRC Rule 68, as amended are hereto attached as Exhibit A and Exhibit B, respectively.

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

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

The Company has engaged SGV & Co., with Mr. Roel E. Lucas as the engagement partner, for the audit of the Company's books starting 2015. 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 two fiscal years for professional services rendered by SGV & Co.

| Year ended 31 December | 2014 | 2015 |
|---|---|---|
| Audit and Audit-related fees | Php 3.0 million | Php 3.0 million |

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

## PART IV – MANAGEMENT AND CERTAIN SECURITY HOLDERS

**Item 9 DIRECTORS and EXECUTIVE OFFICERS of the ISSUER**

The overall management and supervision of the Company is undertaken by the Board of Directors. There are 11 members of the Board of Directors. The regular directors were elected during the annual meeting of the stockholders held on May 27, 2015, to serve for a term of one year and until their successors are elected and qualified. The composition of the Company's Board of Directors is as follows:

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

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

The Company's key executive officers as of December 31, 2015 are as follows:

| | |
|---|---|
| Nestor J. Padilla | President & Chief Executive Officer |
| Miguel Ernesto L. Lopez | Senior Vice-President - Property Management & Treasurer |
| Valerie Jane L. Soliven | Senior Vice-President – Rockwell Residential Development |
| Maria Lourdes L. Pineda | Senior Vice-President – Rockwell Primaries Development Corporation |
| Ellen V. Almodiel | Senior Vice-President – Finance & Accounting & CFO |
| Estela Y. Dasmarinas | Vice-President - Human Resources |
| Adela D. Flores | Vice President – Property Management |
| Julius A. Marzona | Vice-President - Project Development |
| Davy T. Tan | Vice-President – Business Development |
| Abel L. Roxas | Vice-President – Project Development |
| Divino M. Villanueva, Jr | Vice-President – Provincial Development |
| Enrique I. Quiason | Corporate Secretary |
| Esmeraldo C. Amistad | Assistant Corporate Secretary |

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

***Manuel M. Lopez*** - 73, 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 Indra Philippines Inc., Bayan Telecommunications Holdings Corporation and Rockwell Leisure Club. He is the Vice Chairman of FPH and Lopez Inc. He is a Director of ABS-CBN Corp., Manila Electric Company (MERALCO), Sky Cable Corp., among others. He is also the current Philippine Ambassador to Japan. 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*** - 86, Filipino

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Mr. Lopez has served as Vice-Chairman of Rockwell Land from 1995 to 2012 until he became Chariman Emeritus in 2012. He is currently the Chairman Emeritus of FPH, Lopez Holdings and Energy Development Corporation (EDC). Prior to this, he was the Chairman of FPH from 1986 to 2010. Mr. Lopez is also the Chairman of Asian Eye Institute, ABS-CBN Corporation and Lopez Group Foundation and Knowledge Channel Foundation, Inc. He is a member of Management Association of the Philippines and Trustee to Asia Society Philippines Foundation and Philippine Business for Education. He was the President of Lopez Holdings Corp. (formerly Benpres Holdings Corp.) from 1973 to 1986. He studied at the Harvard College and graduated cum laude (Bachelor of Arts) in 1951. He finished his Masters of Public Administration at the Littauer School of Public Administration, also at Harvard in 1955.

***Federico R. Lopez –*** 54, Filipino

Mr. Lopez is the Vice-Chairman of Rockwell Land since August 2012. He is also the Chairman and Chief Executive Officer of FPH, First Gen Corporation and Energy Development Corporation. He is also Chairman of First Philippine Industrial Park, First Philippine Electric Corporation, First Balfour, Inc., and First Philippine Industrial Corporation. He is also the Treasurer of Lopez Holdings Corporation, and is a Director of ABS-CBN Corporation. He is Chairman of the Board of Trustees of the Oscar M. Lopez Center for Climate Change Adaptation and Disaster Risk Management Foundation (OML Center) and the Sikat Solar Challenge Foundation. He is also a Trustee of the Philippine Tropical Forest Conservation Foundation, the World Wildlife Fund Philippines, and the Philippine Disasters Recovery Foundation. Mr. Lopez graduated with a Bachelor of Arts Degree with a Double Major in Economics & International Relations (Cum Laude) from the University of Pennsylvania in 1983.

***Eugenio L. Lopez III*** - 63, Filipino

Mr. Lopez has been a Director at Rockwell Land since 1995. He is the Chairman of the Board and CEO of ABS-CBN Corporation since 1997 and its President from 1993-1997. He is also the Vice Chairman and Director of Lopez Holdings Corporation. He is also the Chairman of Sky Cable Corporation, President of Sky Vision Corporation and Director of FPH and First Gen Corporation. Mr. Lopez holds 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*** - 47, Filipino

Mr. Lopez has been a Director at Rockwell Land since 2009 and was also elected as Treasurer since 2009. He also serves as Senior Vice President for Property Management of Rockwell Land. He is currently the Senior Vice President and Head of Corporate Affairs of Lopez Holdings Corporation. He is also a Director of Philippine Commercial Capital, Inc. (PCCI) and Rockwell Leisure Club, Inc. He is a trustee of Eugenio Lopez Foundation, Inc. He was previously part of the Board of Directors for Indra, Outsourced Telleserve Corporation and Meralco Millenium Foundation, Inc. and Trustee of Lopez Group Foundation, Inc. He held several executive and management positions at Meralco from 2002-2010. Mr. Lopez holds a Bachelor of Science degree in Business Administration from Menlo College of California, USA and attended the Executive Development Program of the Asian Institute of Management.

***Manuel L. Lopez, Jr.*** - 48, Filipino

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

***Nestor J. Padilla*** - 61, Filipino

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

***Francis Giles B. Puno*** - 52, Filipino

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

***Ferdinand Edwin S. CoSeteng*** - 53, Filipino

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

***Oscar J. Hilado*** – 77, Filipino

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

***Vicente R. Ayllón*** - 84, Filipino

Mr. Ayllón has been an Independent Director of Rockwell Land since May of 2012. He currently serves as Chairman of the Board & CEO of The Insular Life Assurance Co., Ltd., Chairman of the Board and President of Insular Life Property Holdings, Inc., Chairman of the Board of Insular Investment Corporation, Insular Health Care, Insular Foundation, Insular Management and Development Corporation, and Home Credit Mutual Building and Loan Association, He is the Vice-Chairman of the Board of Union Bank of the Philippines and Mapfre Insular Insurance Corporation. Mr. Ayllón also serves as a regular Director of Pilipinas Shell Petroleum Corporation and Shell Co. of the Philippines, Ltd.. He serves as an independent Director of The Palms Country Club. Mr. Ayllón holds a Bachelor of Science degree in Commerce from the University of the East.

***Monico V. Jacob*** - 70, Filipino
(Elected on April 06, 2016)

Mr. Jacob received his Bachelor of Laws degree from the Ateneo de Manila University in 1971. He has been an independent director of Lopez Holdings Corporation (publicly listed) since 2013. He has been the chairman of Total Consolidated Asset Management, Inc. since 1999, of Global Resource for Outsourced Workers, Inc. since 2000, of Republic Surety & Insurance Co., Inc. since 2008, and of Philplans First, Inc. and Philhealthcare, Inc. since 2013. He has been the president and CEO of STI Education Services Group, Inc. since 2003, of STI Education Systems Holdings, Inc. (publicly listed) since 2012, of Insurance Builders, Inc. since 2010, and of Philippine Life Finance Assurance Corp. since 2012. He has been an independent director of 2GO Group, Inc. (publicly listed) and Negros Navigation Co., Inc., both since 2009. He has been a director of De Los Santos-STI College and De Los Santos-STI Medical Center since 2004, of Jollibee Foods Corp. (publicly listed) since 2000, of Asian Terminals, Inc. (publicly listed) since 2010, of Phoenix Petroleum Philippines, Inc. (publicly listed) since 2010, and of Century Properties Group, Inc. (publicly listed) since 2012, among others. He was a director of Meralco Industrial Engineering Services Corporation and Clark Electric Distribution Corp. from 2007 to 2010. He was the chairman of Meralco Financial Services Corporation from 2007 to 2012. He graduated with a Bachelor of Laws degree from the Ateneo de Manila University in 1971.

***Valerie Jane L. Soliven*** – 47, Filipino

Ms. Soliven served the Company for 19 years and is currently Senior Vice-President for Rockwell Residential Development. She previously served as Head of Sales and Marketing for Rockwell Land. Before joining Rockwell Land, she worked at the Manila Garden Suites, EDSA Shangri-La Hotel and the Shangri-La Hotel in Singapore. Ms. Soliven, a licensed broker, holds a Bachelor of Science degree in Hotel and Restaurant Administration from the University of the Philippines. She completed a Management Development Program from the Asian Institute of Management in 2006.

***Maria Lourdes L. Pineda*** - 46, Filipino

Ms. Pineda has been with the Company for 15 years and is currently Senior Vice-President of Rockwell Primaries Development Corporation. She previously served as Vice-President for Retail, and General Manager of the Power Plant Mall as well as Membership Relations Manager for Rockwell Club. Prior to joining Rockwell Land, she worked for four years at Jewelmer International, a French-Filipino company specializing on exquisite jewellery. Ms. Pineda holds a Bachelor of Science degree in Hotel and Restaurant Management from the University of the Philippines. She completed a Management Development Program from the Asian Institute of Management in 2006.

***Ellen V. Almodiel*** - 42, Filipino

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

***Estela Y. Dasmariñas*** – 55, Filipino

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

***Adela D. Flores*** - 62, 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.

***Julius A. Marzoña*** – 54, Filipino

Mr. Marzona has been with the company for 10 and a half years and is currently Vice-President for Project Development. From 1994 to 1996, he served as Project Management Officer for project management consulting company SPCastro and Associates Sdn. Berhad and later became Project Manager in the Philippines for the same company in 1997 until 2005. Mr. Marzona, a Licensed Civil Engineer, holds a Bachelor of Science degree in Civil Engineering from the Central Philippine University. He is a Certified Project Manager by the Construction Manpower Development Foundation.

***Abel C. Roxas*** – 52, Filipino

Mr. Roxas has been with Rockwell Land for 7 years and is currently Vice President for Project Development. Prior to joining the company, Mr. Roxas served SKI Construction Group Incorporated as Department Head of Planning and Formworks, and CitramegahKaryaGemilang (CKG) as Engineering Manager. Mr. Roxas first joined Rockwell Land as a Senior Manager for Project Development. Mr. Roxas, a Licensed Civil Engineer, holds a Bachelor of Science degree in Civil Engineering from Mapua Institute of Technology.

***Davy T. Tan*** – 42, Filipino

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

***Divino M. Villanueva, Jr.*** – 61, Filipino

Mr. Villanueva joined Rockwell Land as a consultant in 2009 and, in 2014, became the Vice-President of Provincial Development. He is also the President of Terra Prime, Inc. a position he has held since 2012. Prior to joining Rockwell, Mr. Villanueva was the Executive Vice President and Chief Operating Officer for Red Ribbon Foods Corp. and a Vice President of McDonalds Philippines. He has also worked for Sara Lee in the Philippines and Indonesia as a Vice President and Marketing director, respectively. Mr. Villanueva holds a Bachelor of Science degree in Management from the Ateneo de Manila University.

***Enrique I. Quiason*** - 55, 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*** - 49, Filipino

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

**Significant Employees**

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

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

## Item 10 EXECUTIVE COMPENSATION

**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<br><br>Almodiel, Ellen V. (SVP, Finance and Accounting & CFO)<br>Lopez, Miguel Ernesto L. (Treasurer and SVP, Property Management)<br>Padilla, Nestor J. (President and CEO)<br>Pineda, Ma. Lourdes L. (SVP, Rockwell Primaries) | 2014 | P51.8 million | P 4.2 million | P111.8 thousand |

<table>
<tr><th>(a) Name and Principal Position</th><th>(b) Year</th><th>(c) Salary</th><th>(d) Bonus</th><th>(e) Other annual compensation</th></tr>
<tr><td>Soliven, Valerie Jane L. (SVP, Residential Development)</td><td></td><td></td><td></td><td></td></tr>
<tr><td>All other Officers and Directors</td><td>2014</td><td>P11.6 million</td><td>P 0.9 million</td><td>P0.6 million</td></tr>
<tr><td>CEO + 4 most highly compensated executive officers<br><br>Almodiel, Ellen V. (SVP, Finance and Accounting & CFO)<br>Lopez, Miguel Ernesto L. (Treasurer and SVP, Property Management)<br>Padilla, Nestor J. (President and CEO)<br>Pineda, Ma. Lourdes L. (SVP, Rockwell Primaries)<br>Soliven, Valerie Jane L. (SVP, Residential Development)</td><td>2015</td><td>P53.2 million</td><td>P 4.3 million</td><td>P215.0 thousand</td></tr>
<tr><td>All other Officers and Directors</td><td>2015</td><td>P12.2 million</td><td>P 1.1 million</td><td>P1.3 million</td></tr>
<tr><td>CEO + 4 most highly compensated executive officers<br><br>Almodiel, Ellen V. (SVP, Finance and Accounting & CFO)<br>Lopez, Miguel Ernesto L. (Treasurer and SVP, Property Management)<br>Padilla, Nestor J. (President and CEO)<br>Pineda, Ma. Lourdes L. (SVP, Rockwell Primaries)<br>Soliven, Valerie Jane L. (SVP – Residential Development)</td><td>2016 (estimate)</td><td>P57.0 million</td><td>P 4.6 million</td><td>P215.0 thousand</td></tr>
<tr><td>All other Officers and Directors</td><td>2016 (estimate)</td><td>P13.1 million</td><td>P 1.2 million</td><td>P1.3 million</td></tr>
</table>

**Alphabetically arranged*

**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 March 2016 are as follows:

| Name | No. of Shares | Date of Grant | Exercise Price | Market Price at the Date of Grant |
|---|---|---|---|---|
| CEO + 4 most highly compensated executive officers* | 32,127,000 | various | P1.46 | various |

| | | | | |
|---|---|---|---|---|
| Almodiel, Ellen V. (SVP, Finance and Accounting & CFO)<br><br>Lopez, Miguel Ernesto L. (Treasurer and SVP, Property Management)<br><br>Padilla, Nestor J. (President and CEO)<br><br>Pineda, Ma. Lourdes L. (SVP, Rockwell Primaries)<br><br>Soliven, Valerie Jane L. (SVP – Residential Development) | | | | |
| All Other Officers & directors | 10,280,000 | various | P1.46 | various |
| Total | 42,407,000 | | | |

**Alphabetically arranged*

**Other Arrangements**

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

## PART IV – MANAGEMENT AND CERTAIN SECURITY HOLDERS

### Item 11 SECURITY and OWNERSHIP of CERTAIN BENEFICIAL OWNERS and MANAGEMENT

a) Security Ownership of Certain Record and Beneficial Owners and Management as of 31 December 2015

| Title of Class | Name and Address of Record Owner and Relationship with Issuer | Name of Beneficial Owner and Relationship with Record Owner | Citizenship | No. of Shares Held | % of Total Outstanding Shares |
|---|---|---|---|---|---|
| Common Shares | First Philippine Holdings Corporation 4th Floor Benpres Bldg., Exchange Road, Ortigas Center, Pasig City Stockholder | First Philippine Holdings Corporation is the beneficial and record owner of the shares indicated | Filipino | 5,296,015,375 | 86.5820% |
| Common Shares | PCD Nominee Corporation 37/F Enterprise Tower I, Ayala Ave., cor. Paseo de Roxas, Makati City Stockholder | PCD Nominee Corporation is the record owner but not the beneficial owner which are owned beneficially by the investing public | Filipino | 538,299,628 | 8.8004% |
| Common Shares | PCD Nominee Corporation 37/F Enterprise Tower I, Ayala Ave., cor. Paseo de Roxas, Makati City | PCD Nominee Corporation is the record owner but not the beneficial owner which are owned | Foreign | 116,280,635 | 1.9010% |

| | | | | | |
|---|---|---|---|---|---|
| | Stockholder | beneficially by the investing public | | | |
| **TOTAL OUTSTANDING COMMON SHARES** | | | | 6,116,762,198 | 100.0% |
| Preferred Shares | First Philippine Holdings Corporation 4th Floor Benpres Bldg., Exchange Road, Ortigas Center, Pasig City, stockholder | First Philippine Holdings Corporation is the beneficial and record owner of the shares indicated | Filipino | 2,750,000,000 | 100.0% |
| **TOTAL OUTSTANDING PREFERRED SHARES** | | | | 2,750,000,000 | 100.0% |

b) Security Ownership of Management as of 31 December 2015

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 | 15,636,680 (direct/indirect) | Filipino | 0.2556% |
| Common Shares | Oscar M. Lopez Director | 174,898 (direct/indirect) | Filipino | 0.0029% |
| Common Shares | Nestor J. Padilla Director and President | 21,000,001 (direct/indirect) | Filipino | 0.3458% |
| Common Shares | Miguel Ernesto L. Lopez Director, Treasurer & Senior Vice President, Property Management | 68,694 (direct/indirect) | Filipino | 0.0011% |
| Common Shares | Eugenio L. Lopez III Director | 1 (indirect) | Filipino | 0.0000% |
| Common Shares | Manuel L. Lopez, Jr. Director | 75001 (direct/indirect) | Filipino | 0.0012% |
| Common Shares | Federico R. Lopez Vice Chairman | 1 (indirect) | Filipino | 0.0000% |
| Common Shares | Francis Giles B. Puno Director | 5,657 (direct/indirect) | Filipino | 0.0001% |
| Common Shares | Ferdinand Edwin S. CoSeteng Director | 1 (indirect) | Filipino | 0.0000% |
| Common Shares | Oscar J. Hilado Director | 1 (indirect) | Filipino | 0.0000% |
| Common Shares | Vicente R. Ayllón Independent Director | 1 (indirect) | Filipino | 0.0000% |
| Common Shares | Enrique I. Quiason Corporate Secretary | 3,575 (direct) | Filipino | 0.0001% |
| N.A. | Esmeraldo C. Amistad Asst. Corporate Secretary | None | Filipino | N.A. |
| N.A. | Valerie Jane L. Soliven Senior Vice-President Sales and Marketing | None | Filipino | N.A. |
| Common Shares | Ma. Lourdes L. Pineda Senior Vice-President, | 141,272 (direct/indirect) | Filipino | 0.0023% |

| | | | | |
|---|---|---|---|---|
| | New Business | | | |
| N.A. | Ellen V. Almodiel<br>Senior Vice-President, Finance and Accounting & Chief Financial Officer | None | Filipino | N.A. |
| Common Shares | Estela Y. Dasmariñas<br>Vice-President, Human Resources | 1,882 (direct) | Filipino | 0.0000% |
| Common Shares | Adela D. Flores<br>Vice –President & General Manager, Retail | 4,340 (direct) | Filipino | 0.0001% |
| N.A. | Abel L. Roxas<br>Vice-President, Construction | None | Filipino | N.A. |
| N.A. | Davy T. Tan<br>Vice-President, Business Development | None | Filipino | N.A. |
| N.A. | Divino M. Villanueva, Jr.<br>Vice-President – Sales and Marketings | None | Filipino | N.A. |
| N.A. | Belen C. Nones<br>Senior Adviser- Estate | 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 2014, 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

Please refer to attached Annual Corporate Governance Report

## 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, 2014 and 2013

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:

March 16, 2015 The Company's Board of Directors has, in its regular meeting held today, March 13, 2015, approved the following:

1. Company's Consolidated Audited Financial Statements for the year ended December 31, 2014.
2. The schedule of the Annual Stockholders' Meeting on May 27, 2015 at 9:00 a.m. in the Rockwell Tent.

April 1, 2015 Rockwell Land Corporation submitted their Corporate Governance Disclosure Survey covering the year 2014.

May 28, 2015 Rockwell Land Corporation had its annual stockholders' meeting and elected its Board of Directors for the ensuing year 2015 to 2016.

Mr. Vicente R. Ayllon
Mr. Ferdinand Edwin S. CoSeteng
Mr. Eugenio L Lopez III
Mr. Federico R. Lopez
Amb. Manuel M. Lopez
Mr. Manuel L Lopez, Jr.
Mr. Miguel L. Lopez

Mr. Oscar M. Lopez
Mr. Nestor J. Padilla
Mr. Francis Giles B. Puno
Mr. Oscar J. Hilado

Mr. Ayllon and Mr. Hilado were elected as independent directors.

The stockholders approved the minutes of the annual meeting of the stockholders held last May 28, 2014, approved annual report of management and the audited financial statements for 2014, ratified the acts and resolutions of the Board, its committees and management for 2014 and re-appointed the external auditors, Sycip Gorres Velayo & Co.

An organizational meeting was immediately held after the annual stockholders meeting for the election and appointment of the following as officers of the Company.

| Name | Position |
|---|---|
| Manuel M. Lopez | Chairman of the Board |
| Oscar M. Lopez | Chairman Emeritus |
| Federico R. Lopez | Vice Chairman |
| Nestor J. Padilla | President & Chief Executive Officer |
| Miguel Ernesto L. Lopez | Treasurer & Senior Vice President, Property Management) |
| Valerie Jane Lopez-Soliven | Senior Vice President, Residential Development |
| Maria Lourdes Lacson-Pineda | Senior Vice President, Primaries |
| Ellen V. Almodiel | Senior Vice President, Finance & Accounting and Chief Financial Officer |
| Divino M. Villanueva, Jr. | Vice President, Provincial Development |
| Davy T. Tan | Vice President, Business Development |
| Estela Y. Dasmariñas | Vice President, Human Resources |
| Adela D. Flores | Vice President, Property Management |
| Engr. Julius A. Marzoña | Vice President, Project Development |
| Abel L. Roxas | Vice President, Project Development |
| Enrique I. Quiason | Corporate Secretary |
| Esmeraldo C. Amistad | Asst. Corporate Secretary |

The Board also appointed the members of the following committees:

Audit Committee

| Name | Position |
|---|---|
| Vicente R. Ayllon | Chairman |
| Oscar J. Hilado | Member |
| Manuel L. Lopez, Jr. | Member |
| Francis Giles B. Puno | Member |

Risk Management Committee

| Name | Position |
|---|---|
| Eugenio L. Lopez III | Chairman |
| Ferdinand Edwin S. CoSeteng | Member |
| Nestor J. Padilla | Member |
| Oscar J. Hilado | Member |

Nominations and Elections Committee

| Name | Position |
|---|---|
| Manuel M. Lopez | Chairman |
| Oscar M. Lopez | Member |
| Eugenio L. Lopez III | Member |
| Vicente R. Ayllon | Member |

Projections disclosed during the press briefing are the following:

1. Net leasable area for retail and office will almost double by 2019 to 230,000 square meters.
2. Launching of about 560 units of the fifth tower, Proscenium Residences, in September of 2015.

| | |
|---|---|
| June 1, 2015 | Rockwell Land Corporation confirmed its intention to widen its public float since it is a move seen to help boost the company's stock price which it feels is undervalued at present. |
| June 3, 2015 | Rockwell Land Corporation submitted the initial beneficial ownership (SEC Form 23-A) of Mr. Oscar J. Hilado, who was designated as an independent director during the Annual Stockholders' Meeting last May 28, 2015. |
| June 8, 2015 | Rockwell Land Corporation confirmed that it is on the look-out for opportunities to expand internationally but has no firm project yet. It will advise the Exchange and the investing public for any development on this matter. |
| June 10, 2016 | Rockwell Land Corporation confirmed its attendance on the pre-bid conference at the BCDA for the contract to develop Clark Green City's 288-hectare lot. It has still to evaluate the project and will advise the Exchange when it has decided to submit a formal bid. |
| June 29, 2016 | Rockwell Land Corporation confirmed its launching of two (2) residential projects namely "The Vantage" and "East Bay Residences" which are expected to drive revenues and further expand the company's residential portfolio. |
| July 2, 2015 | At the regular meeting of the Board of Directors (BoD) of the Corporation, the BoD approved the declaration of a regular cash dividend of P0.0511 per share to all common shareholders of record as of July 15, 2015, payable on or before August 10, 2015. |
| October 13, 2015 | Rockwell Land Corporation confirmed its acquisition of property in Mactan and are in discussions with Marriott for a possible Autograph Collection resort in that property. It will update the PSE as soon as it has finalized the plans. |

Rep[illegible]c of the Philippines )
) S.S.
EMB[illegible]Y OF THE REPUBLIC OF THE PHILIPPINES )
Tokyo, Japan

x __________________________________________ x

# ACKNOWLEDGEMENT

BE[illegible]IE, DOMINI N. FAÑGON-KITADE , VICE CONSUL of the Republic [illegible] Philippines, in and for Tokyo, Japan, duly commissioned and qualified to act as such[illegible] 13th day of APRIL 2016 , personally appeared

**MANUEL MORENO LOPEZ**

of legal [illegible] holder of Passport No. DE0003367
issued [illegible] 10 JUNE 2013 in PHILIPPINE EMBASSY, TOKYO

to me known [illegible]wn to me to be the same person who executed the annexed instrument,

SIGNATURES

and being informed [illegible]f the contents of the said instruments, he / she / they acknowledged befo[illegible]t he/ she/ they executed the same of his/ her/ their own free will and deed.

The said party, [illegible]th[illegible]vith the two instrumental witnesses, signed at the foot of the instrument an[illegible]eft hand margin of the other pages thereof, this instrument together w[illegible]h[illegible]knowledgement being composed of 3 pages.

IN WITNESS W[illegible]EO[illegible] have hereunto set my hand and affixed the seal of the Embassy of the[illegible]ubl[illegible]of the Philippines at the City of Tokyo, Japan, this 13th day of APRIL[illegible].

| | |
|---|---|
| Doc. No | NT-10608 |
| Service No. | -- |
| Series of | 2016 |
| Fee Paid | ¥ GRATIS |
| O. R. No: | -- |

DOMINI N. FAÑGON-KITADE
VICE CONSUL

**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 8th day of April 2016, affiant exhibiting to me his/their Residence Certificates as follows:

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

Doc. No. 393;
Page No. 80;
Book No. XVII;
Series of 2016

Notary Public

## SECURITIES AND EXCHANGE COMMISSION

## SEC FORM – ACGR

## ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year .........2015....................................

2. Exact Name of Registrant as Specified in its Charter ...ROCKWELL LAND CORPORATION...

3. ...THE GARAGE AT THE ROCKWELL CENTER ESTRELLA ST., MAKATI CITY.... .............1200...............
   Address of Principal Office Postal Code

4. SEC Identification Number ..........62893.................... 5. (SEC Use Only)
   Industry Classification Code

6. BIR Tax Identification Number ...........004 710 062 000.......

7. .............(632) 793 0088...............................
   Issuer's Telephone number, including area code

8. ...........................................................................................
   Former name or former address, if changed from the last report

# TABLE OF CONTENTS

## A. BOARD MATTERS

1) Board of Directors

| | |
|---|---|
| Number of Directors per Articles of Incorporation | 11 |

| | |
|---|---|
| Actual number of Directors for the year | 11 |

### (a) Composition of the Board

| Director's Name | Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)] | If nominee, identify the principal | Nominator in the last election (if ID, state the relationship with the nominator) | Date first elected | Date last elected (if ID, state the number of years served as ID)[1] | Elected when (Annual /Special Meeting) | No. of years served as director |
|---|---|---|---|---|---|---|---|
| Manuel M. Lopez | NED | n/a | First Phil. Holdings Corp. | 1995 | May 27, 2015 | Annual Meeting | 20 |
| Oscar M. Lopez | NED | n/a | First Phil. Holdings Corp. | 1995 | May 27, 2015 | Annual Meeting | 20 |
| Federico R. Lopez | NED | n/a | First Phil. Holdings Corp. | 2012 | May 27, 2015 | Annual Meeting | 3.4 |
| Eugenio L. Lopez III | NED | n/a | First Phil. Holdings Corp. | 1995 | May 27, 2015 | Annual Meeting | 20 |
| Nestor J. Padilla | ED | n/a | First Phil. Holdings Corp. | 1997 | May 27, 2015 | Annual Meeting | 18 |
| Francis Giles B. Puno | NED | n/a | First Phil. Holdings Corp. | 2013 | May 27, 2015 | Annual Meeting | 3.6 |
| Ferdinand Erwin S. CoSeteng | NED | n/a | First Phil. Holdings Corp. | 2013 | May 27, 2015 | Annual Meeting | 3.6 |
| Miguel Ernesto L. Lopez | ED | n/a | First Phil. Holdings Corp. | 2009 | May 27, 2015 | Annual Meeting | 7 |
| Manuel L. Lopez, Jr. | NED | n/a | First Phil. Holdings Corp. | 2011 | May 27, 2015 | Annual Meeting | 5 |
| Oscar J. Hilado | ID | n/a | Jonathan P. Co | 2015 | May 27, 2015 | Annual Meeting | 0.58 |
| Vicente R. Ayllón[2] | ID | n/a | Jonathan P. Co | 2012 | May 27, 2015 | Annual Meeting | 3.7 |
| Monico V. Jacob[3] | ID | n/a | Jonathan P. Co | 2016 | April 06, 2016 | Regular Board | 0 |

[2] Mr. Ayllon resigned as an independent director as of April 6, 2016.
[3] Mr. Jacob was elected on April 06, 2016 as an independent director to serve the unexpired term of Mr. Ayllon.

| Director's Name | Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)] | If nominee, identify the principal | Nominator in the last election (if ID, state the relationship with the nominator) | Date first elected | Date last elected (if ID, state the number of years served as ID)[1] | Elected when (Annual /Special Meeting) | No. of years served as director |
|---|---|---|---|---|---|---|---|
| | | | | | | Meeting | |

**(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.**

As part of the Company's commitment to institutionalize good corporate governance principles, the Company formulated and executed the Company's Manual of Corporate Governance ("Corporate Governance Manual") which was adopted by the Board of Directors on May 2, 2012.

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

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

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

- Creation of Board Committees, such as the Audit Committee, the Nomination and Election Committee and Risk Management Committee;

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

- Conduct of a training process for the purpose of conducting an orientation program to operationalize the Corporate Governance Manual;

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

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

Investor's Rights and Protection (Section 15)

- The shareholders have the right to receive timely and transparent information about the Corporation.

- The Board recognizes and shall respect the rights of the stockholders under the law, the articles of incorporation and the by-laws, specifically the stockholders' right to vote, pre-emptive rights, power of inspection, right to dividend and appraisal rights.

- Stockholders' meetings shall be conducted fairly and in a transparent manner and the stockholders shall be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubts about the validity of a proxy should be resolved in the stockholders' favor.

- The Board shall promote the rights of stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for the breach of their rights.

- The Board shall take appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether by in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration and approval.

- The Board shall give minority stockholders the right to propose the items for discussion that relate directly to the business of the corporation.

Disclosure and Transparency (Section 16)

All material information about the corporation which could adversely affect its viability or the interest of the stockholders shall be publicly and timely disclosed. Such information shall include among others, earning results, acquisition and dispositions of assets, off-balance sheet transactions, related party transactions, and direct and indirect remuneration of the members of the Board and Management. All such information shall be disclosed through the appropriate submissions to the SEC.

Composition, Duties and Responsibilities of the Board

Composition

In accordance with the Articles of Incorporation, the Board shall be composed of at least five but not more than fifteen members who are elected by the stockholders. There shall be at least two independent directors or such number of independent directors that constitutes 20% of the members of the Board, whichever is lesser, but in no case less than two.

General Duties and Responsibilities of the Board

- The Board represents the shareholders' interest in perpetuating a successful business, including optimizing long-term financial returns. The Board shall be responsible for determining that the Corporation is managed in such a way to ensure the result.

- It is the Board's responsibility to foster the long-term success of the Corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders, and other stakeholders.

- The Board shall formulate the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance. It shall implement the values of the Corporation.

- The Board may delegate its duties and/or responsibilities to a committee or Management.

Duties and Responsibilities of a Director

- A director has the duty to be diligent and loyal to the Corporation.
- A director must exercise the degree of skill, diligence and care that a reasonably prudent person would exercise in similar circumstances. It shall be sufficient for a director to act on an informed basis in good faith and in honest belief that the action was taken in the best interest of the Corporation.
- A director is a fiduciary of the Corporation and shall not take advantage of the Corporation by means of fraudulent or unfair transactions. He must act honestly and in good faith in the interest of the Corporation. He must avoid actual and potential conflicts of interest and shall disclose fully and fairly his interests in contacts with the Corporation.
- The directors must act only within corporate powers.
- A director shall devote time and attention necessary to properly and effectively perform his duties and responsibilities. A director should devote sufficient time to familiarize himself with the Corporation's business. He should be constantly aware of and knowledgeable with the Corporation's operations to enable him to meaningfully contribute to the Board's work.
- A director shall act judiciously. Before deciding on any matter brought before the Board, a director should carefully evaluate the issues and, if necessary, make inquiries and request clarification.
- A director shall exercise independent judgment. A director should view each problem or situation objectively.
- A director shall have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including its Articles of Incorporation and By-Laws, the rules and regulation of the SEC and, where applicable, the requirements of relevant regulatory agencies.
- A director should keep abreast with industry developments and business trends in order to promote the Corporation's competitiveness.
- A director shall observe confidentiality. A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director.

Specific Duties and Responsibilities of the Board to Implement Corporate Governance Principles

- Determine the Corporation's purpose and values, its vision and mission, determine the strategies to achieve this purpose and to implement its values in order to ensure that the Corporation survives and thrives.
- Ensure that adequate procedures, systems and practices that protect the Corporation's assets and reputation are in place and are maintained.
- Monitor the effectiveness of management policies and decisions.
- Have a process for the selection of qualified and competent directors and officers and adopt an effective succession planning program for management.

- Ensure the Corporation communicates with shareholders and other stakeholders effectively by providing them with relevant, accurate and timely information, including periodic and other reports submitted to regulatory authorities, and an annual report of its performance.

- Provide sound strategic policies and guidelines to the Corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.

- Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Corporation.

- Identify the sectors in the community in which the corporation operates or are affected by its operations and formulate a relevant communications policy affecting them.

- Adopt a system of check and balance within the Board. A regular review of the effectiveness of such a system should be conducted to ensure the integrity of the decision-making and reporting processes at all times. There should be a continuing review of the Corporation's internal control system in order to maintain its adequacy and effectiveness.

- Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability.

- Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation, and its parent Company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.

- Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.

- As may be deemed proper by the Board, it may establish and maintain an alternative dispute resolution system that can amicably settle conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including the regulatory authorities.

- The Board shall keep its activities and decisions within its authority under the articles of incorporation and by-laws and in accordance with existing laws, rules and regulations.

- Appoint a Compliance Office with the rank of at least vice-president. In the absence of such appointment, the Corporate Secretary or Assistant Corporate Secretary, preferably a lawyer, shall act as the Compliance Officer.

- Constitute the proper committees to assist it in good corporate governance.

**(c) How often does the Board review and approve the vision and mission?**

The Board annually reviews and updates the vision and mission of Rockwell Land. The latest vision and mission was disseminated in the Annual Report last May 27, 2015.

**(d) Directorship in Other Companies**

**(i) Directorship in the Company's Group[4]**

**Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:**

| Director's Name | Corporate Name of the Group Company | Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman. |
|---|---|---|
| Manuel M. Lopez | First Philippine Holdings Corp.<br>Lopez Group Foundation, Inc<br>First Philippine Realty Corporation<br>Lopez Holdings Corp | (NED)<br>(NED)<br>(NED)<br>Chairman (ED) |
| Oscar M. Lopez | First Philippine Holdings Corporation<br>Lopez Holdings Corporation<br>First Gen Corp<br>Energy Development Corp<br>FPHC International, Inc<br>FPH Fund<br>First Balfour, Inc.<br>First Philippine Conservation, Inc<br>Lopez Group Foundation, Inc<br>First Philippine Electric Corporation<br>First Philec Solar Solutions Corp<br>First Philippine Industrial Park, Inc.<br>First Sumiden Realty, Inc<br>FPIP Property Developers & Management Corp<br>FPIP Utilities, Inc.<br>First Philippine Realty Corporation<br>Grand Batangas Resort, Inc.<br>Asian Eye Institute, Inc<br>FPH Capital Resources, Inc.<br>First Philippine Industrial Corporation<br>First Philippine Properties Corporation<br>First Philippine Utilities, Corp. (Formerly: First Philippine Union Fenosa, Inc.)<br>Securities Transfer Services, Inc.<br>OML Center for Climate Change Adaptation and Disaster Risk Management Foundation, Inc. | Chairman Emeritus (NED)<br>Chairman Emeritus (NED)<br>Chairman Emeritus (NED)<br>Chairman Emeritus (NED)<br>Chairman (ED)<br>Chairman (ED)<br>Chairman Emeritus (NED)<br>Chairman Emeritus (NED)<br>Chairman (ED)<br>Chairman Emeritus (NED)<br>Chairman Emeritus (NED)<br>(NE)<br>(NE)<br>Chairman (NED)<br>Chairman (NED)<br>Chairman Emeritus (NED)<br>Chairman Emeritus (NED)<br>Chairman (ED)<br>Chairman Emeritus (NED)<br>Chairman Emeritus (NED)<br>Chairman Emeritus (NED)<br>Chairman Emeritus (NED)<br>Chairman Emeritus (NED)<br>Chairman Emeritus (NED) |
| Federico R. Lopez | First Philippine Holdings Corporation<br>First Balfour, Inc.<br>Terraprime, Inc.<br>Thermaprime Drilling Corporation<br>First Philippine Conservation, Inc.<br>Lopez Group Foundation, Inc.<br>First Philippine Electric Corporation<br>First Philec Energy Solutions, Inc.<br>First Philec, Inc. (formerly First Electro Dynamics Corp.) | Chairman (ED)<br>Chairman (ED)<br>Chairman (ED)<br>Chairman (ED)<br>Chairman (ED)<br>(NED)<br>Chairman (ED)<br>Chairman (NED)<br>Chairman (NED) |

[4] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

| Director's Name | Corporate Name of the Group Company | Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman. |
|---|---|---|
| | First Philec Manufacturing Technologies Corp.<br>First Philec Solar Solutions Corp.<br>First Philippine Power Systems, Inc.<br>Philippine Electric Corporation<br>First Philippine Industrial Park, Inc.<br>FPIP Property Developers & Management Corporation<br>FPIP Utilities, Inc.<br>First Philippine Realty Corporation<br>Grand Batangas Resort Development, Inc.<br>Rockwell Land Corporation<br>FPH Capital Resources, Inc.<br>First Philippine Industrial Corporation<br>First Philippine Properties Corporation<br>First Philippine Utilities, Corp (Formerly: First Philippine Union Fenosa, Inc.)<br>Securities Transfer Services, Inc.<br>Sibulan Ice Plant Cold Storage, Inc.<br>First Gen Corp.<br>Energy Development Corp.<br>OML Center for Climate Change Adaptation and Disaster Risk Management Foundation, Inc.<br>ABS CBN Corporation | Chairman (NED)<br>Chairman (NED)<br>Chairman (NED)<br>Chairman (NED)<br>Chairman (NED)<br>Chairman (NED)<br>Chairman (NED)<br>Chairman (NED)<br>Chairman (NED)<br>Vice Chairman (NED)<br>Chairman (ED)<br>Chairman (ED)<br>Chairman (ED)<br>Chairman (ED)<br>Chairman (ED)<br>Chairman (ED)<br>Chairman & CEO (ED)<br>Chairman & CEO (ED)<br>Chairman<br>(NED) |
| Eugenio L. Lopez III | ABS CBN Corporation<br>First Philippine Holdings Corporation<br>Lopez Holdings Corporation<br>First Gen Corp.<br>OML Center for Climate Change Adaptation and Disaster Risk Management Foundation, Inc, | Chairman<br>(NED)<br>(NED)<br>(NED)<br>(NED) |
| Nestor J. Padilla | First Philippine Realty Corporation<br>First Batangas Hotel Corporation<br>First Philippine Industrial Park<br>Terraprime, Inc.<br>FPIP Property Developers & Management Corporation<br>FPIP Utilities Inc.<br>Grand Batangas Resort Development, Inc. | (NED)<br>(NED)<br>(NED)<br>(NED)<br>(NED)<br>(NED)<br>(NED) |
| Miguel Ernesto L. Lopez | Rockwell Leisure Club, Inc. | (NED) |
| Francis Giles B. Puno | First Philippine Holdings Corporation<br>Capital Ventures<br>FGHC International Limited<br>FPH Ventures<br>FPHC International, Inc.<br>First Balfour, Inc.<br>Terraprime, Inc. | Director, President & COO (ED)<br>Acting Chairman (ED)<br>Director (ED)<br>Chairman (ED)<br>Director & Treasurer (ED)<br>(NED)<br>(NED) |

| Director's Name | Corporate Name of the Group Company | Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman. |
|---|---|---|
| | Thermaprime Drilling Corporation<br>First Philippine Electric Corporation<br>First Philec Energy Solutions, Inc.<br>First Philec, Inc. (formerly First Electro Dynamics Corp)<br>First Philec Manufacturing Technologies Corp<br>Philippine Electric Corp.<br>First Philippine Power Systems, Inc.<br>First batangas Hotel Corp.<br>First Philippine Industrial Park, Inc.<br>FPIP Property Developers & Management Corp.<br>FPIP Utilities Inc.<br>First Philippine Realty Corporation<br>Grand Batangas Resort Development, Inc.<br>Rockwell Land Corp.<br>First Philippine Properties Corporation<br>First Philippine Utilities, Corp. (Formerly: First Philippine Union Fenosa, Inc.)<br>First Gen Corp<br>Energy Development Corp.<br>First Philippine Development Corp.<br>OML Center for Climate Change Adaption and Disaster Risk Management, Inc. | (NED)<br>(NED)<br>(NED)<br>(NED)<br>(NED)<br>(NED)<br>(NED)<br>Chairman (NED)<br>(NED)<br>(NED)<br>(NED)<br>(NED)<br>(NED)<br>(ED)<br>(ED)<br>(ED)<br>(ED)<br>(ED)<br>(ED)<br>(NED) |
| Manuel L. Lopez, Jr. | ABS-CBN Corporation,<br>ABS-CBN Holdings Corporation<br>Sky Cable Corporation | (NED)<br>(NED)<br>(NED) |
| Oscar J. Hilado | First Philippine Holdings Corporation<br>Asian Eye Institute | (ID)<br>(NED) |
| Monico V. Jacob | Lopez Holdings Corporation | (ID) |

**(ii) Directorship in Other Listed Companies**

**Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:**

| Director's Name | Name of Listed Company | Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman. |
|---|---|---|
| Vicente R. Ayllon | Unionbank of the Philippines | (NED) |
| Oscar J. Hilado | Philippine Investment Management Inc. (PHINMA)<br>Trans-Asia Oil Energy Development Corp<br>A.Soriano Corporation<br>Philex Mining Corporation | Chairman<br>Chairman<br>(NED)<br>(NED) |

| | | |
|---|---|---|
| | Holcim Philippines | Chairman |
| Monico V. Jacob | 2GO Group, Inc.<br>Jollibee Foods Corp.<br>Asian Terminals, Inc.<br>Phoenix Petroleum Philippines, Inc.<br>Century Properties Group, Inc. | (ID)<br>(NED)<br>(NED)<br>(NED)<br>(NED) |

**(iii) Relationship within the Company and its Group**

**Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:**

| Director's Name | Name of the Significant Shareholder | Description of the relationship |
|---|---|---|
| Oscar M. Lopez & Manuel M. Lopez | Oscar M. Lopez – Chairman Emeritus<br>Manuel M. Lopez - Chairman | Oscar M. Lopez and Manuel M. Lopez are brothers. |
| Eugenio L. Lopez III | Eugenio L. Lopez III, Oscar M. Lopez and Manuel M. Lopez | Eugenio L. Lopez III is the nephew of Oscar M. Lopez and Manuel M. Lopez. |
| Manuel L. Lopez Jr.<br>Miguel Ernesto L. Lopez | Miguel L. Lopez Jr. and Miguel Ernesto Lopez | Manuel L. Lopez Jr. and Miguel Ernesto L. Lopez are brothers and sons of Manuel M. Lopez. |
| Federico R. Lopez, Eugenio Lopez III, Miguel Ernesto L. Lopez and Manuel L. Lopez, Jr. | Federico R. Lopez, Eugenio Lopez III, Miguel Ernesto L. Lopez and Manuel L. Lopez, Jr. | Miguel Ernesto L. Lopez and Manuel L. Lopez, Jr. are cousins of Federico R. Lopez, Eugenio Lopez III |
| Federico R. Lopez and Francis Giles B. Puno | Federico R. Lopez and Francis Giles B. Puno | Federico R. Lopez is the brother-in-law of Francis Giles B. Puno |

**(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:**

The company reminds directors that they should exercise sound judgment in accepting other directorships outside the Corporation.

**(c) Shareholding in the Company**

**Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:**

| Name of Director | Number of Direct shares | Number of Indirect shares / Through (name of record owner) | % of Capital Stock |
|---|---|---|---|
| Manuel M. Lopez | 16,936,679 | 1, FPH | 0.2556% |

| | | | |
|---|---|---|---|
| Oscar M. Lopez | 174,897 | 1, FPH | 0.0029% |
| Federico R. Lopez | - | 1, FPH | 0.0000% |
| Eugenio L. Lopez III | - | 1, FPH | 0.0000% |
| Nestor J. Padilla | 21,150,000 | 1, FPH | 0.3458% |
| Francis Giles B. Puno | 5,656 | 0 | 0.0000% |
| Miguel Ernesto L. Lopez | 68,693 | 1, FPH | 0.0011% |
| Manuel L. Lopez, Jr. | 75,000 | 1, FPH | 0.0012% |
| Oscar J. Hilado | - | 1, FPH | 0.0000% |
| Vicente R. Ayllón[5] | - | 1, FPH | 0.0000% |
| Ferdinand Edwin S. CoSeteng | 1 | 0 | 0.0000% |
| Monico V. Jacob[6] | 2 | 0 | 0.0000% |
| **TOTAL** | **38,410,928** | **9** | **0.6006%** |

**2) Chairman and CEO**

**(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.**

Yes [x] No [ ]

**Identify the Chair and CEO:**

| | |
|---|---|
| Chairman of the Board | Manuel M. Lopez |
| CEO/President | Nestor J. Padilla |

**(b) Roles, Accountabilities and Deliverables**

**Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.**

[5] Mr. Ayllon resigned as an independent director as of April 6, 2016.
[6] Mr. Jacob was elected on April 06, 2016 as an independent director to serve the unexpired term of Mr. Ayllon.

| | Chairman | Chief Executive Officer |
|---|---|---|
| Role and Accountabilities | Section3 of Article IV of Company By-Laws<br><br>"The Chairman of the Board – The Chairman shall preside at all meetings of the stockholders and of the board of Directors. He shall do and perform such duties as may be from time to time assigned to him by the Board of Directors.  The Board may elect a Director as Vice Chairman.<br><br>Section 8 of Corporate Governance Manual defines its role as:<br><br>"The Chairman<br><br>The roles of the Chairman of the Board and the President shall, as much as practicable, be separate to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board.<br><br>A clear delineation of functions should be made between the Chairman and the President. If the positions of Chairman and President are unified, the proper checks and balances should be laid down to ensure that the Board gets the benefit of independent views and perspectives.<br><br>The Corporation shall disclose the relationship between the Chairman and the President, if any, in its annual report to the Securities and Exchange Commission or such other regulatory agency as may be required by law." | Section 4 of Article IV of Company By-Laws<br><br>"The President – The President may be the chief executive officer of the Corporation. In the absence of the Chairman or the Vice Chairman, he shall preside at all meetings of the stockholders and of the Board of Directors.  He shall have general charge, direction, and supervision of the business and affairs of the Corporation. He shall from time to time make such reports on the affairs of the Corporation as the Board of Director may require and shall annually present a report of the preceding year's business at the stockholder's meeting.  He shall sign all certificates of stock and all instruments required to be executed on the part of Corporation, except as otherwise provided by the By-Laws or by the Board of Directors.  He shall do and perform such other duties as may be from time to time assigned to him by the Board of Directors." |
| Deliverables | A well-functioning Board. | The CEO, together with management, proposes strategies, policies and general directions to the Board.<br><br>The CEO oversees the implementation of the approved strategies, policies and general directions. |

**3) Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions?**

Section 2 of Corporate Governance provides:

"The Board shall have a process for the selection of qualified and competent directors and officers and adopt an effective succession planning program for management."

**4) Other Executive, Non-Executive and Independent Directors**

**Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.**

Our board is comprised of three finance professionals (please see details below) and eight business executives.

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

Mr. Vicente R. Ayllon is currently the Chairman of the Board & CEO of The Insular Life Assurance Co., Ltd., Chairman of the Board and President of Insular Property Holdings, Inc., Chairman of the Board of Asian Hospital, Inc., Insular Investment Corporation, Insular Health Care, Insular Foundation, Insular Management and Development Corporation, Home Credit Mutual Building and Loan Association, which are in the business of insurance and health care.

Mr. Francis Giles B. Puno has been a Director of Rockwell Land since 2013 and is currently the President and Chief Operating Officer of FPH and First Gen Corporation. He was previously FPH's Chief Finance Officer and Treasurer and Executive Vice-President in September 2011. He is also a director in FPH, First Gen, Energy Development Corporation and First Philippine Industrial Park. Before joining FPHC, he worked with The Chase Manhattan Bank as Vice President for Global Power and Environment Group.

Mr. Monico V. Jacob was elected as an independent director of Rockwell Land on April 6, 2016. He received his Bachelor of Laws degree from the Ateneo de Manila University in 1971. He has been an independent director of Lopez Holdings Corporation (publicly listed) since 2013. He has been the chairman of Total Consolidated Asset Management, Inc. since 1999, of Global Resource for Outsourced Workers, Inc. since 2000, of Republic Surety & Insurance Co., Inc. since 2008, and of Philplans First, Inc. and Philhealthcare, Inc. since 2013. He has been the president and CEO of STI Education Services Group, Inc. since 2003, of STI Education Systems Holdings, Inc. (publicly listed) since 2012, of Insurance Builders, Inc. since 2010, and of Philippine Life Finance Assurance Corp. since 2012. He has been an independent director of 2GO Group, Inc. (publicly listed) and Negros Navigation Co., Inc., both since 2009. He has been a director of De Los Santos-STI College and De Los Santos-STI Medical Center since 2004, of Jollibee Foods Corp. (publicly listed) since 2000, of Asian Terminals, Inc. (publicly listed) since 2010, of Phoenix Petroleum Philippines, Inc. (publicly listed) since 2010, and of Century Properties Group, Inc. (publicly listed) from 2012 to 2015, among others. He was a director of Meralco Industrial Engineering Services Corporation and Clark Electric Distribution Corp. from 2007 to 2010. He was the chairman of Meralco Financial Services Corporation from 2007 to 2012

**Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.**

Yes, our non-executive directors are experienced in sectors relating to real property. Please refer to details below:

1. Mr. Federico R. Lopez is the Chairman of First Balfour, Inc., Terraprime, Inc., First Philippine Industrial Park, Inc., and First Philippine Realty Corporation, companies engaged in construction and property development.

2. Mr. Oscar J. Hilado is currently the Chairman of the Board and Chairman of the Executive Committee of Phinma Corporation, a holding company engaged in Property Development under the Phinma Property Holdings Corporation, Hotel and Leisure with Microtel Mall of Asia and Industrial (Steel Products) with Union Galvasteel Corporation.

3. Mr. Vicente R. Ayllon is a director of Insular Life Property Holdings, Inc.

**Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:**

| | Executive | Non-Executive | Independent Director |
|---|---|---|---|
| Role | The CEO is the Chief Implementer; the COO manages the day-to-day matters; the CFO attends to the financials of the Company. | The Non-Executive directors draw from their management experience and knowledge of the business to enhance decision-making, as well as the working relationship, between management/ executive directors and independent directors. | Independent directors provide impartial guidance and advice to the board based on their competence and expertise |
| Accountabilities | It is the Board's responsibility to foster the long-term success of the Corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders, and other stakeholders. | | |
| Deliverables | The Executive directors propose strategies, policies and general directions to the Board.<br><br>They oversee the implementation of the approved strategies, policies and general directions. | The Non-Executive Directors provide assurance of the fairness and reasonableness of management plans, proposals and actions. | The Independent Directors provide stronger assurance of the fairness and reasonableness of management plans, proposals and actions. |

**Provide the company's definition of "independence" and describe the company's compliance to the definition.**

Section 3 of Corporate Governance Manual provides the definition of an Independent Director:

"Qualifications of the independent director

An independent director shall mean a person other than an officer or employee of the Corporation, its parent or subsidiaries, or any other individual having a relationship with the Corporation, which would interfere with the exercise of independent judgement in carrying out the responsibilities of a Director.

If the independent director becomes an officer or employee of the same corporation he shall be automatically disqualified from being an independent director."

**Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.**

The Company elects its directors, in accordance with the Corporation Code, Securities Regulation Code, its by-laws and its Manual of Corporate Governance.

**5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)**

**(a) Resignation/Death/Removal**

**Indicate any changes in the composition of the Board of Directors that happened during the period:**

| Name | Position | Date of Cessation | Reason |
|---|---|---|---|
| Vicente R. Ayllon | Independent Director | April 06, 2016 | Resignation-<br>foregoing most professional commitments due to retirement |

**(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension**

**Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:**

| Procedure | Process Adopted | Criteria |
|---|---|---|
| **a. Selection/Appointment** | | |
| (i) Executive Directors<br>(ii) Non-Executive Directors<br>(iii) Independent Directors | The nominees are presented to the Nomination, Election and Governance Committee (NOMELEC) by the Corporate Secretary based on the letter-nomination/s received. The NOMELEC discusses / considers the qualification and/or disqualifications of the nominees to the Board.<br><br>A director-member of the NOMELEC then moves that the Committee nominate, approve and recommend said nomination to the Board, for | Manual on Corporate Governance:<br><br>Section 3: Qualifications of a Director:<br><br>• Holder of at least one (1) share of stock of the Corporation<br>• Personal integrity, capacity to read and understand financial statements, absence of conflicts of interest with the Corporation (subject to the discretion of the Board), time availability and motivation. |

| Procedure | Process Adopted | Criteria |
|---|---|---|
| | Board approval. After discussion and on motion duly made and seconded, the NOMELEC then considers, qualifies and accepts/ denies (as the case may be) the nominations. The Committee then makes the relevant recommendation to the Board of Directors. | |
| **b. Re-appointment** | | |
| (i) Executive Directors<br>(ii) Non-Executive Directors<br>(iii) Independent Directors | The nominees for re-appointment are presented to the Nomination, Election and Governance Committee (NOMELEC) by the Corporate Secretary based on the letter-nomination/s received. The NOMELEC discusses / considers the qualification and/or disqualifications of the nominees to the Board.<br><br>A director-member of the NOMELEC then moves that the Committee nominate, approve and recommend said nomination to the Board, for Board approval. After discussion and on motion duly made and seconded, the NOMELEC then considers, qualifies and accepts/ denies (as the case may be) the nominations. The Committee then makes the relevant recommendation to the Board of Directors. | Personal integrity, capacity to read and understand financial statements, absence of conflict of interest with the Corporation (subject to the discretion of the Board), time availability and motivation and performance the previous year. |
| **c. Permanent Disqualification** | | |
| (i) Executive Directors<br>(ii) Non-Executive Directors<br>(iii) Independent Directors | The director/s who are proposed to be permanently disqualified are presented to the Nomination, Election and Governance Committee (NOMELEC) by the Corporate Secretary based on the letter-nomination/s received. The NOMELEC discusses / considers the qualification and/or disqualifications of the nominees to the Board. | *Manual on Corporate Governance:*<br><br>Section 3: Disqualifications of Directors<br><br>a. Conviction by final judgment or order by a competent judicial or administrative body of any crime that (i) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (ii) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund |

| Procedure | Process Adopted | Criteria |
| --- | --- | --- |
| | A director-member of the NOMELEC then moves that the Committee nominate, approve and recommend said nomination to the Board, for Board approval. After discussion and on motion duly made and seconded, the NOMELEC then considers, qualifies and accepts/ denies (as the case may be) the nominations. The Committee then makes the relevant recommendation to the Board of Directors. | dealer, futures commission merchant, commodity trading advisor, or floor broker; or (iii) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliate person or any of them;<br><br>b. Final judgment or order of the Securities and Exchange Commission or any court or administrative body of competent jurisdiction which enjoins a person, by reason of misconduct, from (i) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (ii) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (iii) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (i) and (ii) above, or willfully violating the laws that govern securities and banking activities.<br><br>The disqualification shall also apply if such person is currently the subject of an order of the Commission or ay court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member of participant of the organization;<br><br>c. Conviction by final judgment or order by a court for competent administrative body of an offense involving moral turpitude, fraud, |

| Procedure | Process Adopted | Criteria |
| --- | --- | --- |
| | | embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation , perjury or other fraudulent acts;<br><br>d. Final judgment or order of the Securities and Exchange Commission, court or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Securities and Exchange Commission or BSP, or any of its rule, regulation or order;<br><br>e. Employment as officer or employee or engagement as consultant of the corporation where he has been elected as an independent director.<br><br>f. Judicial declaration of insolvency;<br><br>g. Final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs a to e above;<br><br>h. Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment; |
| **d. Temporary Disqualification** | | |
| (i) Executive Directors<br>(ii) Non-Executive Directors<br>(iii) Independent Directors | The director/s who are proposed to be temporary disqualified are presented to the Nomination, Election and Governance Committee (NOMELEC) by the Corporate Secretary based on the letter-nomination/s received. The NOMELEC discusses / considers the qualification and/or disqualifications of the nominees to the Board. | *Manual on Corporate Governance:*<br><br>Section 3: Disqualifications of Directors<br><br>• Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists; |

| Procedure | Process Adopted | Criteria |
|---|---|---|
| | A director-member of the NOMELEC then moves that the Committee nominate, approve and recommend said nomination to the Board, for Board approval. After discussion and on motion duly made and seconded, the NOMELEC then considers, qualifies and accepts/ denies (as the case may be) the nominations. The Committee then makes the relevant recommendation to the Board of Directors. | • Absence or non-participation for unjustifiable reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board during his incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election;<br><br>• Dismissal or termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;<br><br>• Conviction that has not yet become final referred to in the grounds for the disqualification of directors.<br><br>The Board may create a Nominations Committee who shall consider the above qualifications and disqualification of a nominee to the Board in its recommendation of such nominee for election or re-election.<br><br>The Board shall have the final decision to determine the qualifications of a Director. |
| e. Removal | | |
| (i) Executive Directors<br>(ii) Non-Executive Directors<br>(iii) Independent Directors | Section 28 of the Corporation Code provides:<br><br>"Sec. 28. Removal of directors or trustees. - Any director or trustee of a corporation may be removed from office by a vote of the stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock, or if the corporation be a non-stock corporation, by a vote of at least two-thirds (2/3) of the members entitled to vote: Provided, That such removal | *Manual on Corporate Governance:*<br><br>Section 3: Disqualifications of Directors<br><br>• Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;<br><br>• Absence or non-participation for unjustifiable reason/s for more than fifty percent (50%) of all meetings, both regular and special, |

| Procedure | Process Adopted | Criteria |
|---|---|---|
| | shall take place either at a regular meeting of the corporation or at a special meeting called for the purpose, and in either case, after previous notice to stockholders or members of the corporation of the intention to propose such removal at the meeting. A special meeting of the stockholders or members of a corporation for the purpose of removal of directors or trustees, or any of them, must be called by the secretary on order of the president or on the written demand of the stockholders representing or holding at least a majority of the outstanding capital stock, or, if it be a non-stock corporation, on the written demand of a majority of the members entitled to vote. Should the secretary fail or refuse to call the special meeting upon such demand or fail or refuse to give the notice, or if there is no secretary, the call for the meeting may be addressed directly to the stockholders or members by any stockholder or member of the corporation signing the demand. Notice of the time and place of such meeting, as well as of the intention to propose such removal, must be given by publication or by written notice prescribed in this Code. Removal may be with or without cause: Provided, That removal without cause may not be used to deprive minority stockholders or members of the right of representation to which they may be entitled under Section 24 of this Code. | of the Board during his incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election;<br><br>• Dismissal or termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;<br><br>• Conviction that has not yet become final referred to in the grounds for the disqualification of directors.<br><br>The Board may create a Nominations Committee who shall consider the above qualifications and disqualification of a nominee to the Board in its recommendation of such nominee for election or re-election.<br><br>The Board shall have the final decision to determine the qualifications of a Director |
| **f. Re-instatement** | | |
| (i) Executive Directors | The director/s who are | *Manual on Corporate Governance:* |

| Procedure | Process Adopted | Criteria |
|---|---|---|
| (ii) Non-Executive Directors<br><br>(iii) Independent Directors | proposed to be reinstated are presented to the Nomination, Election and Governance Committee NOMELEC by the Corporate Secretary based on the letter-nomination/s received. The NOMELEC discusses / considers the qualification and/or disqualifications of the nominees to the Board.<br><br>A director-member of the NOMELEC then moves that the Committee nominate, approve and recommend said nomination to the Board, for Board approval. After discussion and on motion duly made and seconded, the NOMELEC then considers, qualifies and accepts/ denies (as the case may be) the nominations. The Committee then makes the relevant recommendation to the Board of Directors. | Section 3: Disqualifications of Directors<br><br>• Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;<br><br>• Absence or non-participation for unjustifiable reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board during his incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election;<br><br>• Dismissal or termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;<br><br>• Conviction that has not yet become final referred to in the grounds for the disqualification of directors.<br><br>The Board may create a Nominations Committee who shall consider the above qualifications and disqualification of a nominee to the Board in its recommendation of such nominee for election or re-election.<br><br>The Board shall have the final decision to determine the qualifications of a Director |
| **g. Suspension** | | |
| (i) Executive Directors<br>(ii) Non-Executive Directors<br>(iii) Independent Directors | The director/s who are proposed to be suspended are presented to the Nomination, Election and Governance Committee NOMELEC by the | *Manual on Corporate Governance:*<br><br>Section 3: Disqualifications of Directors<br><br>• Refusal to fully disclose the extent |

| Procedure | Process Adopted | Criteria |
|---|---|---|
| | Corporate Secretary based on the letter-nomination/s received. The NOMELEC discusses / considers the qualification and/or disqualifications of the nominees to the Board.<br><br>A director-member of the NOMELEC then moves that the Committee nominate, approve and recommend said nomination to the Board, for Board approval. After discussion and on motion duly made and seconded, the NOMELEC then considers, qualifies and accepts/ denies (as the case may be) the nominations. The Committee then makes the relevant recommendation to the Board of Directors. | of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;<br><br>• Absence or non-participation for unjustifiable reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board during his incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election;<br><br>• Dismissal or termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;<br><br>• Conviction that has not yet become final referred to in the grounds for the disqualification of directors.<br><br>The Board may create a Nominations Committee who shall consider the above qualifications and disqualification of a nominee to the Board in its recommendation of such nominee for election or re-election.<br><br>The Board shall have the final decision to determine the qualifications of a Director |

Voting Result of the last Annual General Meeting

| Name of Director | Votes Received |
|---|---|
| Manuel M. Lopez | 99.6556% |
| Oscar M. Lopez | 99.6556% |
| Federico R. Lopez | 99.6556% |
| Eugenio L. Lopez III | 99.6556% |
| Nestor J. Padilla | 99.7918% |
| Francis Giles B. Puno | 99.6556% |
| Ferdinand Edwin S. CoSeteng | 99.7918% |

| | |
|---|---|
| Miguel Ernesto L. Lopez | 99.7918% |
| Manuel L. Lopez, Jr. | 99.6556% |
| Oscar J. Hilado | 99.7918% |
| Vicente R. Ayllón | 99.7918% |

**6) Orientation and Education Program**

**(a) Disclose details of the company's orientation program for new directors, if any.**

Section 13 of the Manual for Corporate Governance provides:

New directors should be familiarized with the Corporation's operations, senior management and its business environment and be inducted in terms of their fiduciary duties and responsibilities as well as in respect of the Board's expectations. If new directors have no board experience, they should receive orientation in their unaccustomed responsibility. Opportunities for orientation for existing and potential directors shall be identified and appropriate development undertaken.

**(b) State any in-house training and external courses attended by Directors and Senior Management[7] for the past three (3) years:**

| Participants | Year | Training | Provider |
|---|---|---|---|
| AVPs to CEO and Board of Directors | Sept 2015 | Gear Up: an Executive Learning Workshop by Tom Kosnik and Kae Fong Tay | FPH |
| VPs to CEO and Board of Directors | Aug and Sept 2015 | Corporate Governance Seminar | SGV & Co. |
| Senior Management | Aug to Sept 2015 | Corporate Finance Workshop | Development Center for Finance |
| AVPs to CEO and Board of Directors | March 2015 | Executive Learning Workshop on Scaling Up by Verne Harsh and Jeremy Han | FPH |
| VPs to CEO and Board of Directors | Sept 2014 | Corporate Governance Seminar | SGV & Co. |
| Senior Managers to CEO and Board of Directors | Aug 2014 | Executive Learning Session on Adaptive Leadership by Dr. Ronald A. Heifetz | Professor, Harvard Kennedy School |
| AVPS to VPs | 2013 | Fundamentals of Finance | FPH |
| AVPs to SVPs | 2013 | Crisis and Media Handling Presentation Skills | FPH |
| Senior Managers to CEO | 2013 | Negotiation Skills | FPH |

[7] Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

**(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.**

| Name of Director/Officer | Date of Training | Program | Name of Training Institution |
|---|---|---|---|
| Eugenio L. Lopez III<br>Davy T. Tan<br>Enrique I. Quiason | September 23, 2015 | Corporate Governance Seminar | SGV & Co. |
| Nestor J. Padilla<br>Miguel L. Lopez<br>Davy T. Tan<br>Ma. Lourdes L. Pineda<br>Valeria Jane L. Soliven | September 10, 2015 | Gear Up: an Executive Learning Workshop by Tom Kosnik and Kae Fong Tay | FPH |
| Oscar J. Hilado | August 27, 2015 | Corporate Governance Seminar | SGV & Co. |
| Manuel M. Lopez<br>Oscar M. Lopez<br>Federico R. Lopez<br>Miguel L. Lopez<br>Nestor J. Padilla<br>Manuel L. Lopez, Jr.<br>Ferdinand Edwin S. CoSeteng<br>Francis Giles B. Puno<br>Vicente R. Ayllon<br>Valeria Jane L. Soliven<br>Ma. Lourdes L. Pineda<br>Ellen V. Almodiel<br>Estela Y. Dasmariñas<br>Julius A. Marzoña<br>Abel L. Roxas<br>Adela D. Flores<br>Divino M. Villanueva, Jr.<br>Esmeraldo C. Amistad | August 24, 2015 | Corporate Governance Seminar | SGV & Co. |
| Miguel L. Lopez<br>Ma. Lourdes L. Pineda<br>Valeria Jane L. Soliven<br>Divino M. Villanueva, Jr. | Aug to Sept 2015 | Corporate Finance Workshop | Development Center for Finance |
| Oscar M. Lopez<br>Federice R. Lopez<br>Nestor J. Padilla<br>Miguel L. Lopez<br>Davt T. Tan<br>Ellen V. Almodiel<br>Ma. Lourdes L. Pineda<br>Valeria Jane L. Soliven<br>Abel L. Roxas<br>Estela Y. Dasmariñas | March 23-25, 2015 | Executive Learning Workshop on Scaling Up by Verne Harsh and Jeremy Han | FPH |

## B. CODE OF BUSINESS CONDUCT & ETHICS

**1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:**

| Business Conduct & Ethics | Directors | Senior Management | Employees |
|---|---|---|---|
| (a) Conflict of Interest | Section 2 of the Manual for Corporate Governance:<br><br>A director is a fiduciary of the Corporation and shall not take advantage of the Corporation by means of fraudulent or unfair transactions. He must act honestly and in good faith in the interest of the Corporation. He must avoid actual and potential conflicts of interest and shall disclose fully and fairly his interests in contracts with the Corporation. | Section F of Code of Discipline:<br><br>19. Engaging in the same business activities which are of the same nature with the operations or business of Rockwell Land Corporation: First Offense – Dismissal<br><br>20. Competing with or acting against the business of the Company established goodwill, or any act of disloyalty: First Offense – Dismissal | |
| (b) Conduct of Business and Fair Dealings | Section 2 of the Manual for Corporate Governance:<br><br>A director must exercise that degree of skill, diligence and care that a reasonably prudent person would exercise in similar circumstances. It shall be sufficient for a director to act on an informed basis in good faith and in honest belief that the action was taken in the best interest of the Corporation.<br><br>A director is a fiduciary of the Corporation and shall not take advantage of the Corporation by means of fraudulent or unfair transactions. He must act honestly and in good faith in the interest of the Corporation. He must avoid actual and potential conflicts of interest and shall disclose fully and fairly his interests in contracts with the Corporation.<br><br>The directors must act | Code of Discipline:<br><br>23. Failure to disclose business ventures and endeavors to Rockwell Land Corporation: First Offense - Dismissal | |

<table>
<thead>
<tr><th>Business Conduct & Ethics</th><th>Directors</th><th>Senior Management</th><th>Employees</th></tr>
</thead>
<tbody>
<tr><td></td><td>only within corporate powers.</td><td colspan="2"></td></tr>
<tr><td>(c) Receipt of gifts from third parties</td><td colspan="3">No written policy yet.</td></tr>
<tr><td>(d) Compliance with Laws & Regulations</td><td>Section 2 of the Manual for Corporate Governance:<br><br>A director shall have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including its Articles of Incorporation and By-Laws, the rules and regulations of the SEC and, where applicable, the requirements of relevant regulatory agencies.</td><td colspan="2">Section 2 of the Manual of Corporate Governance<br><br>The Board shall ensure that adequate procedures, systems and practices that protect the Corporation’s assets and reputation are in place and are maintained. The Board shall be guided by best business practices. The Board shall ensure the Corporation’s faithful compliance with all applicable laws, regulations and be guided by best business practices.</td></tr>
<tr><td>(e) Respect for Trade Secrets/Use of Non-public Information</td><td>Section 2 of the Manual for Corporate Governance:<br><br>A director shall observe confidentiality. A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director.</td><td colspan="2">Section H of Code of Discipline:<br><br>4. Disclosure of confidential information.<br>First Offense – Dismissal<br><br>8. Unauthorized use of computer passwords or use of computer passwords of other employees.<br>First Offense – Three (3) working days suspension<br>Second Offense – Six (6) working days suspension<br>Third Offense – Dismissal<br><br>10. Unauthorized disclosure of confidential information, trade secrets related to the Company’s affairs or unauthorized reproduction of Company records, documents, etc. known by employee(s) but unknown to outsiders which may benefit any competitor or any other party to the prejudice of the Company.<br>First Offense - Dismissal</td></tr>
<tr><td>(f) Use of Company Funds, Assets and Information</td><td>Section 2 of the Manual for Corporate Governance:<br><br>A director shall observe confidentiality. A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director.</td><td colspan="2">Section F of Code of Discipline:<br><br>9. Sabotage of Company materials and / or equipment: First Offense – Dismissal<br><br>15. Using Company or its properties as part of illegal activities or making use of the Company’s name for personal gain or profit, or entering into transactions which are grossly disadvantageous to the Company, misrepresenting himself as duly authorized: First Offense – Dismissal<br><br>21. Misappropriation, conversion, embezzlement or malversation of funds, assets, or property belonging</td></tr>
</tbody>
</table>

| Business Conduct & Ethics | Directors | Senior Management | Employees |
|---|---|---|---|
| | | to the company or co-employee: First Offense – Dismissal<br><br>24. Stealing or attempting to steal private or Company property: First Offense – Dismissal<br><br>25. Conniving or participating in any manner in the act of pilferage, theft or robbery of the Company property or other. Unauthorized possession of Company keys; First Offense – Dismissal<br><br>26. Falsifying personal or any other Company records, either when applying for employment or during employment; First Offense – Dismissal | |
| (g) Employment & Labor Laws & Policies | Section 18 of the Manual for Corporate Governance:<br><br>To strictly observe and implement the provisions of this Manual, the Board may take appropriate actions, after notice and hearing, on the individual directors, officers and employees, such as censure, suspension or removal from office depending on the gravity of the offense as well as the frequency of the violation.<br><br>The Commission of a serious violation of a material provision of this Manual by any member of the Board of the Corporation shall be sufficient cause for removal from directorship. | Section I of Code of Discipline:<br><br>This policy is created to set forth the Company's Code of Discipline and the disciplinary process that the Company must utilize to address unacceptable behavior and related employment problems in the workplace, or outside the workplace when conduct impacts an employee's ability to do his/her job and/or influence the company's overall performance. | |
| (h) Disciplinary action | Section 18 of the Manual for Corporate Governance:<br><br>To strictly observe and implement the provisions of this Manual, the Board may take appropriate actions, after notice and hearing, on the individual directors, officers and employees, such as | Section III of Code of Discipline:<br><br>3.1 Administrative Procedures<br><br>3.1.1 These procedures accompany the Code of Discipline and are designed to assist functional units and Human Resources in the administration of the Company's disciplinary system.<br><br>3.1.2 Corrective actions, whether informal or formal, must depend upon the nature, consequence/s, or | |

| Business Conduct & Ethics | Directors | Senior Management | Employees |
|---|---|---|---|
| | censure, suspension or removal from office depending on the gravity of the offense as well as the frequency of the violation.<br><br>The Commission of a serious violation of a material provision of this Manual by any member of the Board of the Corporation shall be sufficient cause for removal from directorship. | potential consequence/s of the employee's conduct of performance and the surrounding circumstances and mitigating factors, if any. Management should apply corrective actions consistently, while taking into consideration the specific circumstances of each individual case. Prior to taking any corrective action it is suggested that Management considers the following:<br><br>Whether the corrective action is consistent with Company standards of conduct.<br>The nature, severity, and consequences of the offense.<br>Whether, the offense constitutes a violation of a policy, procedure, or law.<br>Previous counseling, whether informal or formal that addressed the same or similar misconduct or performance.<br>Previous disciplinary actions that addressed the same o similar misconduct or performance.<br>Whether the offense relates to the employee's job duties and the employee's ability to perform satisfactorily.<br>How issues with similarly situated employees have been addressed.<br>Mitigating factors that would compel a reduction in the disciplinary action to promote the interests of fairness and objectivity.<br>If the corrective action is appropriate for a specific offense.<br><br>Procedures include:<br><br>3.2.3 Preliminary Investigation<br>3.2.4 Preventive Suspension<br>3.2.5 Administrative Hearing<br>3.2.6 Disciplinary Action<br>3.2.6.1 Written Reprimand<br>3.2.6.2 Suspension<br>3.2.6.3 Dismissal | |
| (i) Whistle Blower | No written policy yet | Written policy is currently being finalized. | |
| (j) Conflict Resolution | Section 2 of the Manual for Corporate Governance:<br><br>As may be deemed proper by the Board, it may establish and maintain an alternative dispute resolution system that can amicably settle conflicts and differences between the corporation and its | No written policy yet | |

| Business Conduct & Ethics | Directors | Senior Management | Employees |
|---|---|---|---|
| | stockholders, and the corporation and third parties, including the regulatory authorities. | | |

2) **Has the code of ethics or conduct been disseminated to all directors, senior management and employees?**

While a Code of Ethics is not formally in place, the company has a code of discipline disseminated to all employees.

3) **Discuss how the company implements and monitors compliance with the code of ethics or conduct.**

Section 17 of the Manual on Corporate Governance states:

"The Committees shall report to the Board in such manner as the Board may require

This Manual shall be subject to annual review or at such frequency as may be determined by the Board."

Section 18 of the Manual on Corporate Governance states:

"To strictly observe and implement the provisions of this Manual, the Board may take appropriate actions, after notice and hearing, on the individual directors, officers and employees, such as censure, suspension or removal from office depending on the gravity of the offense as well as the frequency of the violation.

The Commission of a serious violation of a material provision of this Manual by any member of the Board of the Corporation shall be sufficient cause for removal from directorship."

**4) Related Party Transactions**

**(a) Policies and Procedures**

**Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.**

| Related Party Transactions | Policies and Procedures |
|---|---|
| (1) Parent Company<br>(2) Joint Ventures<br>(3) Subsidiaries<br>(4) Entities Under Common Control<br>(5) Substantial Stockholders<br>(6) Officers including spouse/children/siblings/parents<br>(7) Directors including spouse/children/siblings/parents<br>(8) Interlocking director relationship of Board of Directors | Note 27 of the Audited FS:<br><br>Terms and Conditions of Transactions with Related Parties:<br>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, 2014, 2013 and 2012, the Company 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. |

**(b) Conflict of Interest**

**(i) Directors/Officers and 5% or more Shareholders**

**Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.**

| | Details of Conflict of Interest (Actual or Probable) |
|---|---|
| Name of Director/s | Not Applicable |
| Name of Officer/s | Not Applicable |
| Name of Significant Shareholders | Not Applicable |

**(ii) Mechanism**

**Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.**

| | Directors/Officers/Significant Shareholders |
|---|---|
| Company | The Audit Committee has been created to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders. The External Auditor is engaged to review the related party transactions. The Company submits itself to oversight by government and regulatory institutions and agencies. The Company engages third-party institutions to evaluate the fairness of major related party transactions. |
| Group | |

**5) Family, Commercial and Contractual Relations**

**(a) Indicate, if applicable, any relation of a family,[8] commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:**

| Director's Name | Name of the Significant Shareholder | Description of the relationship |
|---|---|---|
| Oscar M. Lopez & Manuel M. Lopez | Oscar M. Lopez – Chairman Emeritus<br>Manuel M. Lopez - Chairman | Oscar M. Lopez and Manuel M. Lopez are brothers. |
| Eugenio L. Lopez III | Eugenio L. Lopez III, Oscar M. Lopez and Manuel M. Lopez | Eugenio L. Lopez III is the nephew of Oscar M. Lopez and Manuel M. Lopez. |
| Manuel L. Lopez Jr.<br>Miguel Ernesto L. Lopez | Miguel L. Lopez Jr. and Miguel Ernesto Lopez | Manuel L. Lopez Jr. and Miguel Ernesto L. Lopez are brothers and sons of Manuel M. Lopez. |

[8] Family relationship up to the fourth civil degree either by consanguinity or affinity.

| | | |
|---|---|---|
| Federico R. Lopez, Eugenio Lopez III, Miguel Ernesto L. Lopez and Manuel L. Lopez, Jr. | Federico R. Lopez, Eugenio Lopez III, Miguel Ernesto L. Lopez and Manuel L. Lopez, Jr | Miguel Ernesto L. Lopez and Manuel L. Lopez, Jr. are cousins of Federico R. Lopez, Eugenio Lopez III |
| Federico R. Lopez and Francis Giles B. Puno | Federico R. Lopez and Francis Giles B. Puno | Federico R. Lopez is the brother-in-law of Francis Giles B. Puno |

**(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:**

None, FPH is the only significant holder of equity.

**(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:**

There are no shareholder agreements that may impact on the control, ownership and strategic direction of the company.

**6) Alternative Dispute Resolution**

**Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.**

| | Alternative Dispute Resolution System |
|---|---|
| **Corporation & Stockholders** | The Company, through its stock transfer agent, investor relations unit, Office of the Corporate Secretary and legal department, attends to the needs of the stockholders. |
| **Corporation & Third Parties** | Alternative Dispute Resolution systems, including senior management consultations, mediations, conciliations and arbitration, are provided in Joint Venture Agreements and similar contractual arrangements. |
| **Corporation & Regulatory Authorities** | Regular consultations with regulatory and government agencies. |

## C. BOARD MEETINGS & ATTENDANCE

**1) Are Board of Directors' meetings scheduled before or at the beginning of the year?**

Article II Section 6 of the Corporate By-Laws provides:

The organizational meetings of the Board of Directors shall be held without notice immediately after the annual meeting of the stockholders as provided in Section 1, Article I hereof, and thereafter all meetings of the Board of Directors shall be on such dates as may fixed by resolution of the Board of Directors. Special meetings of the Board may be called by the President or by written request of any three (3) directors, upon at least one day's notice of the time and place of holding the same, given personally or by letter, telegram, or telephone, facsimile transmission, electronic mail or short messaging system (SMS). Meetings may be held at any time and place without notice if all the Directors are present or if those not present waive notice in writing before or after the meeting. The Board of

Directors may meet by video conference or teleconference or through other similar electronic means.

**2) Attendance of Directors (January 1, 2015 to December 31, 2015)**

| Board | Name | Date of Election | Jan 1 – Dec 31, 2015 | | |
|---|---|---|---|---|---|
| | | | No. of Meetings Held | No. of Meetings Attended | % |
| Chairman | Manuel M. Lopez | 5/27/2015 | 10 | 10 | 100% |
| Member | Oscar M. Lopez | 5/27/2015 | 10 | 7 | 70% |
| Member | Federico R. Lopez | 5/27/2015 | 10 | 9 | 90% |
| Member | Eugenio L. Lopez III | 5/27/2015 | 10 | 5 | 50% |
| Member | Nestor J. Padilla | 5/27/2015 | 10 | 10 | 100% |
| Member | Miguel L. Lopez | 5/27/2015 | 10 | 10 | 100% |
| Member | Manuel L. Lopez, Jr. | 5/27/2015 | 10 | 10 | 100% |
| Member | Francis Giles B. Puno | 5/27/2015 | 10 | 10 | 100% |
| Member | Ferdinand Erwin S. CoSeteng | 5/27/2015 | 10 | 10 | 100% |
| Independent | Vicente R. Ayllon | 5/27/2015 | 10 | 6 | 60% |
| Independent | Oscar J. Hilado* | 5/27/2015 | 4 | 4 | 100% |

*Elected on May 27, 2015

**3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?**

Yes, the audit committee, which is composed of 2 non-executive directors and 2 independent directors, held five meetings on February 17, 2015, March 5, 2015, May 11, 2015, August 4, 2015 and November 6, 2015.

**4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.**

No, but majority of the board meetings are attended by at least two-thirds of the board members

**5) Access to Information**

**(a) How many days in advance are board papers[9] for board of directors meetings provided to the board?**

Board papers for board of directors meetings are provided at least one business day in advance

This is in accordance with Section 11 of the Manual on Corporate Governance which provides:

<u>Adequate and Timely information</u>

To enable the members of the Board to properly fufill their duties and responsibilities, Management shall provide

[9] Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

them with complete, adequate and timely information about the matters to be taken in their meetings.

Members of the Board should be given independent access to Management and the Corporate Secretary.

The information that the Board may seek may include the background or explanation on matters brought to before the Board, disclosures, budgets, forecasts and internal financial documents.

The members of the Board, in furtherance of their duties and responsibilities, should have access to independent professional advice at the corporation's expense provided that such expenses are reasonable.

**(b) Do board members have independent access to Management and the Corporate Secretary?**

Yes

Section 11 of the Manual on Corporate Governance which provides:

<u>Adequate and Timely information</u>

To enable the members of the Board to properly fulfill their duties and responsibilities, Management shall provide them with complete, adequate and timely information about the matters to be taken in their meetings.

Members of the Board should be given independent access to Management and the Corporate Secretary.

The information that the Board may seek may include the background or explanation on matters brought to before the Board, disclosures, budgets, forecasts and internal financial documents.

The members of the Board, in furtherance of their duties and responsibilities, should have access to independent professional advice at the corporation's expense provided that such expenses are reasonable.

**(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?**

"Section 6 of Article IV of Company By-Laws

The Secretary – The Secretary, who must be a citizen and resident of the Philippines, shall keep the minutes of all meetings of the stockholders. He shall attend to the giving and serving of all notices of the Corporation. He shall have the charge of such books and papers as the Board of Directors, may direct, and shall perform all the duties as may be assigned to him by the Board of Directors. The Board of Directors may also appoint one or more Assistant Secretaries, who may perform the duties of the Secretary, if the latter is absent , or when such duties may be allowed or delegated by the Board of Directors, or by the Manual of Corporate Governance."

Section 8 of the Manual on Corporate Governance states:

"The Corporate Secretary and the Assistant Corporate Secretary shall have the following duties and responsibilities:

Assist the Board in the preparation of the agenda of meetings and the management in the preparation and gathering of materials to be presented to the Board or the shareholders.

Implement such methods adopted by the Board to efficiently and timely inform and brief the board members prior to board meetings.

Attend Board meetings and take down the minutes of special and regular meetings of the Board and shareholders.

Be loyal to the mission, vision and objectives of the Corporation.

Work fairly and objectively with the Board, Management and stockholders.

Have appropriate administrative and interpersonal skills.

If he is not at the same time the Corporation's legal counsel, be aware of the law, rules and regulations necessary in the performance of his duties and responsibilities.

Have a working knowledge of the operations of the Corporation.

If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer provided for in this Manual.

Issue a certification every January 30th of the year on the attendance of directors in meetings of the Board, countersigned by the Chairman of the Board."

**(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.**

Yes. Enrique I. Quiason has been the Corporate Secretary of the Corporation since 1995. He is a Senior Partner of the Quiason Makalintal Barot Torres Ibarra & Sison Law Firm. He is the Corporate Secretary of Lopez Holdings and First Philippine Holdings Corp. and Assistant Corporate Secretary of ABS-CBN. He is also the Corporate Secretary and Assistant Corporate Secretary of various subsidiaries or affiliates of FPH and Lopez Holdings. He 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. His law firm has acted as legal counsel to the Lopez group for the last five (5) years.

**(e) Committee Procedures**

**Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:**

Yes [X]  No [ ]

Section 11 of the Manual for Corporate Governance provides:

To enable the members of the Board to properly fulfill their duties and responsibilities, Management shall provide them with complete, adequate and timely information about the matters to be taken in their meetings.

Members of the Board should be given independent access to Management and the Corporate Secretary.

The information that the Board may seek may include the background or explanation on matters brought to before the Board, disclosures, budgets, forecasts and internal financial documents.

The members of the Board, in furtherance of their duties and responsibilities, should have access to independent professional advice at the corporation's expense provided that such expenses are reasonable.

| Committee | Details of the procedures |
|---|---|
| Executive | Upon the request of the director, the Office of the Corporate Secretary and Management provides the relevant information. |
| Audit | |
| Nomination | |
| Remuneration | |
| Others (specify) | |

**6) External Advice**

**Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:**

Last paragraph of Section 11 of the Manual for Corporate Governance states:

"The members of the Board, in furtherance of their duties and responsibilities, should have access to independent professional advice at the corporation's expense provided that such expenses are reasonable."

**7) Change/s in existing policies**

**Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:**

Not applicable

## D. REMUNERATION MATTERS

**1) Remuneration Process**

**Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:**

| Process | CEO | Top 4 Highest Paid Management Officers |
|---|---|---|
| (1) Fixed remuneration | Through the Board as implemented by the Chairman | CEO gives the salary increase based on approved guidelines |
| (2) Variable remuneration | Based on approved guidelines | Based on approved guidelines |
| (3) Per diem allowance | Based on approved guideline | Based on approved guideline |
| (4) Bonus | By-Laws and approved guidelines | By-Laws and approved guidelines |
| (5) Stock Options and other financial instruments | Based on approved Stock Option Plan | Based on approved Stock Option Plan |
| (6) Others (specify) | - | - |

2) **Remuneration Policy and Structure for Executive and Non-Executive Directors**

**Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.**

| | Remuneration Policy | Structure of Compensation Packages | How Compensation is Calculated |
|---|---|---|---|
| Executive Directors | Per Diem | P15,000.00 per attendance | |
| Non-Executive Directors | Per Diem | P15,000.00 per attendance | |

**Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.**

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 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.

The outstanding options 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*<br><br>Almodiel, Ellen V. (SVP, Finance & Accounting & CFO)<br>Lopez, Miguel Ernesto L. (Treasurer and SVP, Property Management)<br>Padilla, Nestor J. (President and CEO)<br>Pineda, Ma. Lourdes L. (SVP, Rockwell Primaries)<br>Soliven, Valerie Jane L. (SVP, Rockwell Residential Development) | 32,127,000 | various | P1.46 | various |
| All Other Officers & directors | 10,280,000 | various | P1.46 | various |
| Total | 42,407,000 | | | |

**Alphabetically arranged*

3) **Aggregate Remuneration**

**Complete the following table on the aggregate remuneration accrued during the most recent year:**

| Remuneration Item | Executive Directors | Non-Executive Directors (other than independent directors) | Independent Directors |
|---|---|---|---|
| (a) Fixed Remuneration | P45.7 million | 0 | 0 |

| | | | |
|---|---|---|---|
| (b) Variable Remuneration | 0 | 0 | 0 |
| (c) Per diem Allowance | P230.0 thousand | P1.23 million | P115.0 thousand |
| (d) Bonuses | P4.1 million | 0 | 0 |
| (e) Stock Options and/or other financial instruments | 0 | 0 | 0 |
| (f) Others (Specify) | 0 | 0 | 0 |
| **Total** | **P50.0 million** | **P1.23 million** | **P115.0 thousand** |

| Other Benefits | Executive Directors | Non-Executive Director (other than independent directors) | Independent Directors |
|---|---|---|---|
| 1) Advances | 0 | 0 | 0 |
| 2) Credit granted* | 0 | 0 | 0 |
| 3) Pension Plan/s Contributions | 0 | 0 | 0 |
| (d) Pension Plans, Obligations incurred** | P10.6 million | 0 | 0 |
| (e) Life Insurance Premium | P70.3 thousand | 0 | 0 |
| (f) Hospitalization Plan | 0 | 0 | 0 |
| (g) Car Plan | 0 | 0 | 0 |
| (h) Others (Specify) | 0 | 0 | 0 |
| **Total** | **P10.67 million** | **0** | **0** |

*Represents additional receivables from sale of units done in the ordinary course of business.

**Note 24 of the Audited FS: The Company has a funded, noncontributory defined benefit pension plan covering all regular and permanent employees.

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

**4) Stock Rights, Options and Warrants**

**(a) Board of Directors**

**Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:**

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 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.

The outstanding options as of March 31, 2016 are as follows:

| Name | No. of Shares | Date of Grant | Exercise Price | Market Price at the Date of Grant |
|---|---|---|---|---|
| Lopez, Miguel Ernesto L. (Treasurer and SVP, Property Management)<br>Padilla, Nestor J. (President and CEO) | 30,690,000 | various | P1.46 | various |

**(b) Amendments of Incentive Programs**

**Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:**

Not applicable

**5) Remuneration of Management**

**Identify the five (5) members of management who are <u>not</u> at the same time executive directors and indicate the total remuneration received during the financial year:**

| Name of Officer/Position | Total Remuneration |
|---|---|
| Senior Vice President, Rockwell Residential Development | P17.8 million |
| Senior Vice President, Primaries Development Corporation | |
| Senior Vice President, Finance & Accounting | |
| Vice President, Human Resources | |
| Vice President, Provincial Development | |

## E. BOARD COMMITTEES

**1) Number of Members, Functions and Responsibilities**

**Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:**

| Committee | No. of Members | | | Committee Charter | Functions | Key Responsibilities | Power |
|---|---|---|---|---|---|---|---|
| | Executive Director (ED) | Non-executive Director (NED) | Independent Director (ID) | | | | |
| Executive | Not applicable | | | | | | |
| Audit | - | 2 | 2 | Please refer to attached Audit Committee Charter. | To assist the Board of Directors in fulfilling its oversight responsibilities for the management and financial reporting process, the system of internal control, the maintenance of an effective audit process, and the process for monitoring compliance with the code of conduct. | The committee will have the following responsibilities:<br><br>V.1.Financial Statements<br><br>The review of the financial statements of the company shall be done by the Audit Committee in the following context:<br><br>a) Management has the primary responsibility for the financial statements and the financial reporting process; and<br><br>b) The External Auditors is responsible for expressing an opinion on the conformity of the company's consolidated financial statements with the Philippine Financial Reporting Standards<br><br>Review the quarterly financial statements with management and the annual financial | II.AUTHORITY<br><br>The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. In the performance of its functions, the Committee is empowered to:<br><br>II.1. Recommend to the Board appointment, compensation, and oversee the work of any registered public accounting firm employed by the organization (i.e. external auditors);<br><br>II.2.Resolve any disagreements between management and the auditor regarding financial reporting;<br><br>II 3. Provide oversight over |

| Committee | No. of Members | | | Committee Charter | Functions | Key Responsibilities | Power |
|---|---|---|---|---|---|---|---|
| | Executive Director (ED) | Non-executive Director (NED) | Independent Director (ID) | | | | |
| Executive | Not applicable | | | | | | |
| | | | | | | statements with the external auditors, focusing particularly on:<br><br>•Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements , and understand their impact on the financial statements;<br><br>•Review with management and external auditors (annual financial statements) the results of audit, including any difficulties encountered;<br><br>•Review the annual financial statements and consider whether they are complete, consistent with information known to committee members, and reflect | Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation;<br><br>II.4.Pre-approve all auditing and non-audit services;<br><br>II.5.Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation;<br><br>II.6.Seek any information it requires from employees – all of whom are directed to cooperate with the committee's requests – or external parties;<br><br>II.7.Meet with company officers, external auditors, or outside counsel as necessary; and |

| Committee | No. of Members | | | Committee Charter | Functions | Key Responsibilities | Power |
|---|---|---|---|---|---|---|---|
| | Executive Director (ED) | Non-executive Director (NED) | Independent Director (ID) | | | | |
| Executive | Not applicable | | | | | | |
| | | | | | | appropriate accounting principles;<br><br>•Review interim financial reports with management before filing with regulators, and consider whether they are complete and consistent with the information known to committee members;<br><br>•Review of disclosures of material information, related party transactions, and subsequent events;<br><br>•Review and approval of management representation letter before submission to external auditor.; and<br><br>•Recommend to the Board of Directors the approval of the Audited Financial Statements<br><br>V.2.External Audit | II.8.Receive, review, and discuss reports or updates by internal and external counsels and regulatory agencies, when applicable, and ensure that management is taking appropriate actions to address regulatory issues as well as on of litigations, claims, and contingencies, if any. |

| Committee | No. of Members | | | Committee Charter | Functions | Key Responsibilities | Power |
|---|---|---|---|---|---|---|---|
| | **Executive Director (ED)** | **Non-executive Director (NED)** | **Independent Director (ID)** | | | | |
| Executive | Not applicable | | | | | | |
| | | | | | | •Review the external auditor's proposed audit scope and approach, including coordination of audit efforts with internal audit;<br><br>•Review the performance of external auditor and recommend to the Board the appointment or discharge of the auditors;<br><br>•Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the company, including non-audit services, and discussing the relationships with the auditors;<br><br>•Ensure that auditors are given unrestricted access to all records, properties and personnel to enable them to | |

| Committee | No. of Members | | | Committee Charter | Functions | Key Responsibilities | Power |
|---|---|---|---|---|---|---|---|
| | **Executive Director (ED)** | **Non-executive Director (NED)** | **Independent Director (ID)** | | | | |
| Executive | Not applicable | | | | | | |
| | | | | | | perform their respective audit functions without inferring scope limitation;<br><br>•Regularly meet with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately;<br><br>•Review and approve audit related and permitted non-audit services to be rendered by the external auditors.<br><br>•The Committee shall regularly review and assess external auditors' fees and shall ensure that the fees charged by the company's external auditors shall be commensurate with their reputation, level of expertise, and required scope of work, and shall be in accordance with current industry standards.<br><br>V.3.Internal | |

| Committee | No. of Members | | | Committee Charter | Functions | Key Responsibilities | Power |
|---|---|---|---|---|---|---|---|
| | **Executive Director (ED)** | **Non-executive Director (NED)** | **Independent Director (ID)** | | | | |
| Executive | Not applicable | | | | | | |
| | | | | | | Control System<br><br>•Consider the effectiveness of the company's internal control system, including information technology security and control;<br><br>•Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management responses;<br><br>•Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security; and<br><br>•Review frameworks for fraud prevention and detection including whistle | |

| Committee | No. of Members | | | Committee Charter | Functions | Key Responsibilities | Power |
|---|---|---|---|---|---|---|---|
| | Executive Director (ED) | Non-executive Director (NED) | Independent Director (ID) | | | | |
| Executive | Not applicable | | | | | | |
| | | | | | | blower program, if any.<br><br>V.4.Internal Audit<br><br>•The Committee shall ensure the existence of a working internal audit group, which shall be headed by a competent business manager, to identify audit issues, propose resolutions to these issues, and provide reasonable assurance that key organizational and procedural controls as promulgated by Management are effective, appropriate, and enforced;<br><br>•The Committee shall establish a direct reporting line of the internal audit to the Committee to prevent impediments in the conduct of internal audit activities and the conveyance/presentation of audit findings. The internal audit shall functionally | |

| Committee | No. of Members | | | Committee Charter | Functions | Key Responsibilities | Power |
|---|---|---|---|---|---|---|---|
| | Executive Director (ED) | Non-executive Director (NED) | Independent Director (ID) | | | | |
| Executive | Not applicable | | | | | | |
| | | | | | | report directly to the Audit Committee;<br><br>•Review with management and the Internal Audit Head the plans, activities, staffing and organizational structure of the internal audit function. The annual internal audit plan must conform to the objectives of the corporation and shall include the audit scope, resources and budget necessary to implement it;<br><br>•Ensure that there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Internal Audit Head;<br><br>•Review the effectiveness of internal audit function, including compliance with the International Standards for the Professional Practice of | |

| Committee | No. of Members | | | Committee Charter | Functions | Key Responsibilities | Power |
|---|---|---|---|---|---|---|---|
| | **Executive Director (ED)** | **Non-executive Director (NED)** | **Independent Director (ID)** | | | | |
| Executive | Not applicable | | | | | | |
| | | | | | | Internal Auditing;<br><br>•On a regular basis, meet separately with the Internal Audit Head to discuss any matters that the committee or internal audit believes should be discussed privately; and<br><br>•The Committee shall periodically review the internal audit charter and amend any revisions thereto as applicable;<br><br>V.5.Reporting responsibilities<br><br>•Regularly report to the board of directors about committee activities, issues, and related recommendatio ns.<br><br>•Report annually to the shareholders, describing the committee's composition responsibilities, and how they were discharged, and any other information | |

| Committee | No. of Members | | | Committee Charter | Functions | Key Responsibilities | Power |
|---|---|---|---|---|---|---|---|
| | **Executive Director (ED)** | **Non-executive Director (NED)** | **Independent Director (ID)** | | | | |
| Executive | Not applicable | | | | | | |
| | | | | | | required by rule, including approval of non-audit services.<br><br>•Review any reports (e.g. to SEC and PSE) the company issues that relate to committee responsibilities. Coordinate, monitor and facilitate compliance with laws, rules and regulations.<br><br>V.6. Other Responsibilities<br><br>•Perform other activities related to this charter as requested by the Board of Directors;<br><br>•Institute and oversee special investigations as needed;<br><br>•Review and assess the adequacy of committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation; | |

| Committee | No. of Members | | | Committee Charter | Functions | Key Responsibilities | Power |
|---|---|---|---|---|---|---|---|
| | **Executive Director (ED)** | **Non-executive Director (NED)** | **Independent Director (ID)** | | | | |
| Executive | Not applicable | | | | | | |
| | | | | | | •Conduct an assessment on the performance of the Audit Committee on an annual basis or in such shorter intervals as may be set by the Board of Directors and in compliance with the relevant regulatory requirements; and<br><br>•Confirm annually that all responsibilities outlined in this charter have been carried out.<br><br>V.7. Review and Amendments<br><br>The Committee shall periodically revisit and/or review this Charter specifically for the purpose of adapting changes hereto in accordance with the Rockwell Land Corporation's Manual on Corporate Governance and in keeping with new standards and emerging trends. | |

| Committee | No. of Members | | | Committee Charter | Functions | Key Responsibilities | Power |
|---|---|---|---|---|---|---|---|
| | Executive Director (ED) | Non-executive Director (NED) | Independent Director (ID) | | | | |
| Executive | Not applicable | | | | | | |
| Nomination and Elections | - | 3 | 1 | | The Nomination and Election Committee shall have the function of reviewing and evaluating the qualification of all persons nominated to the Board and other requirements that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors, selecting directors and passing upon their qualifications. | | |

## 2) Committee Members

### (a) Executive Committee – Not Applicable

### (b) Audit Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|---|---|---|---|---|---|---|
| Chairman (ID) | Vicente R. Ayllon | 05/27/2015 | 5 | 2 | 40% | 3.46 years |
| Member (ID) | Oscar J. Hilado | 05/27/2015 | 2 | 2 | 100% | 0.61 years |
| Member (NED) | Manuel L. Lopez, Jr. | 05/27/2015 | 5 | 4 | 80% | 2.63 years |
| Member (NED) | Francis Giles B. Puno | 05/27/2015 | 5 | 4 | 80% | 2.63 years |

**Disclose the profile or qualifications of the Audit Committee members.**

Indicated in SEC 20-IS 2015

***Vicente R. Ayllón*** - 84, Filipino

Mr. Ayllón was an Independent Director of Rockwell Land from May 2, 2012 to April 6, 2016. He currently serves as Chairman of the Board & CEO of The Insular Life Assurance Co., Ltd., Chairman of the Board and President of Insular Life Property Holdings, Inc., Chairman of the Board of Insular Investment Corporation, Insular Health Care, Insular Foundation, Insular Management and Development Corporation, and Home Credit Mutual Building and Loan Association, He is the Vice-Chairman of the Board of Union Bank of the Philippines and Mapfre Insular Insurance Corporation. Mr. Ayllón also serves as a regular Director of Pilipinas Shell Petroleum Corporation and Shell Co. of the Philippines, Ltd.. He serves as an independent Director of The Palms Country Club. Mr. Ayllón holds a Bachelor of Science degree in Commerce from the University of the East.

***Oscar J. Hilado - 78, Filipino***

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

***Manuel L. Lopez, Jr.*** - 48, Filipino

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

***Francis Giles B. Puno*** - 51, Filipino

Mr. Puno has been a Director of Rockwell Land since 2013 and is currently the President and Chief Operating Officer of FPH and First Gen Corporation. He was previously FPH's Chief Finance Officer and Treasurer and Executive Vice-President in September 2011. He is also a director in FPH, First Gen, Energy Development Corporation and First Philippine Industrial Park. 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.

**Describe the Audit Committee's responsibility relative to the external auditor.**

Audit Committee charter section V.2 on External Audit provides;

- Review the external auditor's proposed audit scope and approach, including coordination of audit efforts with external audit;

- Review the performance of external auditor and recommend to the Board the appointment or discharge of the auditors.

- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the company, including non-audit services, and discussing the relationships with the auditors.

- Ensure that the auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions without inferring scope limitation.

- Regularly meet with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

- Review and approve audit related and permitted non-audit services to be rendered by the external auditors.

- The Committee shall regularly review and assess external auditors' fees and shall ensure that the fees charged by the company's external auditors shall be commensurate with their reputation, level of expertise, and required scope of work, and shall be in accordance with current industry standards."

**(c) Nomination Committee**

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|---|---|---|---|---|---|---|
| Chairman (NED) | Manuel M. Lopez | 05/27/2015 | 1 | 1 | 100% | 3.5 years |
| Member (NED) | Oscar M. Lopez | 05/27/2015 | 1 | 1 | 100% | 3.5 years |
| Member (NED | Eugenio L. Lopez III | 05/27/2015 | 1 | 1 | 100% | 3.5 years |
| Member (ID) | Vicente R. Ayllon | 05/27/2015 | 1 | 1 | 100% | 3.5 years |

**(d) Remuneration Committee – not applicable**

**(e) Risk Management Committee**

**Provide the same information on all other committees constituted by the Board of Directors:**

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|---|---|---|---|---|---|---|
| Chairman (NED) | Eugenio L. Lopez III | 05/27/2015 | 1 | 1 | 100% | 3.5 years |
| Member (ED) | Nestor J. Padilla | 05/27/2015 | 1 | 1 | 100% | 3.5 years |
| Member (NED) | Ferdinand Edwin S. CoSeteng | 05/27/2015 | 1 | 1 | 100% | 2.6 years |
| Member (ID) | Oscar J. Hilado | 05/27/2015 | 1 | 1 | 100% | 0.61 years |

**3) Changes in Committee Members**

**Indicate any changes in committee membership that occurred during the year and the reason for the changes:**

Oscar J. Hilado replaced Manuel N. Tordesillas in the Audit Committee and Risk Management Committee due to the replacement of Manuel N. Tordesillas' seat in the board.

**4) Work Done and Issues Addressed**

**Describe the work done by each committee and the significant issues addressed during the year.**

| Name of Committee | Work Done | Issues Addressed |
|---|---|---|
| Executive | Not applicable | |
| Audit | • Held four regular audit committee meeting and one special audit committee meeting as follows;<br>▪ Feb 17<br>▪ March 5<br>▪ May 11<br>▪ August 4<br>▪ November 6<br>• Approved the 2015 Audit Plan and the subsequent changes thereto;<br>• Reviewed the reports of the Internal Auditors;<br>• Discussed and approved the overall scope of SGV – the company's external auditor, for the audit of 2015 Financial Statements;<br>• Reviewed and discussed the quarterly financial statements and the year-end audited financial statements with Management and SGV;<br>• Reviewed and approved the non- | Issues presented to the audit committee have a criticality level rating of "medium" to "high" based on internal audit assessment. Internal audit recommendations have been discussed with the respective auditees and monitoring of agreed actions is being done on a quarterly basis. Status of agreed actions on critical issues is reported to the audit committee during the quarterly meetings. |

| Name of Committee | Work Done | Issues Addressed |
|---|---|---|
| | audit services rendered by SGV to ensure that the nature, scope and the related fees will not impair their independence;<br>• Reviewed the report on regulatory compliance. | |
| Nomination | | |
| Remuneration | Not applicable | |
| Risk Management | Review of corporate risks | |
| Others (specify) | | |

**5) Committee Program**

**Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.**

| Name of Committee | Planned Programs | Issues to be Addressed |
|---|---|---|
| Executive | Not applicable | |
| Audit | Continue regular quarterly audit committee meetings to discuss internal audit and finance-related issues. | Internal audit Issues to be addressed will depend on engagements to be performed and their resulting observations and issues . |
| Nomination | | |
| Remuneration | Not applicable | |
| Others (specify) | | |

## F. RISK MANAGEMENT SYSTEM

**1) Disclose the following:**

**(a) Overall risk management philosophy of the company;**

Section 7 of the Manual for Corporate Governance provides:

“The Risk Management Committee shall have the following powers and functions:

- Oversee the formulation and establishment of an enterprise-wide risk management system.

- Review, analyze and recommend the policy, framework, strategy, method and/or system of or used by the Corporation to manage risks, threats or liabilities.

- Review and assess the likelihood and magnitude of the impact of material events on the Corporatiobn and/or to recommend measures, responses or solutions to avoid or reduce risks or exposures.

- Perform such other duties and functions and/or assume such responsibilities as may be delegated by the Board of Directors."

**(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;**

Management regularly reviews and updates the risks faced by the Company and presents it to the Board. The Risk Management Committee met in December 16, 2015.

**(c) Period covered by the review;**

Year 2015

**(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and**

The risk management system and governance structure is reviewed on an annual basis.

**(e) Where no review was conducted during the year, an explanation why not.**

n/a

**2) Risk Policy**

**(a) Company**

**Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:**

| Risk Exposure | Risk Management Policy | Objective |
|---|---|---|
| a. Regulatory Risk | Rockwell regularly monitors its exposures and compliance to laws and regulations to ensure the continuity of its operations | To comply with all applicable laws and regulations |
| b. Business Interruption Risk | Rockwell continuously enhances its operations and support systems to reduce the likelihood of unscheduled interruptions and, in the case of actual interruptions, to reduce the impact to the company's financial performance. | To ensure continuity of services to its customers. |
| c. Interest Rate Risk | The Company's policy is to manage its interest cost using a mix of fix and variable rate debts. | To manage the exposure to floating interest rates in a cost-efficient manner. |
| d. Foreign Currency Risk | Rockwell monitors its exposures to foreign currency fluctuations. | To manage and minimize the exposure to foreign currency risk. |

| Risk Exposure | Risk Management Policy | Objective |
|---|---|---|
| e. Credit Risk | The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to verification procedures. Default or delinquency on the part of the buyers of condominiums units or club shares are being monitored on an ongoing basis to enable the Company to determine the appropriate action – usually, cancelling the sale and holding the units and club shares 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 other financial assets of the Company, these are also monitored regularly with the result that the Company's exposure to bad debts is significant.<br><br>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 customers upon full payment of the contract price. Receivables from lease are guaranteed by security deposits. For other receivables, since the Company trades only with recognized third parties, there is no requirement for collateral. | To manage the credit exposures with its customers and/or other third parties |

**(b) Group**

**Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:**

Not applicable

**(c) Minority Shareholders**

**Indicate the principal risk of the exercise of controlling shareholders' voting power.**

| Risk to Minority Shareholders |
|---|
| Article I of the Corporate By-Laws provides:<br><br>Section 5. Quorum – At all meetings of stockholders, annual or special, in order to constitute a quorum, |

| |
|---|
| there shall be present either in person or by proxy the holders of record of the majority of the stock issued and outstanding and entitled to vote of a greater proportion. In the absence of a quorum, the holders of record of the majority of the shares present and entitled to vote may adjourn the meeting from time to time until a quorum shall be present, and no notice of such adjourned meeting shall be required.<br><br>Section 6. Voting – Except as otherwise provided by law, each stockholder of record shall be entitled at every meeting of stockholders to one vote for each share of stock standing in his name on the stock and transfer books of the Corporation, which vote may be given personally or by power of attorney or proxy authorized in writing. The instrument authorizing a proxy to act shall be exhibited to the Secretary if so requested. In the election of Directors, each stockholder entitled to vote may cumulate and distribute his votes in accordance with the provisions of the Corporation Code. |

**3) Control System Set Up**

**(a) Company**

**Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:**

| Risk Exposure | Risk Assessment (Monitoring and Measurement Process) | Risk Management and Control (Structures, Procedures, Actions Taken) |
|---|---|---|
| 1. Regulatory Risk | Annual risk identification, evaluation, and monitoring | • Regular monitoring of changes or updates to relevant laws and regulations<br>• Close monitoring of the Company's compliance to applicable legal and regulatory<br>• Close coordination with regulatory agencies |
| 2. Business Interruption Risk | Annual risk identification, evaluation, and monitoring | • Regular monitoring of operations<br>• Regular repair and maintenance of key equipment, systems and processes<br>• Regular review, revision and practice of Business Continuity Management plans |
| 3. Interest Rate Risk | Annual risk identification, evaluation, and monitoring | • Regular monitoring of the interest rates<br>• Identify, assess and enter into interest hedging, whenever necessary |
| 4. Foreign Currency Risk | Annual risk identification, evaluation, and monitoring | • Regular monitoring of the foreign currency rates<br>• Identify, assess and enter into derivative transactions, whenever necessary |
| 5. Credit Risk | Annual risk identification, evaluation, and monitoring | • Regular review and analysis of customer financial and credit performances<br>• Close coordination with customers to discuss emerging risks |

| Risk Exposure | Risk Assessment (Monitoring and Measurement Process) | Risk Management and Control (Structures, Procedures, Actions Taken) |
|---|---|---|
| 6. Liquidity Risk | Regular monitoring of available cash and credit facilities within maintained debt service ratio. | • Regular evaluation of projected and actual cash flows, and assess the financial market conditions for opportunities to pursue fund raising activities<br>• Maintain enough cash sufficient to finance operations and obligations. |

**(b) Group**

**Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:**

| Risk Exposure | Risk Assessment (Monitoring and Measurement Process) | Risk Management and Control (Structures, Procedures, Actions Taken) |
|---|---|---|
| 1. Regulatory Risk | Annual risk identification, evaluation, and monitoring | • Regular monitoring of changes or updates to relevant laws and regulations<br>• Close monitoring of the Company's compliance to applicable legal and regulatory<br>• Close coordination with regulatory agencies |
| 2. Business Interruption Risk | Annual risk identification, evaluation, and monitoring | • Regular monitoring of operations<br>• Regular repair and maintenance of key equipment, systems and processes<br>• Regular review, revision and practice of Business Continuity Management plans |
| 3. Interest Rate Risk | Annual risk identification, evaluation, and monitoring | • Regular monitoring of the interest rates<br>• Identify, assess and enter into interest hedging, whenever necessary |
| 4. Foreign Currency Risk | Annual risk identification, evaluation, and monitoring | • Regular monitoring of the foreign currency rates<br>• Identify, assess and enter into derivative transactions, whenever necessary |
| 5. Credit Risk | Annual risk identification, evaluation, and monitoring | • Regular review and analysis of customer financial and credit performances<br>• Close coordination with customers to discuss emerging risks |

| Risk Exposure | Risk Assessment (Monitoring and Measurement Process) | Risk Management and Control (Structures, Procedures, Actions Taken) |
|---|---|---|
| 6. Liquidity Risk | Regular monitoring of available cash and credit facilities within maintained debt service ratio. | • Regular evaluation of projected and actual cash flows, and assess the financial market conditions for opportunities to pursue fund raising activities<br>• Maintain enough cash sufficient to finance operations and obligations. |

**(c) Committee**

**Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:**

Section 7 of the Manual on Corporate Governance states

"The Board shall create a Risk Management Committee composed of at least three (3) members of the Board, or such other number as may be prescribed by the Board. The Chairman of the Board shall designate the Chairman of the Committee.

Duties and Responsibilities

The Risk Management Committee shall have the following powers and functions:

a. Oversee the formulation and establishment of an enterprise-wide risk management system;
b. Review, analyze and recommend the policy, framework, strategy, method and/or system of or used by the Corporation to manage risks, threats or liabilities;
c. Review and assess the likelihood and magnitude of the impact of material events on the Corporation and/or to recommend measures, responses or solutions to avoid or reduce risks or exposures; and
d. Perform such other duties and functions and/or assume such responsibilities as may be delegated by the Board of Directors."

## G. INTERNAL AUDIT AND CONTROL

### 1) Internal Control System

**Disclose the following information pertaining to the internal control system of the company:**

**(a) Explain how the internal control system is defined for the company;**

Internal control is defined as a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: a) Effectiveness and efficiency of operations; b) Reliability of financial reporting; and c) Compliance with laws and regulations

**(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;**

The Audit Committee submits to the Board of Directors an annual report on the Committee's oversight function on reliability of financial reporting and the effectiveness of internal control system.

**(c) Period covered by the review;**

Year 2015

**(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and**

Internal Audit presents its findings and recommendations for its Audit Engagements which includes evaluation of controls to the audit committee on a quarterly basis.

**(e) Where no review was conducted during the year, an explanation why not.**

Not applicable

## 2) Internal Audit

### (a) Role, Scope and Internal Audit Function

**Give a general description of the role, scope of internal audit work and other details of the internal audit function.**

| Role | Scope | Indicate whether In-house or Outsource Internal Audit Function | Name of Chief Internal Auditor/Auditing Firm | Reporting process |
|---|---|---|---|---|
| To provide an independent, objective assurance and consulting services designed to add value and improve the organization's operations. It assists the organization achieve its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process. | As provided in the duly approved Internal Audit Charter:<br><br>The scope of audit coverage is company-wide and no team or business units of Rockwell Land and its subsidiaries is exempt from audit or review.<br><br>The scope of work of the Internal Audit is to determine whether the organization's network of risk management, control and governance processes, as designed and represented by management, is | In-house | Romeo G. del Mundo Jr. | The Internal Audit Group, reports functionally to the Audit Committee and administratively to the Management, Its activities are guided and performed in accordance with the revised "International Standards for the Professional Practice of Internal Auditing" and "Code of Ethics" developed by the Institute of Internal Auditors (IIA) and/or any other auditing standards as may be adopted by |

| Role | Scope | Indicate whether In-house or Outsource Internal Audit Function | Name of Chief Internal Auditor/Auditing Firm | Reporting process |
|---|---|---|---|---|
| | adequate and functioning in a manner to ensure that:<br><br>• Actual discrepancies and anomalies in operations are timely identified;<br>• Sufficient and adequate controls are in place for optimized operational transactions;<br>• Risks are appropriately identified and managed;<br>• Significant financial, managerial, and operating information is accurate, reliable and timely;<br>• Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations;<br>• Resources are acquired economically, used efficiently, and adequately protected;<br>• Quality and continuous improvement are fostered in the organization's | | | the Internal Audit. |

| Role | Scope | Indicate whether In-house or Outsource Internal Audit Function | Name of Chief Internal Auditor/Auditing Firm | Reporting process |
|---|---|---|---|---|
| | control process;<br>• Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately; and<br>• Interaction with various governance groups occurs as needed;<br><br>Opportunities for improving management control, profitability, and the organization's image which are identified during the audits shall be communicated to the management. | | | |

**(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?**

Yes. In Section V.5 Responsibilities of the Audit Committee Charter provides that the Audit committee: Shall review and concur in the appointment, replacement or dismissal of the Internal Audit Head.

**(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?**

The following are provided in Section V.5 of the Audit Committee Charter:

- The Committee shall establish a direct reporting line of the internal audit to the Committee to prevent impediments in the conduct of internal audit activities and the conveyance/presentation of audit findings. The internal audit shall functionally report directly to the Audit Committee;

- The Committee shall review the effectiveness of internal audit function, including compliance with the International Standards for the Professional Practice of Internal Auditing;

- The Committee shall meet separately with the Internal Audit Head to discuss any matters that the committee or internal audit believes should be discussed privately;

- The Committee shall ensure that internal auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions without inferring scope limitation;

**(d) Resignation, Re-assignment and Reasons**

**Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.**

There was neither resignation nor re-assignment of internal audit staff in 2015.

| Name of Audit Staff | Reason |
|---|---|
| None | |

**(e) Progress against Plans, Issues, Findings and Examination Trends**

**State the internal audit's progress against plans, significant issues, significant findings and examination trends.**

| | |
|---|---|
| **Progress Against Plans** | The progress of Annual Internal Audit Plan vs. Actual is being monitored on a quarterly basis and is reported to Audit Committee and Management |
| **Issues**[10] | Issues are discussed with the Auditee during closing or exit meetings and their responses are incorporated in an audit report. The audit report contains a summary of observations, recommendations and agreed actions. |
| **Findings**[11] | Findings are reported to the Management and to Audit Committee through the Quarterly and Annual Internal Audit Reports. |
| **Examination Trends** | Examinations are being done mostly on high risk areas/processes and taking into consideration inputs and suggestions from Management and the Audit Committee. |

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

Reiterate here the engagement cycle

1) Preparation of an audit plan inclusive of a timeline and milestones;

   The Internal Audit Process includes Managing the Internal Audit Activities, part of which is the preparation of the Annual Internal Audit Plan.

   Planning and managing the internal audit activity
   1.1. Understanding the business and control environment
   1.2. Risk Assessment
   1.3. Managing the internal audit activity

[10] "Issues" are compliance matters that arise from adopting different interpretations.
[11] "Findings" are those with concrete basis under the company's policies and rules.

1.3.1. Planning work schedules
1.3.2. Staffing and budgets
1.3.3. Approval by Board (Audit Committee) and Senior Management

The Annual Internal Audit Plan is being submitted to the Audit Committee for approval.

2) Conduct of examination based on the plan;

The process of conducting the examination based on the plan is also part of the Internal Audit Process under "Internal audit engagement". It includes the following:

2.1. Engagement planning
  2.1.1. Familiarization, preliminary survey/research and setting of initial objectives and scope
  2.1.2. Opening conference with auditee
  2.1.3. Preparation of audit engagement work program and allocation of audit resources
2.2. Performing the Engagement
  2.2.1. Identifying, gathering data
  2.2.2. Analyzing/Evaluating data/information
  2.2.3. Documenting/recording data/information
2.3. Communicating Results
  2.3.1. Draft audit report
  2.3.2. Review of draft audit report
  2.3.3. Exit conference with auditee
  2.3.4. Preparation of final audit report
  2.3.5. Disseminate approved audit report
2.4 Follow-up and monitoring
  2.4.1. Audit follow-up
  2.4.2. Disseminate approved report

3) Evaluation of the progress in the implementation of the plan;

The progress in the implementation of the plan is being monitored on a regular basis by the Internal Audit Head. The audit plan or schedule/list of audit engagements together with the Quarterly/Annual Internal Audit results are also presented to the audit committee.

4) Documentation of issues and findings as a result of the examination;

Documentation of the audit engagement (including issues and findings) is done thru the auditor's work papers. There is a duly approved process and procedures for the proper preparation of audit's work papers. Portion of the approved work paper preparation process/procedures are shown below:

4.1. Work Paper preparation

The work paper file documents the work the auditor has done. The work papers serve as the connecting link between the audit assignment, the auditor's fieldwork and the final report. Work papers contain the records of planning and preliminary surveys, the audit program, audit procedures, fieldwork and other documents relating to the audit. Most importantly, the work papers document the auditor's conclusions and the reasons those conclusions were reached. The disposition of each audit finding identified during the audit and its related corrective action should be documented.

4.1.1. In the preparation of the audit work papers, the following should be observed:

- Work papers should be completed throughout the audit;
- The work papers should provide a basis for evaluating the Internal Audit's quality assurance program and demonstrate compliance with the International Standards for the Professional Practice of Internal Auditing (ISPPIA);
- Work papers should be economical to prepare and not difficult to review.
- Work papers should be complete but concise--a usable record of work performed. Auditors should include in their work papers only what is essential; and, they should ensure that each work paper included serves a purpose that relates to an audit procedure. Work papers that are created and later determined to be unnecessary should be deleted.

Also, the findings, issues and other relevant information in the audit engagement are further documented in the minutes of the closing meeting, and the final internal audit engagement report.

5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;

   Through the follow up and monitoring process, the status of the audit findings and issues are tracked as to the Auditee's committed implementation plans.

6) Conduct of the foregoing procedures on a regular basis.

   As evidenced by quarterly and annual internal audit reports, audit engagements including the necessary audit engagement procedures are performed / implemented on a regular basis.

**(f) Audit Control Policies and Procedures**

**Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."**

| Policies & Procedures | Implementation |
|---|---|
| Internal Audit Charter | Revisions to the Internal Audit Charter have been presented and approved by the Audit Committee in 2015 |
| There is a documented policy on the following audit processes;<br>1) Annual Audit Planning<br>2) Planning and managing the internal audit activities<br>3) Planning the Audit Engagement<br>4) Preliminary Survey<br>5) Opening Meeting<br>6) Engagement Risk Assessment<br>7) Engagement Work Program<br>8) Fieldwork<br>9) Report Preparations<br>10) Communication of Audit Results<br>11) Documentation and Filing of Engagement Working Papers<br>12) Follow up and Monitoring | These processes and its corresponding policy have been formally documented and implemented. Annual review of these processes is also in place to make the necessary revisions if applicable. |

| Policies & Procedures | Implementation |
|---|---|
| 13) Quality Assurance and Improvement Program<br>14) Knowledge Sharing Program<br>15) Policy on Assurance and Consultancy Engagements | |

**(g) Mechanism and Safeguards**

**State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):**

<table>
<tr><th>Auditors<br>(Internal and External)</th><th>Financial Analysts</th><th>Investment Banks</th><th>Rating Agencies</th></tr>
<tr><td>1. Direct Reporting to the Audit Committee</td><td colspan="3" rowspan="4">Section 10 of Manual on Corporate Governance:<br><br>Internal Auditor:<br><br>The Corporation shave in place an independent audit system which shall be performed by an Internal Auditor or a group of Internal Auditors, through which its Board, senior management, and shareholders shall be provided with reasonable assurance that key organization and procedural controls are effective, appropriate, and complied with. The internal audit system to be adopted shall take into account the nature and complexity of the Corporation's business and the business culture, the volume, size and complexity of the transactions, the degree of risks, the degree of centralization and delegation of authority, the extent and effectiveness of information technology and the extent of regulatory compliance. The internal control system for management's operational responsibility shall center on the Chief Executive Officer.<br><br>The Internal Auditor shall report to the Audit Committee.</td></tr>
<tr><td>2. Annual declaration/ undertaking of Non-Conflict of Interests by the Internal Auditors</td></tr>
<tr><td>3. Duly approved Audit Committee Charter and Internal Audit Charter</td></tr>
<tr><td>4. Duly approved Internal Audit Policies and Procedures</td></tr>
</table>

**(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.**

The Chairman, President and Chief Executive Officer and the Compliance Officer of the Company will attest, to the best of his knowledge, to the Company's full compliance with the SEC Code of Corporate Governance.

## H. ROLE OF STAKEHOLDERS

**1. Disclose the company's policy and activities relative to the following:**

| | Policy | Activities |
|---|---|---|
| Customers' welfare | No written policy | Dedicated Customer Service Team |
| Supplier/contractor selection practice | To deal with contractors with utmost competence and integrity | The foregoing has been observed in the company's selection of suppliers and contractors |
| Environmentally friendly value-chain | No written policy | Adherence to ESH Policies |
| Community interaction | No written policy | CSR activities |
| Anti-corruption programmes and procedures? | No written policy | The company abides by the applicable law, rules and regulation on this. |
| Safeguarding creditors' rights | No written policy | Regular updates and meetings |

**2. Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?**

Yes, a section on corporate responsibility was included in the annual report.

3. Performance-enhancing mechanisms for employee participation.

i. **What are the company's policy for its employees' safety, health, and welfare?**

Rockwell ESH Team Environment, Safety and Health Policy

- Administer our business with integrity by taking into account the protection and enhancement of the environment, and the education of safety and health awareness that is fair to the people and the community;
- Develop and maintain a vigorous Environmental, Safety and Health Management System best suited to all our business units thereby achieving excellence and maintaining leadership resulting in a healthy and friendly surrounding consistent with our business concerns;
- Devise business-like and innovative programs as well as establish worthy standards in all our operations that will continually improve working conditions and practices thereby gaining higher productivity and avoiding distress, damage to environment and financial loss;
- Establish a mindset that will challenge and motivate all staff, service providers, suppliers, business partners and clients to actively participate as a team and voluntarily conform to the Environment, Safety and Health programs, standards and regulations;
- Promote public safety and security management programs; and
- Comply with all regulatory laws and legal requirements mandated by law with regards to Environment, Safety and Health.

ii. **Show data relating to health, safety and welfare of its employees**.

Rockwell conducts the following activities under the ESH system:

1) Fire drills (twice a year)

2) Earthquake drill
3) First Aid seminar

The company held its Annual Physical Examination to employees last November 7 and December 3, 2015 through its HMO provider, Health Maintenance Inc., Sto. Domingo Diagnostic and Medical Center Corp.

**Immunization Program (Number of People Immunized)**

| Nature | Male | Female | Total No. of Cases |
|---|---|---|---|
| Influenza | 18 | 63 | 81 |

**iii. State the company's training and development programmes for its employees. Show the data.**

| Group/Employee Category | Average Training Hours (in house) Y2015 |
|---|---|
| Rank and File | 32 |
| Supervisor/Specialist | 30 |
| Assistant Manager | 30 |
| Manager | 25 |
| Senior Manager | 23 |
| AVP | 29 |
| SVP and VP | 78 |
| **Total training hours** | **247** |

**iv. State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures**

The ESOP aims to recognize and reward performance. Each year, for five consecutive years, the Company may offer employees with Stock Options which they can purchase following a vesting schedule.

In recognition of an employee's contribution to the achievement of the Company's business goals he will be awarded with shares of common stock of Rockwell Land. These Options are personal to the employee and shall not be transferred, charged, pledged, assigned or otherwise disposed of.

Rockwell Land Corporation also has an established retirement benefit plan known as the "Rockwell Land Corporation Retirement Plan".

Its objective is to provide, through a retirement fund to be established by the company, for the payment of benefits to its employees when they are retired, or separated from service, the payment of definite amounts to their beneficiaries, subject to the conditions and limitations set in the plan.

4. **What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation**.

No written policies and procedures yet.

## I. DISCLOSURE AND TRANSPARENCY

### 1. Ownership Structure

#### i. Holding 5% shareholding or more

| Shareholder | Number of Shares | Percent | Beneficial Owner |
|---|---|---|---|
| First Philippine Holdings Company | 5,296,015,375 | 86.582% | First Philippine Holdings Company |
| First Philippine Holdings Company | 2,750,000,000 preferred | 100% | First Philippine Holdings Company |

| Name of Senior Management | Number of Direct shares | Number of Indirect shares / Through (name of record owner) | % of Capital Stock |
|---|---|---|---|
| Enrique I. Quiason | 3,575 | - | 0.0001% |
| Esmeraldo C. Amistad | - | - | 0.0000% |
| Valerie Jane L. Soliven | - | - | 0.0000% |
| Maria Lourdes L. Pineda | 132,818 | 8,454 (Paolo Pineda) | 0.0023% |
| Estela Y. Dasmariñas | 1,882 | - | 0.0000% |
| Ellen V. Almodiel | - | - | 0.0000% |
| Davy T. Tan | - | - | 0.0000% |
| Abel L. Roxas | - | - | 0.0000% |
| Adela D. Flores | 4,340 | - | 0.0001% |
| Divino M. Villanueva, Jr. | - | - | 0.0000% |
| **TOTAL** | **142,615** | **8,454** | **0.0025%** |

### 2. Does the Annual Report (17-A) disclose the following:

| | |
|---|---|
| Key risks | Yes |
| Corporate objectives | Yes |
| Financial performance indicators | Yes |
| Non-financial performance indicators | Yes |
| Dividend policy | Yes |
| Details of whistle-blowing policy | No |
| Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners | Yes |
| Training and/or continuing education programme attended by each director/commissioner | No |
| Number of board of directors/commissioners meetings held during the year | No |
| Attendance details of each director/commissioner in respect of meetings held | No |
| Details of remuneration of the CEO and each member of the board of directors/commissioners | Yes |
| | |

**Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.**

Details of whistle-blowing – Not required
Training and/or continuing education programme attended by each director/commissioner – Not required
Number of board of directors/commissioners meetings held during the year - Not required, but was disclosed in 17-C report filed to SEC and uploaded to PSE website last January 12, 2015.
Attendance details of each director/commissioner in respect of meetings held - Not required, but was disclosed in 17-C report filed to SEC and uploaded to PSE website last January 12, 2015.

3. **External Auditor's fee**

| Name of auditor | Audit Fee | Non-audit Fee |
|---|---|---|
| SGV & Co. | P3.0 million | - |

4. **Medium of Communication**

**List down the mode/s of communication that the company is using for disseminating information.**

Information is disseminated via the Rockwell website, registered mail, mail via courier, personal delivery, telephone calls, emails and other modes of communication.

5. **Date of release of audited financial report:**

April 15, 2015

6. **Company Website**

**Does the company have a website disclosing up-to-date information about the following?**

| | |
|---|---|
| Business operations | **Yes** |
| Financial statements/reports (current and prior years) | **Yes** |
| Materials provided in briefings to analysts and media | **Yes** |
| Shareholding structure | **Yes** |
| Group corporate structure | **Yes** |
| Downloadable annual report | **Yes** |
| Notice of AGM and/or EGM | **Yes** |
| Company's constitution (company's by-laws, memorandum and articles of association) | **Yes** |

**Should any of the foregoing information be not disclosed, please indicate the reason thereto.**
Not applicable

7. **Disclosure of RPT**

**Related Party Disclosures (from SEC Form 20-IS)**

The Company, in the ordinary course of business, engages in transactions with Meralco and its subsidiaries, FPHC, its subsidiaries and affiliates, and directors and officers and their close family members.

Except as disclosed in Note 26 of the Company's audited consolidated financial statements, there is no material transaction or proposed transaction to which the Company was or is to be a party, in which any of its directors or executive officers, or any individual owning, directly or indirectly, significant voting power of the Company, or any close family members or individuals, had or is to have a direct or indirect material interest.

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 | **2015** | **₱144,000** | ₱(244,000) | 90-day; | Unsecured |
| | | (see Note 17) | 2014 | – | (120,000) | noninterest-bearing | |
| | | | 2013 | – | (120,000) | | |
| | | Advances | **2015** | **28,060** | **(49,364)** | 90-day; | Unsecured; |
| | | (see Note 10) | 2014 | 42,455 | 42,455 | noninterest-bearing | no impairment |
| | | | 2013 | 39,098 | 39,098 | | |
| Advances to officers and employees | | Advances | **2015** | **65,102** | **28,027** | 30-day; | Unsecured; |
| | | (see Note 8) | 2014 | 31,844 | 43,454 | noninterest-bearing | no impairment |
| | | | 2013 | 49,910 | 20,127 | | |
| FPHC | Parent | Charges for | **2014** | **18,155** | **(18,155)** | On demand; | Unsecured |
| | | construction of | 2013 | 18,155 | (18,155) | noninterest- | |

**When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?**

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, 2015, 2014 and 2013, the Company 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.

## J. RIGHTS OF STOCKHOLDERS

### 1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

#### (a) Quorum

**Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.**

| | |
|---|---|
| **Quorum Required** | Article I Section 5 of the By-Laws:<br>At all meetings of stockholders, annual or special, in order to constitute a quorum, there shall be present either in person or by proxy the holders of record of the majority of the stock issued and outstanding and entitled to vote, and except in those cases where the Corporation Code requires the affirmative vote of a greater proportion. In the absence of a quorum, the holders of record of the majority of the shares present and entitled to vote may adjourn the meeting from time to time until a quorum shall be present, and no notice of such adjourned meeting shall be required. |

**(b) System Used to Approve Corporate Acts**

**Explain the system used to approve corporate acts.**

| | |
|---|---|
| **System Used** | **Voting Procedures (from SEC Form 20-IS)**<br><br>A quorum for any meeting of stockholders shall consist of the majority of the outstanding capital stock of the Corporation, and a majority of such quorum shall decide any question in the meeting except those matters which the Corporation Code requires a greater proportion of affirmative vote.<br><br>At each meeting of the stockholders, every stockholder entitled to vote on a particular question or matter involved shall be entitled to vote for each share of stock standing in his name in the books of the Company at the time of the closing of the stock and transfer books for such meeting.<br><br>Regarding the election of members of the Board of Directors, nominees who receive the highest number of votes shall be declared elected pursuant to Section 24 of the Corporation Code of the Philippines. Likewise, the nominee – for the Company's external auditor – who receives the highest number of votes shall be declared elected.<br><br>The manner of voting is non-cumulative, except as to the election of directors and each stockholder shall have one vote for each share entitled to vote and registered in his name. Unless a motion is duly made and seconded, voting shall be made viva voce and counted manually by the Corporate Secretary. Voting shall be done by balloting upon motion duly made and seconded and the transfer agent shall count and canvass the ballots.<br><br>In accordance with Section 23 of the Corporation Code, at each election of directors, every stockholder entitled to vote at such election have the right to vote, in person or by proxy, the number of shares owned by him as of the relevant record date for as many persons as there are directors to be elected and for whose election he has a right to vote, or to cumulate his votes by giving one candidate the number of votes equal to the number of directors to be elected multiplied by the number of his shares shall be equal or by distributing such votes on the same principle among any number of candidates as the stockholder shall see fit.<br><br>In the election of directors, the top eleven (11) nominees with the most number of votes will be elected as directors. If the number of nominees does not exceed the number of directors to be elected all the shares present or represented at the meeting will be cast in favor of the nominees.<br><br>Unless a motion is duly made and seconded, voting shall be made viva voce and counted manually by the Corporate Secretary. Voting shall be done by balloting upon motion duly made and seconded and the transfer agent shall count and canvass the ballots.<br><br>Other than the nominees' election as directors, no director, executive officer, nominee or associate of the nominees has any substantial interest, direct or indirect by security holdings or otherwise in any way of the matters to be taken upon during the meeting. |
| **Description** | Same as explanation above. |

**(c) Stockholders' Rights**

**List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.**

| Stockholders' Rights under The Corporation Code | Stockholders' Rights not in The Corporation Code |
|---|---|
| The shareholders have the right to receive timely and transparent information about the Corporation. | To encourage attendance and participation, we provide free parking, meals and tokens during Annual and Special Stockholders' Meetings. |
| The Board recognizes and shall respect the rights of the stockholders under the law, the articles of incorporation and the by-laws, specifically the stockholders' right to vote, pre-emptive rights, power of inspection, right to dividend and appraisal rights. | |
| Stockholders' meetings shall be conducted fairly and in a transparent manner and the stockholders shall be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubts about the validity of a proxy should be resolved in the stockholders' favor. | |
| The Board shall promote the rights of stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for the breach of their rights. | |
| The Board shall take appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether by in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration and approval. | |
| The Board shall give minority stockholders the right to propose the items for discussion that relate directly to the business of the corporation. | |

**Dividends**

| Declaration Date | Record Date | Payment Date |
|---|---|---|
| July 10, 2015 | July 15, 2015 | August 10, 2015 |

**(d) Stockholders' Participation**

1. **State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly**

**with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.**

The amended By-Laws and Corporate Governance Manual can be downloaded from http://www.e-rockwell.com/investor-relation/corporate-governance and http://www.e-rockwell.com/policies-and-manuals.

2. **State the company policy of asking shareholders to actively participate in corporate decisions regarding:**
    a. Amendments to the company's constitution
    b. Authorization of additional shares
    c. Transfer of all or substantially all assets, which in effect results in the sale of the company

Shareholders are notified for annual meetings or special meetings. Based on our by-laws, notice of time and place are served either personally or by mail for stockholders of record of the Corporation that are entitled to vote at such meeting. Notice should be given not less than (10) calendar days before the schedule of the meeting. However, for (2) consecutive annual meetings since 2012, notice of the annual meeting follows the SEC's prescribed period of giving notice with at least (15) business days prior to the meeting date.

3. **Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?**

The Company sends out notices of the Annual Stockholders' Meeting at least (15) business days prior to the meeting date.

a. Date of sending out notices:
   For the 2014 Annual Stockholders' Meeting (ASM held last May 27, 2015), notices were sent out on May 6, 2015.

b. Date of the Annual/Special Stockholders' Meeting: May 27, 2015

4. **State, if any, questions and answers during the Annual/Special Stockholders' Meeting.**

| Question | Answer |
|---|---|
| Mr. Philip Turner: When I look at the report, we seemed to be changing, I'm under the understanding that this is the report for end of 2013 and end of 2014, we're talking about a 2-year period for the increase of 18%, this is very misleading, we should be looking at the details of this monthly report. We're saying 18% over a 2-year period, we're not discussing a 2-year period, and we're discussing a 12-month period, which is the audited period. | Mr. Nestor J. Padilla (CEO and President): Thank you. If I got the question right, the audited statements are 2014, and there's a reference to a previous year, which is 2013, but I think if you are referring to my report, which was compounded annual growth rate, I was just using the 2-year period. |
| Mr. Philip Turner: But we're not discussing the 2 years, we're discussing the 1 year, as we got the audited statement, now the change in net income over 1 year, is how much? | Mr. Nestor J. Padilla (CEO and President): 11%, the increase in net income from 2013 to 2014 is 11%. |
| Mr. Philip Turner: When you look at the Results of Operations, it shows a drop from 2013 to 2014, I don't understand, you got this yellow line there, it goes up from 2012 to a high level and then it drops a little off last year. I can't understand why the | Mr. Nestor J. Padilla (CEO and President): I think it's the graph, that maybe confusing. Because the yellow line is a compounded annual growth rate line but in next year, we will do it exactly how you want it. |

| Question | Answer |
|---|---|
| graph shows in that direction, page 34. | |
| Mr. Philip Turner: And then when you discuss the income from the (inaudible) I think it was. It looks like you have a graph it looks like 2015 has a flat year. You've got a straight line on your pictorial representation. It seems you said it's going to come in years to come but 2015 was a flat line for the income for the commercial side. Is that True? You had a graph showing income from the commercial and retail. It showed it was very low but you said in the future it is going to give us good income. but for the period of 2015 it was flat. Why is that? | Ms. Ellen V. Almodiel (SVP, Finance & CFO): Actually that graph is on the recurring income net leasable area, so for 2015 we see a growth for our office portfolio because our 8 Rockwell project will come on stream, but for retail there will be no additional this year, because Mall Expansion will come on stream by 2017, and that's when we see growth for retail. |
| Mr. Philip Turner: Why is our stock price like that? Aren't we worried about this? | Mr. Nestor J. Padilla (CEO and President): I think I share with you that that is something we have been working on. There are a number of factors that will influence the following of our stock. I think 1. we'll make sure that the business model continues to be strong and repeatable and that's why the focus of increasing the recurring income is a priority over the next 5 years. 2. I think we need to have a following, at the moment there is only one securities house that writes research paper on Rockwell unlike most property stocks, there's easily 8 or 10. 3. At a certain point, we will have to increase the liquidity because the current public float of Rockwell is just almost 12 or 13%. We believe the fundamentals are strong, we believe the value of Rockwell in the stock market is undervalued but it will take covering all of those bases to get Rockwell to fully priced or the market will correct the price. |
| Stockholder 1: There's been news about earthquakes, and the faults that have been identified by the PHIVOLCS, what are the contingency plans or construction improvements that we are doing right now to make sure that our buildings are going to be earthquake proof? | Mr. Nestor J. Padilla (CEO and President): The buildings in Rockwell have been designed for the strongest earthquake ever recorded. The strongest earthquake ever recorded is in Chile at a magnitude of 9.5 in 1960. A 9.5 magnitude earthquake is 10x stronger than an 8.5. And if you compare a 9.5 vs. a 7.5 magnitude earthquake, that is 100x stronger. The strongest earthquake the Philippines has ever experienced is in the 1990s and this is in Nueva Ecija and the magnitude is 7.8, so our buildings are designed a 100x the strongest ever recorded in the Philippines but it's not just the magnitude, there are other things we factor in the design of the buildings. But we'd like to share this with you because this something that is very much in the minds of the people because of the west valley fault. But buildings are designed to the strongest ever and it's not just the magnitude because the 9.5 is recorded normally in 1 second. We designed them for 10 second period so there's lot of technical explanation but the simplified version is |

| Question | Answer |
|---|---|
| | the Philippines strongest ever earthquake is 7.8. At 8.8 is 10x stronger, at 9.8 is 100x stronger and we designed our buildings to a 9.5. |
| Stockholder 2: I see another exciting year for Rockwell with the launch of 2 new projects by the end of the year. After Cebu, are there any plans for the pipeline for Provincial Developments? | Mr. Nestor J. Padilla (CEO and President): Not just Cebu. |
| Stockholder 3: This is about the Rockwell projects, who do the architects? Can you mention, print the name of the architects on future projects of Rockwell Center? The Architectural firm on the next annual report next year? | Mr. Nestor J. Padilla (CEO and President): Just to answer that very quickly, our architects are Philippine based, PRSP, these group of ex-SOM architects, and they've worked together with foreign architects, in the case of 8 Rockwell, this is with Larry Oltmanns of London, the Company is called Vx3. In the case of the Proscenium, it is PRSP working with Carlos Ott from Uruguay, so we constantly work with local and foreigners. |
| Stockholder 4: Conventionally, most financial statements would say a 3 year results of operations, may I suggest to make it unconventional and projects, budgets for this year, and something like long-term projects to be included in the financial statements. | Mr. Nestor J. Padilla (CEO and President): I think we will have to be recognizing certain forward looking numbers, because disclosures as public company, you can't really give very specific targets for the next 12 mos., for the next 24 mos., but we can give a range of indicative targets/figures. |
| Stockholder 5: Mr. Ambassador, may I just suggest, can Rockwell Land suggest rainwater in the bathroom. | Mr. Nestor J. Padilla (CEO and President): The recycled water in the new buildings that's already factored in. For the existing projects, we are constantly finding ways to be friendly to the environment. |
| Stockholder 6: Is Rockwell Land interested or has plans of having a project in front of Ayala Southvale? In Daang Hari? | Mr. Nestor J. Padilla (CEO and President): We have been going around that area but we have not closed any transaction but its 1 of the 17 that I mentioned during my report. |

5. **Result of Annual/Special Stockholders' Meeting's Resolutions**

| Resolution and Matters for Approval | For | Against | Abstain |
|---|---|---|---|
| Approval of the Minutes of the Annual Stockholders' Meeting held on May 27, 2015 | 8,057,215,375 (99.79%) | 0% | 0% |
| Report of the Chairman and the President | 8,057,215,375 (99.79%) | 0% | 0% |
| Approval of the December 31, 2015 Reports and the Audited Financial Statements | 8,057,015,375 (99.79%) | 200,000 (0.0025%) | 0% |
| Ratification of the Acts of the Board of Directors and of Management | 8,057,215,375 (99.79%) | 0% | 0% |
| Appointment of Sycip, Gorres, Velayo & Co. as external auditor of the Corporation | 8,057,215,375 (99.79%) | 0% | 0% |

6. **Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:**
Results of the Annual Stockholders Meeting were published on May 27, 2015.

**(e) Modifications**

**State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:**

Not applicable

**(f) Stockholders' Attendance**

**(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:**

| Type of Meeting | Names of Board members / Officers present | Date of Meeting | Voting Procedure (by poll, show of hands, etc.) | % of SH Attending in Person | % of SH in Proxy | Total % of SH attendance |
|---|---|---|---|---|---|---|
| Annual | *For the directors and officers present during the meeting, please see the list below | May 27, 2015 | Voting was by viva voce | 0.19% | 90.87% | 91.06% |

*The directors present during the annual stockholders' meeting held on May 27, 2015 were Manuel M. Lopez, Oscar M. Lopez, Federico R. Lopez, Manuel L. Lopez, Jr., Miguel L. Lopez, Nestor J. Padilla, Vicente R. Ayllon, Ferdinand Edwin S. CoSeteng and Francis Giles B. Puno. The officers present at the said meeting were Valeria Jane L. Soliven, Maria Lourdes L. Pineda, Estela Y. Dasmarinas, Ellen V. Almodiel, Davy T. Tan, Abel L. Roxas, Adela D. Flores, Divino M. Villanueva, Jr., Enrique I. Quiason, and Esmeraldo C. Amistad

**(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?**

No, STSI counts and validates the votes at the ASM. STSI is 100% owned by FPH.

**(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.**

Rockwell's common shares have voting rights (one vote for one share).

**(g) Proxy Voting Policies**

**State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.**

From Article I Section 7 of the By-Laws:

| | Company's Policies |
|---|---|
| Execution and acceptance of proxies | Voting at any annual or special meeting of the stockholders may be made by proxy and shall be in writing, provided that no proxies shall be voted at any meeting unless such proxies shall have been placed on file with the Secretary of the Corporation for verification, at least ten (10) calendar days prior to the date on which shall meeting shall convene. Any proxy, duly executed and filed, shall continue in full force until a written revocation of the proxy or a duly executed |

| | Company's Policies |
|---|---|
| | proxy covering the same shares and bearing a later date is filed. Any proxy may by its terms be limited for use at a single specified meeting of the stockholders. |
| Notary | Stockholders may submit their proxies in lieu of personal attendance at the stockholders' meetings. If the proxy is being signed by an authorized signatory, please attach a duly notarized power of attorney (in case of individual stockholder) or a certified board resolution (in case of corporate stockholders) as proof of authorization to execute the proxy.<br><br>For shares held for the benefit of another person (i.e. brokers/dealers), a certification under oath that the written consent of the beneficial owner/s of the shares covered by the proxy has/have been secured must be attached to the proxy.<br><br>Proxies executed abroad must be duly authenticated by the Philippine Embassy or Consular Office. |
| Submission of Proxy | Before each meeting of the stockholders, all proxies filed before the meeting shall be submitted to and examined by the Secretary. |
| Several Proxies | The company accepts this. |
| Validity of Proxy | Proxies may be effective for a maximum period of five (5) years. |
| Proxies executed abroad | Proxies executed abroad must be duly authenticated by the Philippine Embassy or Consular Office. |
| Invalidated Proxy | Any proxy is automatically suspended or revoked, as the case may be, when the person executing the proxy is present at a stockholders' meeting and elects to vote. |
| Validation of Proxy | In the validation of proxies, a special committee of inspectors may be designated or appointed by the Board of Directors which shall be empowered to pass on the validity of proxies of the Corporation, and no shares may be represented or voted under a proxy that is found to be invalid or irregular. Each proxy filed with the Secretary prior to a meeting shall be examined by him as promptly as possible after filing. |
| Violation of Proxy | When there is a violation of proxy requirements, said proxy form is set aside and the votes are not counted. |

**(h) Sending of Notices**

**State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.**

| Policies | Procedure |
|---|---|
| Section 2 of Article I of the By-Laws states:<br><br>Notice of the time and place of holding such Annual Meeting shall be served either personally or by mail upon each stockholders of record of the Corporation entitled to vote at such meeting not less than ten (10) calendar days before the date fixed in such notice for the meeting; if mailed, it shall be directed, except as otherwise provided by law, to each stockholder to his postal address as it appears on the books of the corporation. The Board of Directors shall fix the record date for the determination of | Annual Stockholders' Meeting was held last May 27, 2015 and notices were sent out on May 6, 2015, following the prescribed period of 15 days prior to meeting date for notice and definitive information statement.<br><br>The By-laws provide for 10 calendar days before the meeting date. |

| | |
|---|---|
| stockholders entitled to notice and participate in the scheduled annual stockholders' meeting. | |
| Section 4 of Article I of the By-Laws states:<br><br>Notice of each such special meeting, unless otherwise provided by law, may be given as herein provided for giving notice of the Annual Meeting. The Board of Directors shall fix the record date for such special stockholders meeting. | No special meeting was called in 2015. |

**(i) Definitive Information Statements and Management Report**

2015 ASM (May 27, 2015)

| | |
|---|---|
| **Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials** | There are 49,270 shareholders as of March 27, 2015, the record date fixed for the ASM. |
| **Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners** | May 6, 2015 |
| **Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders** | May 6, 2015 |
| **State whether CD format or hard copies were distributed** | CD Format of Definitive Information Statement were distributed to shareholders |
| **If yes, indicate whether requesting stockholders were provided hard copies** | Hard copies are available. However, no requests were received. |

**(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:**

| | |
|---|---|
| Each resolution to be taken up deals with only one item. | Yes, except for the new By-Laws |
| Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election. | Yes |
| The auditors to be appointed or re-appointed. | Yes |
| An explanation of the dividend policy, if any dividend is to be declared. | Yes |
| The amount payable for final dividends. | Not applicable |
| Documents required for proxy vote. | Yes |

**Should any of the foregoing information be not disclosed, please indicate the reason thereto.**

**2) Treatment of Minority Stockholders**

**(a) State the company's policies with respect to the treatment of minority stockholders.**

Section 15 of the Manual for Corporate Governance:

The Board shall give minority stockholders the right to propose the items for discussion that relate directly to the business of the corporation.

| Policies | Implementation |
|---|---|
| No specific policy except for Section 15 of the Manual on Corporate Governance, which states:<br><br>The Board shall give minority stockholders the right to propose the items for discussion that relate directly to the business of the corporation. | |

**(b) Do minority stockholders have a right to nominate candidates for board of directors?**
Yes.

**K. INVESTORS RELATIONS PROGRAM**

**1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.**

The President, Corporate Secretary or Assistant Corporate Secretary and Chief Finance Officer reviews and approves major company announcements.

The company undertakes specific activities (e.g. conducting no-deal road shows and accommodating invitations/requests for meetings from its investors to respond to queries) to listen and learn investor requirements, needs and changing expectations.

The company takes the effort to meet its institutional investors and/or communicates person-to-person with shareholders through STSI.

Internal Communications are done through:

1. Weekly CEO Meetings
2. Monthly Board Meetings
3. Board Committee Meetings
4. Townhall Meetings
5. Memos and Announcements
6. Periodic reports
7. Emails
8. Telephone Calls
9. Website
10. Portal

While external communications are through:

1. One-on-One Meetings
2. Investors Conferences
3. Non-Deal Roadshows
4. Annual Stockholders' Meeting
5. Disclosures
6. Press Releases

2) **Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.**

| | Details |
|---|---|
| (1) Objectives | To provide fair, timely, accurate and reliable financial and related information to stakeholders |
| (2) Principles | The Company has an Investor Relations Officer that coordinates with various teams for different stakeholders. |
| (3) Modes of Communications | Disclosure, Investor Conference, One-on-One Meeting, Letter, E-mail, Telephone, Fax, Website, Brochure, Annual and Quarterly Reports, Annual Stockholders' Meetings |
| (4) Investors Relations Officer | Investor Relations are handled by the following cross functional teams:<br><br>1. Corporate Communications for Media<br>2. Finance for Institutional Investors<br>3. Legal and Stock Transfer Office for individual investors |

3) **What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?**

The Company seeks approval from its BOD, the two of which are independent directors. Whenever necessary, the Company appoints a third party for valuations.

In instances where the law requires shareholder action, the same is presented to the shareholders for their approval during an annual or special meeting.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

## L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

**Discuss any initiative undertaken or proposed to be undertaken by the company.**

| Initiative | Beneficiary |
|---|---|
| Donation of P15.8M for the construction of 12 classrooms for Bicol, Iloilo and Bukidnon | Department of Education (DepEd) |
| Formed a partnership and granted 3 wishes of sick children | Make-A-Wish foundation |
| Fed 200 less privileged children from Sts. Peter and Paul Parish in August 9, 2015 | Sts. Peter and Paul Parish |
| The BINHI program - Planted seedlings at the Grove in partnership with EDC | EDC |
| Supplemental feeding program and nutrition kiddie class activity for 50 children in Quezon City (Servathon program) | Hands On Manila |
| Bantay Edukasyon scholarship program - Supports 4 high school scholards for SY2015-2016 | |

| | |
|---|---|
| Mural painting and refurbishing of children's playground of White Cross Children's Home in January 2015 | White Cross Children's Home |

**M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL**

**Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.**

| | Process | Criteria |
|---|---|---|
| **Board of Directors** | A Governance Self-Assessment Form is given to the Board annually. This is intended to assess the performance of the Board as a whole, the Chairman, the individual members of the Board, Board meetings, Board committees and Board matters. The directors are advised to go over each guide question carefully and assign a number from 1 - 10 [the lowest (1) meaning strongly disagree and the highest (10) meaning strongly agree] which reflects their personal view of the degree of the company's compliance to certain corporate governance mechanisms. The results are then tallied and presented to the Board for evaluation and appropriate action. | |
| **Board Committees** | | |
| **Individual Directors** | | |
| **CEO/President** | | |

**N. INTERNAL BREACHES AND SANCTIONS**

**Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees:**

Section 18 of the Manual for the Corporate Governance

To strictly observe and implement the provisions of this Manual, the Board may take appropriate actions, after notice and hearing, on the individual directors, officers, and employees, such as censure, suspension or removal from office depending on the gravity of the offense as well as the frequency of [the violation.

The commission of a serious violation of a material provision of this Manual by any member of the Board of the Corporation shall be sufficient cause for removal from directorship.

| Violations | Sanctions |
|---|---|
| **Penalties for Non-compliance with the Manual** | |
| To strictly observe and implement the provisions of this Manual, the Board may take appropriate actions, after notice and hearing, on the individual directors, officers and employees, such as censure, suspension or removal from office depending on the gravity of the offense as well as the frequency of the violation.<br><br>The Commission of a serious violation of a material provision of this Manual by any member of the Board of the Corporation shall be sufficient cause for removal from directorship. | |
| **Code of Discipline: Attendance, Tardiness and Absence** | |
| Tardiness – An employee shall be considered to have committed one (1) offense if he/she has been tardy for more than five (5) times in one (1) month. However, consideration will be given for tardiness due to unavoidable circumstances such as inclement weather conditions, mass transportation strikes, floods, earthquakes and the like. | First Offense – Written warning<br>Second Offense – Three (3) working days suspension<br>Third Offense – Seven (7) working days suspension<br>Fourth Offense - Dismissal |

| Violations | Sanctions |
|---|---|
| Unauthorized absence | First Offense – Written warning<br>Second Offense – Three (3) working days suspension<br>Third Offense – Dismissal |
| Abandonment of work – absence from work for three (3) consecutive working days without notification to the office. | First Offense – Three (3) working days suspension<br>Second Offense – Dismissal |
| **Code of Discipline: Negligence of Duty** | |
| 1. Neglecting or failure to obey or comply with a Company order, policy, procedure, requirement, practice or to perform an assigned work. | First Offense – Written warning<br>Second Offense – Three (3) working days suspension<br>Third Offense – Six (6) working days suspension<br>Fourth Offense - Dismissal |
| 2. Failure to render overtime work without justified reason after having been mandated and authorized to work overtime. | First Offense – Written warning<br>Second Offense – Three (3) working days suspension<br>Third Offense – Six (6) working days suspension |
| 3. Failure to register time in reporting for or departing from work five (5) times in a month. | First Offense – Written warning<br>Second Offense – Three (3) working days suspension<br>Third Offense – Six (6) working days suspension<br>Fourth Offense - Dismissal |
| 4. Negligence – disregard of standard company policies and procedures or failure to exercise care and diligence expected under given circumstances. | First Offense – Written warning<br>Second Offense – Three (3) working days suspension<br>Third Offense – Six (6) working days suspension |
| 5. Gross negligence – gross and/or blatant disregard to perform required care and diligence amounting to wanton disregard of established rules and regulations. | First Offense – Dismissal |
| **Code of Discipline: Work Performance and Attitude Towards Work** | |
| 1. Abandonment of post or leaving work station of the Company premises during work hours without permission from the immediate supervisor and proper endorsement to a reliever as required by the nature of the job. | First Offense – Written warning<br>Second Offense – Three (3) working days suspension<br>Third Offense – Dismissal |
| 2. Loitering, loafing, or wasting time at any place within or outside the office premises during working hours. | First Offense – Written warning<br>Second Offense – Three (3) working days suspension<br>Third Offense – Six (6) working days suspension<br>Fourth Offense - Dismissal |
| 3. Frequently receiving outside visitors during working hours for personal business or making or receiving frequent outside personal telephone calls. | First Offense – Written warning<br>Second Offense – Three (3) working days suspension<br>Third Offense – Six (6) working days suspension<br>Fourth Offense - Dismissal |
| 4. Sleeping on Company time. | First Offense – Written warning<br>Second Offense – Three (3) working days suspension<br>Third Offense – Six (6) working days suspension<br>Fourth Offense - Dismissal |
| 5. Vending, soliciting, or collecting contribution for any purpose during office hours in Company premises. | First Offense – Three (3) working days suspension<br>Second Offense – Six (6) working days suspension<br>Third Offense – Dismissal |
| 6. Doing unauthorized or unofficial work during official work hours. | First Offense – Three (3) working days suspension<br>Second Offense – Six (6) working days suspension<br>Third Offense – Dismissal |
| 7. Malingering or pretending to be ill to escape work; making or giving false excuse(s) for leave of absence | First Offense – Three (3) working days suspension<br>Second Offense – Six (6) working days suspension |

| Violations | Sanctions |
|---|---|
| due to illness. | Third Offense – Dismissal |
| 8. Moonlighting or engaging in any activity prejudicial to the interest of the Company. | First Offense – Three (3) working days suspension<br>Second Offense – Six (6) working days suspension<br>Third Offense – Dismissal |
| 9. Refusing without justifiable reason, to accept work or change of work shift/area assigned by a superior. | First Offense – Three (3) working days suspension<br>Second Offense – Six (6) working days suspension<br>Third Offense – Dismissal |
| 10. Deliberately slowing down, holding back, hindering or limiting the services or intimidating, coercing or inducing another team member to do so. | First Offense – Three (3) working days suspension<br>Second Offense – Six (6) working days suspension<br>Third Offense – Dismissal |
| 11. Inciting or participating in unauthorized concerted work stoppage, mass leave, or other similar disruptive activities. | First Offense – Dismissal |
| **Code of Discipline: Conduct, Behavior, Public Moral** | |
| 1. Grossly indecent or immoral conduct within company premises, including but not limited to having illicit affairs with colleagues, having sex in company premises, exhibitionism, sharing of pornographic material, visiting pornographic sites in the web within company premises, downloading graphic materials with sexual content. | First Offense - Dismissal |
| 2. Use of obscene, abusive language, and/or spreading malicious gossip or rumor while in the premises of the Company or at Company authorized functions. | First Offense – Three (3) working days suspension<br>Second Offense – Dismissal |
| 3. Making false, vicious, or malicious statement concerning any employee, official, or the Company itself. | First Offense – Three (3) to six (6) working days suspension, depending upon the gravity of the offense<br>Second Offense – Dismissal |
| 4. Showing disrespect or unruly conduct toward or in the presence of Company visitors, customers, suppliers and other parties as to cause bad image to the Company. | First Offense – Three (3) to six (6) working days suspension, depending upon the gravity of the offense<br>Second Offense – Dismissal |
| 5. Taking prohibited drugs within the Company premises or reporting for work under the influence of drugs. | First Offense - Dismissal |
| 6. Drinking alcoholic beverage within the work place during office hours or reporting for work under the influence of liquor or alcohol. | First Offense – Three (3) working days suspension<br>Second Offense – Seven (7) working days suspension<br>Third Offense – Dismissal |
| 7. Fighting, provoking, or instigating a fight, inflicting, or attempting to inflict harm on anyone at any time within Company premises. | First Offense – Three (3) working days suspension<br>Second Offense – Seven (7) working days suspension<br>Third Offense – Dismissal |
| 8. Threatening, intimidating, coercing, or harassing fellow employees. | First Offense – Three (3) working days suspension<br>Second Offense – Seven (7) working days suspension<br>Third Offense – Dismissal |
| 9. Sabotage of Company materials and/or equipment. | First Offense – Dismissal |
| 10. Disorderly conduct or horseplay which might result in injury to persons or destruction of the property of the Company or of others. | First Offense – Three (3) working days suspension<br>Second Offense – Six (6) working days suspension<br>Third Offense – Dismissal |
| 11. Taking part in booking, lottery, or gambling in any form within the Company premises. | First Offense – Three (3) working days suspension<br>Second Offense – Seven (7) working days suspension<br>Third Offense – Dismissal |

| Violations | Sanctions |
|---|---|
| 12. Unauthorized selling lending money with interest, peddling or conduct of personal business which takes up time and compromise productivity. | First Offense – Six (6) working days suspension<br>Third Offense – Dismissal |
| 13. Lending or borrowing money at exorbitant interest within the office premises. | First Offense - Dismissal |
| 14. Possessing, participating or assisting in the distribution of illegal items such as narcotics, contraband, pornographic materials, deadly weapons, etc. within or outside of company premises. | First Offense - Dismissal |
| 15. Using Company or its properties as part of illegal activities or making use of the Company's name for personal gain or profit, or entering into transactions which are grossly disadvantageous to the Company, misrepresenting himself as duly authorized. | First Offense - Dismissal |
| 16. Commission of a crime involving moral turpitude such as seduction, rape, abduction acts of lasciviousness or engaging in any immoral/unethical acts or conduct in violation of common decency and morality. | First Offense - Dismissal |
| 17. Commission of any act, which although not covered by the Code of Discipline but is punishable under the Revised Penal Code of the Philippines. | First Offense - Dismissal |
| 18. Committing of at least three offenses in a rolling twelve (12) month period. | First Offense - Dismissal |
| 19. Engaging in the same business activities which are of the same nature with the operations or business of Rockwell Land Corporation. | First Offense - Dismissal |
| 20. Competing with or acting against the business of the Company established goodwill, or any act of disloyalty. | First Offense - Dismissal |
| 21. Misappropriation, conversion, embezzlement or malversation of funds, assets, or property belonging to the company or co-employee. | First Offense - Dismissal |
| 22. Engaging in business activities which, although different from the operations or business of Rockwell Land Corporation, prevent the employee from accomplishing his/her duties and responsibilities and/or reduce his/her productivity. | First Offense – Written warning<br>Second Offense – Six (6) working days suspension<br>Third Offense – Dismissal |
| 23. Failure to disclose business ventures and endeavors to Rockwell Land Corporation. | First Offense – Dismissal |
| 24. Stealing or attempting to steal private or Company property. | First Offense – Dismissal |
| 25. Conniving or participating in any manner in the act of pilferage, theft or robbery of the Company property or others. Unauthorized possession of Company keys. | First Offense – Dismissal |
| 26. Falsifying personal or any other Company records, either when applying for employment or during employment. | First Offense – Dismissal |
| 27. Failure to report within seventy-two (72) hours from receipt of one's payslip in any case of overpayment of salary, commission, allowance, or any | First Offense – Three (3) working days suspension<br>Second Offense – Six (6) working days suspension<br>Third Offense – Dismissal |

| Violations | Sanctions |
|---|---|
| other form remuneration or reimbursement. | |
| 28. On part of a superior, deliberately condoning, tolerating or participating in an offense committed by a subordinate. | First Offense – Dismissal |
| 29. Coercing or inducing others to violate provisions of this Code of Discipline. | First Offense – Six (6) working days suspension<br>Second Offense – Dismissal |
| 30. Any form of fraud or acts of dishonesty. | First Offense - Dismissal |
| 31. Commission of a crime or offense including serious threats against the person of guest(s), employer, immediate superior or other team members or any member of their family or their authorized representative while on duty or within the premises of the Company. | First Offense – Six (6) working days suspension<br>Second Offense – Dismissal |
| 32. Solicitation or collection of contributions, money or material objects for any purpose from employees, guests, suppliers, not sanctioned by the company. | First Offense - Dismissal |
| 33. Accepting or offering anything of value in exchange for promotion or employment for any reason(s) directly or indirectly connected with employment. | First Offense – Six (6) working days suspension<br>Second Offense – Dismissal |
| 34. Extortion or any form of oppressive exaction of money or anything of value from guests or other team members. | First Offense – Dismissal |
| 35. Forging the signature of any management official, guest(s) or other team members. | First Offense – Dismissal |
| 36. Receiving two (2) successive “poor rating” in the Performance management system within a 12-month period, while holding the same or equivalent position and that the employee has grossly and habitually neglected the performance of his duties. | First Offense - Dismissal |
| 37. Committing any act of sexual harassment. | First Offense - Dismissal |
| **Code of Discipline: Health and Safety** | |
| 1. Refusal to submit to medical examination or violating any health and safety precautionary rules and practices of the Company. | First Offense – Three (3) working days suspension<br>Second Offense – Six (6) working days suspension<br>Third Offense – Dismissal |
| 2. Commission of any act, which may endanger the life or safety of other team member and guests within the premises of the Company. | First Offense – Dismissal |
| 3. Failure to wear safety equipment prescribed by the Company i.e. safety shoes, gloves, etc. | First Offense – Written Warning<br>Second Offense – Six (6) working days suspension<br>Third Offense – Dismissal |
| 4. Bringing unauthorized firearms, explosives, and deadly weapons, within the premises of the Company. | First Offense – Dismissal |
| 5. Deliberately withholding information that could be detrimental to the safely and security of the Company premises, guests and team members. | First Offense – Dismissal |
| 6. Willful violation or disregard of safety rules in the Company. | First Offense - Dismissal |
| **Code of Discipline: Property and Security** | |
| 1. Utter disregard of or refusal to submit to any authorized inspection and body search by the security personnel. | First Offense – Written Warning<br>Second Offense – Six (6) working days suspension<br>Third Offense – Dismissal |

| Violations | Sanctions |
|---|---|
| 2. Neglecting or carelessness resulting to loss, wastage or spoilage of Company property regardless of amount. | First Offense – Written Warning<br>Second Offense – Six (6) working days suspension<br>Third Offense – Dismissal |
| 3. Bringing into or removing from the office premises any package or item for any reason without a “Property/Gate Pass” duly approved by an authorized company representative. The Company has the right to inspect any package carried by a team member into or out of the Company premises. | First Offense - Dismissal |
| 4. Disclosure of confidential information. | First Offense – Dismissal |
| 5. Abusive use of materials and supplies belonging to the Company. | First Offense – Written Warning<br>Second Offense – Six (6) working days suspension<br>Third Offense – Dismissal |
| 6. Operating, using, meddling with or impeding the proper use of machines, tools, equipment, computers, vehicles, facilities or premises to which the employee had not been assigned to or is not allowed/authorized to use. | First Offense – Written Warning<br>Second Offense – Six (6) working days suspension<br>Third Offense – Dismissal |
| 7. Making false statements about the Company or any of its subsidiaries, products/services. | First Offense – Written Warning<br>Second Offense – Six (6) working days suspension<br>Third Offense – Dismissal |
| 8. Unauthorized use of computer passwords or use of computer passwords of other employees. | First Offense – Written Warning<br>Second Offense – Six (6) working days suspension<br>Third Offense – Dismissal |
| 9. Unauthorized withdrawal of the Company’s funds, supplies, materials and other properties. | First Offense – Dismissal |
| 10. Unauthorized disclosure of confidential information, trade secrets related to the Company’s affaires or unauthorized reproduction of Company records, documents, etc. known by employee(s) but unknown to outsiders which may benefit any competitor or any other party to the prejudice of the Company. | First Offense – Dismissal |
| 11. Failure to disclose business ventures and endeavors to Rockwell Land Corporation. | First Offense – Dismissal |

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of CITY OF MAKATI on FEB 19 2016 2016.

**SIGNATURES**

| | |
|---|---|
| MANUEL M. LOPEZ<br>**Chairman of the Board** | NESTOR J. PADILLA<br>**Chief Executive Officer** |
| OSCAR J. HILADO<br>**Independent Director** | MONICO V. JACOB/VICENTE R. AYLLON<br>**Independent Director** |
| ENRIQUE I. QUIASON<br>**Compliance Officer** | |

**SUBSCRIBED AND SWORN** to before me this FEB 19 2016 day of _____ 2016, affiant(s) exhibiting to me their Passport No., as follows:

| NAME | PASSPORT NO. | DATE OF ISSUE | PLACE OF ISSUE |
|---|---|---|---|
| Manuel M. Lopez | DE0003367 | June 10, 2013 | PE Tokyo |
| Nestor J. Padilla | EB7323729 | February 7, 2013 | DFA, Manila |
| Oscar J. Hilado | EC0407396 | February 25, 2014 | DFA, Manila |
| Vicente R. Ayllon | EB6270950 | September 6, 2012 | DFA, Manila |
| Monico V. Jacob | EB4638151 | February 6, 2012 | DFA, Manila |
| Enrique I. Quiason | EC1299905 | June 3, 2014 | DFA, NCR Central |

**NOTARY PUBLIC**

NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M32
UNTIL DECEMBER 31, 2016
ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. IV-0016333/4-10-2013
IBP O.R No.706762-LIFETIME MEMBER JAN. 29,2007
PTR No. 532-35-05- JAN 04,2016 MAKATI CITY
EXECUTIVE BLDG. CENTER
MAKATI AVE., COR., JUPITER

Doc No. 99
Page No. 11
Book No. 108
Series of 2016.

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of CITY OF MAKATI on FEB 19 2016.

**SIGNATURES**

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

**Chief Executive Officer**

**Independent Director**

**Independent Director**

**Compliance Officer**

**SUBSCRIBED AND SWORN** to before me this FEB 19 2016 day of ___________2016, affiant(s) exhibiting to me their Passport No., as follows:

| NAME | PASSPORT NO. | DATE OF ISSUE | PLACE OF ISSUE |
| --- | --- | --- | --- |
| Manuel M. Lopez | DE0003367 | June 10, 2013 | PE Tokyo |

**NOTARY PUBLIC**

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M32
UNTIL DECEMBER 31, 2016
ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. IV-0016333/4-10-2013
IBP O.R No.705762-LIFETIME MEMBER JAN. 29,2007
PTR No. 532-35-05- JAN 04,2016 MAKATI CITY
EXECUTIVE BLDG. CENTER
MAKATI AVE., COR., JUPITER

Doc No. 50
Page No. 11
Book No. 168
Series of 2016.

**ROCKWELL LAND CORPORATION**

**INDEX TO EXHIBITS**
**Form 17-A, Item 7**

**EXHIBIT 18: SUBSIDIARIES OF THE REGISTRANT**

As of December 31, 2015, Rockwell Land Corporation has eight (8) consolidated subsidiaries as stated below:

| Name of Subsidiary | Percentage of Ownership |
|---|---|
| Rockwell Leisure Club, Inc. | 77% |
| Rockwell Integrated Property Services, Inc | 100% |
| Primaries Development Corporation | 100% |
| Stonewell Property Development Corporation | 100% |
| Primaries Properties Sales Specialists Inc. | 100% |
| Rockwell Hotels & Leisure Management Corp. | 100% |
| Retailscapes Inc. | 100% |
| Rockwell Primaries South Development Corporation (formerly ATR KimEng Land)* | 60% |

- *indirect subsidiary*

Repub[illegible] the Philippines )
) S.S.
EMBA[illegible]F THE REPUBLIC OF THE PHILIPPINES )
Tokyo, Japan
x ______________________________________ x

# ACKNOWLEDGEMENT

BEFO[illegible], DOMINI N. FAÑGON-KITADE , VICE CONSUL of the Republic of [illegible]hilippines, in and for Tokyo, Japan, duly commissioned and qualified to act as such, o[illegible] 13th day of APRIL 2016 , personally appeared

**MANUEL MORENO LOPEZ**

of legal ag[illegible] holder of Passport No. DE0003367
issued on [illegible] 10 JUNE 2013 in PHILIPPINE EMBASSY, TOKYO

to me known a[illegible]wn to me to be the same person who executed the annexed instrument,

STA[illegible]T OF MANAGEMENT'S RESPONSIBILITY
[illegible]OR FINANCIAL STATEMENTS

and being informed [illegible]f the contents of the said instruments, he / she / they acknowledged befo[illegible]t he/ she/ they executed the same of his/ her/ their own free will and deed.

The said party, [illegible]vith the two instrumental witnesses, signed at the foot of the instrument an[illegible]left hand margin of the other pages thereof, this instrument together w[illegible]h[illegible]cknowledgement being composed of 3 pages.

IN WITNESS W[illegible]E[illegible] have hereunto set my hand and affixed the seal of the Embassy of the [illegible]u[illegible] of the Philippines at the City of Tokyo, Japan, this 13th day of APRIL [illegible]6.

Doc. No NT-10553
Service No. --
Series of 2016
Fee Paid ¥ GRATIS
O. R. No: --

DOMINI N. FAÑGON-KITADE
VICE CONSUL

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 as of December 31, 2015 and 2014, and for each of the three years in the period ended December 31, 2015, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards.

This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate policies, and making accounting estimates that are reasonable in the circumstances.

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

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

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

Signed this 8th day of April 2016.

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

Doc No. 387;
Page No. 79;
Book No. XVII;
Series of 2016.

CECILIA M. TUAZON
Notary Public for Makati City
until December 31, 2016
Roll No. 58750 (P.313, Bk. 24)
[illegible] No. 025872, 01/18/16; Manila IV
PTR No. 5330878; 01/11/16; Makati
MCLE Compliance No. V-0013271
[illegible]
Rockwell Center, Makati City

# C O V E R   S H E E T
for
## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

| 6 | 2 | 8 | 9 | 3 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|

**C O M P A N Y   N A M E**

ROCKWELL LAND CORPORATION AND
SUBSIDIARIES

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

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

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

**C O M P A N Y   I N F O R M A T I O N**

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

| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
|---|---|---|
| 48,448 | June 2 | December 31 |

**CONTACT PERSON INFORMATION**

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

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

**CONTACT PERSON's ADDRESS**

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

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

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

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,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

# INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Rockwell Land Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

## *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, 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.

## *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 14 2016 SCES
RECEIVED
ADRIAN A. ALTAMIRA

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Building a better
working world



***Opinion***

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Rockwell Land Corporation and Subsidiaries as at December 31, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Roel E. Lucas

Roel E. Lucas
Partner
CPA Certificate No. 98200
SEC Accreditation No. 1079-AR-1 (Group A),
March 4, 2014, valid until March 3, 2017
Tax Identification No. 191-180-015
BIR Accreditation No. 08-001998-95-2014,
January 22, 2014, valid until January 21, 2017
PTR No. 5321652, January 4, 2016, Makati City

April 6, 2016

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

| | December 31 | |
|---|---|---|
| | **2015** | 2014 |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents (Notes 7, 29 and 30) | **₱2,249,211** | ₱5,995,706 |
| Trade and other receivables (Notes 8, 29 and 30) | **9,024,026** | 9,869,935 |
| Land and development costs (Notes 6, 9, 12, 14, 15, 16, 18 and 28) | **8,923,712** | 9,106,944 |
| Advances to contractors (Note 9) | **1,558,677** | 1,219,827 |
| Condominium units for sale | **112,103** | 110,859 |
| Other current assets (Notes 10, 16, 29 and 30) | **1,307,998** | 1,237,624 |
| Total Current Assets | **23,175,727** | 27,540,895 |
| **Noncurrent Assets** | | |
| Investment properties (Notes 12 and 15) | **6,613,858** | 6,147,124 |
| Investment in joint venture (Note 13) | **3,030,463** | 2,859,619 |
| Property and equipment (Notes 14 and 15) | **2,301,632** | 1,988,169 |
| Land held for future development (Note 9) | **664,594** | 353,081 |
| Available-for-sale investments (Notes 11, 29 and 30) | **15,808** | 15,308 |
| Noncurrent trade receivables (Notes 8, 29 and 30) | **10,781** | 28,989 |
| Deferred tax assets - net (Note 25) | **6,287** | 2,691 |
| Other noncurrent assets (Note 16) | **210,700** | 300,835 |
| Total Noncurrent Assets | **12,854,123** | 11,695,816 |
| | **₱36,029,850** | ₱39,236,711 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Trade and other payables (Notes 4, 9, 17, 18, 24, 29 and 30) | **₱5,693,701** | ₱8,717,558 |
| Current portion of interest-bearing loans and borrowings (Notes 6, 9, 12, 14, 15, 29 and 30) | **2,202,769** | 1,693,781 |
| Current portion of installment payable (Note 16) | **–** | 710,536 |
| Income tax payable | **38,764** | 8,485 |
| Total Current Liabilities | **7,935,234** | 11,130,360 |
| **Noncurrent Liabilities** | | |
| Interest-bearing loans and borrowings - net of current portion (Notes 9, 12, 14, 15, 29 and 30) | **11,645,404** | 13,342,103 |
| Installment payable - net of current portion (Note 16) | **467,007** | 467,007 |
| Deferred tax liabilities - net (Note 25) | **911,911** | 843,959 |
| Pension liability (Note 24) | **187,496** | 105,641 |
| Deposits and other liabilities (Notes 9, 17, 18, 24, 29 and 30) | **703,153** | 455,970 |
| Total Noncurrent Liabilities | **13,914,971** | 15,214,680 |
| Total Liabilities | **21,850,205** | 26,345,040 |

(Forward)

| | December 31 | |
|---|---|---|
| | **2015** | 2014 |
| **Equity Attributable to Equity Holders of the Parent Company** | | |
| Capital stock (Notes 19 and 20) | **₱6,270,882** | ₱6,270,882 |
| Additional paid-in capital (Notes 19 and 20) | **28,350** | 28,350 |
| Unrealized gain on available-for-sale investments (Note 11) | **5,193** | 4,743 |
| Other equity adjustments (Note 20) | **291,162** | 291,162 |
| Share-based payments (Note 19) | **69,700** | 69,700 |
| Retained earnings (Note 20) | **7,379,082** | 6,089,792 |
| | **14,044,369** | 12,754,629 |
| Less cost of treasury shares (Notes 1 and 20) | **(185,334)** | (185,334) |
| Total Equity Attributable to Equity Holders of the Parent Company | **13,859,035** | 12,569,295 |
| Non-Controlling Interests | **320,610** | 322,376 |
| Total Equity | **14,179,645** | 12,891,671 |
| | **₱36,029,850** | ₱39,236,711 |

*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 | | |
|---|---|---|---|
| | **2015** | 2014 | 2013 |
| **REVENUE** | | | |
| Sale of condominium units | **₱6,336,931** | ₱6,413,046 | ₱5,642,149 |
| Interest income (Note 21) | **988,329** | 1,116,922 | 983,404 |
| Lease income (Note 12) | **793,368** | 734,864 | 727,017 |
| Room revenue (Note 14) | **260,002** | 89,572 | – |
| Cinema revenue | **210,421** | 188,847 | 216,712 |
| Others (Note 13) | **333,178** | 309,536 | 260,231 |
| | **8,922,229** | 8,852,787 | 7,829,513 |
| **EXPENSES** | | | |
| Cost of real estate (Notes 9, 12, 22 and 27) | **4,496,722** | 4,743,429 | 4,182,824 |
| General and administrative expenses (Notes 8, 14, 19, 22, 23, 24 and 27) | **1,394,957** | 1,107,406 | 1,040,881 |
| Selling expenses (Notes 22 and 23) | **460,931** | 327,134 | 372,896 |
| | **6,352,610** | 6,177,969 | 5,596,601 |
| **INCOME BEFORE OTHER INCOME (EXPENSES)** | **2,569,619** | 2,674,818 | 2,232,912 |
| **OTHER INCOME (EXPENSES)** | | | |
| Interest expense (Notes 15 and 22) | **(471,188)** | (603,848) | (345,223) |
| Share in net income of joint venture (Note 13) | **170,844** | 102,819 | 93,261 |
| Foreign exchange gain - net (Note 29) | **6,586** | 2,902 | 2,726 |
| Gain (loss) on sale of property and equipment (Note 14) | **(130)** | – | 2,436 |
| | **(293,888)** | (498,127) | (246,800) |
| **INCOME BEFORE INCOME TAX** | **2,275,731** | 2,176,691 | 1,986,112 |
| **PROVISION FOR INCOME TAX** (Note 25) | **633,386** | 613,391 | 582,156 |
| **NET INCOME** | **1,642,345** | 1,563,300 | 1,403,956 |
| **OTHER COMPREHENSIVE LOSS** | | | |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods: | | | |
| Unrealized gain on available-for-sale investments (Note 11) | **500** | – | – |
| Income tax effect | **(50)** | – | – |
| Other comprehensive loss not to be reclassified to profit or loss in subsequent periods: | | | |
| Remeasurement loss on employee benefits (Note 24) | **(57,459)** | (7,438) | (74,550) |
| Income tax effect | **17,301** | 5 | 24,514 |
| | **(40,158)** | (7,433) | (50,036) |
| **TOTAL COMPREHENSIVE INCOME** | **₱1,602,187** | ₱1,555,867 | ₱1,353,920 |
| **Net Income (Loss) Attributable To** | | | |
| Equity holders of the Parent Company | **₱1,643,731** | ₱1,562,600 | ₱1,402,138 |
| Non-controlling interests | **(1,386)** | 700 | 1,818 |
| | **₱1,642,345** | ₱1,563,300 | ₱1,403,956 |
| **Total Comprehensive Income (Loss) Attributable To** | | | |
| Equity holders of the Parent Company | **₱1,603,953** | ₱1,555,456 | ₱1,351,455 |
| Non-controlling interests | **(1,766)** | 411 | 2,465 |
| | **₱1,602,187** | ₱1,555,867 | ₱1,353,920 |
| **Earnings Per Share Attributable to Equity Holders of the Parent Company** (Note 31) | | | |
| Basic | **₱0.2685** | ₱0.2552 | ₱0.2293 |
| Diluted | **₱0.2682** | ₱0.2548 | ₱0.2284 |

*See accompanying Notes to Consolidated Financial Statements.*

# ROCKWELL LAND CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

### FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

### (Amounts in Thousands)

| | Equity Attributable to Equity Holders of the Parent Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Capital Stock (Note 20) | Additional Paid-in Capital (Notes 18 and 19) | Unrealized Gain on Available-for-Sale Investments (Notes 5 and 11) | Other Equity Adjustments (Notes 4 and 20) | Share-based Payments (Note 19) | Retained Earnings (Note 20) | Treasury Shares (Notes 1 and 20) | Total | Non-Controlling Interests (Note 4) | Total Equity |
| Balance at December 31, 2014 | **₱6,270,882** | **₱28,350** | **₱4,743** | **₱291,162** | **₱69,700** | **₱6,089,792** | **(₱185,334)** | **₱12,569,295** | **₱322,376** | **₱12,891,671** |
| Net income (loss) | – | – | – | – | – | **1,643,731** | – | **1,643,731** | **(1,386)** | **1,642,345** |
| Other comprehensive loss | – | – | **450** | – | – | **(40,228)** | – | **(39,778)** | **(380)** | **(40,158)** |
| Total comprehensive income | – | – | **450** | – | – | **1,603,503** | – | **1,603,953** | **(1,766)** | **1,602,187** |
| Cash dividends (Note 20) | – | – | – | – | – | **(314,213)** | – | **(314,213)** | – | **(314,213)** |
| Balance at December 31, 2015 | **₱6,270,882** | **₱28,350** | **₱5,193** | **₱291,162** | **₱69,700** | **₱7,379,082** | **(₱185,334)** | **₱13,859,035** | **₱320,610** | **₱14,179,645** |
| | | | | | | | | | | |
| Balance at December 31, 2013 | ₱6,270,882 | ₱28,350 | ₱4,743 | ₱288,659 | ₱69,700 | ₱4,818,757 | (₱185,334) | ₱11,295,757 | ₱70,324 | ₱11,366,081 |
| Net income | – | – | – | – | – | 1,562,600 | – | 1,562,600 | 700 | 1,563,300 |
| Other comprehensive loss | – | – | – | – | – | (7,144) | – | (7,144) | (289) | (7,433) |
| Total comprehensive income | – | – | – | – | – | 1,555,456 | – | 1,555,456 | 411 | 1,555,867 |
| Non-controlling interests of an acquired subsidiary (Note 6) | – | – | – | – | – | – | – | – | 251,212 | 251,212 |
| Sale to non-controlling interests | – | – | – | 2,503 | – | – | – | 2,503 | 429 | 2,932 |
| Cash dividends (Note 20) | – | – | – | – | – | (284,421) | – | (284,421) | – | (284,421) |
| Balance at December 31, 2014 | ₱6,270,882 | ₱28,350 | ₱4,743 | ₱291,162 | ₱69,700 | ₱6,089,792 | (₱185,334) | ₱12,569,295 | ₱322,787 | ₱12,891,671 |
| | | | | | | | | | | |
| Balance at December 31, 2012 | ₱6,255,882 | ₱– | ₱4,743 | ₱286,850 | ₱– | ₱3,691,847 | (₱185,334) | ₱10,053,988 | ₱67,217 | ₱10,121,205 |
| Net income | – | – | – | – | – | 1,402,138 | – | 1,402,138 | 1,818 | 1,403,956 |
| Other comprehensive income (loss) | – | – | – | – | – | (50,683) | – | (50,683) | 647 | (50,036) |
| Total comprehensive income | – | – | – | – | – | 1,351,455 | – | 1,351,455 | 2,465 | 1,353,920 |
| Share-based payments (Note 19) | 15,000 | 28,350 | – | – | 69,700 | – | – | 113,050 | – | 113,050 |
| Sale to non-controlling interests | – | – | – | 1,809 | – | – | – | 1,809 | 642 | 2,451 |
| Cash dividends (Note 20) | – | – | – | – | – | (224,545) | – | (224,545) | – | (224,545) |
| Balance at December 31, 2013 | ₱6,270,882 | ₱28,350 | ₱4,743 | ₱288,659 | ₱69,700 | ₱4,818,757 | (₱185,334) | ₱11,295,757 | ₱70,324 | ₱11,366,081 |

*See accompanying Notes to Consolidated Financial Statements.*

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

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2015** | 2014 | 2013 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income before income tax | **₱2,275,731** | ₱2,176,691 | ₱1,986,112 |
| Adjustments for: | | | |
| Interest income (Note 21) | **(988,329)** | (1,116,922) | (983,404) |
| Interest expense (Note 22) | **471,188** | 603,848 | 345,223 |
| Depreciation and amortization (Note 22) | **335,687** | 307,491 | 265,206 |
| Share in net income of joint venture (Note 13) | **(170,844)** | (102,819) | (93,261) |
| Share-based payment expense (Note 19) | **--** | – | 91,150 |
| Loss (gain) on sale of property and equipment (Note 14) | **130** | – | (2,436) |
| Unrealized foreign exchange loss (gain) - net | **(6,586)** | 1,464 | 748 |
| Operating income before working capital changes | **1,916,977** | 1,869,753 | 1,609,338 |
| Pension costs (Note 24) | **44,396** | 34,041 | 26,827 |
| Decrease (increase) in: | | | |
| Trade and other receivables | **1,796,205** | (2,715,344) | (1,709,446) |
| Land and development costs | **436,596** | (1,226,054) | (562,184) |
| Advances to contractors | **(338,850)** | 476,771 | (641,200) |
| Condominium units for sale | **(1,244)** | 13,424 | 19,971 |
| Other current assets | **(70,374)** | (283,615) | (438,166) |
| Contribution to plan assets | **(20,000)** | – | – |
| Increase in trade and other payables | **(3,002,175)** | 3,838,441 | 1,553,934 |
| Net cash generated from (used for) operations | **761,531** | 2,007,417 | (140,926) |
| Interest paid | **(403,651)** | (551,531) | (323,375) |
| Income taxes paid | **(521,950)** | (418,346) | (347,771) |
| Net cash provided by (used in) operating activities | **(164,070)** | 1,037,540 | (812,072) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Acquisitions of: | | | |
| Investment properties (Note 12) | **(493,485)** | (1,277,718) | (840,090) |
| Property and equipment (Note 14) | **(419,178)** | (466,110) | (183,363) |
| Investment in joint venture (Note 13) | – | (474,648) | – |
| Land held for future use | **(664,595)** | | |
| Interest received | **56,241** | 106,521 | 41,726 |
| Proceeds from sale of property and equipment | – | – | 12,163 |
| Net cash used in investing activities | **(1,521,017)** | (2,111,955) | (969,564) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from: | | | |
| Sale to non-controlling interests (Note 20) | **--** | 2,932 | 2,451 |
| Availments of loans and borrowings (Note 15) | **500,000** | – | 14,861,807 |
| Proceeds from exercise of stock options (Note 19) | **--** | – | 21,900 |
| Payments of: | | | |
| Interest-bearing loans and borrowings (Note 15) | **(1,709,284)** | (412,000) | (4,458,954) |
| Installment payable | **(799,755)** | (799,755) | (714,067) |
| Dividends (Note 20) | **(306,588)** | (284,421) | (221,797) |
| Increase (decrease) in deposits and other liabilities | **247,633** | (407,186) | 729,905 |
| Net cash provided by (used in) financing activities | **(2,067,994)** | (1,900,430) | 10,221,245 |

(Forward)

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2015** | 2014 | 2013 |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | **₱6,586** | (₱1,464) | (₱748) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **(3,746,495)** | (2,976,309) | 8,438,861 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **5,995,706** | 8,972,015 | 533,154 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** (Note 7) | **₱2,249,211** | ₱5,995,706 | ₱8,972,015 |

*See accompanying Notes to Consolidated Financial Statements.*

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**(Amounts in Thousands, Except Number of Shares, Earnings Per Share Value and Unless Otherwise Specified)**

## 1. Corporate Information

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

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

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

As at December 31, 2015 and 2014, First Philippine Holdings Corporation owns 86.58% of Rockwell Land and the rest by public. Lopez, Inc. is the ultimate parent company.

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on April 6, 2016.

## 2. Basis of Preparation and Statement of Compliance

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

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of Rockwell Land and its subsidiaries (collectively referred to as the "Company"). Control is achieved when the 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 Company controls an investee if, and only if, the 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 Company has less than a majority of the voting or similar rights of an investee, the 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 Company's voting rights and potential voting rights.

The Company re-assesses 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 Company obtains control over the subsidiary and ceases when the 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 Company gains control until the date the 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 Company's accounting policies. All intra-group assets and liabilities, equity, income and expenses and cash flows relating to transactions between members of the Company 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 Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant 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 Rockwell Land and the following subsidiaries it controls:

| | | Percentage of Ownership | | |
|---|---|---|---|---|
| Subsidiaries | Nature of Business | **2015** | 2014 | 2013 |
| Rockwell Integrated Property Services, Inc. | Service provider | **100.0** | 100.0 | 100.0 |
| Rockwell Primaries Development Corporation (formerly, Rockwell Homes, Inc.) | 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 | **77.0** | 75.0 | 68.6 |
| Retailscapes Inc. * | Commercial development | **100.0** | 100.0 | – |
| Rockwell Primaries South Development Corporation (Rockwell Primaries South, formerly, ATR KimEng Land, Inc.)** | Real estate development | **60.0** | 60.0 | – |

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

All subsidiaries are incorporated in the Philippines.

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

## 3. Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year, except for the adoption of the following amended PAS and PFRS which were adopted effective beginning January 1, 2015. Except as otherwise indicated, adoption of the new standards and amendments has no significant impact on the Company's consolidated financial statements.

- PAS 19, *Employee Benefits* – Defined Benefit Plans: Employee Contributions (Amendments)

The improvements below are effective from January 1, 2015 and unless otherwise stated, these amendments have no significant impact on the Company's consolidated financial statements:

*Annual Improvements to PFRS (2010-2012 cycle)*

- PFRS 2, *Share-based Payment* – Definition of Vesting Condition

  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

  - A performance condition must contain a service condition
  - A performance target must be met while the counterparty is rendering service
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
  - A performance condition may be a market or non-market condition
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

  The Company shall consider this amendment for future share-based payment transactions.

- PFRS 3, *Business Combinations* – Accounting for Contingent Consideration in a Business Combination

  The amendment is applied prospectively for business combinations for which the acquisition date is on or after January 1, 2015. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments,* if early adopted). The Company shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments* – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets

- PAS 16, *Property, Plant and Equipment,* and PAS 38, *Intangible Assets* – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization

- PAS 24, *Related Party Disclosures* – Key Management Personnel

*Annual Improvements to PFRS (2011-2013 cycle)*

- PFRS 3, *Business Combinations* – Scope Exceptions for Joint Arrangements

- PFRS 13, *Fair Value Measurement* – Portfolio Exception

- PAS 40, *Investment Property*

<u>Standards, Amendments and Interpretations Issued But Not Yet Effective</u>
The Company did not early adopt the following amendments to existing standards and interpretations that have been approved but are not yet effective as at December 31, 2015. Except as otherwise indicated, the Company does not expect the adoption of these amendments and interpretations to have a significant impact on its consolidated financial statements.

*Effective January 1, 2016*

- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets* – Clarification of Acceptable Methods of Depreciation and Amortization — The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue–based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. These amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 41, *Agriculture* – Bearer Plants — The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under these amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). These amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- Amendments to PAS 27, *Property, Plant and Equipment* – Equity Method in Separate Financial Statements — The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first–time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures* – Investment Entities: Applying the Consolidation Exception — The amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The Company shall consider the amendments in the future.

- PFRS 11, *Joint Arrangements* – Accounting for Acquisitions of Interest in Joint Operations — The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendments will not have any impact on the Company's financial statements.

- PFRS 14, *Regulatory Deferral Accounts* — PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate–regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first–time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate–regulation and the effects of that rate–regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Company is an existing PFRS preparer, this standard would not apply.

- PAS 1, *Presentation of Financial Statements* – Disclosure Initiative (Amendments) — The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

  - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures of functions
  - That specific line items in the statement of income and OCI and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they represent the notes to financial statements
  - That the share of OCI of associate and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

*Annual Improvements to PFRSs (2012–2014 Cycle)*

- PFRS 5, *Non–current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal.* The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice–versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts.* PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendment.

- PFRS 7 – *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements.* The amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits – Regional Market Issue Regarding Discount Rate.* The amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting – Disclosure of Information 'Elsewhere in the Interim Financial Report'.* The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross–reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

*Effective January 1, 2018*

- PFRS 9, *Financial Instruments* (2014 or final version) — In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

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

The following new standards issued by the International Accounting Standards Board (IASB) have not yet been adopted by the FRSC:

- IFRS 15, *Revenue from Contracts with Customers*

  IFRS 15 was issued in May 2014 by the IASB and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

- IFRS 16, *Leases*

  On January 13, 2016, the IASB issued its new standard, IFRS 16, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

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

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

  The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Company is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

*With Deferred Effective Date*

Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 15, *Agreements for the Construction of Real Estate* — This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the IASB and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

The Company continues to assess the impact of the above new, amended and improved accounting standards and interpretations effective subsequent to December 31, 2015 on the consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

## 4. Summary of Significant Accounting Policies

Current Versus Non-current Classification
The Company 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
- Held primarily for the purpose of trading
- 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 Company classifies all other liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

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

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

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

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

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

Financial Assets

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

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

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

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

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

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

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

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

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

The Company has no bifurcated embedded derivatives as at December 31, 2015 and 2014.

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

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

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

The Company has no held-to-maturity investments as at December 31, 2015 and 2014.

*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 expenses (income) 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 Company 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 investment in Manila Polo Club shares and Meralco preferred shares (see Note 11).

Financial Liabilities

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

The Company has no financial liabilities at fair value through profit or loss as at December 31, 2015 and 2014.

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

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

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

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

Fair Value Measurement
The Company 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 Company.

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 Company 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 Company 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 Company 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 Company 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 Company determines the appropriate method of recognizing the Day 1 profit amount. The Company has determined that the discounted cash flow analysis using credit-adjusted Philippine Dealing and Exchange Corporation (PDEx) interest rates is appropriate in determining the fair value of retention payable, with the Day 1 profit treated as a reduction from “Land and development costs” as these are directly related to project development (see Notes 9 and 18).

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts; and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. The Company 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 Company and all of the counterparties.

Derecognition of Financial Assets and Liabilities

*Financial Assets.* A financial asset (or, when applicable, a part of a financial asset or part of a Company of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired; or

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

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

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

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

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

Classification of Financial Instruments Between Liability and Equity

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

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

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

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

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

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

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

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

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

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

Cost includes:

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

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

Advances to Contractors
Advances to contractors represent advance payments on services to be incurred in connection with the Company's operations. These are capitalized to projects under "Land and development costs" account in the consolidated statement of financial position, upon actual receipt of services, which is normally within 12 months or within the normal operating cycle. These are considered as nonfinancial instruments as these will be applied against future billings from contractors normally within one year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Impairment of Nonfinancial Assets
The Company assesses at each reporting date whether there is an indication that a nonfinancial asset (e.g., investment properties, investment in joint venture and property and equipment) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company 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 Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's CGU to which the individual assets are allocated. Those budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

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

Revenue and Cost Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company 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 Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company 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 Company assesses whether it is probable that the economic benefits will flow to the Company 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 Company has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering and design work, execution of construction contracts, site clearance and preparation, excavation, and completion of the building foundation are finished), and the costs incurred or to be incurred can be reliably measured. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

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

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

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

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

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

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

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

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

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

*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.

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

Equity
When the 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 Company's accumulated earnings, net of dividends declared.

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

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

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

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

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

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

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

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

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

Pension Costs and Other Employee Benefits

The Company 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 expenses in the consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

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

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

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

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

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

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

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

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

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

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

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

## 5. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

The acquisition cost of 60% interest in Rockwell Primaries South substantially allocated to the land amounted to ₱591.1 million as at December 31, 2015 (see Note 6).

*Operating Lease Commitments.* The Company has entered into commercial property leases on its investment property portfolio. The Company 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 ₱793.4 million, ₱734.9 million and ₱727.0 million in 2015, 2014 and 2013, respectively (see Note 12).

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

Transfers made from investment properties amounted to nil and ₱10.8 million in 2015 and 2014, respectively. Transfers made to investment properties amounted to ₱116.8 million and ₱73.3 million in 2015 and 2014, respectively (see Notes 9 and 12).

*Interest in a Joint Venture.* Management has assessed that it has joint control in its joint venture agreement and both parties have rights to the net assets of the arrangement. Under the Joint Venture Agreement, each party's share in any proceeds, profits, losses, and other economic value derived under the Joint Venture as well as any economic benefits and losses derived from the utilization of the access ways and open spaces of the joint venture property shall be proportional to the respective financial contributions made by each party (see Note 13).

*Fair Value of Financial Assets and Financial Liabilities.* Entities are required to disclose for each class of financial assets and liabilities the fair value of that class of assets and liabilities in a way that permits it to be compared with the corresponding carrying amount in the Company's 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 Company's financial assets and liabilities are set out in Note 30.

*Contingencies.* The Company 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 Company currently does not believe these proceedings will have a material effect on the financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 28).

No provision for contingencies was recognized in 2015, 2014 and 2013.

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 Company 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 Company. Such changes are reflected in the assumptions when they occur.

*Revenue and Cost Recognition.* The Company'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 Company 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 Company.

The Company'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. There is no assurance that such use of estimates may not result to material adjustments in future periods.

*Impairment of Financial Assets*

a. Loans and Receivables

   The Company 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 Company'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 Company'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 nil in 2015 and 2014 and ₱0.1 million in 2013 (see Note 22). Trade and other receivables, net of allowance for doubtful accounts, amounted to ₱9.0 billion and ₱9.9 billion as at December 31, 2015 and 2014, respectively (see Note 8).

b. Available-for-sale Financial Assets

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

Available-for-sale investments amounted to ₱15.8 million and ₱15.3 million as at December 31, 2015 and 2014, respectively (see Note 11). No impairment loss was recognized in 2015, 2014 and 2013.

*Net Realizable Value of Condominium Units for Sale.* Condominium units for sale are carried at the lower of cost or NRV. The carrying value of condominium units for sale is adjusted when the NRV becomes lower than cost due to changes in estimated selling prices less cost to sell. Condominium units for sale, stated at cost, amounted to ₱112.1 million and ₱110.9 million as at December 31, 2015 and 2014, respectively.

*Estimated Useful Lives of Investment Properties and Property and Equipment.* The useful life of each of the Company’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 2015, 2014 and 2013.

Investment properties, net of accumulated depreciation, amounted to ₱6.6 billion and ₱6.1 billion as at December 31, 2015 and 2014, respectively (see Note 12).

Property and equipment, net of accumulated depreciation and amortization, amounted to ₱2.3 billion and ₱2.0 billion as at December 31, 2015 and 2014, respectively (see Note 14).

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

The preparation of estimated future cash flows involves significant judgment and estimations. While the Company 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:

| | **2015** | 2014 |
|---|---|---|
| Investment properties (see Note 12) | **₱6,613,858** | ₱6,147,124 |
| Investment in joint venture (see Note 13) | **3,030,463** | 2,859,619 |
| Property and equipment (see Note 14) | **2,301,632** | 1,988,169 |

The fair value of the investment properties amounted to ₱14.4 billion and ₱12.7 billion as at December 31, 2015 and 2014, respectively (see Note 12).

No impairment loss was recognized in 2015, 2014 and 2013.

*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 ₱62.3 million and ₱81.6 million as at December 31, 2015 and 2014, respectively. Unrecognized deferred tax assets amounted to ₱13.7 million and ₱14.8 million as at December 31, 2015 and 2014, respectively (see Note 25).

*Pension Costs and Other Employee Benefits.* The determination of the Company'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 ₱187.5 million and ₱105.6 million as at December 31, 2015 and 2014, respectively. Since there is no minimum funding requirement, the resulting net asset or net liability recognized in the consolidated statement 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 Company (see Note 24).

## 6. Acquisition of Majority Interest in Rockwell Primaries South

On December 22, 2014, Rockwell Primaries entered into a Memorandum of Agreement with ATR Holdings, Inc. and Dragon Eagle International Limited for the joint and collective investment in and acquisition of all of the outstanding common shares of Maybank ATR KimeEng Capital Partners, Inc. (Maybank ATR) in Rockwell Primaries South, the developer of East Bay Residences (East Bay) project. Rockwell Primaries acquired 1,860,000 common shares, equivalent to 60% ownership interest, through a Deed of Absolute Sale for a consideration of

₱591.1 million. Initial payment representing 25% of the purchase price was made at closing date and the remaining 75% shall be payable over five years with 5% interest per annum (see Notes 5 and 9). The unpaid purchase price of ₱345.0 million and ₱421.2 million as at December 31, 2015 and 2014, respectively, is presented as part of "Notes payable" under "Interest-bearing loans and borrowings" account in the consolidated statements of financial position (see Note 15). Non-controlling interest in Rockwell Primaries South amounted to ₱251.9 and ₱251.6 million as at December 31, 2015 and 2014, respectively.

## 7. Cash and Cash Equivalents

This account consists of:

| | **2015** | 2014 |
|---|---|---|
| Cash on hand and in banks | **₱432,558** | ₱466,706 |
| Short-term investments | **1,816,653** | 5,529,000 |
| | **₱2,249,211** | ₱5,995,706 |

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 Company, and earn interest at the respective short-term investment rates.

Interest income earned from cash in banks and short-term investments amounted to ₱50.0 million, ₱98.4 million and ₱40.4 million in 2015, 2014 and 2013, respectively (see Note 21).

## 8. Trade and Other Receivables

This account consists of:

| | **2015** | 2014 |
|---|---|---|
| Trade receivables from: | | |
| Sale of condominium units - net of noncurrent portion of ₱10.8 million in 2015 and ₱29.0 million in 2014 | **₱8,711,333** | ₱9,589,882 |
| Lease | **122,129** | 126,111 |
| Advances to officers and employees (see Note 27) | **27,724** | 43,454 |
| Others - net of allowance for doubtful accounts of ₱2.6 million in 2015 and ₱5.2 million in 2014 | **162,840** | 110,488 |
| | **₱9,024,026** | ₱9,869,935 |

Trade receivables from sale of condominium units are noninterest-bearing long-term receivables with terms ranging from 1 to 5 years. Unamortized unearned interest on these receivables amounted to ₱2.8 billion and ₱2.3 billion as at December 31, 2015 and 2014, respectively.

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

| | 2015 | 2014 |
|---|---|---|
| Trade receivables at nominal amount | **₱11,534,781** | ₱11,961,260 |
| Less unearned interest: | | |
| Balance at beginning of year | **2,342,389** | 2,035,190 |
| Unearned interest | **1,403,551** | 1,321,181 |
| Amortization (see Note 21) | **(933,273)** | (1,013,982) |
| Balance at end of year | **2,812,667** | 2,342,389 |
| Trade receivables at discounted amount | **₱8,722,114** | ₱9,618,871 |

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

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

Other receivables mainly consist of claims from contractors and receivable from various third parties.

The movements in the allowance for doubtful accounts of other receivables are as follows:

| | 2015 | 2014 |
|---|---|---|
| Balance at beginning of year | **₱5,181** | ₱5,181 |
| Reversal of provision | **(2,570)** | – |
| Balance at end of year | **₱2,611** | ₱5,181 |

9. **Land and Development Costs**

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

| | 2015 | 2014 |
|---|---|---|
| Proscenium (see Note 16) | **₱4,752,137** | ₱5,231,947 |
| The Grove Phases 2 & 3 | **1,158,548** | 1,359,263 |
| East Bay Residences (see Note 6) | **1,097,710** | 1,032,268 |
| 32 Sanson Phase 1 & 2 | **573,205** | 601,299 |
| The Vantage | **537,814** | – |
| 53 Benitez | **131,586** | 341,454 |
| Stonewell | **82,997** | – |
| 8 Rockwell | – | 298,460 |
| Others | **589,715** | 242,253 |
| | **₱8,923,712** | ₱9,106,944 |

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

| | **2015** | 2014 |
|---|---|---|
| Balance at beginning of year | **₱9,106,944** | ₱6,992,692 |
| Construction/development costs incurred | **3,254,190** | 5,519,011 |
| Cost of real estate sold (shown as part of cost of real estate) | **(4,353,213)** | (4,616,172) |
| Land acquired during the year | **511,391** | 1,082,611 |
| Borrowing costs capitalized (see Notes 15, 16 and 18) | **254,860** | 205,115 |
| Net transfers to investment properties (see Note 12) | **(116,758)** | (62,463) |
| Reclassifications from (to) property and equipment (see Note 14) | **(86,783)** | 20,852 |
| Reclassification from land held for future development | **353,081** | 49,945 |
| Reclassification to condominium units for sale | **–** | (84,647) |
| Balance at end of year | **₱8,923,712** | ₱9,106,944 |

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

| Project | Structure and Location | Expected Completion Date | Construction Stage* | Estimated Cost to Complete **2015** | Estimated Cost to Complete 2014 |
|---|---|---|---|---|---|
| Proscenium: | | | | | |
| Kirov | Highrise condominium, Rockwell Center | 2018 | Substructure | **₱3,355,142** | ₱4,786,202 |
| Sakura | Highrise condominium, Rockwell Center | 2018 | Substructure | **3,113,549** | 3,967,157 |
| Lincoln | Highrise condominium, Rockwell Center | 2017 | Superstructure | **2,681,174** | 3,303,946 |
| Lorraine | Highrise condominium, Rockwell Center | 2018 | Substructure | **2,481,210** | 3,464,097 |
| Garden Villas | Office spaces, Rockwell Center | 2018 | Substructure | **148,061** | – |
| Residences | Highrise condominium, Rockwell Center | 2018 | Substructure | **2,403,040** | – |
| The Grove: | | | | | |
| Phase 2 | Highrise condominium, Pasig City | 2016 | Superstructure | **1,685** | 200,120 |
| Phase 3 | Highrise condominium, Pasig City | 2016 | Superstructure | **104,684** | 654,461 |
| 32 Sanson | | | | | |
| Phase 1 | Low rise residential buildings, Cebu City | 2017 | Superstructure | **344,144** | 862,837 |
| Phase 2 | Low rise residential buildings, Cebu City | 2019 | Substructure | **1,112,137** | – |
| Stonewell | Low rise residential buildings, Batangas | 2016 | Superstructure | **150,972** | – |
| 8 Rockwell | Office spaces, Rockwell Center | 2016 | Superstructure | **57,366** | 371,034 |
| 53 Benitez | Midrise condominium, Quezon City | 2016 | Superstructure | **62,409** | 336,220 |
| East Bay | Midrise condominium, Muntinlupa City | 2021 | Development Planning | **5,181,135** | – |
| The Vantage | Midrise condominium, Pasig City | 2020 | Substructure | **₱2,232,413** | ₱– |
| Alvendia | Townhouse, San Juan City | 2015 | Superstructure | **–** | 10,773 |
| Edades | Highrise condominium, Rockwell Center | 2015 | Superstructure | **–** | 13,105 |
| | | | | **₱23,429,121** | ₱17,969,952 |

** Construction stage as at December 31, 2015*

Other land and development costs mainly pertain to land acquisitions for projects expected to be launched in 2016.

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

Advances to contractors, shown separately in the consolidated statements of financial position, mainly pertain to advances related to the development of "The Grove", "8 Rockwell", "32 Sanson", "53 Benitez" and "Proscenium" projects.

General borrowing costs from interest-bearing loans and borrowings capitalized as part of development costs amounted to ₱154.2 million and ₱67.7 million in 2015 and 2014, respectively. Average capitalization rate used is 4.9% and 4.6% in 2015 and 2014, respectively. Amortization of discount on retention payable, capitalized as part of development costs, amounted to ₱11.5 million and ₱14.8 million in 2015 and 2014, respectively (see Note 18).

Total cash received from pre-selling activities amounted to ₱0.3 billion and ₱2.6 billion as at December 31, 2015 and 2014, respectively (see Note 17).

## 10. Other Current Assets

This account consists of:

| | **2015** | 2014 |
|---|---|---|
| Prepaid costs (see Notes 4, 16 and 22) | **₱822,415** | ₱711,256 |
| Refundable deposits | **172,711** | 147,519 |
| Input VAT (see Note 16) | **151,239** | 213,404 |
| Restricted cash | **98,255** | – |
| Creditable withholding tax | **16,778** | 40,925 |
| Supplies | **7,764** | 18,525 |
| Others (see Note 27) | **38,836** | 105,995 |
| | **₱1,307,998** | ₱1,237,624 |

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

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

## 11. Available-for-sale Investments

As at December 31, 2015 and 2014, this account consists of:

| | **2015** | 2014 |
|---|---|---|
| Quoted | **₱12,500** | ₱12,000 |
| Unquoted | **3,308** | 3,308 |
| | **₱15,808** | ₱15,308 |

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

| | |
|---|---|
| Balance at beginning of year | ₱12,000 |
| Unrealized gain on fair value adjustments (excluding tax effect of ₱50) | 500 |
| Balance at end of year | ₱12,500 |

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

## 12. Investment Properties

The rollforward analysis of this account follows:

| | 2015 | | | |
|---|---|---|---|---|
| | **Land** | **Buildings and Improvements** | **Investment Properties in Progress** | **Total** |
| At January 1, 2015, net of accumulated depreciation | **₱1,859,997** | **₱2,401,825** | **₱1,885,302** | **₱6,147,124** |
| Additions | **–** | **382,889** | **110,596** | **493,485** |
| Transfers from land and development costs (see Note 9) | **116,758** | **–** | **–** | **116,758** |
| Depreciation (see Note 22) | **–** | **(143,509)** | **–** | **(143,509)** |
| At December 31, 2015, net of accumulated depreciation | **₱1,976,755** | **₱2,641,205** | **₱1,995,898** | **₱6,613,858** |
| | | | | |
| At January 1, 2015: | | | | |
| Cost | **₱1,859,997** | **₱4,117,991** | **₱1,885,302** | **₱7,863,290** |
| Accumulated depreciation | **–** | **(1,716,166)** | **–** | **(1,716,166)** |
| Net carrying amount | **₱1,859,997** | **₱2,401,825** | **₱1,885,302** | **₱6,147,124** |
| At December 31, 2015: | | | | |
| Cost | **₱1,976,755** | **₱4,500,880** | **₱1,995,898** | **₱8,473,533** |
| Accumulated depreciation | **–** | **(1,859,675)** | **–** | **(1,859,675)** |
| Net carrying amount | **₱1,976,755** | **₱2,641,205** | **₱1,995,898** | **₱6,613,858** |

| | 2014 | | | |
|---|---|---|---|---|
| | Land | Buildings and Improvements | Investment Properties in Progress | Total |
| At January 1, 2014, net of accumulated depreciation | ₱1,870,844 | ₱2,444,516 | ₱618,840 | ₱4,934,200 |
| Additions | – | 11,256 | 1,266,462 | 1,277,718 |
| Transfers (to) from land and development costs (see Note 9) | (10,847) | 73,310 | – | 62,463 |
| Depreciation (see Note 22) | – | (127,257) | – | (127,257) |
| At December 31, 2014, net of accumulated depreciation | ₱1,859,997 | ₱2,401,825 | ₱1,885,302 | ₱6,147,124 |
| At January 1, 2014: | | | | |
| Cost | ₱1,870,844 | ₱4,033,425 | ₱618,840 | ₱6,523,109 |
| Accumulated depreciation | – | (1,588,909) | – | (1,588,909) |
| Net carrying amount | ₱1,870,844 | ₱2,444,516 | ₱618,840 | ₱4,934,200 |
| At December 31, 2014: | | | | |
| Cost | ₱1,859,997 | ₱4,117,991 | ₱1,885,302 | ₱7,863,290 |
| Accumulated depreciation | – | (1,716,166) | – | (1,716,166) |
| Net carrying amount | ₱1,859,997 | ₱2,401,825 | ₱1,885,302 | ₱6,147,124 |

Investment properties are valued at cost. Investment properties consist of the “Power Plant” Mall (₱2.8 billion as at December 31, 2015 and ₱3.0 billion as at December 31, 2014), other investment properties held for lease within the Rockwell Center, The Grove, Santolan Town Plaza and The Rockwell Business Center - Sheridan (₱3.0 billion as at December 31, 2015 and ₱2.3 billion as at December 31, 2014) and land held for appreciation (₱800.6 million as at December 31, 2015 and 2014).

Investment properties in progress includes costs incurred for the construction of 8 Rockwell, Santolan Town Plaza and The Rockwell Business Center – Sheridan in 2015 and 8 Rockwell only in 2014. Borrowing costs capitalized as part of investment properties amounted to ₱88.8 million and ₱58.0 million in 2015 and 2014, respectively (see Note 15). Capitalization rates used are 4.9% and 4.6% in 2014 and 2013, respectively. As at December 31, 2015 and 2014, unamortized borrowing costs capitalized as part of investment properties amounted to ₱409.8 million and ₱322.0 million, respectively.

Lease income earned from investment properties amounted to ₱793.4 million, ₱734.9 million, and ₱727.0 million in 2015, 2014 and 2013, respectively. Direct operating expenses incurred amounted to ₱334.9 million, ₱384.4 million and ₱301.5 million in 2015, 2014 and 2013, respectively.

The aggregate fair value of the Company’s mall amounted to ₱8.9 billion and ₱7.6 billion as at December 31, 2015 and 2014, respectively. The aggregate fair value of other investment properties held for lease within the Rockwell Center and The Grove, Rockwell Business Center Sheridan, 8 Rockwell, and land held for appreciation amounted to ₱5.5 billion and ₱5.1 billion as at December 31, 2015 and 2014, respectively. The investment property used

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

The value of the mall 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.

The value of other investment properties held for lease within the Rockwell Center and The Grove, and land held for appreciation 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.

## 13. **Investment in Joint Venture**

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

In accordance with the terms of the JV Agreement, the Parent Company acts as the Property Manager of the unincorporated JV. Management fees recognized by the Parent Company, which is shown as part of “Others” account in the consolidated statements of comprehensive income, amounted to ₱1.4 million , ₱1.3 million and ₱1.2 million in 2015, 2014 and 2013, respectively. 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:

| | **2015** | 2014 |
|---|---|---|
| Current assets | **₱1,334,459** | ₱906,359 |
| Noncurrent assets | **3,321,461** | 3,503,517 |
| Current liabilities | **221,439** | 226,302 |
| Noncurrent liabilities | **105,248** | 132,624 |
| Cash and cash equivalents | **780,769** | 492,739 |
| Current financial liabilities (excluding trade and other payables and provisions) | **24,908** | 15,482 |
| Noncurrent financial liabilities (excluding trade and other payables and provisions) | **147,203** | 115,490 |

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

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| Revenue | **₱519,759** | ₱320,748 | ₱288,863 |
| General and administrative expenses | **23,833** | 18,436 | 17,462 |
| Depreciation and amortization expense | **175,829** | 122,298 | 117,431 |
| Interest income | **9,291** | 3,655 | 6,471 |
| Interest expense | **–** | 3,732 | 2,116 |
| Provision for income tax | **85,325** | 66,701 | 56,805 |
| Total comprehensive income/net income | **244,063** | 113,236 | 101,520 |

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

| | **2015** | 2014 |
|---|---|---|
| Balance at beginning of year | **₱2,536,691** | ₱2,062,043 |
| Additions | **–** | 474,648 |
| Balance at end of year | **2,536,691** | 2,536,691 |
| Accumulated share in net income: | | |
| Balance at beginning of year | **322,928** | 220,109 |
| Share in net income | **170,844** | 102,819 |
| Balance at end of year | **493,772** | 322,928 |
| Carrying value | **₱3,030,463** | ₱2,859,619 |

In 2014, additional investment pertains to the construction cost of the third tower of the BPO Building. The construction was completed in December 2014.

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

| | **2015** | 2014 |
|---|---|---|
| Net asset of the unincorporated JV | **₱4,329,233** | ₱4,050,950 |
| Interest of the Parent Company in the net asset of the unincorporated JV | **70%** | 70% |
| | **3,030,463** | 2,835,665 |
| Effect of difference between the Parent Company's percentage share in net income as previously discussed | **–** | 23,954 |
| Carrying amount of the investment in joint venture | **₱3,030,463** | ₱2,859,619 |

14. **Property and Equipment**

The rollforward analysis of this account follows:

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

| | 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Land | Buildings and Improvements | Office Furniture and Other Equipment | Transportation Equipment | Construction in Progress | Total |
| **Cost** | | | | | | |
| At January 1 | ₱20,852 | ₱803,779 | ₱1,085,994 | ₱141,868 | ₱903,178 | ₱2,955,671 |
| Additions | 107,558 | 87,268 | 223,560 | 29,064 | 18,660 | 466,110 |
| Reclassifications to land and development costs (see Note 9) | (20,852) | – | – | – | – | (20,852) |
| Reclassifications | 199,070 | 695,055 | – | – | (894,125) | – |
| At December 31 | 306,628 | 1,586,102 | 1,309,554 | 170,932 | 27,713 | 3,400,929 |
| **Accumulated Depreciation and Amortization** | | | | | | |
| At January 1 | – | 310,170 | 817,462 | 104,894 | – | 1,232,526 |
| Depreciation and amortization (see Note 22) | – | 99,930 | 61,849 | 18,455 | – | 180,234 |
| At December 31 | – | 410,100 | 879,311 | 123,349 | – | 1,412,760 |
| **Net Book Value at December 31** | ₱306,628 | ₱1,176,002 | ₱430,243 | ₱47,583 | ₱27,713 | ₱1,988,169 |

The cost related to the development of the Edades and The Grove Serviced Apartments included in property and equipment account amounted to ₱1.2 billion and ₱1.0 billion as at December 31, 2015 and 2014, respectively. Construction of Edades Serviced Apartments was completed on November 15, 2014 (see Note 26). As at December 31, 2015, construction of The Grove Serviced Apartments is still on-going.

Borrowing costs capitalized as part of property and equipment amounted to nil and ₱23.8 million in 2015 and 2014, respectively (see Note 15). Capitalization rate used is nil and 4.6% in 2015 and 2014, respectively.

## 15. Interest-bearing Loans and Borrowings

This account consists of:

| | Effective Interest Rate | **2015** | 2014 |
|---|---|---|---|
| **Current** | | | |
| Corporate notes | 4.9%, 4.6%, 4.5% fixed | **₱1,612,000** | ₱1,612,000 |
| Bridge loan | 2.5% floating | **500,000** | – |
| Notes payable | 5.0% fixed | **101,454** | 96,624 |
| | | **2,213,454** | 1,708,624 |
| Less unamortized loan transaction costs (see Note 22) | | **10,685** | 14,843 |
| | | **₱2,202,769** | ₱1,693,781 |
| **Noncurrent** | | | |
| Corporate notes | 4.9%, 4.6%, 4.5% fixed | **₱6,364,000** | ₱7,976,000 |
| Bonds payable | 5.0932% fixed | **5,000,000** | 5,000,000 |
| Notes payable | 5.0% fixed | **335,827** | 437,281 |
| | | **11,699,827** | 13,413,281 |
| Less unamortized loan transaction costs (see Note 22) | | **54,423** | 71,178 |
| | | **₱11,645,404** | ₱13,342,103 |

Corporate Notes

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

Interest is fixed up to maturity at 75 to 90 bps over the seven-year PDST-F, grossed-up for GRT.

*Covenants.* The loan contains, among others, covenants regarding incurring additional debt and dividend, to the extent that such will result in a breach of the required debt-to-equity ratio and current ratio. As at December 31, 2015 and 2014, the Parent Company has complied with these covenants (see Note 29).

Bridge Loan
In 2015, the Parent Company had a peso-denominated loan from a local bank which is intended to bridge its long-term loan requirements expected to be drawn in 2016. The loan has a tenor of maximum of 360 days, at prevailing lending rate subject to repricing. On December 3, 2015, the Company made the first drawdown amounting to ₱500.0 million from the facility at an interest rate of 2.50% per annum. The bridge loan does not contain any covenant.

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

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

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

*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, 2015 and 2014, the Parent Company has complied with these covenants (see Note 29).

Interest expense on interest-bearing loans and borrowings amounted to ₱430.2 million and ₱546.3 million in 2015 and 2014, respectively (see Note 22). Interest expense capitalized as part of land and development costs amounted to ₱154.2 million and ₱67.7 million in 2015 and 2014, respectively (see Note 9). Interest expense capitalized as part of investment properties amounted to ₱88.8 million and ₱58.0 million in 2015 and 2014, respectively (see Note 12). Interest expense capitalized as part of property and equipment nil and ₱23.8 million 2015 and 2014, respectively (see Note 14).

*Loan Transaction Costs.* As at December 31, 2015 and 2014, 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:

| | **2015** | 2014 |
|---|---|---|
| Balance at beginning of year | **₱86,021** | ₱132,892 |
| Amortization (see Note 22) | **(20,913)** | (46,871) |
| Balance at end of year | **₱65,108** | ₱86,021 |

Notes Payable
On December 22, 2014, Rockwell Primaries South issued promissory notes to Maybank ATR for the remaining unpaid balance of the acquisition cost of 60% interest in Rockwell Primaries South amounting to ₱421.2 million.

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.

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

The repayments of all loan principal based on existing terms are scheduled as follows:

| Year | Amount |
|---|---|
| 2016 | ₱2,213,454 |
| 2017 | 1,718,527 |
| 2018 | 1,723,854 |
| 2019 | 1,729,446 |
| 2020 and onwards | 6,528,000 |
| | ₱13,913,281 |

## 16. **Installment Payable**

In November 2011, the Parent Company entered into a Deed of Sale with Futura Realty, Inc. for the purchase of land for development adjacent to the Rockwell Center. This will house the latest condominium project of the Parent Company called “Proscenium” project (see Note 9).

Under the Deed of Sale, the Parent Company will pay for the cost of the property in installment until year 2015 and a one-time payment in year 2020. 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 amounted to ₱89.2 million and ₱122.6 million in 2015 and 2014, respectively, and was capitalized as part of land and development costs (see Note 9).

As at December 31, 2015 and 2014, the balance of the installment payable amounted to ₱0.5 billion and ₱1.2 billion, respectively.

Installment payable is secured by Stand-By Letters of Credit (SBLC) from MBTC and FMIC totaling ₱2.4 billion, until year 2020. These SBLC provides for a cross default provision wherein the SBLC shall automatically be due and payable in the event the 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, 2015 and 2014, the Parent Company has not drawn from the facility. Unamortized prepaid premium on the SBLC as at December 31, 2015 and 2014 amounting to ₱0.4 million and ₱1.9 million, respectively, is presented as part of "Prepaid costs" under "Other current assets" account in the consolidated statements of financial position (see Note 10).

The related deferred input VAT amounting to ₱70.3 million, net of current portion of nil and ₱72.5 million in 2015 and 2014, respectively (see Note 10), 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.

## 17. Trade and Other Payables

This account consists of:

| | **2015** | 2014 |
|---|---|---|
| Trade | **₱694,283** | ₱211,043 |
| Accrued expenses: | | |
| Project costs | **939,435** | 3,280,869 |
| Taxes and licenses | **174,104** | 337,571 |
| Interest | **129,758** | 151,439 |
| Utilities | **35,421** | 22,265 |
| Marketing and promotions | **20,789** | 7,356 |
| Producers' share | **19,583** | 11,550 |
| Repairs and maintenance | **13,774** | 14,373 |
| Management fee | **4,274** | 23,114 |
| Others (see Notes 18 and 24) | **283,475** | 292,254 |
| Deferred output VAT | **715,473** | 938,896 |
| Due to related parties (see Note 27) | **269,710** | 18,155 |
| Current portions of: | | |
| Deposits from pre-selling of condominium units (see Note 9) | **301,721** | 2,581,566 |
| Security deposits (see Note 18) | **182,546** | 240,449 |
| Retention payable (see Note 18) | **92,591** | 170,875 |
| Deferred lease income (see Note 18) | **85,745** | 83,955 |
| Excess collections over recognized receivables (see Note 4) | **1,679,365** | 284,153 |
| Advance payments from members and customers | **33,610** | 37,260 |
| Output VAT | **14,573** | 2,201 |
| Others | **3,471** | 8,214 |
| | **₱5,693,701** | ₱8,717,558 |

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

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

Accrued expenses are normally settled within 12 months.

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

Excess collections over recognized receivables pertain to Proscenium Lincoln for 2015 and 2014 and Sakura and Kirov projects in 2015.

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

## 18. Deposits and Other Liabilities

This account consists of:

| | **2015** | 2014 |
|---|---|---|
| Retention payable - net of current portion of ₱92.6 million in 2015 and ₱170.9 million in 2014 (see Note 17) | **₱547,448** | ₱400,283 |
| Security deposits - net of current portion of ₱182.5 million in 2015 and ₱240.4 million in 2014 (see Note 17) | **120,097** | 38,637 |
| Deferred lease income - net of current portion of ₱85.7 million in 2015 and ₱84.0 million in 2014 (see Note 17) | **23,548** | 9,240 |
| Others (see Notes 17 and 24) | **12,060** | 7,810 |
| | **₱703,153** | ₱455,970 |

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 Company uses discounted cash flow analysis to measure the fair value of retention payable. The resulting difference between the transaction price and fair value at initial recognition is recognized in the consolidated statements of financial position as a reduction from "Land and development costs". The retention payable is carried at amortized cost using effective interest method. The amortization of discount on retention payable is capitalized as part of land and development costs while the related project's construction is in progress (see Note 9).

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

| | **2015** | 2014 |
|---|---|---|
| Balance at beginning of year | **₱24,326** | ₱17,253 |
| Additions during the year | **8,015** | 21,883 |
| Amortization during the year (see Note 9) | **(11,469)** | (14,810) |
| Balance at end of year | **₱20,872** | ₱24,326 |

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 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 | 63,740,000 |
| 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.

The following table shows the movement in share options in 2014 and 2013:

| | Number of shares |
|---|---|
| Stock options granted in 2013 | 63,740,000 |
| Stock options exercised in 2013 | (15,000,000) |
| Outstanding at end of year | 48,740,000 |

There were no share options granted or exercised in 2015 and 2014. Total share-based payment expense recognized amounting to 91.1 million is presented as part of "Personnel expenses" under "General and administrative expenses" account in the consolidated statement of comprehensive income for the year ended December 31, 2013.

As at December 31, 2015 and 2014, 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

| | **2015** | | 2014 | |
|---|---|---|---|---|
| | **Number of Shares** | **Amount** | Number of Shares | Amount |
| Authorized | | | | |
| Common - ₱1 par value | **8,890,000,000** | **₱8,890,000** | 8,890,000,000 | ₱8,890,000 |
| Preferred - ₱0.01 par value | **11,000,000,000** | **110,000** | 11,000,000,000 | 110,000 |
| | **19,890,000,000** | **₱9,000,000** | 19,890,000,000 | ₱9,000,000 |
| Issued | | | | |
| Common - ₱1 par value | **6,243,382,344** | **₱6,243,382** | 6,243,382,344 | ₱6,243,382 |
| Preferred - ₱0.01 par value | **2,750,000,000** | **27,500** | 2,750,000,000 | 27,500 |
| | **8,993,382,344** | **₱6,270,882** | 8,993,382,344 | ₱6,270,882 |

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

Below is the movement of the common stock of the Parent Company:

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

b. Dividends

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

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

On July 4, 2013, the BOD of the Company approved the declaration of regular cash dividends of ₱0.0368 per share to all common stockholders of record as at July 25, 2013. Payments were made on August 20, 2013.

On January 16, 2012, the BOD approved the declaration of dividends for preferred shares at 6% cumulative per annum amounting to ₱4.1 million or ₱0.0015 per share. Payments were made on January 26, 2012.

As at December 31, 2015 and 2014, unpaid cumulative dividends on preferred shares amounted to ₱3.7 million.

c. Other Equity Adjustments

This account represents the difference between the consideration received from the sale of the proprietary shares and the carrying value of the related interest. In 2014, the Parent Company sold proprietary shares equivalent to 0.3% interest in Rockwell Club.

| | Amount |
|---|---|
| Balance at beginning of year | ₱288,659 |
| Acquisition by the non-controlling interests: | |
| Consideration received | 2,932 |
| Carrying value | (429) |
| | 2,503 |
| Balance at end of year | ₱291,162 |

d. Treasury Shares

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

## 21. **Interest Income**

This account consists of:

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| Interest income from: | | | |
| Amortization of unearned interest on trade receivables (see Note 8) | **₱933,273** | ₱1,013,982 | ₱931,805 |
| Cash and cash equivalents (see Note 7) | **49,970** | 98,382 | 40,382 |
| Interest and penalty charges | **2,998** | 2,149 | 8,474 |
| In-house financing | **2,088** | 2,409 | 2,743 |
| | **₱988,329** | ₱1,116,922 | ₱983,404 |

## 22. **Expenses**

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

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| Included in: | | | |
| Cost of real estate (see Note 12) | **₱143,509** | ₱127,257 | ₱136,225 |
| General and administrative expenses (see Note 14) | **192,178** | 180,234 | 128,981 |
| | **₱335,687** | ₱307,491 | ₱265,206 |

General and administrative expenses pertain to the following businesses:

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| Real estate | **₱1,022,626** | ₱860,861 | ₱863,791 |
| Cinema | **187,137** | 164,054 | 177,090 |
| Hotel | **185,194** | 82,491 | – |
| | **₱1,394,957** | ₱1,107,406 | ₱1,040,881 |

Real Estate

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| Personnel (see Notes 23 and 24) | **₱323,272** | ₱242,599 | ₱314,160 |
| Taxes and licenses | **180,251** | 172,936 | 158,828 |
| Depreciation and amortization (see Note 14) | **147,184** | 160,216 | 118,296 |
| Marketing and promotions | **68,430** | 32,204 | 25,833 |
| Utilities (see Note 27) | **51,512** | 52,813 | 41,296 |
| Entertainment, amusement and recreation | **44,942** | 61,270 | 34,686 |
| Contracted services | **36,529** | 29,745 | 27,668 |

(Forward)

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| Professional fees | **₱27,456** | ₱20,631 | ₱40,590 |
| Dues and subscriptions | **20,556** | 8,448 | 18,911 |
| Fuel and oil | **9,799** | 10,837 | 12,015 |
| Insurance | **9,620** | 9,566 | 9,279 |
| Security services | **9,575** | 8,772 | 7,081 |
| Transportation and travel | **3,958** | 3,862 | 3,612 |
| Provision for doubtful accounts (see Note 8) | **–** | – | 70 |
| Others | **89,542** | 46,962 | 51,466 |
| | **₱1,022,626** | ₱860,861 | ₱863,791 |

Cinema

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| Producers' share | **₱87,645** | ₱78,441 | ₱89,221 |
| Utilities (see Note 27) | **23,596** | 26,148 | 26,306 |
| Depreciation and amortization (see Note 14) | **19,941** | 10,626 | 10,685 |
| Amusement tax | **14,871** | 13,811 | 15,652 |
| Snack bar | **13,719** | 12,706 | 15,396 |
| Contracted services | **11,643** | 11,831 | 11,401 |
| Advertising | **2,749** | 2,506 | 2,451 |
| Personnel (see Notes 23 and 24) | **2,518** | 2,668 | 2,126 |
| Others | **10,455** | 5,317 | 3,852 |
| | **₱187,137** | ₱164,054 | ₱177,090 |

Hotel

| | **2015** | 2014 |
|---|---|---|
| Rental expense | **₱56,766** | ₱27,145 |
| Supplies | **28,449** | 1,380 |
| Depreciation and amortization (see Note 14) | **25,053** | 9,392 |
| Personnel (see Notes 23 and 24) | **21,612** | 18,956 |
| Utilities | **15,758** | 6,432 |
| Accommodations | **11,717** | 4,791 |
| Contracted services | **5,144** | 1,923 |
| Dues and subscriptions | **4,149** | 3,581 |
| Professional fees | **4,031** | 6,058 |
| Security services | **3,040** | 1,780 |
| Others | **9,475** | 1,053 |
| | **₱185,194** | ₱82,491 |

Selling expenses are comprised of:

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| Commissions and amortization of prepaid costs (see Notes 4 and 10) | **₱326,966** | ₱189,590 | ₱218,752 |
| Marketing and promotions | **56,930** | 35,072 | 73,243 |
| Personnel (see Notes 23 and 24) | **38,449** | 69,450 | 58,619 |
| Utilities (see Note 27) | **6,158** | 7,452 | 8,287 |
| Contracted services | **5,330** | 6,707 | 2,629 |
| Usufruct | **2,314** | 8,391 | 3,301 |
| Others | **24,784** | 10,472 | 8,065 |
| | **₱460,931** | ₱327,134 | ₱372,896 |

Interest expense is comprised of:

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| Interest expense on loans (see Note 15) | **₱430,220** | ₱546,342 | ₱298,116 |
| Amortization of loan transaction costs (see Note 15) | **20,913** | 46,871 | 32,267 |
| Bank charges | **20,055** | 10,635 | 14,840 |
| | **₱471,188** | ₱603,848 | ₱345,223 |

## 23. Personnel Expenses

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

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| Salaries and wages (see Note 22) | **₱341,455** | ₱299,632 | ₱348,078 |
| Pension costs (see Note 24) | **44,396** | 34,041 | 26,827 |
| | **₱385,851** | ₱333,673 | ₱374,905 |

## 24. Pension Costs and Other Employee Benefits

a. Pension Costs

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

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

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

Net Pension Costs

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| Current service cost | **₱39,535** | ₱29,971 | ₱27,435 |
| Interest cost | **4,861** | 4,070 | (608) |
| Net pension cost | **₱44,396** | ₱34,041 | ₱26,827 |

Pension Liability

| | **2015** | 2014 |
|---|---|---|
| Present value of benefit obligation | **₱470,799** | ₱383,076 |
| Fair value of plan assets | **(283,303)** | (277,435) |
| Pension liability | **₱187,496** | ₱105,641 |

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

| | **2015** | 2014 |
|---|---|---|
| Defined benefit obligation at beginning of year | **₱383,076** | ₱310,663 |
| Current service cost | **39,535** | 29,971 |
| Interest cost | **17,706** | 15,993 |
| Actuarial loss (gain) due to: | | |
| Experience adjustments | **63,084** | 6,412 |
| Change in assumptions | **(27,527)** | 23,307 |
| Benefits paid | **(5,075)** | (3,270) |
| Defined benefit obligation at end of year | **₱470,799** | ₱383,076 |

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

| | **2015** | 2014 |
|---|---|---|
| Fair values of plan assets at beginning of year | **₱277,435** | ₱222,501 |
| Interest income included in net interest cost | **12,845** | 11,923 |
| Actual contributions | **20,000** | 24,000 |
| Gain (losses) on return on plan assets | **(21,902)** | 22,281 |
| Benefits paid | **(5,075)** | (3,270) |
| Fair values of plan assets at end of year | **₱283,303** | ₱277,435 |

The Company expects to contribute ₱60.0 million to its pension plan in 2016.

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

| | **2015** | 2014 |
|---|---|---|
| Investments in: | | |
| Government securities | **35.72%** | 32.55% |
| Loans and debt instruments | **8.64%** | 7.20% |
| Other securities | **55.64%** | 60.25% |
| | **100.00%** | 100.00% |

The principal assumptions used as at December 31, 2015 and 2014 in determining pension cost obligation for the Company's plans are as follows:

| | **2015** | 2014 |
|---|---|---|
| Discount rate | **4-5%** | 4-5% |
| Future salary rate increases | **10.00%** | 10.00% |

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

As at December 31, 2015 and 2014, the carrying values of the plan approximate their fair values:

| | **2015** | 2014 |
|---|---|---|
| Cash in banks: | | |
| MBTC | **₱14,742** | ₱9,341 |
| BDO | **12,587** | 1,549 |
| Receivables - net of payables: | | |
| MBTC | **214** | (29) |
| BDO | **649** | 754 |
| Investments held for trading: | | |
| MBTC | **151,502** | 153,068 |
| BDO | **103,609** | 112,752 |
| | **₱283,303** | ₱277,435 |

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 Company amounting to ₱80.7 million and ₱20.2 million as at December 31, 2015 and 2014, respectively.

The Company'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 Company as at December 31, 2015 and 2014. Except as stated above, there were no other transactions entered into during the year by the Retirement Plan relating to the Company.

In 2015, 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 | (₱427,982) |
| | -100 | 523,064 |
| Future salary increases | +100 | 521,536 |
| | -100 | (428,227) |
| Turnover | +100 | (423,628) |
| | -100 | 452,406 |

The Company does not currently employ any asset-liability matching.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31:

| Year | **2015** | 2014 |
|---|---|---|
| Less than 1 year | **₱169,552** | ₱374 |
| More than 1 year to 5 years | **14,166** | 162,164 |
| More than 5 years to 10 years | **111,316** | 45,739 |
| More than 10 years to 15 years | **425,359** | 185,823 |
| More than 15 years to 20 years | **315,986** | 191,511 |
| More than 20 years | **2,463,070** | 1,492,696 |

a. Other Employee Benefits

Other employee benefits consists of accumulated employee sick and vacation leave entitlement amounting to ₱4.6 million, ₱5.2 million and ₱10.6 million for the years ended December 31, 2015, 2014 and 2013, respectively (see Notes 22 and 23). The present value of the defined benefit obligation of other employee benefits amounted to ₱64.9 million and ₱50.1 million as at December 31, 2014 and 2013, respectively (see Notes 17 and 18).

In 2015, the sensitivity analysis below has been determined based on reasonably possible changes of salary increase rate 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 (in thousands) |
|---|---|---|
| Future salary increases | +100 | ₱42,994 |
| | -100 | 36,466 |

25. **Income Taxes**

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

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| Current income tax | **₱552,229** | ₱377,964 | ₱371,294 |
| Deferred income tax | **81,157** | 235,427 | 210,862 |
| | **₱633,386** | ₱613,391 | ₱582,156 |

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 Company's deferred tax assets and liabilities shown in the consolidated statements of financial position are as follows:

| | **2015** | 2014 |
|---|---|---|
| Deferred tax liabilities: | | |
| Unrealized gain on real estate | **₱737,901** | ₱688,452 |
| Fair value increment on the real estate inventories | **159,610** | 159,610 |
| Capitalized interest | **69,412** | 72,529 |
| Unrealized gain on available-for-sale investments | **577** | 527 |
| Unrealized foreign exchange gain | **469** | – |
| Overfunded pension costs | **–** | 1,776 |
| | **967,969** | 922,894 |
| Deferred tax assets: | | |
| Share-based payment expense | **22,574** | 22,574 |
| Other employee benefits | **17,918** | 16,883 |
| NOLCO | **6,287** | 2,677 |
| Unamortized past service cost | **5,177** | 7,966 |
| Allowance for doubtful accounts and others | **4,645** | 4,353 |
| Unfunded pension costs | **3,581** | 24,627 |
| Deferred lease income | **2,163** | 2,163 |
| Unrealized foreign exchange loss | **–** | 383 |
| | **62,345** | 81,626 |
| | **₱905,624** | ₱841,268 |

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

| | **2015** | 2014 |
|---|---|---|
| Deferred tax assets - net | **₱6,287** | ₱2,691 |
| Deferred tax liabilities - net | **(911,911)** | (843,959) |
| | **₱905,624** | ₱841,268 |

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:

| | **2015** | 2014 |
|---|---|---|
| Unfunded pension costs | **₱26,839** | ₱26,320 |
| Advances from members | **12,698** | – |
| MCIT | **1,497** | 2,150 |
| Allowance for doubtful accounts | **1,180** | 4,977 |
| NOLCO | **16** | 10,751 |
| | **₱42,230** | ₱44,198 |

As at December 31, 2015, MCIT of a subsidiary which can be claimed as deduction from regular taxable income due as follows:

| Year Paid | Expiry Year | Amount |
|---|---|---|
| 2013 | 2016 | ₱1,540 |
| 2014 | 2017 | 275 |
| 2015 | 2018 | 1,497 |
| | | ₱3,312 |

MCIT amounting to ₱0.15 million, ₱0.30 million and ₱0.18 million expired in 2015, 2014 and 2013, respectively.

As at December 31, 2015, NOLCO of certain subsidiaries can be carried forward and claimed as deduction against regular taxable income as follows:

| Year Incurred | Expiry Date | Amount |
|---|---|---|
| 2013 | 2016 | ₱308 |
| 2014 | 2017 | 3,468 |
| 2015 | 2018 | 1,136 |
| | | ₱4,912 |

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:

| | **2014** | 2014 | 2013 |
|---|---|---|---|
| Statutory income tax rate | **30.0%** | 30.0% | 30% |
| Additions to (deductions from) income tax resulting from: | | | |
| Share in net income of joint venture | **(1.4)** | (1.4) | (1.4) |
| Nondeductible expenses | **1.3** | 1.1 | 0.7 |
| Nontaxable income and others | **(0.8)** | (1.5) | - |
| Effective income tax rate | **29.1%** | 28.2% | 29.3% |

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

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

## 26. Registration with the Board of Investments

On June 6, 2013, the Board of Investments approved the Parent Company's registration as new operator of Tourist Accommodation Facility for its Edades Serviced Apartments in accordance with the provisions of Omnibus Investments Code of 1987 with entitlement to Income Tax Holixday (ITH) of four years reckoning on February 2014.

On June 20, 2013, the Parent Company incorporated Rockwell Hotels & Leisure Management Corp. (RHLMC) for the Parent Company's future hotel operations. Accordingly, the Company reclassified the costs related to the development of the Edades and The Grove Serviced

Apartments that will be used for their hotel business, from investment properties and land and development cost accounts to property and equipment (see Note 14).

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 ₱4.5 million and ₱1.5 million in 2015 and 2014, respectively (see Note 25).

On January 8, 2015, Rockwell Land requested for amendments of investment and project timetable and sales revenue projection under the above mentioned BOI certification due to unforeseen circumstances affecting the construction and changes from projected launch. The request was approved on April 13, 2015.

On June 24, 2015, request for status upgrade of said BOI registration from Non-pioneer to Pioneer status was made. The Company's request for status upgrade for its Edades Serviced Apartments, under BOI Certificate of Registration No 2013-121, was approved on November 4, 2015. Consequently, the ITH period was also amended from 4 years (February 2014-January 2016) to 6 years (February 2014-January 2020).

## 27. Related Party Transactions

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

The following table summarizes these significant transactions with related parties:

| Related Parties | Relationship | Nature of Transaction | Period | Transaction Amount | Amounts Owed from (to) Related Parties) | Terms | Conditions |
|---|---|---|---|---|---|---|---|
| Rockwell - Meralco BPO | Joint venture | Advances (see Notes 10 and 17) | **2015** | **₱172,060** | **(₱251,555)** | 90-day; noninterest-bearing | Unsecured |
| | | | 2014 | 42,455 | 42,455 | | |
| | | | 2013 | 39,098 | 80,902 | | |
| Advances to officers and employees | | Advances (see Note 8) | **2015** | **65,102** | **27,724** | 30-day; noninterest-bearing | Unsecured; no impairment |
| | | | 2014 | 31,844 | 43,454 | | |
| | | | 2013 | 49,910 | 20,127 | | |
| FPHC | Parent | Charges for construction of 8 Rockwell (see Note 17) | **2015** | **-** | **(18,155)** | On demand; noninterest-bearing | Unsecured |
| | | | 2014 | - | (18,155) | | |
| | | | 2013 | 18,155 | (18,155) | | |

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

Terms and Conditions of Transactions with Related Parties
Purchases from related parties are made at normal market prices. Outstanding balances at year-end are unsecured, interest-free, settlement occurs in cash and collectible/payable on demand. There have been no guarantees provided for or received for any related party receivables or payables. For the years ended December 31, 2015, 2014 and 2013, the Company 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 Company

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| Short-term employee benefits | **₱70,948** | ₱68,500 | ₱63,984 |
| Post-employment pension and other benefits | **18,612** | 18,612 | 15,836 |
| Total compensation attributable to key management personnel | **₱89,560** | ₱87,112 | ₱79,820 |

28. **Commitments and Contingencies**

Operating Lease Commitments
The Company has entered into agreements for the lease of land to be used for various commercial projects. The 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) |
|---|---|
| 2016 | ₱30,168 |
| 2017 | 30,901 |
| 2018 | 31,916 |
| 2019 | 32,981 |
| 2020 and after | 1,031,732 |
| | ₱1,157,698 |

Capital Commitments

a. The Company entered into a contract with Hilmarc's Construction Corporation in 2011 covering superstructure works related to "Edades" Project. The contract amounted to a fixed fee of □1.9 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 the works. Superstructure works commenced in 2011 and is currently ongoing. As at December 31, 2015, □1.79 billion has been incurred and paid.

b. The Company entered into contract covering Superstructure 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. Superstructure Works commenced in July 2014. Megawide has a deductive change order of □527.9 million. As at December 31, 2015, □256.0 million has been incurred and paid.

c. The Company 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 of December 31, 2015, nil has been incurred and paid for accomplishment.

d. The Company 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 ₱2.396 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 of December 31, 2015, ₱164 million has been incurred and paid.

e. The Company entered into contract covering Excavation works related to "Proscenium Phase 2" with IPM Construction and Development Corp. The contract sum awarded for the work amounted to ₱61.0 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Excavation Works commenced in August 2015. As at December 31, 2015, ₱15.3 million has been incurred and paid.

f. The Company entered into contract covering Substructure works related to "Mall Expansion" with Phenix Garuda Construction and Development Corporation. The contract sum awarded for the work amounted to ₱63.0 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. Superstructure Works commenced in April 2015. As at December 31, 2015, ₱61.7 million has been incurred and paid.

g. The Company entered into contract covering General Construction works related to "RBC Sheridan" with Phenix Garuda Construction and Development Corporation. The contract sum awarded for the work amounted to ₱900 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 October 2015. As of December 31, 2015, ₱166.20 million has been incurred and paid.

h. The Company entered into contract covering General Construction works related to "Santolan Town Plaza" with Omicron Construction. The contract sum awarded for the work amounted to ₱401.5 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 November 2015. As at December 31, 2015, nil has been incurred and paid.

i. The Company entered into contract covering Earthworks related to "32 Sanson" with Omicron Construction. The contract sum awarded for the work amounted to ₱55.4 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. General Construction Works commenced in May 2015. As at December 31, 2015, ₱11.2 million has been incurred and paid.

Contingencies

The Company 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 parent company financial statements.

## 29. Financial Risk Management Objectives and Policies

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

The Company also occasionally enters into derivative transactions, specifically foreign currency forward contracts to sell US$. The primary purpose was to manage currency risks arising from its foreign currency-denominated receivables from sale of condominium units.

The main risks arising from the Company'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 Company's exposure to the risk for changes in market interest rates relates primarily to the Company's interest-bearing loans and borrowings.

The Company's policy is to manage its interest cost using a mix of fixed and variable rate debts. As at December 31, 2015 and 2014, approximately 100% of the Company's borrowings are at a fixed rate of interest.

The following tables set out the principal amounts, by maturity, of the Company's interest-bearing financial instruments.

| | **2015** | | | | |
|---|---|---|---|---|---|
| | **Within 1 Year** | **1–2 Years** | **2–3 Years** | **More than 3 Years** | **Total** |
| **Fixed Rate** | | | | | |
| Interest-bearing loans and borrowings | **₱2,213,454** | **₱1,718,527** | **₱1,723,854** | **₱8,257,446** | **₱13,913,281** |
| Short-term investments | **1,816,653** | – | – | – | **1,816,653** |

| | 2014 | | | | |
|---|---|---|---|---|---|
| | Within 1 Year | 1–2 Years | 2–3 Years | More than 3 Years | Total |
| **Fixed Rate** | | | | | |
| Interest-bearing loans and borrowings | ₱1,708,624 | ₱1,713,454 | ₱6,470,527 | ₱5,229,300 | ₱15,121,905 |
| Short-term investments | 5,529,00 | – | – | – | 5,529,000 |

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

The Company has no floating rate loans as at December 31, 2015 and 2014.

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 Company's significant marketing operations in the United States in the past, the Company's consolidated statement of financial position can be affected significantly by movements in the US$ exchange rates.

Foreign Currency-Denominated Asset

| | **2015** | | 2014 | |
|---|---|---|---|---|
| | **US$** | **Peso** | US$ | Peso |
| Cash and cash equivalents | **US$776** | **₱36,497** | US$256 | ₱11,460 |

As at December 31, 2015 and 2014, the exchange rate was ₱47.06 to US$1.00 and ₱44.72 to US$1.00, respectively. Net foreign exchange gain amounted to ₱6.6 million, ₱2.9 million and ₱2.7 million in 2015, 2014 and 2013, 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 Company's December 31, 2014 and 2013 income before income tax (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Company's equity other than those already affecting the income.

| | **2015** | |
|---|---|---|
| | **Increase/Decrease in US$ Rate (in %)** | **Effect on Income Before Income Tax** |
| Foreign currency-denominated financial assets | **+5%** | **₱1.83 million** |
| | **-5%** | **(₱1.83 million)** |

| | 2014 | |
|---|---|---|
| | Increase/Decrease in US$ Rate (in %) | Effect on Income Before Income Tax |
| Foreign currency-denominated financial assets | +5% | ₱0.58 million |
| | -5% | (₱0.58 million) |

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 Company 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 Company trades only with recognized, creditworthy third parties. It is the Company'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 Company 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 Company, these are also monitored regularly with the result that the Company'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 Company 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.

| | **2015** | | |
|---|---|---|---|
| | **Gross Maximum Exposure** | **Net Exposure** | **Financial Effect of Collateral or Credit Enhancement** |
| Cash and cash equivalents* | **₱2,247,732** | **₱2,229,573** | **₱18,159** |
| Trade receivables from: | | | |
| Sale of condominium units | **8,722,114** | **88,698** | **8,633,416** |
| Lease | **122,129** | **–** | **122,129** |
| Advances to officers and employees | **27,724** | **–** | **27,724** |
| Other receivables** | **158,845** | **158,845** | **–** |
| Available-for-sale investments: | | | |
| Quoted | **12,500** | **12,500** | **–** |
| Unquoted | **3,308** | **3,308** | **–** |
| Refundable deposits*** | **172,711** | **172,711** | **–** |
| Restricted cash | **98,255** | **98,255** | **–** |
| | **₱11,565,318** | **₱2,763,890** | **₱8,801,428** |

| | 2014 | | |
|---|---|---|---|
| | Gross Maximum Exposure | Net Exposure | Financial Effect of Collateral or Credit Enhancement |
| Cash and cash equivalents* | ₱5,995,231 | ₱5,978,092 | ₱17,139 |
| Trade receivables from: | | | |
| Sale of condominium units | 9,618,871 | 146,417 | 9,472,454 |
| Lease | 126,111 | – | 126,111 |
| Advances to officers and employees | 43,454 | – | 43,454 |
| Other receivables** | 98,465 | 98,465 | – |
| Available-for-sale investments: | | | |
| Quoted | 12,000 | 12,000 | – |
| Unquoted | 3,308 | 3,308 | – |
| Refundable deposits*** | 147,519 | 147,519 | – |
| | ₱16,044,959 | ₱6,385,801 | ₱9,659,158 |

**Excluding cash on hand amounting to ₱1,479 and ₱475 as at December 31, 2015 and 2014, respectively.*
***Excluding other receivables, which are nonfinancial assets, amounting to ₱3,995 and ₱12,023 as at December 31, 2015 and 2014, 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 Company trades with various third parties.

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

| | **2015** | | |
|---|---|---|---|
| | **A Rating** | **B Rating** | **Total** |
| Cash and cash equivalents | **₱2,249,211** | **₱–** | **₱2,249,211** |
| Trade receivables from: | | | |
| Sale of condominium units | **6,239,045** | **2,393,296** | **8,632,341** |
| Lease | **60,454** | **54,247** | **114,701** |
| Advances to officers and employees | **27,724** | **–** | **27,724** |
| Other receivables | **162,840** | **–** | **162,840** |
| Available-for-sale investments: | | | |
| Quoted | **12,500** | **–** | **12,500** |
| Unquoted | **3,308** | **–** | **3,308** |
| Restricted Cash | **98,255** | **--** | **98,255** |
| Refundable deposits | **15,601** | **5,117** | **20,718** |
| | **₱8,868,938** | **₱2,452,660** | **₱11,321,598** |

| | 2014 | | |
|---|---|---|---|
| | A Rating | B Rating | Total |
| Cash and cash equivalents | ₱5,995,706 | ₱– | ₱5,995,706 |
| Trade receivables from: | | | |
| Sale of condominium units | 6,520,155 | 2,952,299 | 9,472,454 |
| Lease | 81,841 | 38,135 | 119,976 |
| Advances to officers and employees | 43,454 | – | 43,454 |
| Other receivables | 100,790 | – | 100,790 |
| Available-for-sale investments: | | | |
| Quoted | 12,000 | – | 12,000 |
| Unquoted | 3,308 | – | 3,308 |
| Refundable deposits | 10,206 | 4,585 | 14,791 |
| | ₱12,767,460 | ₱2,995,019 | ₱15,762,479 |

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, 2015 and 2014, the analyses of the age of financial assets are as follows:

| | **2015** | | | | | | |
|---|---|---|---|---|---|---|---|
| | **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 | **₱2,249,211** | **₱–** | **₱–** | **₱–** | **₱–** | **₱–** | **₱2,249,211** |
| Trade receivables from: | | | | | | | |
| Sale of condominium units | **8,632,341** | **14,325** | **6,817** | **6,069** | **62,562** | **–** | **8,722,114** |
| Lease | **114,701** | **5,702** | **1,683** | **43** | **-** | **–** | **122,129** |
| Advances to officers and employees | **27,724** | **–** | **–** | **–** | **–** | **–** | **27,724** |
| Other receivables | **162,840** | **–** | **–** | **–** | **–** | **2,611** | **165,451** |
| Available-for-sale investments: | | | | | | | |
| Quoted | **12,500** | **–** | **–** | **–** | **–** | **–** | **12,500** |
| Unquoted | **3,308** | **–** | **–** | **–** | **–** | **–** | **3,308** |
| Refundable deposits | **20,718** | **11,143** | **88,811** | **183** | **14,482** | **37,374** | **172,711** |
| Restricted cash | **98,255** | **-** | **-** | **-** | **-** | **-** | **98,255** |
| | **₱11,321,598** | **₱31,170** | **₱97,311** | **₱6,295** | **₱77,044** | **₱39,985** | **₱11,573,403** |

| | 2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 | ₱5,995,706 | ₱– | ₱– | ₱– | ₱– | ₱– | ₱5,995,706 |
| Trade receivables from: | | | | | | | |
| Sale of condominium units | 9,472,454 | 10,789 | 33,238 | 1,621 | 100,769 | – | 9,618,871 |
| Lease | 119,976 | 3,605 | 1,211 | 768 | 551 | – | 126,111 |
| Advances to officers and employees | 43,454 | – | – | – | – | – | 43,454 |
| Other receivables | 100,790 | – | – | – | – | 5,181 | 105,971 |
| Available-for-sale investments: | | | | | | | |
| Quoted | 12,000 | – | – | – | – | – | 12,000 |
| Unquoted | 3,308 | – | – | – | – | – | 3,308 |
| Refundable deposits | 14,791 | 9,720 | 70 | 160 | 122,778 | 37,374 | 184,893 |
| | ₱15,762,479 | ₱24,114 | ₱34,519 | ₱2,549 | ₱224,098 | ₱42,555 | ₱16,090,314 |

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 ₱34.6 billion and ₱28.5 billion as at December 31, 2015 and 2014, respectively. The fair value of the club shares amounted to ₱6.6 million and ₱6.3 million as at December 31, 2015 and 2014, respectively.

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

No provision for impairment was made for trade receivables from sale of condominium units and club shares which are subjected to collective assessment since these assets are secured with collateral.

Liquidity Risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. 16% and 11% of the Company's debt will mature in less than one year as at December 31, 2015 and 2014, respectively.

The liquidity risk of the Company arises from their financial liabilities. The tables below summarized the maturity profile of the Company's financial liabilities at December 31, 2015 and 2014 based on contractual undiscounted payments.

| | **2015** | | | | |
|---|---|---|---|---|---|
| | **On Demand** | **Due Within 3 Months** | **Due Between 3 and 12 Months** | **Due After 12 Months** | **Total** |
| Trade and other payables* | **₱–** | **₱552,004** | **₱2,885,474** | **₱–** | **₱3,437,478** |
| Interest-bearing loans and borrowings** | – | **912,000** | **1,301,454** | **11,699,827** | **13,913,281** |
| Installment payable | – | – | – | **655,799** | **655,799** |
| Retention payable*** | – | – | **92,591** | **568,320** | **660,911** |
| Security deposits*** | – | **141,757** | **40,789** | **120,097** | **302,643** |
| | **₱–** | **₱1,605,761** | **₱4,320,308** | **₱13,044,043** | **₱18,970,112** |

| | 2014 | | | | |
|---|---|---|---|---|---|
| | On Demand | Due Within 3 Months | Due Between 3 and 12 Months | Due After 12 Months | Total |
| Trade and other payables* | ₱– | ₱956,942 | ₱4,483,573 | ₱– | ₱5,440,515 |
| Interest-bearing loans and borrowings* | – | 593,273 | 1,115,351 | 13,413,281 | 15,121,905 |
| Installment payable | – | – | 799,755 | 655,799 | 1,455,554 |
| Retention payable*** | – | 3,053 | 167,822 | 424,609 | 595,484 |
| Security deposits*** | – | 71,141 | 253,263 | 47,877 | 372,281 |
| | ₱– | ₱1,624,409 | ₱6,819,764 | ₱14,541,566 | ₱22,985,739 |

**Excluding the current portion of retention payable and security deposits, deposits from pre-selling of condominium units and excess of collections over recognized receivables.*
***Principal payments*
****Presented as part of "Trade and other payables" and "Deposits and other liabilities" accounts in the consolidated statements of financial position.*

Maturity Profile of Financial Assets Held for Liquidity Purposes
The table below shows the maturity profile of the Company's financial assets based on contractual undiscounted cash flows as at December 31:

| | **2015** | | | | | |
|---|---|---|---|---|---|---|
| | **On Demand** | **Within 30 Days** | **31 to 60 Days** | **61 to 90 Days** | **Over 90 Days** | **Total** |
| Cash and cash equivalents | **₱461,877** | **₱1,735,001** | **₱52,333** | **₱–** | **₱–** | **₱2,249,211** |
| Trade receivables from: | | | | | | |
| Sale of condominium units | **6,620,410** | **2,302,705** | **479,791** | **323,633** | **1,808,242** | **11,534,781** |
| Lease | **114,701** | **5,702** | **1,683** | **43** | **–** | **122,129** |
| Available-for-sale investments | **–** | **–** | **–** | **–** | **15,808** | **15,808** |
| | **₱7,196,988** | **₱4,043,408** | **₱533,807** | **₱323,676** | **₱1,824,050** | **₱13,921,929** |

| | 2014 | | | | | |
|---|---|---|---|---|---|---|
| | On Demand | Within 30 Days | 31 to 60 Days | 61 to 90 Days | Over 90 Days | Total |
| Cash and cash equivalents | ₱563,631 | ₱5,188,092 | ₱243,983 | ₱– | ₱– | ₱5,995,706 |
| Trade receivables from: | | | | | | |
| Sale of condominium units | 9,340,714 | 103,007 | 190,328 | 260,641 | 2,066,570 | 11,961,260 |
| Lease | 119,976 | 3,605 | 1,211 | 768 | 551 | 126,111 |
| Available-for-sale investments | – | – | – | – | 15,308 | 15,308 |
| | ₱10,024,321 | ₱5,294,704 | ₱435,522 | ₱261,409 | ₱2,082,429 | ₱18,098,385 |

Capital Management Policy
The primary objective of the Company'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 Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company 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, 2015 and 2014.

The Company 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 Company's policy is to limit the net debt-to-equity ratio to 1.0x.

The Company 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 Company (see Note 15).

| | **2015** | 2014 |
|---|---|---|
| Interest-bearing loans and borrowings | **₱13,848,173** | ₱15,035,884 |
| Less cash and cash equivalents | **2,249,211** | 5,995,706 |
| Net | **11,598,962** | 9,040,178 |
| Equity | **14,179,645** | 12,891,671 |
| Net debt-to-equity ratio | **0.82** | 0.70 |

30. **Fair Value Measurement**

Set out below is a comparison by class of carrying values and fair values of the Company's assets and liabilities that are carried in the consolidated financial statements as at December 31, 2015 and 2014.

| | **2015** | | | | |
|---|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | **Level 1** | **Level 2** | **Level 3** |
| **Assets** | | | | | |
| Loans and receivables: | | | | | |
| Sale of condominium units (including noncurrent portion) | **₱8,722,114** | **₱18,458,155** | **₱–** | **₱18,458,155** | **₱–** |
| Investment properties | **6,613,858** | **14,433,722** | **–** | **1,377,892** | **13,055,830** |
| Available-for-sale financial assets | **12,500** | **12,500** | **12,500** | **–** | **–** |
| | **₱15,348,472** | **P32,904,377** | **₱12,500** | **₱19,836,047** | **₱13,055,830** |
| **Liabilities** | | | | | |
| Other financial liabilities: | | | | | |
| Interest-bearing loans and borrowings (including noncurrent portion) | **₱13,848,173** | **₱14,499,917** | **₱–** | **₱–** | **₱14,499,917** |
| Installment payable | **467,007** | **520,666** | **–** | **–** | **520,666** |
| Retention payable (including noncurrent portion) | **640,039** | **605,720** | **–** | **–** | **605,720** |
| Security deposits (including noncurrent portion) | **302,643** | **298,610** | **–** | **–** | **298,610** |
| | **₱15,257,862** | **₱15,924,913** | **₱–** | **₱–** | **₱15,924,913** |

| | 2014 | | | | |
|---|---|---|---|---|---|
| | Carrying Value | Fair Value | Level 1 | Level 2 | Level 3 |
| Assets | | | | | |
| Loans and receivables: | | | | | |
| Trade receivables from: | | | | | |
| Sale of condominium units (including noncurrent portion) | ₱9,618,871 | ₱18,635,612 | ₱– | ₱18,635,612 | ₱– |
| Investment properties | 6,147,124 | 12,665,000 | – | 1,867,000 | 10,798,000 |
| Available-for-sale financial assets | 12,000 | 12,000 | 12,000 | – | – |
| | ₱15,777,995 | P31,312,612 | ₱12,000 | ₱20,502,612 | ₱10,798,000 |

| | 2014 | | | | |
|---|---|---|---|---|---|
| | Carrying Value | Fair Value | Level 1 | Level 2 | Level 3 |
| Liabilities | | | | | |
| Other financial liabilities: | | | | | |
| Interest-bearing loans and borrowings (including noncurrent portion) | ₱15,035,884 | ₱18,133,499 | ₱– | ₱– | ₱18,133,499 |
| Installment payable | 1,177,543 | 1,455,554 | – | – | 1,455,554 |
| Retention payable (including noncurrent portion) | 571,158 | 552,887 | – | – | 552,887 |
| Security deposits (including noncurrent portion) | 279,086 | 363,900 | – | – | 363,900 |
| | ₱17,063,671 | ₱20,505,840 | ₱– | ₱– | ₱20,505,840 |

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

*Cash and Cash Equivalents, Trade Receivables from Lease, Advances to Officers and Employees, Other Receivables, Restricted Cash, Refundable Deposits and Trade and Other Payables.* Due to the short-term nature of transactions, the carrying values of these instruments approximate the fair values as at financial reporting period.

*Trade Receivables from Sale of Condominium Units.* The fair values of trade receivables from sale of condominium units were calculated by discounting the expected future cash flows at prevailing credit adjusted PDEx interest rates ranging from 2.7% to 5.5% as at December 31, 2015 and 2.4% to 7.7% as at December 31, 2014.

*Available-for-Sale Investments.* The fair values of quoted equity securities were determined by reference to published two-way quotes of brokers as at financial reporting date. Unquoted equity securities for which no other reliable basis for fair value measurement is available, were valued at cost, net of impairment, if any.

*Interest-bearing Loans and Borrowings.* The fair values of fixed rate loans were calculated by discounting the expected future cash flows at prevailing credit adjusted PDEx interest rates ranging from 2.7% to 5.2% as at December 31, 2015 and 2.4% to 4.7% as at December 31, 2014.

*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 2.7% to 5.1% as at December 31, 2015 and 2.4% to 4.1% as at December 31, 2014.

*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 2.9% to 4.9% as at December 31, 2015 and 2.3% to 4.3% as at December 31, 2014.

For the years ended December 31, 2015 and 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

## 31. Basic/Diluted Earnings Per Share Computation

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| Net income attributable to the Parent Company | **₱1,643,731** | ₱1,562,600 | ₱1,402,138 |
| Dividends on preferred shares | **(1,650)** | (1,650) | (1,650) |
| Net income attributable to common shares (a) | **1,642,081** | 1,560,950 | 1,400,488 |
| Common shares at beginning of year | **6,116,762,198** | 6,116,762,198 | 6,101,762,198 |
| Weighted average of 15,000,000 stock options exercised in September 2013 | **–** | – | 5,000,000 |
| Weighted average number of common shares – basic (b) | **6,116,762,198** | 6,116,762,198 | 6,106,762,198 |
| Dilutive potential common shares under the ESOP | **5,677,731** | 9,306,853 | 26,297,085 |
| Weighted average number of common shares – diluted (c) | **6,122,439,929** | 6,126,069,051 | 6,133,059,283 |
| Per share amounts: | | | |
| Basic (a/b) | **₱0.2685** | ₱0.2552 | ₱0.2293 |
| Diluted (a/c) | **₱0.2682** | ₱0.2548 | ₱0.2284 |

## 32. Segment Information

PFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker.

For management purposes, the Company'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 Company 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 Company. It also includes the operations of the Rockwell Club.

- *Commercial Development* is engaged in the sale, leasing and other related operations in the course of the management of commercial buildings or spaces used for retail and office leasing, including cinema operations. Commercial buildings in its portfolio include the Power Plant Mall in Makati City and Rockwell Business Center in Ortigas, Pasig. Other retail spaces are found at several of the high-rise condominiums developed by the Company.

- *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 Tower and Joya Lofts and Towers.

The Company does not have any customers which constitutes 10% or more of the Company'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 Company 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 Company's existing business portfolio.

The President, the Company'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 Company's revenues from external customers and total assets have not been provided since all of the Company's consolidated revenues are derived from operations within the Philippines.

Business Segments
The following tables present information regarding the Company's residential development and commercial development business segments:

| | 2015 | | | |
|---|---|---|---|---|
| | **Residential Development** | **Commercial Development** | **Hotel** | **Total** |
| Revenue | **₱6,515,111** | **₱2,147,116** | **₱260,002** | **₱8,922,229** |
| Costs and expenses | **(4,962,491)** | **(856,260)** | **(198,172)** | **(6,016,923)** |
| Share in net income of joint venture | **–** | **170,844** | – | **170,844** |
| Other income - net | **6,459** | **–** | **–** | **6,456** |
| EBITDA | **1,559,079** | **1,461,700** | **61,830** | **3,082,606** |
| Depreciation and amortization | | | | **(335,687)** |
| Interest expense | | | | **(471,188)** |
| Provision for income tax | | | | **(633,386)** |
| Consolidated net income | **₱1,559,079** | **₱1,461,700** | **₱61,830** | **₱1,642,345** |
| Assets and Liabilities | | | | |
| Segment assets | **₱22,221,512** | **₱1,638,054** | **₱224,331** | **₱24,083,897** |
| Investment properties | **800,615** | **5,813,243** | **–** | **6,613,858** |
| Investment in joint venture | **–** | **3,030,463** | **–** | **3,030,463** |
| Property and equipment | **1,261,420** | **259,322** | **780,890** | **2,301,632** |
| Total assets | **₱24,283,547** | **₱10,741,082** | **₱1,005,221** | **₱36,029,850** |
| Segment liabilities | **₱ 21,266,467** | **₱455,574** | **₱128,164** | **₱21,850,205** |

| | 2014 | | | |
|---|---|---|---|---|
| | Residential Development | Commercial Development | Hotel | Total |
| Revenue | ₱7,407,888 | ₱1,355,327 | ₱89,572 | ₱8,852,787 |
| Costs and expenses | (5,309,217) | (477,444) | (83,817) | (5,870,478) |
| Share in net income of joint venture | – | 102,819 | – | 102,819 |
| Other income - net | 2,902 | – | – | 2,902 |
| EBITDA | 2,101,573 | 980,702 | 5,755 | 3,088,030 |
| Depreciation and amortization | | | | (307,491) |
| Interest expense | | | | (603,848) |
| Provision for income tax | | | | (613,391) |
| Consolidated net income | ₱2,101,573 | ₱980,702 | ₱5,755 | ₱1,563,300 |
| | | | | |
| Assets and Liabilities | | | | |
| Segment assets | ₱26,977,210 | ₱1,176,752 | ₱87,837 | ₱28,241,799 |
| Investment properties | 800,614 | 5,346,510 | – | 6,147,124 |
| Investment in joint venture | – | 2,859,619 | – | 2,859,619 |
| Property and equipment | 1,118,567 | 99,545 | 770,057 | 1,988,169 |
| Total assets | ₱28,896,391 | ₱9,482,426 | ₱857,894 | ₱39,236,711 |
| | | | | |
| Segment liabilities | ₱25,824,219 | ₱447,456 | ₱ 73,365 | ₱26,345,040 |

| | 2013 | | | |
|---|---|---|---|---|
| | Residential Development | Commercial Development | Hotel | Total |
| Revenue | ₱6,814,488 | ₱1,015,025 | ₱ – | ₱7,829,513 |
| Costs and expenses | (5,047,899) | (277,784) | (5,712) | (5,331,395) |
| Share in net income of joint venture | – | 93,261 | – | 93,261 |
| Other income - net | 5,162 | – | – | 5,162 |
| EBITDA | 1,771,751 | 830,502 | (5,712) | 2,596,541 |
| Depreciation and amortization | | | | (265,206) |
| Interest expense | | | | (345,223) |
| Provision for income tax | | | | (582,156) |
| Consolidated net income | ₱1,771,751 | ₱830,502 | ₱(5,712) | ₱1,403,956 |
| | | | | |
| Assets and Liabilities | | | | |
| Segment assets | ₱24,893,245 | ₱583,514 | ₱ 7,883 | ₱25,484,642 |
| Investment properties | 1,600,380 | 3,333,820 | – | 4,934,200 |
| Investment in joint venture | – | 2,282,152 | – | 2,282,152 |
| Property and equipment | 1,585,188 | 127,855 | 10,102 | 1,723,145 |
| Total assets | ₱28,078,813 | ₱6,327,341 | ₱17,985 | ₱34,424,139 |
| | | | | |
| Segment liabilities | ₱22,609,848 | ₱436,951 | ₱ 11,259 | ₱23,058,058 |

## 33. Supplemental Disclosure of Cash Flow Information

In 2014, the Company’s non-cash investing activity pertains to Rockwell Primaries’ acquisition of 60% interest to Rockwell Primaries South with unpaid purchase price of □421.2 million as at year-end (see Note 6).

**INDEPENDENT AUDITORS' REPORT**
**ON SUPPLEMENTARY SCHEDULES**

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Rockwell Land Corporation and its Subsidiaries as at December 31, 2015 and 2014, and for each of the three years in the period ended December 31, 2015, and have issued our report thereon dated April 6, 2016. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Roel E. Lucas

Roel E. Lucas
Partner
CPA Certificate No. 98200
SEC Accreditation No. 1079-AR-1 (Group A),
March 4, 2014, valid until March 3, 2017
Tax Identification No. 191-180-015
BIR Accreditation No. 08-001998-95-2014,
January 22, 2014, valid until January 21, 2017
PTR No. 5321652, January 4, 2016, Makati City

April 6, 2016

## ROCKWELL LAND CORPORATION

## INDEX TO SUPPLEMENTARY SCHEDULES
### Form 17-A, Item 7

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,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

**INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES**

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Rockwell Land Corporation and its Subsidiaries as at December 31, 2015 and 2014, and for each of the three years in the period ended December 31, 2015, and have issued our report thereon dated April 6, 2016. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Roel E. Lucas

Roel E. Lucas
Partner
CPA Certificate No. 98200
SEC Accreditation No. 1079-AR-1 (Group A),
March 4, 2014, valid until March 3, 2017
Tax Identification No. 191-180-015
BIR Accreditation No. 08-001998-95-2014,
January 22, 2014, valid until January 21, 2017
PTR No. 5321652, January 4, 2016, Makati City

April 6, 2016

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 14 2016 SCES
RECEIVED
ADRIAN A. ALTAMIRA

**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**
**SCHEDULE A – FINANCIAL ASSETS**
**As of December 31, 2015**

| 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 |
|---|---|---|---|---|
| Not applicable | | | | |

**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, 2015**

| Name | Beginning balance | Additions | Deductions | Ending balance | | Total |
|---|---|---|---|---|---|---|
| | | | | Current | Non-Current | |
| Accounts Receivable | | | | | | |
| Officers & Directors | ₱238,060,468 | ₱47,214,312 | ₱94,725,393 | ₱38,784,631 | ₱151,764,756 | ₱190,549,387 |
| Employees | 107,241,672 | 80,068,496 | 69,889,289 | 46,422,706 | 70,998,173 | 117,420,879 |
| **TOTAL** | **₱345,302,140** | **₱127,282,808** | **₱164,614,682** | **₱85,207,337** | **₱222,762,929** | **₱307,970,266** |

**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**
**SCHEDULE C – ACCOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION PERIOD**
**As of December 31, 2015**

| Name and Designation of Debtor | Beginning balance | Additions | Amounts Collected | Amounts Written Off | Current | Not Current | Ending balance |
|---|---|---|---|---|---|---|---|
| Rockwell Leisure Club Inc. | ₱6,918,633 | ₱17,048,167 | ₱7,443,308 | ₱– | ₱16,523,492 | ₱– | ₱16,523,492 |
| Rockwell Integrated Property Services, Inc. | ₱24,781,553 | ₱26,579,651 | ₱18,889,011 | ₱– | ₱32,472,193 | ₱– | ₱32,472,193 |
| Rockwell Primaries Development Corporation | ₱581,496,743 | ₱723,627,757 | ₱20,000,000 | ₱– | ₱1,285,124,500 | ₱– | ₱1,285,124,500 |
| Stonewell Property Development Corporation | ₱700,521 | 103,815 | ₱– | ₱– | ₱804,336 | ₱– | ₱804,336 |
| Primaries Properties Sales Specialists Inc. | ₱17,132 | ₱– | ₱– | ₱– | ₱17,132 | ₱– | ₱17,132 |
| Rockwell Hotels & Leisure Management Corp | ₱27,227,694 | ₱44,304,826 | ₱5,000,000 | ₱– | ₱66,532,520 | ₱– | ₱66,532,520 |
| Retailscapes, Inc. | ₱3,779,822 | ₱– | ₱3,779,822 | ₱– | ₱– | ₱– | ₱– |

**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**
**SCHEDULE D – INTANGIBLE ASSETS – OTHER ASSETS**
**As of December 31, 2015**

| Description | Beginning balance | Additions at Cost | Charged to Cost & Expenses | Charged to Other Accts | Other Changes | Ending balance |
|---|---|---|---|---|---|---|
| Not applicable | | | | | | |

**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**
**SCHEDULE E – LONG TERM DEBT**
**As of December 31, 2015**

| Title of Issue & Type of Obligation | Amount Authorized by Indenture | Current Portion of Long-Term Debt | Long-Term Debt (net of Current Portion) | Average Interest Rate | No. of Periodic Installments | Maturity Date |
|---|---|---|---|---|---|---|
| Philippine Peso, 7-Year FRCN due 2020 | ₱10,000,000,000 | ₱1,612,000,000 | ₱6,364,000,000 | 4.70% | 22 | 1/7/2020 |
| Philippine Peso, 7-year & 1 quarter fixed-rate retail peso bonds due on 2021 | ₱5,000,000,000 | ₱-- | ₱5,000,000,000 | 5.09% | 1 | 2/15/2021 |
| Philippine Peso, 5-Year fixed-rate notes due 2019 | ₱533,904,590 | ₱101,454,439 | ₱335,826,875 | 5.00% | 5 | 12/22/2019 |

**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**
**SCHEDULE F – INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)**
**As of December 31, 2015**

| Name of Related Party | Beginning balance | Ending balance |
|---|---|---|
| Not applicable | | |

**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**
**SCHEDULE G – GUARANTEES OF SECURITIES OF OTHER ISSUERS**
**As of December 31, 2015**

| 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 |
|---|---|---|---|---|
| Not Applicable | | | | |

**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**
**SCHEDULE H – CAPITAL STOCK**
**As of December 31, 2015**

| | | | | Number of Shares Held By | | |
|---|---|---|---|---|---|---|
| **Title of Issue** | **Number of Shares Authorized** | **Number of Shares Issued and Outstanding** | **Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights** | **Related Parties** | **Directors, Officers and Employees** | **Others** |
| Common Shares | 8,890,000,000 | 6,116,762,198 | 48,740,000 | 5,296,015,375 | 37,262,005 | 783,484,818 |
| Preferred Shares | 11,000,000,000 | 2,750,000,000 | 0 | 2,750,000,000 | 0 | 0 |

**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**
**SCHEDULE I – LIST OF APPLICABLE STANDARDS AND INTERPRETATIONS**
**As of December 31, 2015**

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **Framework for the Preparation and Presentation of Financial Statements** Conceptual Framework Phase A: Objectives and qualitative characteristics | | ✓ | | |
| **PFRSs Practice Statement Management Commentary** | | | | ✓ |
| **Philippine Financial Reporting Standards** | | | | |
| **PFRS 1 (Revised)** | First-time Adoption of Philippine Financial Reporting Standards | ✓ | | |
| | Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | ✓ | | |
| | Amendments to PFRS 1: Additional Exemptions for First-time Adopters | | | ✓ |
| | Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters | | | ✓ |
| | Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters | | | ✓ |
| | Amendments to PFRS 1: Government Loans | | | ✓ |
| | Amendment to PFRS 1: Meaning of Effective PFRSs | Not early adopted | | |
| **PFRS 2** | Share-based Payment | ✓ | | |
| | Amendments to PFRS 2: Vesting Conditions and Cancellations | ✓ | | |
| | Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions | ✓ | | |
| | Amendment to PFRS 2: Definition of Vesting Condition | ✓ | | |
| **PFRS 3 (Revised)** | Business Combinations | ✓ | | |
| | Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination | Not early adopted | | |
| | Amendment to PFRS 3:Scope Exceptions for Joint Arrangements | Not early adopted | | |
| **PFRS 4** | Insurance Contracts | | | ✓ |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee 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 | ✓ | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | ✓ | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | ✓ | | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| | Amendments to PFRS 7: Improving Disclosures about Financial Instruments | ✓ | | |
| | Amendments to PFRS 7: Disclosures - Transfers of Financial Assets | ✓ | | |
| | Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities | ✓ | | |
| | Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures | Not early adopted | | |
| **PFRS 8** | Operating Segments | ✓ | | |
| | Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets | ✓ | | |
| **PFRS 9** | Financial Instruments | ✓ | | |
| | Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures | Not early adopted | | |
| **PFRS 10** | Consolidated Financial Statements | ✓ | | |
| | Amendments to PFRS 10: Investment Entities | ✓ | | |
| **PFRS 11** | Joint Arrangements | ✓ | | |
| **PFRS 12** | Disclosure of Interests in Other Entities | ✓ | | |
| | Amendments to PFRS 10: Investment Entities | | | ✓ |
| **PFRS 13** | Fair Value Measurement | ✓ | | |
| | Amendment to PFRS 13: Short-term Receivables and Payables | Not early adopted | | |
| | Amendment to PFRS 13: Portfolio Exception | Not early adopted | | |
| **Philippine Accounting Standards** | | | | |
| **PAS 1 (Revised)** | Presentation of Financial Statements | ✓ | | |
| | Amendment to PAS 1: Capital Disclosures | ✓ | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ |
| | Amendments to PAS 1: Presentation of Items of Other Comprehensive Income | ✓ | | |
| **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 Date | ✓ | | |
| **PAS 11** | Construction Contracts | ✓ | | |
| **PAS 12** | Income Taxes | ✓ | | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| | Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets | ✓ | | |
| **PAS 16** | Property, Plant and Equipment | ✓ | | |
| | Amendment to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation | Not early adopted | | |
| **PAS 17** | Leases | ✓ | | |
| **PAS 18** | Revenue | ✓ | | |
| **PAS 19** | Employee Benefits | ✓ | | |
| | Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures | ✓ | | |
| **PAS 19 (Amended)** | Employee Benefits | ✓ | | |
| | Amendments to PAS 19: Defined Benefit Plans: Employee Contributions | Not early adopted | | |
| **PAS 20** | Accounting for Government Grants and Disclosure of Government Assistance | | | ✓ |
| **PAS 21** | The Effects of Changes in Foreign Exchange Rates | ✓ | | |
| | Amendment: Net Investment in a Foreign Operation | | | ✓ |
| **PAS 23 (Revised)** | Borrowing Costs | ✓ | | |
| **PAS 24 (Revised)** | Related Party Disclosures | ✓ | | |
| | Amendments to PAS 24: Key Management Personnel | ✓ | | |
| **PAS 26** | Accounting and Reporting by Retirement Benefit Plans | | | ✓ |
| **PAS 27** | Consolidated and Separate Financial Statements | ✓ | | |
| **PAS 27 (Amended)** | Separate Financial Statements | ✓ | | |
| | Amendments to PFRS 10: Investment Entities | Not early adopted | | |
| **PAS 28** | Investments in Associates | | | ✓ |
| **PAS 28 (Amended)** | Investments in Associates and Joint Ventures | ✓ | | |
| **PAS 29** | Financial Reporting in Hyperinflationary Economies | | | ✓ |
| **PAS 31** | Interests in Joint Ventures | ✓ | | |
| **PAS 32** | Financial Instruments: Disclosure and Presentation | ✓ | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ |
| | Amendment to PAS 32: Classification of Rights Issues | | | ✓ |
| | Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities | Not early adopted | | |

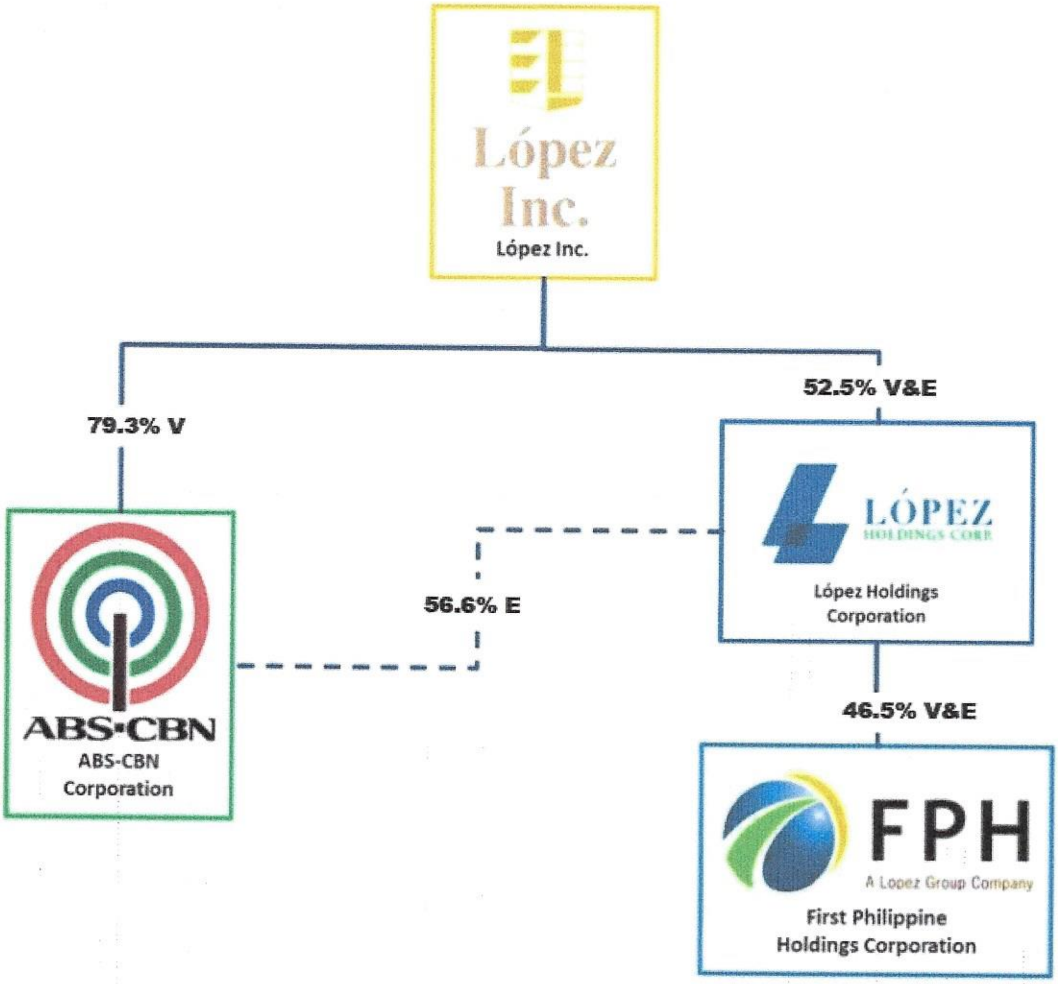
| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **PAS 33** | Earnings per Share | ✓ | | |
| **PAS 34** | Interim Financial Reporting | | | ✓ |
| **PAS 36** | Impairment of Assets | ✓ | | |
| | Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets | Not early adopted | | |
| **PAS 37** | Provisions, Contingent Liabilities and Contingent Assets | ✓ | | |
| **PAS 38** | Intangible Assets | | | ✓ |
| | Amendments to PAS 38: Revaluation Method – Proportionate Restatement of Accumulated Amortization | Not early adopted | | |
| **PAS 39** | Financial Instruments: Recognition and Measurement | ✓ | | |
| | Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities | | | ✓ |
| | Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions | | | ✓ |
| | Amendments to PAS 39: The Fair Value Option | | | ✓ |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | ✓ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | | | ✓ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | | | ✓ |
| | Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives | | | ✓ |
| | Amendment to PAS 39: Eligible Hedged Items | | | ✓ |
| | Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting | Not early adopted | | |
| **PAS 40** | Investment Property | ✓ | | |
| | Amendment to PAS 40: Investment Property | Not early adopted | | |
| **PAS 41** | Agriculture | | | ✓ |
| **Philippine Interpretations** | | | | |
| **IFRIC 1** | Changes in Existing Decommissioning, Restoration and Similar Liabilities | | | ✓ |
| **IFRIC 2** | Members' Share in Co-operative Entities and Similar Instruments | | | ✓ |
| **IFRIC 4** | *Determining Whether an Arrangement Contains a Lease* | | | ✓ |
| **IFRIC 5** | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | | | ✓ |
| **IFRIC 6** | *Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment* | | | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **IFRIC 7** | *Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies* | | | ✓ |
| **IFRIC 8** | *Scope of PFRS 2* | | | ✓ |
| **IFRIC 9** | Reassessment of Embedded Derivatives | | | ✓ |
| | Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives | | | ✓ |
| **IFRIC 10** | *Interim Financial Reporting and Impairment* | | | ✓ |
| **IFRIC 11** | PFRS 2 - Group and Treasury Share Transactions | | | ✓ |
| **IFRIC 12** | Service Concession Arrangements | | | ✓ |
| **IFRIC 13** | Customer Loyalty Programmes | | | ✓ |
| **IFRIC 14** | The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | | | ✓ |
| | Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement | | | ✓ |
| **IFRIC 16** | Hedges of a Net Investment in a Foreign Operation | | | ✓ |
| **IFRIC 17** | Distributions of Non-cash Assets to Owners | | | ✓ |
| **IFRIC 18** | Transfers of Assets from Customers | | | ✓ |
| **IFRIC 19** | Extinguishing Financial Liabilities with Equity Instruments | | | ✓ |
| **IFRIC 20** | Stripping Costs in the Production Phase of a Surface Mine | | | ✓ |
| **IFRIC 21** | Levies | Not early adopted | | |
| **SIC-7** | Introduction of the Euro | | | ✓ |
| **SIC-10** | Government Assistance - No Specific Relation to Operating Activities | | | ✓ |
| **SIC-12** | Consolidation - Special Purpose Entities | | | ✓ |
| | Amendment to SIC - 12: Scope of SIC 12 | | | ✓ |
| **SIC-13** | Jointly Controlled Entities - Non-Monetary Contributions by Venturers | | | ✓ |
| **SIC-15** | Operating Leases - Incentives | | | ✓ |
| **SIC-25** | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders | | | ✓ |
| **SIC-27** | Evaluating the Substance of Transactions Involving the Legal Form of a Lease | | | ✓ |
| **SIC-29** | Service Concession Arrangements: Disclosures. | | | ✓ |
| **SIC-31** | Revenue - Barter Transactions Involving Advertising Services | | | ✓ |
| **SIC-32** | Intangible Assets - Web Site Costs | | | ✓ |

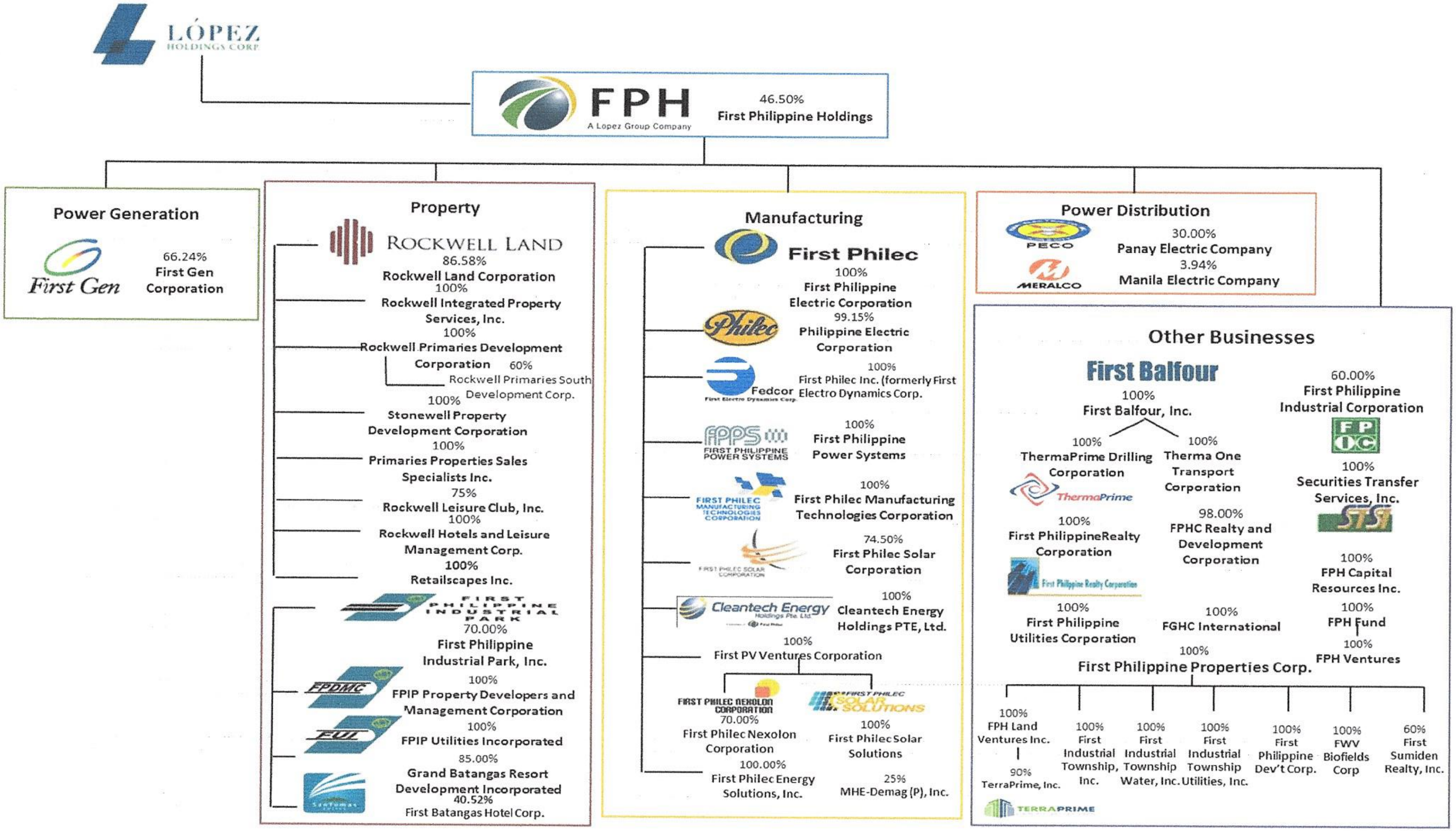
**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**
**SCHEDULE J – RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**
**As of December 31, 2015**
**Amount in thousands**

| | **2015** | **2014** | **2013** |
|---|---|---|---|
| **Unappropriated Retained Earnings, beginning** | ₱6,068,501 | ₱4,934,121 | ₱3,892,234 |
| **Adjustments:** | | | |
| Cumulative dividend on preferred shares | (1,650) | (1,650) | (1,650) |
| Effect of adoption of revised PAS 19 – remeasurement gain | (42,192) | (12) | (36,410) |
| **Unappropriated Retained Earnings, as adjusted, beginning** | 6,024,659 | 4,932,459 | 3,854,174 |
| **Net Income based on the face of AFS** | 1,303,461 | 1,418,813 | 1,323,631 |
| **Less: Non-actual/unrealized income net of tax** | | | |
| • Equity in net income of associate/joint venture | – | – | – |
| • Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents) Unrealized actuarial gain | – | – | – |
| • Fair value adjustment (M2M gains) | – | – | – |
| • Fair value adjustment of Investment Property resulting to gain Adjustment due to deviation from PFRS/GAAP-gain | – | – | – |
| • Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS | – | – | – |
| **Add: Non-actual losses** | | | |
| • Depreciation on revaluation increment (after tax) | – | – | – |
| • Adjustment due to deviation from PFRS/GAAP – loss | | | |
| Loss on fair value adjustment of investment property (after tax) | – | – | – |
| **Net Income Actual/Realized** | 1,303,461 | 1,418,813 | 1,323,631 |
| **Unappropriated Retained Earnings, as adjusted, ending** | **₱7,328,220** | **₱6,351,272** | ₱5,177,805 |

**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**
**SCHEDULE K – MAP OF RELATIONSHIPS OF COMPANIES WITHIN THE GROUP**
**As of December 31, 2015**



**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**
**SCHEDULE K – MAP OF RELATIONSHIPS OF COMPANIES WITHIN THE GROUP**
**As of December 31, 2015**



**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**
**SCHEDULE K – MAP OF RELATIONSHIPS OF COMPANIES WITHIN THE GROUP**
**As of December 31, 2015**

ROCKWELL LAND

- 100% Rockwell Integrated Property Services Inc.
- 100% Rockwell Primaries Development Corp.
  - 60% Rockwell Primaries South Development Corporation
- 100% Stonewell Property Development Corp.
- 100% Primaries Properties Sales Specialists Inc.
- 100% Rockwell Hotels & Leisure Management Corp.
- 75% Rockwell Leisure Club, Inc.
- 100% Retailscapes Inc.

**ROCKWELL LAND CORPORATION AND SUBSIDIARIES**
**SCHEDULE L – FINANCIAL RATIOS**
**As of December 31, 2015**

| Key Performance Indicators | 2015 | 2014 | 2013 |
|---|---|---|---|
| EBITDA (P) | 3.1 billion | 3.1 billion | 2.6 billion |
| Current Ratio (x) | 2.92 | 2.47 | 4.13 |
| Net DE Ratio (x) | 0.82 | 0.70 | 0.52 |
| Asset to Equity Ratio (x) | 2.54 | 3.04 | 3.03 |
| Interest Coverage Ratio (x) | 6.25 | 5.60 | 8.03 |
| ROA | 4.4% | 4.2% | 5.1% |
| ROE | 12.1% | 12.9% | 13.1% |
| EPS (P) | 0.27 | 0.26 | 0.23 |

***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, 2015)

The Audit Committee's roles and responsibilities are defined in the Corporate Governance Manual of Rockwell Land Corporation and the Audit Committee Charter. We assist the Board of Directors in fulfilling its oversight responsibility to the shareholders relating to: a) Integrity of financial statements and the financial reporting process; b) Appointment, re-appointment, remuneration, qualifications, independence and performance of independent auditor; c) Effectiveness of internal control system; d) Review of the sufficiency and effectiveness of the risk management process; and e) Oversight on Internal Audit function. We confirm that:

1) An Independent Director chairs the Audit Committee. Two out of the four members of the Audit Committee are independent directors;
2) We had five Committee meetings during the year, four regular meetings and one special committee meeting, all of which are in-person meetings;
3) We have reviewed and approved the 2015 Audit Plan and the subsequent changes thereto;
4) We have reviewed the reports of the Internal Auditors, ensuring that management is taking appropriate corrective actions in a timely manner, including addressing internal controls and compliance issues;
5) We have discussed and approved the overall scope and audit plan of SGV & Co.- the independent auditor of Rockwell Land, for the audit of 2015 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) We have reviewed and approved the non-audit services rendered by SGV & Co. to ensure that the nature, scope and the related fees, will not impair their independence;
8) We have reviewed the report on regulatory compliance and ensured that appropriate timely actions are taken and requirements are complied with.

Based on the reviews and discussions undertaken, and subject to the limitations on our roles and responsibilities referred to above, the Audit Committee recommends to the Board of Directors that the audited financial statements be included in the Annual Report for the year ended December 31, 2015 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 2016 based on the review of its performance and qualifications.

March 14, 2016

| | |
|---|---|
| VICENTE R. AYLLON<br>Chairman | OSCAR J.HILADO<br>Member |
| FRANCIS GILES B. PUNO<br>Member | MANUEL L. LOPEZ JR.<br>Member |