We woke up to a different world. We seized the opportunity to reshape it.

2020

ROCKWELL

BEYOND 25. BEYOND ORDINARY.

As a new year dawned upon us,
So did the hope for brilliant days ahead.

But the dusk turned long,
And the world stood in place.

Yet we fought for our sun to rise,
We held firm amidst uncertainty,
We watched resilience give birth to stories.

We witnessed the unimaginable
become the remarkable
As we all turned the page
towards our tomorrow.

ABOUT THIS REPORT

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

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

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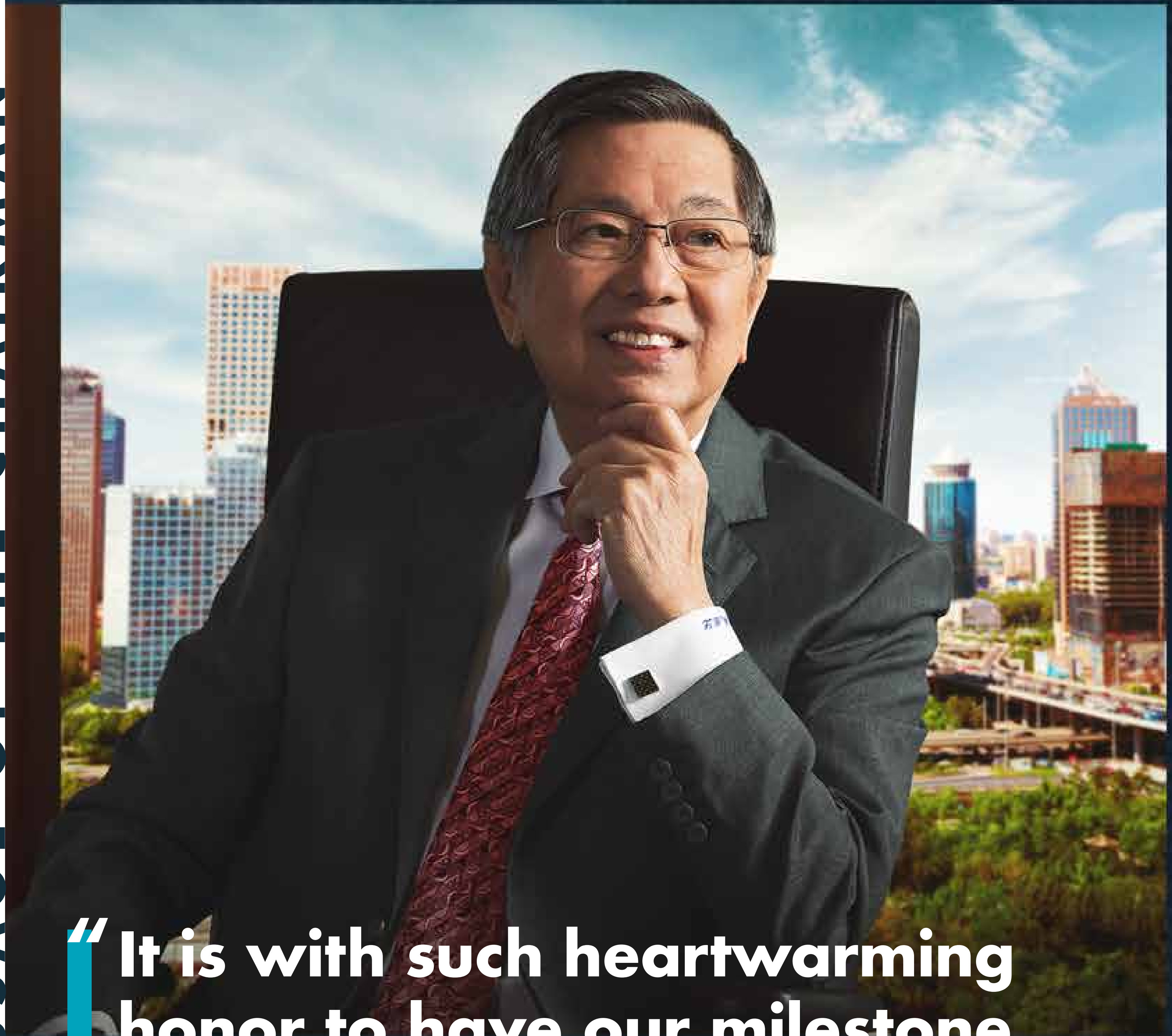
MESSAGE OF THE CHAIRMAN



"It is with such heartwarming honor to have our milestone year mark the emergence and evolution of unwavering community spirit."

Our 25th anniversary came at a unique moment in time, and it is with such heartwarming honor to have our milestone year mark not just a display of industry resilience, but more valuably, the emergence and evolution of unwavering community spirit, one of the things that has made us Rockwell through all these years.

Despite the challenges brought about by the pandemic, it was imperative that we persevered on our promise to provide and create safe spaces for our developments. And while no one was prepared for the storm that hit us globally, it prompted us to strengthen our efforts and carefully assess the situation for a more realistic view of what the year would result in. Company goals were indeed reshaped by these unprecedented times, but we witnessed a renewed sense of optimism and confidence that grew within our market and numbers.

Rockwell proved to be resilient and performed better than we expected. Residential sales were limited during the Enhanced Community Quarantine, but our industry sector has proven its resilience over time, and it continues to rebound in stronger form. With these in mind, along with the healthy momentum Rockwell gained over the last few years, we decided to keep moving and marching forward.

Last year, we proceeded with launching **The Villas at Aruga Resort and Residences - Mactan, Cebu, 8 Benitez Suites and The Larsen Tower at East Bay Residences**; and were able to cater to a growing need for wide open living spaces in locations outside of Metro Manila through **Rockwell Horizontals**. Our office sector likewise continued its strong performance with a 99% occupancy rate, and even saw a 7% increase in revenue with our tenants' renewed leases. This allowed us to increase our inventory with **Proscenium Podium Offices** and the launch of **1 Proscenium** this year.

We triumphed with the slow yet steady recovery of the retail sector, regaining foot traffic in Power Plant Mall, and reaching 62% of our sales pre-COVID by the end of 2020. These numbers improved while we continued to offer the distinctly recognizable Rockwell touch in our new and old programs, and put our customers', tenants' and staff's safety as a priority. We kept traditions alive with our annual Christmas at Rockwell festivities, and provided new streetside dining experiences to adapt with the times, ensuring that the public is able to dine in safely without any worries.

However, what truly shone through in this situation was an exceptional sense of community. Our Property Management Team, along with our personnel, service providers, and employees, worked tirelessly to help residents better adapt with their transition to the new normal, helping provide a semblance of normalcy in their daily routines.

At a time when it would be natural to look out for one's self, we instead witnessed an abundance of *malasakit*—our people (with our very own residents included) taking on unexpected roles and wearing multiple hats that have never been more crucial than today in fostering and rebuilding our community.

Now more than ever, we have seen Rockwell's ability to endure with the support and dedication of our stakeholders. With our constant pursuit to build the very best, we are now very excited to move onwards and upwards as we continue on the legacy that we started in Rockwell Center, Makati, with new flagship projects: **Rockwell Center Nepo, Angeles, in Pampanga and Rockwell Center Bacolod in Visayas**. In these developments, we hope to foster strong bonds within our new communities while providing the same quality of service we have been known for.

As we move towards a post-pandemic future, we continue to deliver on our promise of safe spaces where beyond ordinary lifestyles thrive. Thank you for your being with us for the past 25 years, and we look forward to being with you for more.

AMB. MANUEL M. LOPEZ
CHAIRMAN OF THE BOARD

"We did not see just a crisis, we saw the emergence of heroes."

We woke up to a different world. We seized the opportunity to reshape it.

This is how we chose to spend Rockwell's 25th year during a critical time no one was really ready for.

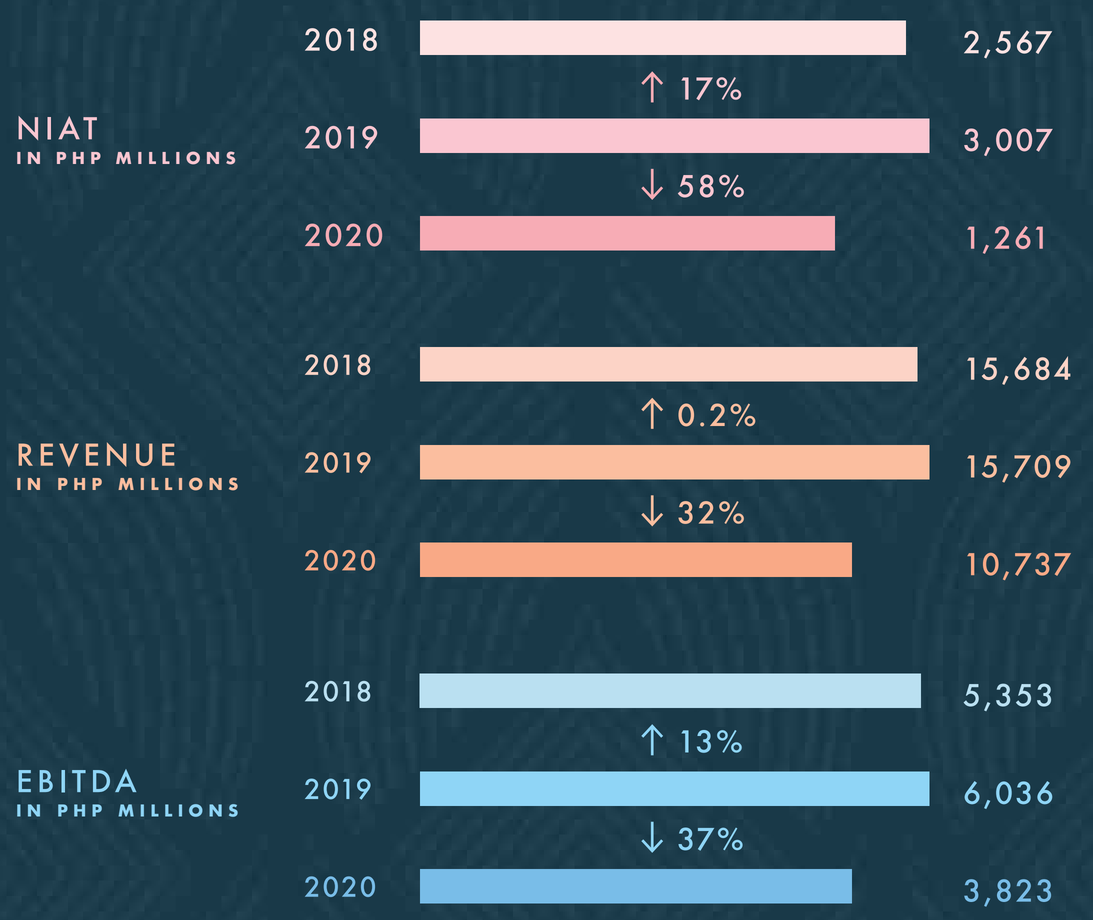
While 2020 was initially planned to be a year of celebrations to commemorate our Silver Anniversary, it took on a very different path. We didn't see just a crisis; we saw the emergence of heroes. These are the people, along with countless experiences of grit, courage and hope, that we choose to honor as our anniversary milestones.

Rather than be overwhelmed with challenge after challenge, we kept believing, adapting and learning. It was our people's sense of duty that took precedence over the many risks that prevailed to keep our communities safe. For over a year now since the pandemic began, we continue to hear stories of bravery, resilience and service. Indeed, the spirit of hard work within the Rockwell community is contagious.

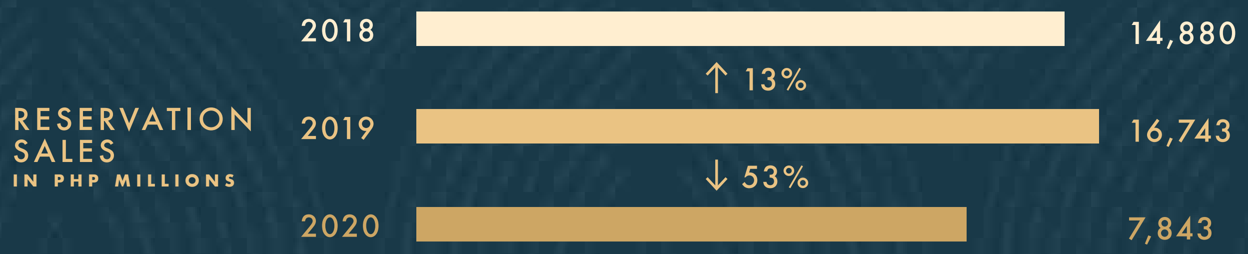
We're determined to keep the momentum going, in spite of calls for us to hit the brakes. The full throttle ride to recovery is on.

Holding Firm Amidst Uncertainty

Despite very low expectations driven by crisis limitations, we ended 2020 with a net income after tax of Php 1.3 billion, a 58% decline from previous year. Revenues were at Php 10.7 billion, and EBITDA at Php 3.8 billion.



With 3 major launches and a noteworthy performance of Rockwell Horizontals, reservation sales in 2020 reached Php 7.8 billion.



In September 2020, we launched **The Villas at Aruga Resort and Residences - Mactan**. With just a few meters from the water of our almost 300-meter-wide beachfront development in Mactan, Cebu, this trophy property was well-received by the most discerning clientele. The growing appreciation for these very privately designed villas in a serene and intimate setting is evidenced by the market buying at an average of Php 480,000 per square meter. By the 3rd quarter of this year, we will be adding more villas in our inventory with the launch of Phase 2.

8 Benitez Suites, launched last December 2020, is our latest premium low-density development in Quezon City. With only about 60 units, all 2-3 bedroom units, in 6 floors, this future close-knit Rockwell community will provide the convenience of condominium living in generous living spaces for its residents.

There are more units to choose from in East Bay Residences with the launch of our second tower, **The Larsen Tower** last October 2020. A vibrant growing community in Sucat, Muntinlupa, residents can experience convenience with the nearby East Bay Retail Row and enjoy 60% open space in their own gated residential haven.

It was also in 2020 that we introduced the **Rockwell Horizontals** brand, allowing us to focus on the market's need for low rise living and increased open spaces. We saw a spike in lot sales for **Rockwell South at Carmelray**, our first premium horizontal development in Canlubang, Laguna. Cluster 2 was sold out by the end of 2020 after just less than a year since launch. In Lipa, Batangas, **Terreno South** was one of our best-selling projects during the crisis. Sales velocity doubled, peaking at 30 lots sold per month in the 4th quarter of 2020. Now already sold out, more people can be part of the Terreno South community as we launch Phase 3 in the 3rd quarter of 2021 with lot sizes at 130-280 square meters.

Unshakable Resolve Towards Recovery

We will always hold tight to our vision of creating beyond ordinary communities amidst any situation. We remain optimistic to launch several projects, especially with the continued trust our clients have given our brand after seeing how we all handled the first year of the crisis.

32 Sanson by Rockwell in Lahug, Cebu launched its fifth tower, **Sillion**, last March 2021. Sillion will have the lowest density and unit choices of 1-3 bedrooms.

The second half of this year will also be busy with the launch of several major projects in and out of the Metro.

Arton East, the third and final tower of The Arton by Rockwell in Katipunan, Quezon City will boast of the best views of the Sierra Madre.

In Makati, we will launch **1 Proscenium** with premium work spaces available for sale within the Proscenium complex. At the heart of Rockwell Center will be **The Balmori Suites**, directly connected to the Power Plant Mall, assuring its residents of an elite Rockwell lifestyle experience. With less than 60 luxurious units, the prime development will have a hotel-like lobby, premium finishes and thoughtfully designed private amenities.

After the launch of our first condominium units in Bacolod City last December 2019, we will soon be offering residential lots within the 11 hectare **Nara Residences**. With lot sizes ranging from 250 to 400 square meters, this new product continues our promise of bringing the Rockwell lifestyle to Negros.

We are committed to rebound sooner rather than later by growing our presence in emerging cities. This year, we are set to launch two new Rockwell Centers.

Rockwell Center Nepo, Angeles is a 3.6 hectare joint venture with the Nepomuceno family. Poised to be a vital addition to the skyline of Angeles, Pampanga once completed, the community will feature 4 mid-rise residential buildings and its very own Power Plant Mall. Kapampangans have the chance to be part of this Rockwell pioneer development this year, through the first residential tower, **The Manansala**.

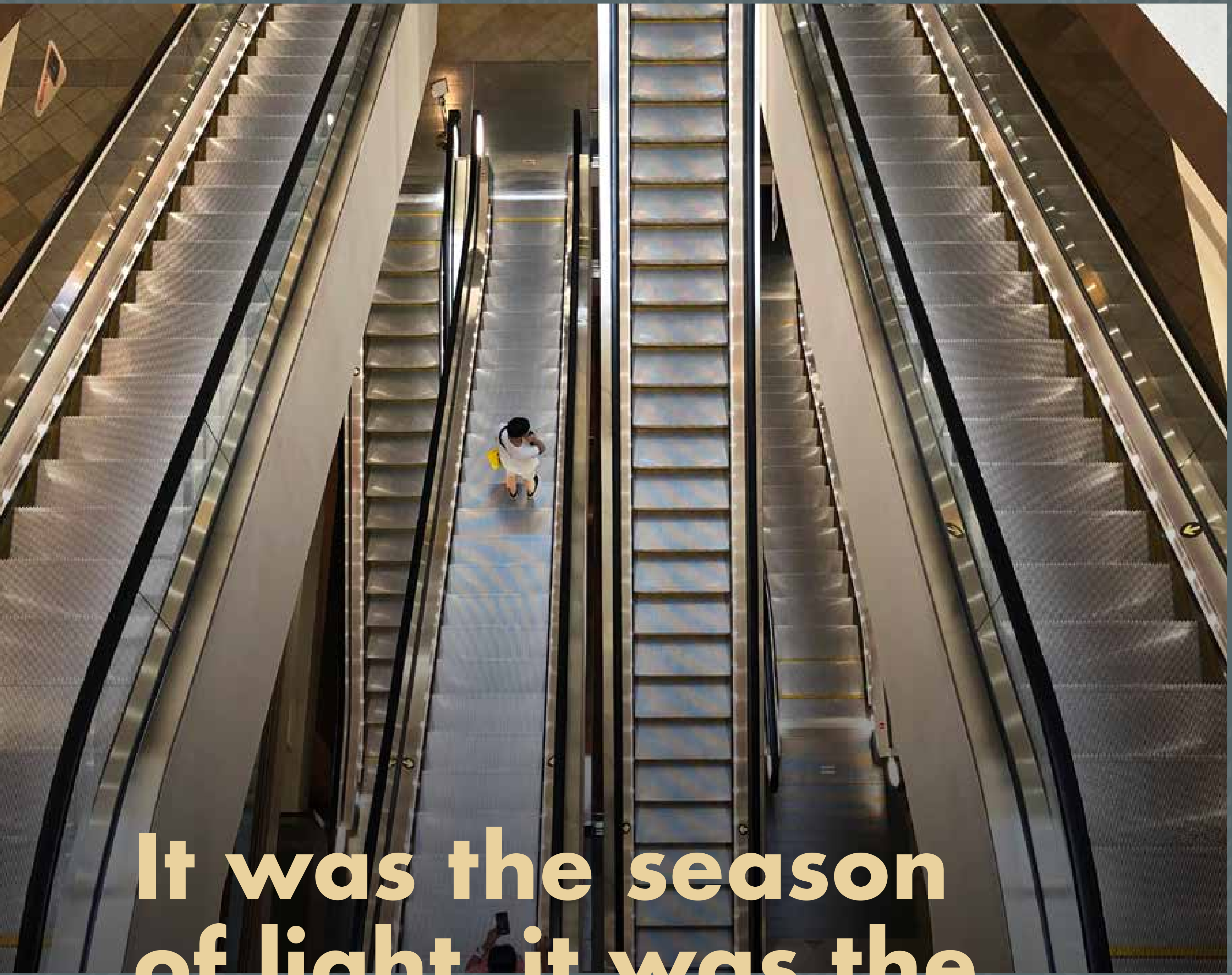
We are expanding our footprint in Negros with the launch of **Rockwell Center Bacolod**. Twice the size of the first Rockwell Center in Makati, it will be a 30 hectare master-planned development with the vision of becoming Bacolodnons' top choice for a holistic community with commercial centers, residential spaces, and lifestyle and leisure areas.

A Stronger Passion for Excellence

Our 25th year may have been filled with disruptions and uncertainties. But, while the future looked bleak, what is clear is our company's passion for excellence will endure despite the most difficult of times. This is what we choose to celebrate and will carry on as we persistently make the unimaginable remarkable in our road to recovery.

With your trust and support, our stakeholders, clients and partners, we are able to face our next years armed with greater courage and resolve. As we move forward towards a more confident future, I am excited to see our vision for our next communities in several cities come to life.

NESTOR J. PADILLA
PRESIDENT AND CHIEF EXECUTIVE OFFICER



It was the season of light, it was the season of darkness

In the worst of times, you see the best of people. The events of 2020 tested the character of our people. Faced with the perfect storm, they did not stand idly and let the great wave sweep everything in its path. They responded with courage, speed and agility, to protect lives and livelihood, and the business from further loss. Their extraordinary deeds demonstrate the organization's will to be always purpose-led, and crisis-proof from thereon.

Here are their stories of hope, courage and connection.

A 25th year like no other.

Coming on the heels of a banner year, 2020 promised to be the perfect time to celebrate the company's huge successes across all its businesses. It was supposed to be a most festive 25th year. Everyone was preparing for it. Then, COVID-19 happened, putting a halt to all the excitement.

The danger from the virus was not immediately apparent until it started hitting closer to home.

The fervor for otherwise happier festivities was channeled into how to keep things running and safe, whilst COVID-19 continued to threaten the community.

Without missing a beat, everyone, from top to bottom, started pitching in and volunteering. With doubt and fear creeping in, at the most uncertain of times, their presence was reassuring for residents.

"You suddenly see everyone, from top to bottom, pitching in, helping out the guards and the staff in the Center."

Days ensued with a flurry of activities: devising and instituting safety protocols; coordinating with the Department of Health; managing concerns of residents and tenants; while still delivering regular services for the community.

> "We knew we could count on the company and on each other for support. That made our relationships stronger. That gave us hope."

Without any prodding, people came forward to take on multiple roles, for there was a lot more to be done in a situation where new and strange things were unfolding. They knew they could count on the company and on each other for support. That made relationships stronger. That gave them hope.

Hope was the silver lining in a tumultuous silver year.

Virtue always has neighbors.

When the virus first reached Rockwell's doorstep, the challenges that Property Management faced seemed insurmountable. There was no set playbook for a crisis of such magnitude. How do you contain it? How do you keep the community safe? How do you keep the operations going while protecting those who run the properties? How do you manage the mounting fears and concern of residents? Just how do you help one another?

Everyone just swung into action. Protocols were quickly developed and instituted, including coordination with the LGUs; securing medical assistance for infected residents; contact-tracing for the exposed ones; managing the affected families and residents; and keeping the rest of the community safe. In the spirit of transparency, a communications center was set up to keep the community informed regularly. Arrangements for housing and transport of employees and service personnel were made, for safety and efficiency's sake.

It was a time when scores of everyday heroes emerged. The threat was real, but that did not stop the administrative staff, security personnel, housekeepers, technicians, groundskeepers, and other service providers from looking after the community. For months on end, they were there to continue with their tasks, while living apart from their families.

> "In spite of the growing threat, everyone was willing to go out of his or her way and work at the center."

They stayed on their posts that could have been high-risk. They did more, beyond the call of duty: medical emergencies, dealing with the bereaved, incessant sanitation, and procuring essential items for residents who had to stay home. Their goodness didn't go unnoticed. The residents provided food and supplies constantly to service providers and the staff. The collective will to succeed, persevere and nurture, against all odds, was truly inspiring and unforgettable.

Retail and work spaces made more relevant and responsive.

Most people's experience with the Rockwell brand is through Power Plant Mall, and other Rockwell retail and office spaces. Does that experience end with the malls closing down and employees working from home on account of the virus?

Retail and Office must thrive, even during a pandemic. Beyond their obvious signficance within the Rockwell Land portfolio, Retail and Office support the livelihood of many. The community as consumers depend on the malls. So does an extensive network of partners and suppliers for both businesses.

Hence, times of crisis call for creative solutions in those specific areas of business.

The Rockwell experience had always been touted as convenient and pleasureable. This time, "obsessively safe" was added to the mix. Every day was a constant drive to keep the malls and offices COVID-proof through thermal scanners, alcohol dispensers, social-distancing markers, controlled queuing and frequent disinfection.

Protection was also extended to business partners – our tenants – via rental or leasing concessions.

The wrath of COVID-19 certainly did not leave the business unscathed. Yet, it still stands strong. It is a testament to brand resilience. Much of the credit goes to Rockwell's think-tank, its employees and service providers, who bravely faced and managed the threat, just to keep the experience uniquely Rockwell.

"Yung nag-umpisa po ang lockdown nahirapan po ako makapasok dahil wala na po na biyahe pa-Rockwell. Nilalakad ko po simula Shaw kasi gusto ko po na makapasok. Dahil mahirap na din po umuwi, nag-stay in na muna po kami sa barracks." Mark Anthony Galvez, Estate Groundskeeper

"Minabuti ko na manatili sa Rockwell sa kasagsagan ng pandemya dahil mahal ko ang trabaho, at ako lang ang naghahanap buhay para sa pamilya ko. Ito rin ang aking naging ambag sa pagpigil ng pagkalat ng virus." Isabel Frias, Edades Housekeeping

"To be away from my family for three months was the most difficult situation. I also had to deliver to the family a pot containing the cremated ashes of a resident who died from COVID-19. That was my most sensitive task."

Florentino Hobro, West Block Security Detachment Commander

"Ako po ay taga-pamili ng pagkain at pangangailangan ng mga positive patient. Naatasan din mag-disinfect sa mga area. Takot, pagod at hirap ang nararanasan ko, pero isa lang po ang aking naisip — ang manalangin sa Panginoon."

John Marco Ordoñez, West Block Housekeeper

"Hindi kami pinabayaan ng management ng Rockwell at ng mga residente. Binigay nila lahat mula sa simpleng merienda hanggang sa palaging pagbigay ng mga pangangailangan namin. Ang management ng Rockwell naman po ay buo ang suporta sa amin. Binigyan kami ng barracks para tulugan, at mga gamit tulad ng higaan at unan para maging maayos ang aming tulugan."

Felix Ruales, Proscenium Security Detachment Commander

With a trying year behind us, we take a moment to look back on 25 years of Rockwell and how our distinct touch carried us forward.

THE DEFINING ROCKWELL OF TODAY

LIGHTING MAKATI'S NIGHT SKY


ROCKWELL CENTER MAKATI

One day, we had a vision: to transform an unused thermal powerplant into the heart of what would become the very peak of urban living in Manila. From there, the Rockwell Center was born, which set the city on a path to more brilliant tomorrows.

Rockwell Center raised the bar for lifestyle and retail in Metro Manila, becoming home to a brilliant spread of premium residential developments and the now-iconic **Power Plant Mall**. Among the highly sought-after Rockwell Center addresses are: **Rizal Tower, Hidalgo Place, Amorsolo Square, and Luna Gardens** along Residential Drive; **The Manansala; Joya Lofts and Towers; One Rockwell; Edades Tower and Garden Villas; Edades Suites** and finally the **Proscenium**; all setting unprecedented standards for timeless living in Makati.

LOOKING AHEAD AND GOING FURTHER

Our signature brand of lifestyle did not just open the door for many to experience their first touch of Rockwell. It also led us to the creation of some of our most recognizable projects, starting with **The Grove** in Pasig City, and then onwards to the exemplary townhome developments of **205 Santolan** in Quezon City, and **The Alvendia** in San Juan.


THE GROVE

OUR TOUCH, YOUR FIRST ROCKWELL

Then came the birth of Rockwell Primaries – projects designed for the young, modern Filipino family with the same obsessive attention to detail and sense of community they've come to love about Rockwell. Rockwell Primaries launched with **53 Benitez**, a beacon of comfort and convenience in Quezon City. Next, we returned to Pasig City to launch **The Vantage at Kapitolyo**, a charming, modern, and self-sustained development in the heart of the bustling city.


THE VANTAGE AT KAPITOLYO

53 BENITEZ

ROCKWELL WORKSPACES

BEYOND ORDINARY WORK SPACES FOR STELLAR PERFORMANCE

Enter Rockwell Workspaces — a collection of worry-free, modern offices that double as spaces of comfort and productivity. These are communities with your safety in mind featuring the latest in air purifying technology.

ROCKWELL BUSINESS CENTERS: ORTIGAS AND SHERIDAN

Built to take modern businesses higher, the Rockwell Business Centers in Ortigas and Sheridan were created with all the components of a high-end workspace with the expected Rockwell flair. Modern IT infrastructures and sophisticated design meet choice retail offerings in a space that is truly beyond the ordinary.

SANTOLAN TOWN PLAZA

Designed to be the ideal center for lifestyle conveniences, Santolan Town Plaza in San Juan has also cemented itself as a safe, holistic, and highly-coveted workspace among modern young professionals.

With easy access to leisure and retail spots and a prime location, this workspace proved to be yet another milestone for a way of life and work in Rockwell.

8 ROCKWELL

The peak of expansive and comfortable work environments, 8 Rockwell in Rockwell Center Makati is a LEED Gold certified prime workspace. It combines an integrated and conducive office space with our signature touch of luxury to reach a standard only Rockwell could have envisioned.

PROSCENIUM PODIUM OFFICES

The latest addition to Rockwell Workspaces in Makati: The Proscenium Podium Offices. Located at the 2nd and 3rd floors of the heralded Proscenium residential towers, this workspace development offers dynamic offices up to 300 sqm in size, a sophisticated security system, and the latest technology to ensure a safe and comfortable shift in the heart of Rockwell Center.

1 PROSCENIUM

This 2021, we welcome yet another addition to the Proscenium and a milestone in premium workspaces.

The new 1 Proscenium will be a 21-floor development with expansive floor-to-ceiling windows, and a worthwhile investment for businesses aiming to work at the heart of Rockwell Center.

ROCKWELL RETAIL

REDEFINING RETAIL STANDARDS IS OUR STANDARD

Before our projects dotted city and rural skylines alike, we changed the face of exclusivity, class, and lifestyle for years to come. So it was only natural to redefine modern leisure once again into the safer, more secure, more comfortable retail experience of today.

POWER PLANT MALL

It all started with the original Power Plant Mall. Over two decades, the iconic mall has seen its fair share of additions and even an expansion to meet the growing demands of an evolving audience.

But year after year, the mall continues to set the standard for premium dining, shopping, and comfort in Makati.

COMMUNITY RETAIL

Neighborhood spots, everyday conveniences, and perfect additions to our communities. This is what you can expect from our array of Rockwell Retail sections present in our residential developments.

The Arton Strip, East Bay Retail Row, The Grove Retail Row, and Santolan Town Plaza all boast of the distinct touch of the Rockwell lifestyle, while staying true to the spirit of each development.

They all complement their respective communities, creating spaces where one can dine in comfort, shop in style, and conveniently get access to their necessities, for an elevated life that is none other than living Rockwell.

FORGING FORWARD TOWARDS TOMORROW

Our vision of the Rockwell of tomorrow comes closer by the day. Witness our growing legacy of peak developments come to life as the seeds we've planted from Makati to neighboring cities and beyond the metro continue to grow.

EXPANDING MAKATI'S HORIZONS

THE PROSCENIUM AT ROCKWELL

The peak of metropolitan living with the distinct elegance, flair, and ambiance that only Rockwell could deliver. The Proscenium by Rockwell is a masterfully designed addition to the iconic Rockwell Center boasting state-of-the-art amenities, posh retail establishments, and the world-class Rockwell Performing Arts Theater.

The Proscenium stands with five residential towers: Kirov, Sakura, Lincoln, Lorraine, and finally, The Proscenium Residences, which is set to be turned over to its residents in the second half of 2021.

THE BALMORI SUITES

The latest structure to grace Rockwell's elegant skyline, The Balmori Suites gives elite residents the once-in-a-lifetime opportunity to live at the very heart of Rockwell with exclusive direct access to the Power Plant Mall.

With less than 60 units, The Balmori Suites promises to be a crown project of Rockwell with hotel-like lobbies, highly-premium finishes and panoramic views of the city.

ARUGA APARTMENTS

Welcome to the Aruga Apartments – our first foray into hotel and leisure and a prime example of Rockwell setting the standards of tomorrow.

The Aruga Apartments is comprised of 114 stylish units at Edades Tower that offers a solid investment venture for unit owners, and a distinct touch of Rockwell life for both short-and long-term visitors.

THE ROCKWELL TOUCH GOES BEYOND MAKATI

SILLION TOWER AT 32 SANSON BY ROCKWELL

32 Sanson marks an important milestone for Rockwell as proof that our touch would create brighter tomorrows outside of Luzon. Apart from being our first venture beyond Metro Manila, 32 Sanson was also our first mid-rise development with the first four buildings surrounded by a green 3.2 hectare expanse in Cebu.

In March 2021, we launched the final chapter of the 32 Sanson story, the Sillion. With a wide range of 1-bedroom to 3-bedroom spreads, including spacious garden units, this final addition will mark countless beautiful beginnings for any family in Cebu.

THE ARTON BY ROCKWELL

Our first touch of fine living North of the Rockwell Center and a new standard for safety and lifestyle in Katipunan, Quezon City. The Arton by Rockwell started as a joint venture with Mitsui Fudosan of Japan to further its vision of holistic communities outside of Makati. The result was a master-planned community that redefined the Katipunan skyline and a benchmark home for the discerning young families of the North.

The project launched with the Arton West, followed by the Arton North. Soon, its third and tallest tower, Arton East, is set to launch in the 3rd Quarter of 2021 to complete the community with breathtaking views of the Sierra Madre Mountains.

8 BENITEZ SUITES

Rockwell's latest luxury development is redefining an old concept by offering a fresh, distinct take on townhome living. Launched in December 2020, 8 Benitez Suites is a closed garden community striking the ideal balance of spacious living and convenient condominium sensibilities.

With about 60 units only and private gardens for select units, 8 Benitez Suites grants residents new lifestyle highs in an intimate, low, and thriving space that is purely Rockwell.

THE LARSEN TOWER AT EAST BAY RESIDENCES

Since Rockwell Primaries' East Bay Residences launched with The Fordham Tower in 2016, it soon established itself as yet another redefining project in Rockwell's catalog. Spanning a massive 7.2 hectares with 60% open spaces, the self-sustaining community promised residents a home with more nature than structure with all the convenience of city living. Much to the excitement of aspiring young families and investors alike, East Bay Residences opened the doors of its second residential space, The Larsen Tower, in October 2020. With a variety of unit cut options, The Larsen Tower is a promising addition to the open and vibrant community.

ROCKWELL HORIZONTALS
OPEN SPACES FOR NEW DAYS AHEAD

ROCKWELL SOUTH AT CARMELRAY

Bigger and brighter tomorrows lie in wait for Rockwell in the South. Our largest project to date, at an impressive 63 hectares, Rockwell South at Carmelray is our first premium horizontal community that offers residential lots and a definitive rural escape situated in the heart of Calamba, Laguna.

The development fully embraces the warm nature of life in the South, and promises residents a better experience through wide open spaces and a master plan for continuous growth. As we approach the lot turnover this 2022, the onsite experience has truly progressed with a beautiful project display of a tree nursery and a wooden deck. This has also opened up more accessibility features in the property with the addition of the Rockwell Carmelray Road (main spine road), and the block and lot cuts. Exciting times lie ahead for what is just the start of a community of timeless adventures.

ARUGA RESORT AND RESIDENCES – MACTAN

Over 270m of beachfront, incredible island views, and tropical sunrises turning into sunsets. Welcome to the Aruga Resort and Residences – Mactan.

As our first premier residential resort development, Aruga Resort and Residences – Mactan is truly a crown jewel of a development that fuses resort relaxation with the ultimate in exclusive beachside living, all with a distinct Rockwell touch.

The peak of this prime development lies just a few meters from the water in the form of our beachside Villas. More than a vacation home, The Villas at Aruga sport the most premium of finishes and provide each resident his or her private pool deck.

NARA RESIDENCES BY ROCKWELL

As we looked beyond Luzon, we found even brighter beginnings lying in wait. Our vision soon brought us to Negros in the form of Nara Residences — an 11 hectare sanctuary that would be our very first high-end residential development in the region.

The first phase of Nara Residences launched in December 2019 to much acclaim. However, this was only the beginning of our bright new dawn in Negros as we look to open another Bacolod City chapter with residential lots.

The new horizontal area of Nara is an ambitious expansion of an already holistic community, including amenities and a retail section to make life even sweeter for the Bacolodnons.

TERRENO SOUTH

It started with a 38 hectare grand space for intimate moments to bloom and beginnings to take root. Nestled in the soft green expanse of Batangas, Terreno South is our pioneering venture into horizontal developments in Lipa City. True to southern charm, the property boasts of a unique 1:1 house to tree ratio, ensuring each family a fully grown tree to bear witness to every brilliant day ahead.

After the remarkable launch of the first two phases, we look forward to embracing a bigger community with our third phase in 2021. With well-thought out lot dimensions, dedicated open spaces, and orientation to spectacular views, the future looks promising for anyone hoping to start their newest chapter in this Rockwell home. The excitement never ceases as we are enlarging Terreno South's footprint to 46 hectares.

AFFORDABLE HOUSING
A ROCKWELL DREAM GETS CLOSER

STONEWELL

As our first foray into more affordable housing, we aimed to create a safe, comfortable, and rock-solid foundation where dream homes can be made readily accessible to a wider market. Welcome home to your touch of Rockwell in Sto. Tomas, Batangas — Stonewell Homes.

Stonewell Acacia Homes' successful launch was shortly followed by the developments of Stonewell Mahogany and Stonewell Royal Palm. Now, further Stonewell developments are in sight very soon to deliver more affordable dream homes within the province of Batangas.

NEW ROCKWELL CENTERS
TREADING NEW GROUND AND EXCEEDING EXPECTATIONS

ROCKWELL CENTER BACOLOD
We're giving the people from the City of Smiles even more reason to be excited about their city with the creation of Western Visayas' next premier residential and business district — Rockwell Center Bacolod.

This 30-hectare master-planned development is the culmination of a grand vision in Bacolod coming to life, bringing together Rockwell commercial centers, workspaces, residential communities, lifestyle, and leisure all in one holistic and forward community.

Rockwell Center Bacolod will also be home to another Rockwell first — linear parks that provide more open space and seamlessly flow into one another to complement the historic landscape.

ROCKWELL CENTER NEPO, ANGELES
After decades of seeing our iconic outline glow in the Makati night, it was time to color the horizon of Angeles with the same golden lights.

Both a first and a milestone for Rockwell, this upcoming development marks the very first Rockwell Center North of Metro Manila and an opportunity to bring the Rockwell touch closer to the discerning market of Central Luzon.

As a joint venture with one of Pampanga's most prominent families, the Nepomucenos, this project will give rise to a 3.6 hectare, 70% open-space development with four mid-rise residential buildings, 3 meter floor-to-ceiling height and the first-ever Power Plant Mall outside of Makati.

BOARD OF DIRECTORS

Never shaken and stirred into action, our fearless leaders forged ahead toward better days with a calm and quiet confidence.

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

Executive Vice President
- Lopez Holdings Corporation

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

Trustee
- Eugenio Lopez Foundation, Inc.

Board Advisor
- Lopez Group Foundation, Inc.

OSCAR J. HILADO
Independent Director
2015 - Present

Chairman
- Philippine Investment Management (PHINMA), Inc.
- Phinma Corporation
- Phinma Property Holdings Corporation

Vice Chairman
- Union Galvasteel Corporation

Director
- Philex Mining Corporation
- Smart Communications, Inc.
- A. Soriano Corporation
- Roxas Holdings, Inc.
- Phil Cement Corporation
- Digital Telecommunications Phils., Inc. (DIGITEL)
- Phinma Solar Energy Corporation
- Phinma Education Holdings, Inc.
- Phinma Hospitality, Inc.
- Phinma Microtel Hotels, Inc.
- Beacon Property Ventures, Inc.
- Manila Cordage Company
- Pueblo de Oro Development Corporation
- Seven Seas Resorts and Leisure, Inc.
- Cebu Light Industrial Park, Inc.
- United Pulp and Paper Company, Inc.
- Araullo University, Inc.
- Cagayan de Oro College, Inc.
- University of Iloilo, Inc.
- University of Pangasinan, Inc.
- Southwestern University
- St. Jude College, Manila
- Republican College
- Rizal College of Laguna

MONICO V. JACOB
Independent Director
April 2016 - Present

Vice Chairman and CEO
- STI Education Services Group

President & CEO
- STI Education Systems Holdings, Inc.

President
- Philplans First, Inc.

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

Vice Chairman & CEO
- STI Education Services Group

Director
- iAcademy
- PhilCare

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

OSCAR M. LOPEZ
Chairman Emeritus
2012 - Present

Chairman Emeritus
- First Philippine Holdings Corporation
- Energy Development Corporation
- First Gen Corporation
- First Balfour, Inc.
- First Philippine Electric Corporation
- First Philippine Industrial Corporation
- First Philippine Realty Corporation
- First Philippine Realty and Development Corporation
- First Philippine Industrial Park, Inc.

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

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

Board Advisor
- Lopez Inc.
- INAEC Aviation Corporation

FEDERICO R. LOPEZ
Vice-Chairman
2012 - Present

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

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

President
- Ang Misyon, Inc.

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

Trustee
- Philippine Forest Foundation Philippines
- Philippine Disaster Resilience Foundation

AMB. MANUEL M. LOPEZ
Chairman of the Board
1995 - Present

Former Philippine Ambassador to Japan, 2011 - 2016
Awarded the Rank of Grand Cross, Gold Distinction, Datu, Katangiang Ginto to the Order of Sikatuna

Chairman Emeritus
- Lopez Holdings Corporation

Chairman of the Board
- Rockwell Leisure Club, Inc.
- Sky Vision Corporation
- Bayan Telecommunications Holdings Corporation

Vice Chairman
- First Philippine Holdings Corporation

President
- Eugenio Lopez Foundation, Inc.

Director
- ABS-CBN Corporation
- ABS-CBN Holdings Corporation
- First Philippine Realty Corporation
- PGA Sompo Insurance Corporation

Member
- Executive Advisory Council – Mitsubishi Motors Corporation

Trustee
- Lopez Group Foundation, Inc.

NESTOR J. PADILLA
President & CEO, Director
1995 - Present

Chairman
- Brightnote Assets Corporation

Vice Chairman
- Rockwell Center Association, Inc.

Senior Vice President
- First Philippine Holdings Corporation

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

BENJAMIN ERNESTO R. LOPEZ
Director
2020 – Present

Chairman
- Philippine Chapter of the Asian Business Aviation Association

President
- Inaec Aviation Corporation

Director
- Lopez Inc.
- Adtel, Inc.
- First Balfour, Inc.
- First Philippine Electric Corporation
- First Philippine Realty Corporation
- Rockwell Leisure Club, Inc.
- Terra Prime, Inc.
- InfoPro Business Solutions, Inc.
- Third Generation Holdings Corporation

Independent Director
- Philippine Women's University

Trustee
- Eugenio Lopez Foundation, Inc.
- Philippine Center for Population and Development
- The Beacon School

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

FRANCIS GILES B. PUNO
Director
2013 - Present

President & COO
- First Gen Corporation
- First Philippine Holdings Corporation
- First Philippine Industrial Park

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

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

ALBERT F. DEL ROSARIO
Independent Director
2017 - Present

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

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

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

Director
- PLDT, Inc.
- Metro Pacific Investments Corporation
- Metro Pacific Tollways Corporation
- Metro Pacific Resources, Inc.
- Metro Pacific Holdings, Inc.
- Metro Pacific Asset Holdings, Inc.
- Philippine Telecommunications Investment Corporation
- Asia Insurance (Phil.) Corporation
- Gotuaco del Rosario Insurance Brokers, Inc.
- Enterprise Investment Holdings, Inc.

Trustee
- Carlos P. Romulo Foundation for Peace and Development
- Philippine Cancer Society, Inc.
- CSIS Southeast Asia Program

Board Advisor
- Metrobank Foundation, Inc.

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

Head of Corporate Planning
- First Philippine Holdings Corporation

Director
- First Philippine Industrial Park, Inc.
- First Balfour Inc.
- First Philippine Electric Co.
- First Philippine Property Holdings

Trustee
- Beacon Academy
- Ateneo Alumni Association
- Philippine Toy Library

We would like to acknowledge Eugenio Lopez III, Rockwell Land Director from 1995 - 2020, for his valuable contributions in helping the company achieve its vision since inception.

MANAGEMENT TEAM

"Unfazed by circumstances, our management team personified leadership with compassion and resilience with heart."

NESTOR J. PADILLA
PRESIDENT AND CHIEF EXECUTIVE OFFICER

"Grit, resilience, teamwork, as well as compassion for both teammates and residents. Those are what kept us going."

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

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

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

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

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

JESSE S. TAN
Vice President, Office Development

ANGELA MARIE B. PAGULAYAN
Vice President, Property Management

ESTELA Y. DASMARIÑAS
Vice President, Human Resources

ALEXIS NIKOLAI S. DIESMOS
Vice President, Design and Planning

CHRISTINE T. COQUEIRO
Vice President, Retail Development

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

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

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

GERALDINE B. BRILLANTES
Assistant Vice President,
General Manager for
Rockwell Leisure Club, Inc.

RICA L. BAJO
Assistant Vice President,
Hotel & Leisure Development,
Chief Risk and Data Privacy Officer

JOSE CARLO S. CONSUNJI
Consultant,
Marketing

ADELA D. FLORES
Senior Consultant,
Property Management

ADOLFO O. GRANADOS
Senior Consultant,
Finance and Accounting

BELEN C. NONES
Consultant, Office Development
and Cinema Management

> **"Under these circumstances, service was always the bare minimum. We had to go beyond for each other and everyone depending on us."**

ATTY. ENRIQUE I. QUIASON
Corporate Secretary

ATTY. ESMERALDO C. AMISTAD
Assistant Corporate Secretary

ASSISTANT VICE PRESIDENTS

With passion, perseverance, and proficiency, our bright young leaders exhibit true grit to weather our storms and guide us onward.

RINNA L. TIU	Business Development
MARCO N. VINLUAN	Affordable Housing
TRACEY G. CASTILLO	Marketing
ELLA A. BONTUYAN	Human Resources
ANNABELLE A. ONG - TUÑACAO	Human Resources

ASSISTANT VICE PRESIDENTS

"What we witnessed was nothing short of heroes stepping up to the task and more every single day. It was heartwarming and inspiring."

JEFF R. CARONAN	Project Development
RACHEL M. QUINTO	Project Director, Rockwell Primaries
CHRIS B. GECHA	Project Development
VIENN C. TIONGLICO - GUZMAN	Project Director, Rockwell Cebu
VERGEL V. RAPE	Project Development

LUCK G. DAMASO	Project Development
JACKO M. ZIALCITA	Design and Planning
ANDRE A. LOPEZ	Design and Planning
BYRON M. RIMAS	Project Development
THONY A. MONSAYAC	Design and Planning
ERIC R. POTENTE	Project Development

ASSISTANT VICE PRESIDENTS

"We look back on a truly difficult year and realize that "malasakit" is what pulled us through. It has always been at the core of the company and what we do."

BENJIE C. GANNOD	Property Management
WHENG U. DAVID	Finance and Accounting
JOY Z. HERRERA	Property Management
TONI C. SISON	Property Management
SHERRY I. LORENZO	Finance and Accounting

CAROL G. PINOY	Legal
SALVA R. CATACUTAN	Consultant, Housekeeping Services
ALBERT M. LOBERES	Legal
MONA K. MANALANG - NARCISO	Consultant, After Sales Services
RINA C. ARNAIZ	Consultant, Project Development
BENITO P. JAPITANA	Consultant, Finance and Accounting

COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

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

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

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

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

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

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

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

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

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

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

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

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

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

Rockwell also has an Internal Audit Group ("IAG") composed of Certified Public Accountants. The IAG reports to the Board through the Audit Committee. The IAG provides assurance and consulting functions for Rockwell in the areas of internal control, corporate governance and risk management. It conducts its internal audit activities in accordance with the International Standards for Professional Practice of Internal Auditing (ISPPIA) under the Internal Professional Practices Framework. It bears mention that the Audit Committee is chaired by an independent director. The Corporate Governance and Risk Oversight Committee are composed of four members of the board, one of which is an independent director.

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

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

RESULT OF OPERATIONS

Rockwell Land Corporation showed resilience despite the challenges that the pandemic brought, ending the year with a consolidated net income after tax (NIAT) of Php 1.3 billion, a 58% decline from Php 3.0 billion in 2019.

Consolidated revenues reached Php 10.7 billion in 2020 with Residential Development accounting for 82% of the total amount and Commercial Development and Hotel Operations contributing 17% and 1%, respectively. Below is a table showing the breakdown of total consolidated revenues.

	2020	% TO TOTAL	2019	% TO TOTAL	2018	% TO TOTAL
Residential Development	8,816	82%	12,938	82%	13,411	86%
Commercial Development	1,844	17%	2,482	16%	1,990	13%
Hotel Operations	77	1%	289	2%	283	2%
Total Consolidated Revenues	**10,737**	**100%**	**15,709**	**100%**	**15,684**	**100%**
Share in Net Income of JV and Associate	339		323		271	

Residential Development revenues of Php 8.8 billion includes sale of condominium units and accretion of interest income. The decrease from the previous year of 32% was mainly due to lower construction accomplishment as the restrictions of the community quarantine affected productivity on-site. With the limited selling activity during the quarantine period, sales take-up slowed down by 53% compared to last year, with reservation sales for the year ending at Php 7.8 billion.

Commercial Development revenues dropped by 26% to Php 1.8 billion. Lease income, which accounted for the bulk of the segment's revenues, fell by 38% to Php 1.2 billion.

Retail operations were heavily affected by the limited mobility & consumer activity caused by the lockdown. The Company also extended rental concessions to help tenants that were badly hit by the crisis. As a result, leasing revenues amounted to Php 505.3 million, 59% lower from last year's Php 1.2 billion. On a positive note, mall activity has started to recover by the end of the year as foot traffic already reached around 60% of pre-pandemic level.

The office segment remained resilient as leasing revenues from 8 Rockwell, RBC Sheridan and Santolan Town Plaza, increased by 7% to Php 645.6 million, on the back of escalated rental rates from renewed tenants.

Share in net income of joint venture and associate reached Php 338.8 million in 2020, 5% higher than the previous year. This pertains to Rockwell's share in the operations of RBC Ortigas, under the Rockwell-Meralco BPO venture.

Hotel revenues, which accounted for 1% of total consolidated revenues, decreased from Php 289.9 million in 2019 to Php 76.8 million in 2020 as Aruga Serviced Apartments had lower occupancy brought about by the travel restrictions imposed across the country.

General and administrative expenses (GAE) amounted to Php 2.0 billion in 2020, a 5% decrease from the previous year's Php 2.1 billion.

Consolidated EBITDA amounted to Php 3.8 billion. Residential Development contributed 58% while Commercial Development and Hotel Operations accounted for 42%.

CASH FLOW AND FUNDING

The company spent a total of Php 7.2 billion, gross of VAT, for project and capital expenditures in 2020. Bulk of the expenditures pertain to development costs of Proscenium, The Arton, Aruga Resort and Residences - Mactan. Capital expenditures were funded through a combination of internally generated funds and debt availments.

To take advantage of the low interest rates, the Company refinanced Php 6.4 billion worth of loans in 2020 including the Php 1.7 billion of bonds resulting from the consent solicitation exercise done in June 2020.

The Company declared and paid dividends amounting to Php 297.1 million to its shareholders, 10% of the previous year's net income.

FINANCIAL POSITION

Total assets as of December 31, 2020 amounted to Php 61.9 billion, a 2% decrease from the previous year. The decline was largely because of lower cash balance due to prepayments of loans.

Total Liabilities as of December 31, 2020 amounted to Php 37.1 billion, 5% lower than last year's Php 39.2 billion. The slight decrease was primarily attributable to the net repayment of loans.

Total Equity as of December 31, 2020 amounted to Php 24.9 billion, a growth of 2% from the previous year. This was mainly driven by the Php 1.3 billion NIAT, Php 1.1 billion of which is attributable to Parent Stockholders, while Php 182.2 million is attributable to Minority Shareholders.

KEY PERFORMANCE INDICATORS

KPI	2020	2019	2018
EBITDA[1] (Php billions)	3.8	6.0	5.4
Current Ratio[2] (x)	2.37	2.47	2.17
Net DE Ratio[3] (x)	0.87	0.82	1.16
Asset to Equity Ratio[4] (x)	2.49	2.61	2.97
Interest coverage ratio[5] (x)	3.29	4.17	4.62
ROA[6]	2.01%	5.00%	4.91%
ROA[7]	5.12%	13.85%	14.26%
EPS[8] (Php)	0.18	0.48	0.42

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]

STATEMENT OF MANAGEMENT'S RESPONSIBILITY TO FINANCIAL STATEMENTS

The management of ROCKWELL LAND CORPORATION AND SUBSIDIARIES is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

AMB. MANUEL M. LOPEZ	**NESTOR J. PADILLA**	**ELLEN V. ALMODIEL**
CHAIRMAN OF THE BOARD	CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER

Signed this 6th day of April 2021.

SUBSCRIBED AND SWORN to before me this day 6th April 2021 at Makati City, affiant exhibiting to me his/her Passport as follows:

NAME	PASSPORT NO.	DATE ISSUED	PLACE ISSUED
Manuel M. Lopez	P1793181B	30 May 2019	DFA Manila
Nestor J. Padilla	P3279524A	03 June 2017	DFA NCR Central
Ellen V. Almodiel	P2373847B	29 June 2019	DFA NCR East

Doc No. 169 ;
Page No. 35 ;
Book No. XIV ;
Series of 2021.

MA. RE CAROLYN GO-PINOY
Notary Public for Makati City
Appointment No. M-130 until 6.30.2021
Roll of Attorneys No. 39698
IBP Lifetime No. 014554 Zambasulta
PTR No 8539087 2.5.2021 Makati City
MCLE Compliance No. VI-0025366
8 Rockwell Hidalgo Drive, Makati City

2nd Floor, 8 Rockwell, Hidalgo Drive, Rockwell Center, Makati, Philippines Phone (632) 7-793-0088

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Building a better working world

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

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

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

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Rockwell Land Corporation

Opinion

We have audited the consolidated financial statements of Rockwell Land Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Real Estate Revenue and Cost Recognition

The Group's revenue recognition process, policies and procedures are significant to our audit because these involve application of significant judgment and estimation in the following areas: (1) assessment of the probability that the entity will collect the consideration from the buyer; (2) determination of the transaction price; (3) application of the output method as the measure of progress in determining real estate revenue; (4) determination of the actual costs incurred as cost of real estate sold; and (5) recognition of cost to obtain a contract.

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

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

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

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

The Group identifies sales commission after contract inception as the cost of obtaining the contract. For contracts which qualified for revenue recognition, the Group capitalizes the total sales commission due to sales agent as cost to obtain contract and recognizes the related commission payable. The Group uses the percentage of completion method (POC) in amortizing sales commission consistent with the Group's revenue recognition policy.

The disclosures related to the real estate revenue and cost are included in Notes 5, 21 and 23 to the consolidated financial statements.

Audit Response

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

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

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

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

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

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

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Accounting for Lease Concessions

In 2020, the Group granted various lease concessions such as lease payment holidays or lease reduction to the lessees of its commercial spaces as a response to the laws and regulations issued by the government mandating the granting of certain lease concession during the coronavirus pandemic. The Group evaluated that the lease concessions do not qualify as lease modification and accounted for these in the form of negative variable rent which the Group recorded when the "event or condition" that triggers it occurs (e.g., when the concession is given) regardless of the period to which the concession pertains. The Group's accounting of lease concession under PFRS 16 is significant to our audit because the Group has high volume of lease concessions granted during the period; the recorded amounts are material to the consolidated financial statements; and accounting for lease concession involves application of significant judgment and estimation in determining whether the lease concession will be accounted for as lease modification.

The disclosures related to the lease concession granted by the Group are included in Notes 5 and 11 to the consolidated financial statements.

Audit Response

We obtained an understanding of the type, extent and periods covered of the various lease concessions granted by the Group, including the determination of the population of the lease contracts covered by the lease concession granted by the Group during the period.

We tested the population of lease agreements by comparing the number of locations per operations report against tenant contracts master list used by the Group.

On a test basis, we inspected the communications of the Group in connection with the lease concessions granted to the lessees and traced these contractual terms and conditions to the calculation of the financial impact of lease concession prepared by the management. We test computed the lease concession impact prepared by management on a sample basis.

We obtained management assessment, and a legal opinion from the Group's external legal counsel supporting the assessment that the lease concession granted does not qualify as a lease modification. We involved our internal specialist in evaluating the legal basis supporting the management assessment and legal position.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Gaile A. Macapinlac

Gaile A. Macapinlac
Partner
CPA Certificate No. 98838
SEC Accreditation No. 1621-AR-1 (Group A),
November 11, 2019, valid until November 10, 2022
Tax Identification No. 205-947-572
BIR Accreditation No. 08-001998-126-2019,
November 27, 2019, valid until November 26, 2022
PTR No. 8534318, January 4, 2021, Makati City

March 26, 2021

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

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7, 30 and 31)	₱3,205,022	₱5,705,862
Trade and other receivables (Notes 8, 16, 21, 30 and 31)	4,109,970	4,822,557
Contract assets (Notes 8, 21 and 30)	12,081,855	6,873,196
Real estate inventories (Notes 9 and 29)	13,154,505	12,017,060
Advances to contractors (Note 9)	1,570,714	1,565,150
Other current assets (Notes 10, 30 and 31)	2,251,349	2,118,503
Total Current Assets	36,373,415	33,102,328
Noncurrent Assets		
Investment properties (Notes 11 and 16)	14,485,925	14,412,263
Property and equipment (Notes 12 and 16)	5,282,747	5,618,342
Investments in joint venture and associate (Note 13)	2,829,216	2,943,581
Contract assets - net of current portion (Notes 8, 21 and 30)	2,117,064	6,278,211
Investment in equity instruments at FVOCI (Notes 14, 30 and 31)	31,748	41,519
Deferred tax assets - net (Note 26)	75,903	45,862
Other noncurrent assets (Notes 11, 12, 23, 28, 30 and 31)	739,024	1,062,750
Total Noncurrent Assets	25,561,627	30,402,528
	₱61,935,042	₱63,504,856
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 9, 15, 18, 21, 25, 30 and 31)	₱7,327,802	₱7,488,329
Current portion of interest-bearing loans and borrowings (Notes 8, 11, 12, 16, 30 and 31)	7,354,635	5,238,844
Subscription payable (Note 13)	684,150	–
Installment payable (Note 17)	–	599,975
Income tax payable	–	73,111
Total Current Liabilities	15,366,587	13,400,259
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Notes 8, 11, 12, 16, 30 and 31)	17,403,380	20,496,901
Deferred tax liabilities - net (Note 26)	1,601,118	1,735,851
Lease liabilities - net of current portion (Notes 15, 29, 30 and 31)	620,768	605,952
Pension liability - net (Note 25)	294,931	211,465
Deposits and other liabilities (Notes 15, 18, 25, 30 and 31)	1,786,490	2,705,634
Total Noncurrent Liabilities	21,706,687	25,755,803
Total Liabilities	37,073,274	39,156,062

(Forward)

	December 31	
	2020	2019
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Notes 19 and 20)	₱6,270,882	₱6,270,882
Additional paid-in capital	28,350	28,350
Other comprehensive income (Note 14)	14,219	16,719
Other equity adjustments (Note 20)	540,323	540,323
Share-based payments (Note 19)	69,700	69,700
Retained earnings (Note 20):		
Appropriated	9,700,000	7,000,000
Unappropriated	5,419,654	7,393,978
	22,043,128	21,319,952
Less cost of treasury shares (Notes 1 and 20)	185,334	185,334
Total Equity Attributable to Equity Holders of the Parent Company	21,857,794	21,134,618
Non-controlling interests (Note 6)	3,003,974	3,214,176
Total Equity	24,861,768	24,348,794
	₱61,935,042	₱63,504,856

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		
	2020	2019	2018
REVENUE			
Revenue from sale of real estate (Note 21)	₱7,213,096	₱10,825,267	₱11,360,387
Interest income (Notes 7, 8 and 22)	1,740,785	1,720,776	1,781,008
Lease income (Note 11)	1,149,868	1,845,204	1,499,103
Room revenue (Notes 12 and 21)	55,321	221,326	220,194
Cinema revenue (Note 21)	30,888	278,410	277,697
Others (Notes 13 and 21)	547,378	818,483	545,906
	10,737,336	15,709,466	15,684,295
EXPENSES			
Cost of real estate (Notes 9, 11 and 23)	5,447,788	7,722,698	8,143,738
General and administrative expenses (Notes 11, 12, 13, 23, 24 and 25)	2,016,268	2,112,637	2,155,287
Selling expenses (Notes 23 and 24)	587,931	1,063,192	964,918
	8,051,987	10,898,527	11,263,943
INCOME BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	2,685,349	4,810,939	4,420,352
OTHER INCOME (EXPENSES)			
Interest expense (Notes 16, 23 and 29)	(1,267,976)	(1,357,301)	(1,161,879)
Share in net income of joint venture and associate (Note 13)	338,811	322,737	270,595
Loss on:			
Prepayment of loan (Note 16)	(35,579)	–	–
Loan modification (Note 16)	(19,596)	–	–
Bond redemption (Note 16)	(18,528)	–	–
Foreign exchange gain (loss) - net	(9,000)	(162)	3,273
Gain on:			
Bargain purchase (Note 6)	–	191,069	–
Remeasurement of previously held interest (Note 6)	–	58,509	–
	(1,011,868)	(785,148)	(888,011)
INCOME BEFORE INCOME TAX	1,673,481	4,025,791	3,532,341
PROVISION FOR INCOME TAX (Note 26)	412,504	1,018,942	965,720
NET INCOME	1,260,977	3,006,849	2,566,621
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement loss on employee benefits (Note 25)	(79,986)	(147,877)	(5,204)
Net gain (loss) on equity instruments designated at FVOCI (Note 14)	(2,500)	6,211	3,650
Income tax effect	23,996	40,680	1,013
	(58,490)	(100,986)	(541)
TOTAL COMPREHENSIVE INCOME	₱1,202,487	₱2,905,863	₱2,566,080

(Forward)

	Years Ended December 31		
	2020	2019	2018
Net Income Attributable To			
Equity holders of the Parent Company	₱1,078,756	₱2,956,553	₱2,571,417
Non-controlling interests	182,221	50,296	(4,796)
	₱1,260,977	₱3,006,849	₱2,566,621
Total Comprehensive Income Attributable To			
Equity holders of the Parent Company	₱1,020,266	₱2,855,900	₱2,570,876
Non-controlling interests	182,221	49,963	(4,796)
	₱1,202,487	₱2,905,863	₱2,566,080
Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 32)			
Basic	₱0.1761	₱0.4831	₱0.4201
Diluted	₱0.1760	₱0.4819	₱0.4193

See accompanying Notes to Consolidated Financial Statements.

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent Company										
	Capital Stock (Notes 19 and 20)	Additional Paid-in Capital	Other Comprehensive Income (Note 14)	Other Equity Adjustments (Note 20)	Share-based Payments (Note 19)	Retained Earnings (Note 20) Appropriated	Retained Earnings (Note 20) Unappropriated	Treasury Shares (Notes 1 and 20)	Total	Non-controlling Interests (Note 6)	Total Equity
Balance at December 31, 2019	₱6,270,882	₱28,350	₱16,719	₱540,323	₱69,700	₱7,000,000	₱7,393,978	(₱185,334)	₱21,134,618	₱3,214,176	₱24,348,794
Net income	–	–	–	–	–	–	1,078,756	–	1,078,756	182,221	1,260,977
Other comprehensive loss (Notes 14 and 25)	–	–	(2,500)	–	–	–	(55,990)	–	(58,490)	–	(58,490)
Total comprehensive income	–	–	(2,500)	–	–	–	1,022,766	–	1,020,266	182,221	1,202,487
Appropriation (Note 20)	–	–	–	–	–	2,700,000	(2,700,000)	–	–	–	–
Cash dividends (Note 20)	–	–	–	–	–	–	(297,090)	–	(297,090)	–	(297,090)
Subsidiary's redemption of preferred shares from non-controlling interests (Note 6)	–	–	–	–	–	–	–	–	–	(258,322)	(258,322)
Subsidiary's payment of dividends to non-controlling interests (Note 6)	–	–	–	–	–	–	–	–	–	(134,101)	(134,101)
Balance at December 31, 2020	₱6,270,882	₱28,350	₱14,219	₱540,323	₱69,700	₱9,700,000	₱5,419,654	(₱185,334)	₱21,857,794	₱3,003,974	₱24,861,768
Balance at December 31, 2018	₱6,270,882	₱28,350	₱11,618	₱291,162	₱69,700	₱7,000,000	₱5,048,125	(₱185,334)	₱18,534,503	₱567,420	₱19,101,923
Net income	–	–	–	–	–	–	2,956,553	–	2,956,553	50,296	3,006,849
Other comprehensive loss (Notes 14 and 25)	–	–	5,101	–	–	–	(105,754)	–	(100,653)	(333)	(100,986)
Total comprehensive income	–	–	5,101	–	–	–	2,850,799	–	2,855,900	49,963	2,905,863
Cash dividends (Note 20)	–	–	–	–	–	–	(504,946)	–	(504,946)	–	(504,946)
Non-controlling interests arising from acquisition of a subsidiary (Note 6)	–	–	–	–	–	–	–	–	–	2,845,954	2,845,954
Acquisition of non-controlling interests (Note 6)	–	–	–	249,161	–	–	–	–	249,161	(249,161)	–
Balance at December 31, 2019	₱6,270,882	₱28,350	₱16,719	₱540,323	₱69,700	₱7,000,000	₱7,393,978	(₱185,334)	₱21,134,618	₱3,214,176	₱24,348,794

	Equity Attributable to Equity Holders of the Parent Company										
	Capital Stock (Notes 19 and 20)	Additional Paid-in Capital	Other Comprehensive Income (Note 14)	Other Equity Adjustments (Note 20)	Share-based Payments (Note 19)	Retained Earnings (Notes 3 and 20) Appropriated	Retained Earnings (Notes 3 and 20) Unappropriated	Treasury Shares (Notes 1 and 20)	Total	Non-controlling Interests (Note 6)	Total Equity
Balance at December 31, 2017	₱6,270,882	₱28,350	₱8,516	₱291,162	₱69,700	₱5,000,000	₱4,869,949	(₱185,334)	₱16,353,225	₱572,216	₱16,925,441
Net income	–	–	–	–	–	–	2,571,417	–	2,571,417	(4,796)	2,566,621
Other comprehensive loss (Notes 14 and 25)	–	–	3,102	–	–	–	(3,643)	–	(541)	–	(541)
Total comprehensive income	–	–	3,102	–	–	–	2,567,774	–	2,570,876	(4,796)	2,566,080
Appropriation, net of reversal (Note 20)	–	–	–	–	–	2,000,000	(2,000,000)	–	–	–	–
Cash dividends (Note 20)	–	–	–	–	–	–	(419,425)	–	(419,425)	–	(419,425)
Balance at December 31, 2018	₱6,270,882	₱28,350	₱11,618	₱291,162	₱69,700	₱7,000,000	₱5,018,298	(₱185,334)	₱18,504,676	₱567,420	₱19,072,096

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱1,673,481	₱4,025,791	₱3,532,341
Adjustments for:			
Interest income (Notes 7, 8 and 22)	(1,740,785)	(1,720,776)	(1,781,008)
Interest expense (Notes 3, 16, 23 and 29)	1,267,976	1,357,301	1,161,879
Depreciation and amortization (Notes 11, 12 and 23)	807,639	902,091	658,585
Share in net income of joint venture (Note 14)	(338,811)	(322,737)	(270,595)
Provision for disallowance of claim for refund (Note 23)	95,600	–	–
Loss on:			
Prepayments of loan (Note 16)	35,579	–	–
Loan modification (Note 16)	19,596	–	–
Bond redemption (Note 16)	18,528	–	–
Unrealized foreign exchange loss (gain) - net	9,000	162	(3,273)
Pension expense, net of contributions (Note 25)	3,480	(33,412)	(10,838)
Gain on:			
Bargain purchase (Note 6)	–	(191,069)	–
Remeasurement of previously held interest (Note 6)	–	(58,509)	–
Operating income before working capital changes	1,851,283	3,958,842	3,287,091
Decrease (increase) in:			
Trade and other receivables	2,396,957	1,505,950	11,600,909
Contract assets	(1,047,512)	3,042,187	(16,193,594)
Real estate inventories	156,055	638,493	(736,993)
Advances to contractors	(5,564)	175,713	555,996
Other current assets	(53,570)	(716,527)	29,883
Increase (decrease) in:			
Trade and other payables	737,351	(1,727,315)	936,493
Deposits and other liabilities	(923,275)	533,894	715,767
Net cash generated from operations	3,111,725	7,411,237	195,552
Income taxes paid	(674,385)	(571,287)	(715,213)
Interest received	55,870	69,211	6,604
Net cash provided by (used in) operating activities	2,493,210	6,909,161	(513,057)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Investment properties (Note 11)	(541,689)	(1,775,871)	(793,453)
Property and equipment (Note 12)	(1,292,422)	(1,257,713)	(1,342,164)
Investment in associate (Note 13)	(72,000)	–	(450,000)
Subsidiary, net of cash received (Note 6)	–	478,384	–
Non-controlling interests in a subsidiary (Note 6)	–	(208,000)	–
Dividends received (Note 13)	333,850	271,661	244,336
Decrease (increase) in other noncurrent assets	148,850	(91,511)	(361,667)
Net cash used in investing activities	(1,423,411)	(2,583,050)	(2,702,948)

(Forward)

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of loans and borrowings (Note 16)	₱9,910,000	₱6,071,382	₱7,237,600
Payments of:			
Interest-bearing loans and borrowings (Note 16)	(10,864,188)	(4,558,725)	(2,918,976)
Installment payable (Note 17)	(655,799)	–	–
Dividends (Note 20)	(292,522)	(499,367)	(415,100)
Debt issue cost (Note 16)	(68,425)	(40,546)	(38,516)
Lease liabilities (Notes 15 and 29)	(35,472)	(33,520)	–
Interest paid	(1,162,810)	(1,448,315)	(1,159,738)
Subsidiary's redemption of preferred shares from non-controlling interests (Note 6)	(258,322)	–	–
Subsidiary's payment of dividends to non-controlling interests (Note 6)	(134,101)	–	–
Advances to non-controlling interest holder (Note 28)	–	(400,000)	–
Subsidiary's issuance of shares to non-controlling interest	–	233,524	–
Net cash provided by (used in) financing activities	(3,561,639)	(675,567)	2,705,270
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(9,000)	(162)	3,273
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,500,840)	3,650,382	(507,462)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,705,862	2,055,480	2,562,942
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	₱3,205,022	₱5,705,862	₱2,055,480

See accompanying Notes to Consolidated Financial Statements.

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

1. Corporate Information

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

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, 2020 and 2019, First Philippine Holdings Corporation (FPHC) owns 86.58% of Rockwell Land and the rest by the public. Lopez, Inc. is the ultimate parent company.

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

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 26, 2021.

2. Basis of Preparation and Statement of Compliance

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

Statement of Compliance
The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), which include the availment of the reliefs granted by the Securities and Exchange Commission (SEC) under Memorandum Circular Nos. 14-2018 and 3-2019, to defer the implementation of the following accounting pronouncements until December 31, 2020. These accounting pronouncements address the issues of PFRS 15, *Revenue from Contracts with Customers,* affecting the real estate industry.

Deferral of the following provisions of Philippine Interpretations Committee (PIC) Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry

a. Assessing if the transaction price includes a significant financing component (as amended by PIC Q&A 2020-04);
b. Treatment of land in the determination of the percentage-of-completion (POC);
c. Treatment of uninstalled materials in the determination of the POC (as amended by PIC Q&A 2020-02); and
d. Accounting for Common Usage Service Area (CUSA) charges

Deferral of the adoption of PIC Q&A 2018-14: Accounting for Cancellation of Real Estate Sales (as amended by PIC Q&A 2020-05)

In December 2020, the SEC issued MC No. 34-2020, allowing the further deferral of the adoption of provisions (a) and (b) above of PIC Q&A 2018-12 for another other (three) 3 years or until December 31, 2023.

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

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

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

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

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

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

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

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

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

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

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

		Percentage of Ownership		
Subsidiaries	Nature of Business	2020	2019	2018
Rockwell Integrated Property Services, Inc.	Service provider	100.0	100.0	100.0
Rockwell Primaries Development Corporation (Rockwell Primaries)	Real estate development	100.0	100.0	100.0
Stonewell Property Development Corporation	Real estate development	100.0	100.0	100.0
Primaries Properties Sales Specialists Inc.	Marketing	100.0	100.0	100.0
Rockwell Hotels & Leisure Management Corp.	Hotel management	100.0	100.0	100.0
Rockwell Leisure Club, Inc. (Rockwell Club)	Leisure club	76.4	76.4	76.4
Retailscapes Inc. (Retailscapes)	Commercial development	100.0	100.0	100.0
Rockwell Primaries South Development Corporation (Rockwell Primaries South) (through Rockwell Primaries)	Real estate development	100.0	100.0	60.0
Rockwell MFA Corp. (Rock MFA)	Real estate development	80.0	80.0	80.0
Rockwell Carmelray Development Corporation (RCDC, formerly Carmelray Property Holdings, Inc.)*	Real estate development	54.9	52.3	14.7

**Incorporated in July 2018; Became a subsidiary in December 2019*

All subsidiaries are incorporated in the Philippines.

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

3. Changes in Accounting Policies and Disclosures

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new accounting pronouncements effective as at January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Adoption of these new pronouncements did not have an impact on the Group's consolidated financial statements unless otherwise indicated.

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

  The amendments to PFRS 3 clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Group enter into any business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

  These amendments are not applicable to the Group.

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

  The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

  The Group adopted the amendments beginning January 1, 2020. The amendments did not have an impact to the Group's consolidated financial statements as the Group was not granted rent concessions as a lessee. The amendments do not have an impact for leases where the Group is the lessor.

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

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*
  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Group shall also disclose information about:
  - The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

  The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods.

Effective beginning on or after January 1, 2022

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

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

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

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

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

  The amendments are not expected to have a material impact on the Group.

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

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

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

  The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

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

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

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

  The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

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

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

  An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2023

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

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively.

- PFRS 17, *Insurance Contracts*

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

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

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

Deferred effectivity

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

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

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

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

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

		Deferral Period
a.	Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023
b.	Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E	Until December 31, 2023
c.	Treatment of uninstalled materials in the determination of the POC discussed in PIC Q&A 2018-12-E (as amended by PIC Q&A 2020-02)	Until December 31, 2020
d.	Accounting for CUSA Charges discussed in PIC Q&A No. 2018-12-H	Until December 31, 2020

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

  After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

  The Group availed of the SEC reliefs to defer the above specific provisions of PIC Q&A No. 2018-12. Had these provisions been adopted, the Group assessed that the impact would have been as follows:
  a. The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. In case of the presence of significant financing component, the guidance should have been applied retrospectively and would have resulted in restatement of prior year financial statements. Adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales,

installment contracts receivable or contract asset, provision for deferred income tax, deferred tax asset or liability for all years presented, and the opening balance of retained earnings. The Group has yet to assess if the mismatch constitutes a significant financing component for its contracts to sell.

b. The exclusion of uninstalled materials in the determination of POC would have reduced the percentage of completion of real estate projects. Adoption of this guidance would have reduced revenue from real estate sales, cost of sales and installment contracts receivable or contract asset; increased real estate inventories and would have impacted deferred tax asset or liability and provision for deferred income tax for all years presented, and the opening balance of retained earnings.

c. Had the Group accounted for the revenue from air-conditioning services, CUSA and handling services as principal, this would have resulted in the gross presentation of the related revenue, costs and expenses. Currently, the related revenue is presented net of costs and expenses. There is no impact on opening retained earnings, income and expense and the related balance sheet accounts.

The above would have impacted the cash flows from operations and cash flows from financing activities for all years presented.

- *Deferral of PIC Q&A 2018-14, Accounting for Cancellation of Real Estate Sales (as amended by PIC Q&A 2020-05)*

  On June 27, 2018, PIC Q&A 2018-14 was issued providing guidance on accounting for cancellation of real estate sales. Under SEC MC No. 3-2019, the adoption of PIC Q&A No. 2018-14 was deferred until December 31, 2020. After the deferral period, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

  On November 11, 2020, PIC Q&A 2020-05 was issued which supersedes PIC Q&A 2018-14. This PIC Q&A adds a new approach where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost. PIC Q&A 2020-05 will have to be applied prospectively from approval date of the Financial Reporting Standards Council which was November 11, 2020.

  The Group availed of the SEC relief to defer the adoption of this PIC Q&A until December 31, 2020. Currently, the Group records the repossessed inventory at cost. The Group is still evaluating the approach to be availed among the existing options. Had the relief not been adopted and the current practice would be different from the approach to be implemented, this could have impacted the recording of revenue, cost of sales, valuation of repossessed inventory and gain or loss from repossession in 2020.

As prescribed by SEC MC No. 34-2020, for financial reporting periods beginning on or after January 1, 2021, the availment of the above deferral will impact the Group's financial reporting during the period of deferral as follows:

a. The financial statements are not considered to be in accordance with PFRS and should specify in the "*Basis of Preparation of the Financial Statements*" section of the financial statements that the accounting framework is:

   PFRS, as modified by the application of the following financial reporting reliefs issued and approved by the Securities and Exchange Commission in response to the COVID-19 pandemic: (enumerate reliefs availed of)".

b. The auditor's report will:
   i. reflect in the Opinion paragraph that the financial statements are prepared in accordance with the compliance framework described in the notes to the financial statements; and
   ii. include an Emphasis of Matter paragraph to draw attention to the basis of accounting that has been used in the preparation of the financial statements.

Upon full adoption of the above deferred guidance, the accounting policies will have to be applied using full retrospective approach following the guidance under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.*

4. Summary of Significant Accounting Policies

Business Combinations

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, *Financial Instruments*, is measured at fair value with the changes in fair value recognized in the statement of profit or loss in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

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

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification.

An asset is current when:

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

All other assets are classified as noncurrent.

A liability is current when:

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

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

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

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

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

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

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

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

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

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

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

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

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

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

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

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

Financial Assets

- *Initial Recognition and Measurement*

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

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

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

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

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

▪ *Subsequent Measurement*

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

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

The Group has no financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments) and financial assets at FVPL as at December 31, 2020 and 2019.

▪ *Financial Assets at Amortized Cost (Debt Instruments).* This category is most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

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

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

  The Group's financial assets at amortized cost includes cash and cash equivalents, trade and other receivables, restricted cash and refundable deposits as at December 31, 2020 and 2019.

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

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

  The Group elected to classify irrevocably its quoted and unquoted equity securities under this category as at December 31, 2020 and 2019.

▪ *Impairment of Financial Assets*

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

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

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

ECLs are measured in a way that reflects the following:

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

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

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

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

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

Loss Allowance
Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:
- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

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

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

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

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

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

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

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

Financial Liabilities

- *Initial Recognition and Measurement*

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

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

The Group's financial liabilities include trade and other payables (excluding statutory payables), lease liabilities, interest-bearing loans and borrowings, installment payable, retention payable, security deposits and subscription payable as at December 31, 2020 and 2019.

- *Subsequent Measurement*

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

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

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

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

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

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

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

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

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

Classification of Financial Instruments Between Liability and Equity
A financial instrument is classified as a liability if it provides for a contractual obligation to:

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

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

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

Real Estate Inventories

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

Cost includes:

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

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

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

Advances to Contractors

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

Investment Properties

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

Effective January 1, 2019, it is the Group's policy to classify right-of-use assets as part of investment properties. Prior to that date, all of the Group's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded in the consolidated statement of financial position. The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets of 35 years. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

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

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

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

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

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

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

Property Acquisition

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

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

Investment in Joint Venture and Associate

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Contract Balances

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

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

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

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

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

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

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

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

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

Amortization, Derecognition and Impairment of Contract Fulfillment Assets and Capitalized Costs to Obtain a Contract.

The Group amortizes contract fulfillment assets and capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included under cost of real estate.

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

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

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

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

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

Group as a Lessor prior to and upon Adoption of PFRS 16

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

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

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

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

Group as a Lessee upon Adoption of PFRS 16

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

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

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

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

Group as a Lessee Prior to Adoption of PFRS 16

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as lease income. Operating lease payments are recognized as expense in the consolidated statement of comprehensive income or capitalized in the consolidated statement of financial position (in case of leases directly related to construction) on a straight-line basis over the lease term.

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

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

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

<u>Treasury Shares</u>
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.

<u>Share-based Payment Transactions</u>
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.

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

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

Income Tax

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Segment Reporting
The Group's operating businesses are organized and managed separately into three business activities. Such business segments are the bases upon which the Group reports its operating segment information. The Group operates in one geographical area where it derives its revenue. Financial information on segment reporting is presented in Note 33.

5. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

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

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

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

- *Qualitative criteria*

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

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

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

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

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

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

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

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

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

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

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

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

Revenue from sale of real estate recognized over time amounted to ₱7,213.1 million, ₱10,825.3 million and ₱11,360.4 million in 2020, 2019 and 2018, respectively, while room, cinema and other revenues recognized at a point in time amounted to ₱633.6 million, ₱1,318.2 million and ₱1,043.8 million in 2020, 2019 and 2018, respectively (see Note 21).

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

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

Lease income earned from investment properties amounted to ₱1,149.9 million, ₱1,845.2 million and ₱1,499.1 million in 2020, 2019 and 2018, respectively (see Note 11).

Determining whether Lease Concessions are Lease Modifications. As a consequence of the COVID-19 pandemic, the Group provided certain rent concessions to its tenants in the form of rent-free periods and discounts from March to December 31, 2020. Management, in consultation with its external legal counsel, assessed that the grant of rent concession does not qualify as an amendment to the lease contract. The waiver of rent is pursuant to the provision in the lease contract. Accordingly, management recorded the negative variable lease payment at the time the concession was given (see Note 11).

Interest in a Joint Venture. Management has assessed that it has joint control in its joint venture agreement with Meralco and both parties have rights to the net assets of the arrangement. Under the Joint Venture Agreement, each party's share in any proceeds, profits, losses, and other economic value derived under the Joint Venture as well as any economic benefits and losses derived from the utilization of the access ways and open spaces of the joint venture property shall be proportional to the respective financial contributions made by each party (see Note 13).

Interest in an Associate. The Parent Company owns 40% of NepWell Property Management, Inc. as at December 31, 2020. The contractual arrangement relative to the JV Agreement with T.G.N. Realty Corporation does not give two or more of those parties joint control over the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. However, considering the percentage shareholdings of each party to the JVA and the agreement on quorum and voting, multiple combinations of parties could collectively control the arrangement. the Parent Company's management has assessed that it has significant influence in its JVA with T.G.N. Realty Corporation shareholders as the Parent Company has representation in the BOD of the investee company, participation in the policy-making processes and provision of essential technical information as the sole project developer and marketing and sales agent (see Note 13).

Contingencies. The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material effect on the financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 29). No provision for contingencies was recognized in 2020, 2019 and 2018.

Estimates and Assumptions

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

Purchase Price Allocation in Business Combinations. The Group accounts for the acquired businesses using the acquisition method which requires extensive use of accounting judgments and estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date. Any difference in the purchase price and the fair values of the net assets acquired is recorded as either goodwill, a separate account in the consolidated statement of financial position, or gain on bargain purchase in the consolidated statement of comprehensive income. Thus, the numerous judgments made in estimating the fair value to be assigned to the acquiree's assets and liabilities can materially affect the Group's financial position and performance.

The Group's acquisition of a subsidiary has resulted in recognition of gain on bargain purchase amounting to ₱191.1 million for the year ended December 31, 2019 (see Note 6).

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

The Group's revenue from sale of real estate is recognized using the percentage-of-completion method. This is measured principally on the basis of the estimated completion of a physical proportion of the contract work. In view of the continuing community quarantines and restricted mobility, the progress of the Group's performance obligation is adversely affected which resulted to lower percentage of completion in 2020.

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

Revenue from sale of real estate recognized over time amounted to ₱7,213.1 million, ₱10,825.3 million and ₱11,360.4 million in 2020, 2019 and 2018, respectively.

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

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

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

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

Inputs, Assumptions and Estimation Techniques. The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), defined as follows:

- *Probability of default*

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

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

- *Loss given default*

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

- *Exposure at default*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group grouped its installment contracts receivable for collective measurement into (i) individuals and (ii) corporate customers. No impairment losses were recognized for installment contracts receivable, recognized as trade receivables, in 2020 and 2019.

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

Fair Value of Financial Assets and Financial Liabilities. Entities are required to disclose for each class of financial assets and liabilities the fair value of that class of assets and liabilities in a way that permits it to be compared with the corresponding carrying amount in the consolidated statements of financial position, which requires the use of accounting judgment and estimates. While significant components of fair value measurement are determined using verifiable objective evidence (i.e., foreign exchange rates and interest rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and liabilities would affect the disclosures made by management. The fair values of the Group's financial assets and liabilities are set out in Note 31.

Evaluation of Net Realizable Value of Real Estate Inventories. Real estate inventories are carried at the lower of cost or NRV. The carrying value of real estate inventories are adjusted when the NRV becomes lower than cost due to changes in estimated selling prices less cost to sell. Real estate inventories, stated at cost, amounted to ₱13,154.5 million and ₱12,017.1 million as at December 31, 2020 and 2019, respectively (see Note 9).

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

There were no changes in the estimated useful lives of investment properties and property and equipment in 2020, 2019 and 2018.

Investment properties, net of accumulated depreciation, (excluding land and investment properties in progress) amounted to ₱10,941.1 million and ₱11,414.2 million as at December 31, 2020 and 2019, respectively (see Note 11).

Property and equipment, net of accumulated depreciation and amortization, (excluding land and construction in progress) amounted to ₱1,710.5 million and ₱2,013.0 million as at December 31, 2020 and 2019, respectively (see Note 12).

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

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

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

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

	2020	2019
Investment properties (see Note 11)	**₱14,485,925**	₱14,412,263
Property and equipment (see Note 12)	**5,282,747**	5,618,342
Investments in joint venture and associate (see Note 13)	**2,829,216**	2,943,581

The fair value of the investment properties amounted to ₱26.4 billion and ₱27.2 billion as at December 31, 2020 and 2019, respectively (see Note 11).

The Group has considered the impact of the COVID-19 pandemic and assessed that the Group's nonfinancial assets are not impaired. As at December 31, 2020 and 2019, no other impairment indicators were identified for the Group's nonfinancial assets.

No impairment loss was recognized in 2020, 2019 and 2018.

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 ₱75.9 million and ₱45.9 million as at December 31, 2020 and 2019, respectively. Unrecognized deferred tax assets amounted to ₱41.4 million and ₱49.4 million as at December 31, 2020 and 2019, respectively (see Note 26).

Pension Costs and Other Employee Benefits. The determination of the Group's obligation and cost of pension and other employee benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 24 and include, among others, discount rate and expected rate of salary increase. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

Pension liability and other employee benefits amounted to ₱294.9 million and ₱287.9 million as at December 31, 2020 and 2019, respectively. Since there is no minimum funding requirement, the resulting net asset or net liability recognized in the consolidated statements of financial position was determined as the lower of the surplus of the plan and the present value of the future service cost to the Group (see Note 25).

6. Business Combination and Non-controlling Interests

a. RCDC

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

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

As a result, the Parent Company's ownership interest in RCDC increased from 14.7% to 52.3% and the transaction was accounted for as a business combination using the acquisition method. Accordingly, the Parent Company's previously held interest of 14.7% was remeasured at acquisition date resulting in recognition of gain on remeasurement of ₱58.5 million in the 2019 consolidated statement of comprehensive income.

The identifiable net assets included in the December 31, 2019 consolidated statement of financial position were based on a provisional assessment of their fair value while the Group sought an independent valuation for the real estate inventories of RCDC.

The receivables and contract assets have not been impaired and it is expected that the full contractual amounts can be collected.

The non-controlling interests were recognized as a proportion of the fair value of the identifiable net assets acquired.

As the final purchase price allocation resulted to immaterial adjustments to the provisional amounts recognized as at December 31, 2019, no restatement has been made in the consolidated financial statements as at and for the year ended December 31, 2019.

Accordingly, the final fair values and the corresponding carrying amounts of the identifiable assets and liabilities of RCDC at acquisition date follows:

	Fair Value	Carrying Value
Cash and cash equivalents	₱1,080,634	₱1,080,634
Receivables and contract assets	2,215,644	2,215,644
Real estate inventories	3,120,964	2,543,464
Other current assets	126,271	126,271
Trade and other payables	440,701	440,701
Deferred tax liability (asset) - net	133,410	(39,840)
Net assets	5,969,402	5,565,152
Non-controlling interests (47.7% of fair value of net assets acquired)	(2,845,954)	
Fair value of previously held interest	(523,379)	
Gain on bargain purchase	(191,069)	
Consideration transferred	₱2,409,000	

RCDC did not contribute any revenues and net income to the 2019 consolidated revenues and consolidated net income of the Group. If the acquisition had taken place at the beginning of the year, RCDC's contributions to the 2019 consolidated revenue and consolidated net income would have been ₱363.3 million and ₱151.8 million, respectively. Transaction costs incurred for the acquisition amounted to ₱24.1 million which were recorded as part of "Taxes and licenses" included under "General and administrative expenses" account in the 2019 consolidated statement of comprehensive income (see Note 23).

The gain on bargain purchase was the result of the higher increase in the fair value of RCDC's real estate inventories as compared to the consideration transferred by the Parent Company.

RCDC's summarized financial information follows:

	2020	2019
Current assets	₱5,745,401	₱5,564,259
Noncurrent assets	709,404	441,594
Current liabilities	588,581	441,933
Noncurrent liabilities	215,639	2,048
Revenues	1,986,981	363,287
Total comprehensive income	736,301	97,818

	2020	2019
Cash flows:		
Operating	247,129	(205,225)
Financing	(647,587)	835,774

In 2020, RCDC redeemed preferred shares of non-controlling interest holder and paid dividends to non-controlling interest holder amounting to ₱258.3 million and ₱134.1 million, respectively. Non-controlling interest in RCDC amounted to ₱2,622.0 million and ₱2,846.0 million as at December 31, 2020 and 2019, respectively.

b. Rock MFA

On July 14, 2017, the Parent Company entered into a Joint Venture Agreement with Mitsui Fudosan (Asia) Pte. Ltd. (Mitsui) to develop the residential component of its project in Quezon City called "The Arton by Rockwell". In accordance with the Agreement, Rock MFA was incorporated on August 22, 2017 by the Parent Company and Mitsui through SEAI Metro Manila One, Inc. (MFAP) to handle the development of "The Arton by Rockwell". As at December 31, 2020 and 2019, the Parent Company owns 80% interest in Rock MFA.

Non-controlling interest in Rock MFA amounted to ₱312.7 million, ₱292.6 million and ₱287.5 million as at December 31, 2020, 2019 and 2018, respectively.

c. Rockwell Primaries South

On December 22, 2014, Rockwell Primaries entered into a Memorandum of Agreement with ATR Holdings, Inc. and Dragon Eagle International Limited for the joint and collective investment in and acquisition of all of the outstanding common shares of Maybank ATR Kim Eng Capital Partners, Inc. (Maybank ATR) in Rockwell Primaries South, the developer of East Bay Residences (East Bay) project. Rockwell Primaries acquired 1,860,000 common shares, equivalent to 60% ownership interest, through a Deed of Absolute Sale for a consideration of ₱591.1 million (initial consideration of ₱561.6 million plus payment of indemnity premium of ₱29.5 million). Initial payment representing 25% of the purchase price was made at closing date and the remaining 75% is payable over five years with 5% interest per annum (see Notes 5 and 9). The note payable was paid in full in 2019 (see Note 16).

On July 29, 2019, Rockwell Primaries, ATR Holdings, Inc. and Dragon Eagle International Limited entered into a Share Sale and Purchase Agreement wherein Rockwell Primaries will purchase the 1,240,000 common shares held by ATR Holdings, Inc. and Dragon Eagle International Limited, equivalent to 40% ownership interest, for a total consideration of ₱208.0 million. As a result, Rockwell Primaries South became a wholly owned subsidiary of Rockwell Primaries effective July 2019 and non-controlling interests was reduced by ₱249.2 million, representing the carrying value of non-controlling interests as of the date of additional acquisition, with a credit of ₱249.2 million to other equity adjustment. The total consideration was paid in full in 2019.

Non-controlling interest in Rockwell Primaries South amounted to ₱260.3 million as at December 31, 2018.

7. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand and in banks	₱1,367,806	₱1,574,009
Short-term investments	1,837,216	4,131,853
	₱3,205,022	₱5,705,862

Cash in banks earn interest at the respective bank deposit rates. Short-term investments consist of peso and dollar-denominated placements made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term investment rates.

Interest income earned from cash in banks and short-term investments amounted to ₱10.9 million, ₱26.0 million and ₱5.0 million in 2020, 2019 and 2018 respectively (see Note 22).

8. Trade and Other Receivables and Contract Assets

Trade and other receivables consist of:

	2020	2019
Trade receivables from:		
Sale of real estate (see Note 21)	₱3,465,017	₱4,367,513
Lease	443,608	234,784
Advances to officers and employees (see Note 28)	53,720	44,736
Others	164,617	179,086
	4,126,962	4,826,119
Less: Allowance for doubtful accounts	(16,992)	(3,562)
	₱4,109,970	₱4,822,557

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

As of December 31, contract assets consist of:

	2020	2019
Current	₱12,081,855	₱6,873,196
Noncurrent	2,117,064	6,278,211
	₱14,198,919	₱13,151,407

In 2020 and 2019, the Group entered into loan financing agreements with financial institutions whereby the Group assigned its installment contracts receivables on a with recourse basis. These receivables are used as collateral to secure the corresponding loans payable obtained. The Group still retains the assigned receivables in the trade receivables account and recognizes the proceeds from the loan availment as loans payable. As at December 31, 2020, the carrying value of installment contracts receivables and contract assets, and the corresponding loans payable amounted to ₱2,179.7 and ₱3,077.7 million, respectively (see Note 16). As at December 31, 2019, the carrying value of installment contracts receivables and contract assets, and the corresponding loans payable amounted to ₱4,657.9 million and ₱5,420.1 million, respectively (see Note 16).

Contract assets represent excess of recognized revenues from contracts with real estate customers determined based on percentage of completion against amounts billed to customers. As at December 31, 2020, the movement in contract assets comprises the reclassifications to installment contracts receivables from sale of real estate, and unbilled revenues recognized for the year amounting to ₱3,465.0 million and ₱14,198.9 million. As at December 31, 2019, the movement in contract assets comprises of the reclassifications to installment contracts receivables from sale of real estate, and unbilled revenues recognized for the year amounting to ₱4,367.5 million and ₱13,151.4 million, respectively (see Note 21).

Interest income earned from sale of real estate amounted to ₱1.7 billion, ₱1.7 billion and ₱1.8 billion in 2020, 2019 and 2018, respectively (see Note 22). Unamortized unearned interest on these receivables and contract assets amounted to ₱2.82 billion and ₱2.47 billion as at December 31, 2020 and 2019, respectively.

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

	2020	2019
Trade receivables/contract assets at nominal amount	₱20,485,639	₱19,993,913
Less unearned interest:		
Balance at beginning of year	2,474,993	3,146,404
Unearned interest	2,033,522	980,621
Amortization (see Note 22)	(1,686,812)	(1,652,032)
Balance at end of year	2,821,703	2,474,993
Trade receivables/contract assets at discounted amount	₱17,663,936	₱17,518,920

Trade receivables from lease represent short-term receivables from the "Power Plant" Mall tenants and from other commercial establishments on properties held for lease within the Rockwell Center, The Grove, The Rockwell Business Center (RBC) Sheridan, Santolan Town Plaza, 53 Benitez, The Arton Strip, The Vantage Gallery and East Bay Retail Row which are normally collectible within 30 days from billing date.

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

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

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

	2020		2019	
	Trade Receivables from Lease	Others	Trade Receivables from Lease	Others
Balance at beginning of year	₱1,549	₱2,013	₱1,549	₱2,013
Provisions (Note 23)	3,564	9,866	–	–
Balance at end of year	₱5,113	₱11,879	₱1,549	₱2,013

9. Real Estate Inventories

This account consists of:

	2020	2019
Land and development costs:		
Rockwell South	₱2,608,858	₱3,120,964
The Arton	1,512,428	1,579,418
East Bay Residences (see Note 6)	1,133,197	1,167,581
Mactan	890,888	826,461
Proscenium (see Note 17)	673,620	1,023,308
Terreno South	567,270	357,725
Bacolod	429,583	361,249
Stonewell	194,369	178,393
32 Sanson	140,561	212,393
The Vantage	120,367	128,776
Edades Suites	203	7,638
Land held for future development and other developments costs	3,695,916	2,753,229
Condominium units for sale	1,187,245	299,925
	₱13,154,505	₱12,017,060

The rollforward analysis of this account follows:

	2020	2019
At January 1	₱12,017,060	₱10,486,706
Cost of real estate sold (shown as part of "Cost of real estate" account in the consolidated statements of comprehensive income)	(4,991,811)	(7,327,049)
Construction/development costs incurred (see Note 29)	4,172,083	5,440,607
Land acquired	663,673	1,247,949
Transfers from (to) property and equipment (see Note 12)	1,293,500	(952,117)
Effect of business combination (see Note 6)	–	3,120,964
Balance at end of year	₱13,154,505	₱12,017,060

Details related to on-going projects as at December 31 are as follows:

Project	Structure and Location	Expected Completion Date	Construction Stage*	Estimated Cost to Complete 2020	2019
The Arton:					
West	Highrise condominium, Quezon City	2022	Superstructure	₱951,617	₱1,544,990
North	Highrise condominium, Quezon City	2023	Superstructure	2,040,006	2,126,939
East Bay Residences:					
Fordham	Midrise condominium, Muntinlupa City	2022	Superstructure	287,970	650,217
Larsen	Midrise condominium, Muntinlupa City	2025	Site development	1,403,234	1,179,575

(Forward)

Project	Structure and Location	Expected Completion Date	Construction Stage*	Estimated Cost to Complete 2020	2019
Rockwell South:					
Cluster 1	Residential lots, Laguna	2022	Land development	₱973,764	₱1,115,713
Cluster 2	Residential lots, Laguna	2022	Site development	334,476	425,320
Proscenium:					
Lorraine	Highrise condominium, Rockwell Center	2020	Superstructure	–	305,938
Residences	Highrise condominium, Rockwell Center	2021	Superstructure	1,418,664	2,188,780
32 Sanson Solihiya	Midrise condominium, Cebu City	2021	Superstructure	121,195	293,803
The Vantage					
West	Highrise condominium, Pasig City	2021	Superstructure	152,939	262,477
East	Highrise condominium, Pasig City	2021	Superstructure	253,735	285,559
Stonewell:					
Acacia	Residential house and lots, Batangas	2020	Superstructure	–	3,513
Mahogany	Residential house and lots, Batangas	2022	Superstructure	104,117	165,441
Royal Palms	Residential house and lots, Batangas	2022	Superstructure	134,387	214,323
Edades Suites	Highrise condominium, Rockwell Center	2021	Superstructure	455,087	360,586
Terreno South					
Phase 1	Residential lots, Batangas	2021	Land development	68,694	37,260
Phase 2	Residential lots, Batangas	2022	Land development	148,301	–
Aruga Residences	Highrise condominium, Mactan	2024	Superstructure	3,706,053	–
				₱12,554,239	₱11,160,434

**Construction stage as at December 31, 2020.*

As at December 31, 2020 and 2019, land held for future development and other development costs mainly pertain to land acquisitions in Manila and certain provinces.

As at December 31, 2020, condominium units for sale primarily pertain to unsold units of recently completed projects such as Proscenium Kirov, Lorraine and Podiums, The Grove and Edades Serviced Apartments which are now available for sale. As at December 31, 2019, condominium units for sale primarily pertain to unsold completed units of Proscenium Kirov, Lincoln, and Sakura; and The Grove.

As at December 31, 2020 and 2019, advances to contractors, shown separately in the consolidated statements of financial position, mainly pertain to advances related to the development of various projects.

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

10. Other Current Assets

This account consists of:

	2020	2019
Creditable withholding tax	₱955,989	₱774,761
Input VAT	701,486	586,681
Prepaid costs (see Notes 17 and 21)	449,805	608,855
Refundable deposits	71,506	73,594
Supplies	20,793	16,230
Restricted cash	15,416	15,416
Others	36,354	42,966
	₱2,251,349	₱2,118,503

Prepaid costs primarily pertain to costs to obtain a contract which consist of sales commission pertaining to real estate sold capitalized as deferred selling expense (see Note 21).

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

Restricted cash represents funds in escrow intended for the payment of land acquired in 2019. In January 2021, said escrow has been released to the seller.

11. Investment Properties

The rollforward analysis of this account follows:

2020	Land	Buildings and Improvements	Right-of-use Assets	Investment Properties in Progress	Total
At January 1, 2020, net of accumulated depreciation and amortization	₱2,777,154	₱10,905,029	₱509,218	₱220,862	₱14,412,263
Additions to construction (see Note 29)	–	–	–	546,784	546,784
Depreciation and amortization (see Note 23)	–	(457,854)	(15,268)	–	(473,122)
At December 31, 2020, net of accumulated depreciation and amortization	₱2,777,154	₱10,447,175	₱493,950	₱767,646	₱14,485,925

2020	Land	Buildings and Improvements	Right-of-use Assets	Investment Properties in Progress	Total
At January 1, 2020:					
Cost	₱2,777,154	₱13,932,141	₱524,486	₱220,862	₱17,454,643
Accumulated depreciation and amortization	–	(3,027,112)	(15,268)	–	(3,042,380)
Net carrying amount	₱2,777,154	₱10,905,029	₱509,218	₱220,862	₱14,412,263
At December 31, 2020:					
Cost	₱2,777,154	₱13,932,141	₱524,486	₱767,646	₱18,001,427
Accumulated depreciation and amortization	–	(3,484,966)	(30,536)	–	(3,515,502)
Net carrying amount	₱2,777,154	₱10,447,175	₱493,950	₱767,646	₱14,485,925

2019	Land	Buildings and Improvements	Right-of-use Assets	Investment Properties in Progress	Total
At January 1, 2019, net of accumulated depreciation and amortization	₱2,622,994	₱9,747,215	₱524,486	₱146,848	₱13,041,543
Additions:					
Land acquisition	154,160	–	–	–	154,160
Construction costs (see Note 29)	–	1,448,511	–	178,966	1,627,477
Reclassification	–	104,952	–	(104,952)	–
Depreciation and amortization (see Note 23)	–	(395,649)	(15,268)	–	(410,917)
At December 31, 2019, net of accumulated depreciation and amortization	₱2,777,154	₱10,905,029	₱509,218	₱220,862	₱14,412,263

2019	Land	Buildings and Improvements	Right-of-use Assets	Investment Properties in Progress	Total
At January 1, 2019:					
Cost	₱2,622,994	₱12,378,678	₱524,486	₱146,848	₱15,673,006
Accumulated depreciation and amortization	–	(2,631,463)	–	–	(2,631,463)
Net carrying amount	₱2,622,994	₱9,747,215	₱524,486	₱146,848	₱13,041,543
At December 31, 2019:					
Cost	₱2,777,154	₱13,932,141	₱524,486	₱220,862	₱17,454,643
Accumulated depreciation and amortization	–	(3,027,112)	(15,268)	–	(3,042,380)
Net carrying amount	₱2,777,154	₱10,905,029	₱509,218	₱220,862	₱14,412,263

Investment properties are carried at cost. Investment properties consist of the "Power Plant" Mall (₱3.5 billion as at December 31, 2020 and 2019), other investment properties held for lease within the Rockwell Center, The Grove, Santolan Town Plaza, 53 Benitez, RBC Sheridan, East Bay Retail Row and The Arton Strip (₱10.7 billion and ₱9.6 billion as at December 31, 2020 and 2019, respectively) and land held for appreciation (₱771.5 million and ₱954.8 million as at December 31, 2020 and 2019, respectively).

Investment properties in progress include costs incurred for the construction of One Proscenium and Rockwell Performing Arts Theater in 2020 and One Proscenium in 2019. General borrowing costs capitalized as part of investment properties amounted to ₱33.8 million and ₱9.6 million in 2020 and 2019, respectively (see Note 16). Average capitalization rates used for all ongoing projects are 5.37% and 5.54% in 2020 and 2019, respectively.

Accretion of interest expense on installment payable, capitalized as part of construction costs, amounted to ₱0.9 million and ₱3.0 million in 2020 and 2019, respectively (see Note 17).

Amortization of discount on retention payable, capitalized as part of construction costs, amounted to ₱4.1 million and ₱2.8 million in 2020 and 2019, respectively (see Note 18).

As at December 31, 2020 and 2019, advances to contractors, included under "Other noncurrent assets" account in the consolidated statements of financial position, amounting to ₱299.1 million and ₱349.9 million, respectively, primarily pertain to advances related to the development of "Mactan Hotel", "Aruga Makati" "One Proscenium" projects and "Mall Expansion" and "One Proscenium" projects.

Lease income earned from investment properties amounted to ₱1,149.9 million, ₱1,845.2 million and ₱1,499.1 million in 2020, 2019 and 2018, respectively. Direct operating expenses incurred amounted to ₱555.7 million, ₱633.6 million and ₱596.8 million in 2020, 2019 and 2018, respectively.

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

The aggregate fair value of the Group's Power Plant Mall and Mall Expansion amounted to ₱12.5 billion and ₱13.0 billion as at December 31, 2020 and 2019, respectively. The aggregate fair value of other investment properties held for lease within the Rockwell Center, The Grove, RBC Sheridan, 8 Rockwell, Santolan Town Plaza,, East Bay Retail Row, The Arton Strip, The Vantage Gallery and land held for appreciation amounted to ₱13.9 billion and ₱14.2 billion as at December 31, 2020 and 2019, respectively.

The fair value as at December 31, 2020 and 2019 was determined by independent professionally qualified appraisers. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation.

The fair value of the mall and investment properties held for lease within the Rockwell Center, The Grove, RBC Sheridan,8 Rockwell, Santolan Town Plaza, East Bay Retail Row, The Vantage Gallery and The Arton Strip was arrived at through the use of the "Income Approach," particularly the "Discounted Cash Flow Analysis" which is a financial modelling technique based on explicit assumptions regarding the prospective cash flow to a property. This analysis involves the projection of a series of periodic cash flows to an operating property. To this projected cash flow series, an appropriate discount rate is applied to establish an indication of the present value of the income stream associated with the property being valued. In an operating property, periodic cash flow is typically estimated as gross revenue less operating expenses and other outgoings. The series of periodic net operating incomes, along with an estimate of the terminal value, anticipated at the end of the projection period, is then discounted at the discount rate, being a cost of capital or a rate of return used to convert a monetary sum, payable or receivable in the future, into present value. This is included under Level 3 in the fair value hierarchy (see Note 31).

The fair value of land held for appreciation and land component of assets under construction was arrived at through the use of the "Market Data Approach." "Market Data Approach" is based on the assumption that no prudent purchaser will buy more than what it will cost him to acquire an equally desirable substitute parcel or site. This approach is primarily based on sales and listings, which are adjusted for time of sale, location, and general characteristics of comparable lots in the neighborhood where the subject lot is situated. This is included under Level 2 in the fair value hierarchy (see Note 31).

The fair value of assets recently completed and undergoing construction was arrived at through the use of the "Cost Approach". "Cost Approach" is based on the amount required to replace the service capacity of an asset (frequently referred to as current replacement cost). This approach is applied by estimating the amount that currently would be required to construct a substitute software asset of comparable utility. This is included under Level 3 in the fair value hierarchy (see Note 31).

12. Property and Equipment

The rollforward analysis of this account follows:

	2020					
	Land	Buildings and Improvements	Office Furniture and Other Equipment	Transportation Equipment	Construction in Progress	Total
Cost						
At January 1	₱1,232,168	₱2,470,985	₱1,921,266	₱368,501	₱2,497,494	₱8,490,414
Additions	–	–	60,593	3,605	1,228,224	1,292,422
Transfers to real estate inventories (see Note 9)	(717,136)	(698,503)	–	–	–	(1,415,639)
At December 31	515,032	1,772,482	1,981,859	372,106	3,725,718	8,367,197
Accumulated Depreciation and Amortization						
At January 1	–	1,021,824	1,558,478	291,770	–	2,872,072
Depreciation and amortization (see Note 22)	–	156,634	151,209	26,674	–	334,517
Transfers to real estate inventories	–	(122,139)	–	–	–	(122,139)
At December 31	–	1,056,319	1,709,687	318,444	–	3,084,450
Net Book Value at December 31	₱515,032	₱716,163	₱272,172	₱53,662	₱3,725,718	₱5,282,747

	2019					
	Land	Buildings and Improvements	Office Furniture and Other Equipment	Transportation Equipment	Construction in Progress	Total
Cost						
At January 1	₱280,051	₱2,470,985	₱1,763,092	₱323,428	₱1,467,384	₱6,304,940
Additions	–	–	170,692	56,911	1,030,110	1,257,713
Transfers from real estate inventories (see Note 9)	952,117	–	–	–	–	952,117
Disposals	–	–	(12,518)	(11,838)	–	(24,356)
At December 31	1,232,168	2,470,985	1,921,266	368,501	2,497,494	8,490,414
Accumulated Depreciation and Amortization						
At January 1	–	807,805	1,351,733	245,716	–	2,405,254
Depreciation and amortization (see Note 22)	–	214,019	219,263	57,892	–	491,174
Disposals	–	–	(12,518)	(11,838)	–	(24,356)
At December 31	–	1,021,824	1,558,478	291,770	–	2,872,072
Net Book Value at December 31	₱1,232,168	₱1,449,161	₱362,788	₱76,731	₱2,497,494	₱5,618,342

Construction in progress pertains to the ongoing construction of Aruga Makati, Aruga Mactan and Rockwell Performing Arts Theater.

Borrowing costs capitalized as part of property and equipment amounted to ₱105.9 million and ₱71.9 million in 2020 and 2019, respectively (see Note 16). Average capitalization rates used are 5.37% and 5.54% in 2020 and 2019, respectively.

As at December 31, 2020 and 2019, advances to contractors, included under "Other noncurrent assets" account in the consolidated statements of financial position, amounting to ₱299.0 million and ₱235.9 million, respectively, primarily pertain to advances related to the development of "Aruga Makati", "Mactan Hotel" and "One Proscenium" projects; and "Mall Expansion and "One Proscenium" project, respectively.

13. Investments in Joint Venture and Associate

This account consists of:

	2020	2019
Investment in:		
Joint venture	₱2,073,066	₱2,943,581
Associate	756,150	–
	₱2,829,216	₱2,943,581

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

In accordance with the terms of the JV Agreement, the Parent Company acts as the Property Manager of the unincorporated JV. Management fees recognized by the Parent Company, which is shown as part of "Others" account in the consolidated statements of comprehensive income, amounted to ₱8.0 million, ₱8.3 million and ₱11.4 million in 2020, 2019 and 2018, respectively (see Note 28). The unincorporated JV will be managed and operated in accordance with the terms of the JV Agreement and with the Property Management Plan provided for in the JV Agreement. The principal place of business of the unincorporated JV is at Meralco Compound, Ortigas Center, Pasig City.

On November 25, 2009, Meralco and the Parent Company agreed to revise the sharing of earnings before depreciation and amortization to 80% for the Parent Company and 20% for Meralco until 2014 or until certain operational indicators are reached, whichever comes first. Sharing of depreciation and amortization is proportionate to their contribution.

On December 6, 2013, Meralco and the Parent Company entered into a Supplemental Agreement to the JV Agreement to include their respective additional rights and obligations, including the development and construction of the third tower of the BPO Building. Under the Supplemental Agreement, Meralco shall contribute the corresponding use of the land where the third BPO Building will be constructed while the Parent Company shall provide the additional funds necessary to cover the construction costs. Construction of the third tower was completed in December 2014.

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

	2020	2019
Current assets	₱1,011,256	₱1,076,008
Noncurrent assets	2,644,733	3,712,320
Current liabilities	378,849	382,044
Noncurrent liabilities	315,617	201,168
Cash and cash equivalents	672,994	827,326
Current financial liabilities (excluding trade and other payables and provisions)	108,517	91,367
Noncurrent financial liabilities (excluding trade and other payables and provisions)	191,916	190,027

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

	2020	2019	2018
Revenue	₱782,659	₱738,588	₱704,283
General and administrative expenses	(9,025)*	4,278	31,247
Depreciation and amortization expense	175,609	184,499	175,609
Interest income	9,827	19,788	10,675
Provision for income tax	141,886	129,789	123,565
Total comprehensive income/net income	484,016	439,810	384,537

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

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

	2020	2019
Cost	₱2,536,691	₱2,536,691
Return of investment*	(875,476)	–
	1,661,215	2,536,691
Accumulated share in net income:		
Balance at beginning of year	406,890	370,684
Share in net income**	338,811	307,867
Dividend distribution	(333,850)	(271,661)
Balance at end of year	411,851	406,890
Carrying value	₱2,073,066	₱2,943,581

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

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

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

	2020	2019
Net assets of the unincorporated JV	₱2,961,523	₱4,205,116
Interest of the Parent Company in the net asset of the unincorporated JV	70%	70%
Carrying amount of investment in joint venture	₱2,073,066	₱2,943,581

As at December 31, 2020 and 2019, the unincorporated JV has no commitments and contingencies.

Investment in Associate

a. NepWell Property Management, Inc.

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

On November 6, 2020, the Parent Company subscribed to 746,698,125 redeemable preference shares and 9,451,878 common shares of NPMI, equivalent to 40% of NPMI's outstanding capital stock, for a total consideration of ₱756.2 million. As at December 31, 2020, the Parent Company made partial payment of the subscription price amounting to ₱72.0 million and accounted for such investment as an associate.

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

The Parent Company's share in the profit or loss/total comprehensive income of the NPMI in 2020 is not material to the consolidated financial statements.

b. RCDC

On August 8, 2018, the Parent Company entered into a JV Agreement with Carmelray shareholders, through RCDC (formerly Carmelray Property Holdings, Inc.) (JV Co.), a newly incorporated entity, to jointly develop lots, house and lots, townhouses, and midrise condominium in Calamba, Laguna.

As at December 31, 2018, Rockwell Land contributed ₱450.0 million to the JV Co. in exchange for 450,000 common shares (eventually converted into 44.1 million Class A redeemable preferred shares and 900,000 common shares on May 27, 2019) for a total ownership of 14.7%. An escrow account was initially established for the purpose of the contribution (see Note 10).

The Parent Company and Carmelray shareholders will eventually own 70% and 30% of JV Co., respectively. The shareholding of the shareholders shall be adjusted to approximate the actual capital contribution in the JV Co.

The Parent Company assessed that it has significant influence over the JV Co. as at December 31, 2018 and accounted for its investment as an associate.

On November 20, 2019, the Parent Company infused ₱602.3 million in RCDC for subscription to an additional 240,900,000 Class A redeemable preferred shares at an aggregate amount of ₱2,409.0 million, subject to SEC approval of RCDC's increase in authorized capital stock. On December 18, 2019, the SEC approval has been obtained and RCDC became Rockwell Land's subsidiary. Accordingly, the investment in associate was reclassified to investment in subsidiary and the additional subscription was accounted for as a business combination (see Note 6).

The Parent Company's share in the profit or loss/total comprehensive income of the associate in 2019 prior to additional subscription amounting to ₱14.9 million is presented as part of the "Share in net income of joint venture and associate" account in the 2019 consolidated statement of comprehensive income. The Parent Company's share in the profit or loss/total comprehensive income of RCDC in 2018 is not material to the consolidated financial statements.

14. Investment in Equity Instruments at FVOCI

As at December 31, this account consists of:

	2020	2019
Quoted	₱28,460	₱38,211
Unquoted	3,288	3,308
	₱31,748	₱41,519

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

	2020	2019
Balance at beginning of year	₱38,211	₱20,000
Disposal	(7,251)	–
Acquisition	–	12,000
Unrealized gain (loss) on fair value adjustments	(2,500)	6,211
Balance at end of year	₱28,460	₱38,211

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

15. Trade and Other Payables

This account consists of:

	2020	2019
Trade	₱1,177,575	₱735,805
Accrued expenses:		
Project costs	758,056	968,235
Taxes and licenses	484,385	654,162
Selling, marketing and promotions	293,577	303,877
Interest	119,137	176,345
Utilities	67,452	80,635
Repairs and maintenance	31,064	49,240
Producers' share	11,295	31,248
Others (see Notes 18 and 25)	231,413	105,750
Deferred output VAT	1,475,268	1,765,746

(Forward)

	2020	2019
Contract liabilities:		
Excess of collections over recognized receivables (see Notes 18 and 21)	₱986,081	₱940,957
Deposits from pre-selling of condominium units (see Notes 18 and 21)	19,937	220,999
Advance payments from members and customers (see Note 21)	10,951	12,812
Current portions of:		
Security deposits (see Note 18)	249,734	262,024
Retention payable (see Note 18)	891,079	201,252
Deferred lease income (see Note 18)	158,430	162,882
Lease liabilities (see Note 29)	30,242	31,807
Output VAT	185,342	214,634
Due to related party (see Notes 13 and 28)	–	488,808
Others	146,784	81,111
	₱7,327,802	₱7,488,329

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 certain projects with pending recognition of revenue. The current portion of these deposits are expected to be applied against receivable from sale of condominium units the following year (see Notes 9 and 21).

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

16. Interest-bearing Loans and Borrowings

This account consists of:

	Effective Interest Rate	2020	2019
Current			
Bonds payable	5.25% fixed	₱3,313,400	₱–
CTS loans	5.7%, 5.6%, 5.5%, 5.6%, 5.3%, 6.6%, 6.7%, 5.4%	2,638,417	1,777,449
Term loan	5.6%, 4.7%, 2.7% floating, 6.1%, 5.7%, 4.5%, 5.5%, 5.8%, 5.2%, 4.5% floating, 3.6%, 3.1%, 3.9%,	627,923	1,202,259
Short-term loans	3.0%, 2.8%	800,000	750,000
Corporate notes	5.1%, 4.8%, 4.7% fixed	–	1,528,000
		7,379,740	5,257,708
Less unamortized loan transaction costs		25,105	18,864
		₱7,354,635	₱5,238,844
Noncurrent			
Term loan	5.6%, 4.7%, 2.7% floating, 6.1%, 5.7%, 4.5%, 5.5%, 5.8%, 5.2%, 4.5%	₱17,039,371	₱11,912,238
CTS loans	5.7%, 5.6%, 5.5%, 5.6%, 5.3%, 6.6%, 6.7%, 5.4%	439,282	3,642,635
Bonds payable	5.3% fixed	–	5,000,000
		17,478,653	20,554,873
Less unamortized loan transaction costs		75,273	57,972
		₱17,403,380	₱20,496,901

Bonds Payable

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

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

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

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

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

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

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

The outstanding balance of the bonds payable, net of unamortized loan transaction costs, amounted to ₱3,312.7 million and ₱4,991.1 million as of December 31, 2020 and 2019, respectively.

Contracts to Sell (CTS) Loan Financing

In 2020 and 2019, the Group entered into loan financing agreements with financial institutions to fund the ongoing construction of its projects whereby the Group assigned its installment contracts receivables under its CTS on a with recourse basis. These receivables are used as collateral to secure the corresponding loans obtained (see Note 8).

The CTS loans bear fixed interest rates ranging from 5.0% to 6.0%. Principal payments on the loan amounting to ₱2,457.2 million and ₱1,060.8 million were made in 2020 and 2019, respectively.

Schedule of drawdowns are set out below:

Drawdown	Drawdown Date	Maturity	Start of Principal Payment	No. of Payments	Amount (in billions)
1	March 2018	3 years	June 2018	12	₱0.54
2	March 2018	2 years	Mar 2019	2	0.57
3	March 2018	2 years	Mar 2018	22	0.32
4	April 2018	3 years	Jul 2018	12	0.29
5	April 2018	2 years	Apr 2019	2	0.43
6	May 2018	3 years	Jun 2018	36	0.53

(Forward)

Drawdown	Drawdown Date	Maturity	Start of Principal Payment	No. of Payments	Amount (in billions)
7	June 2018	3 years	Jul 2018	36	₱0.47
8	July 2018	3 years	Oct 2018	12	0.16
9	August 2018	3 years	Sep 2018	40	0.22
10	August 2018	3 years	–	Lumpsum	0.42
11	August 2018	3 years	Sep 2018	36	0.36
12	September 2018	3 years	–	Lumpsum	0.21
13	October 2018	3 years	–	Lumpsum	0.33
14	March 2019	3 years	Apr 2019	39	0.50
15	June 2019	3 years	Jul 2019	39	0.42
16	June 2019	3 years	Jul 2019	29	0.56
17	September 2019	2 years	–	Lumpsum	0.28
18	September 2019	2 years	–	Lumpsum	0.12
19	September 2019	2 years	–	Lumpsum	0.12
					₱6.85

The outstanding balance of the CTS loans, net of unamortized loan transaction costs, amounted to ₱3,070.9 million and ₱5,350.2 million as of December 31, 2020 and 2019, respectively.

Term Loan

PNB. On May 25, 2016 and December 19, 2019, the Parent Company entered into credit facilities with PNB each amounting to ₱5.0 billion, for a total of ₱10.0 billion. The Parent Company will pay 70% of the loan amounts quarterly over the term of the loans and the balance upon maturity. Details of drawdowns are as follows:

Drawdown	Drawdown Date	Maturity	Start of Principal Payment	No. of Quarterly Payments	Amount (in billions)
1	May 2016	10 years	August 2018	32	₱1.0
2	August 2017	7 years	August 2019	20	1.0
3	September 2017	7 years	September 2019	20	1.0
4	October 2017	7 years	October 2019	20	1.0
5	December 2017	7 years	December 2019	20	1.0
6	December 2019	7 years	December 2021	20	1.0
7	January 2020	7 years	April 2022	20	1.0
8	December 2020	7 years	March 2023	20	1.0
					₱8.0

As at December 31, 2020, the total undrawn amount from the credit facilities with PNB amounted to ₱2.0 billion.

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

Schedule of drawdowns are shown below.

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

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

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

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

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

Schedule of drawdowns are shown below.

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

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

Schedule of drawdowns are shown below.

Drawdown	Drawdown Date	Maturity	Start of Principal Payment	No. of Quarter Payments	Amount (in billions)
1	February 2020	10 years	May 2022	32	₱1.0
2	April 2020	10 years	July 2022	32	1.0
3	July 2020	10 years	October 2022	32	2.0
4	September 2020	10 years	December 2022	32	1.0
					₱5.0

As at December 31, 2020, the total undrawn amount from the credit facilities with BDO amounted to ₱5.0 billion.

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

As at December 31, 2020 and 2019, the loan proceeds received by Rockwell MFA from SEAI Metro Manila One, Inc. amounted to ₱215.6 million and ₱105.6 million, respectively.

The loan bears an interest rate equal to the base rate plus the applicable spread of 150 bps. The base rate may be any benchmark rate relevant to the currency and term of the loan. The outstanding loan drawdowns in 2018 and 2019 shall be payable in lumpsum on December 31, 2022 while the loan drawdowns in 2020 shall be payable on December 31, 2023.

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

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

The outstanding balance of the term loans, net of unamortized loan transaction costs, amounted to ₱17,574.4 million and ₱13,066.5 million as of December 31, 2020 and 2019, respectively.

Short-term Loans
In 2020 and 2019, the Parent Company obtained short-term loans from various financial institutions bearing interest rates ranging from 3.00% to 5.75% with terms of four to six months and ranging from 3.5% to 6.1% with terms of two months up to one year, respectively. As at December 31, 2020 and 2019, outstanding short-term loans amounted to ₱0.8 billion and ₱0.7 billion, respectively.

Corporate Notes
On November 27, 2012, the Parent Company entered into a Fixed Rate Corporate Notes Facility Agreement ("the Notes") with First Metro Investment Corporation (FMIC), PNB Capital and Investment Corporation, Metropolitan Bank and Trust Company (MBTC) - Trust Banking Group, and Philippine National Bank (PNB) - Trust Banking Group for the ₱10.0 billion Notes for the purpose of refinancing the existing ₱4.0 billion fixed rate corporate notes and to finance the Parent Company's capital expenditures and land acquisitions.

Details of the drawdown is as follows:

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

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

The Notes are payable in 22 quarterly payments which started in October 2014. A portion of Tranche 2 amounting to ₱1.2 billion is paid annually at 1% of the principal amount from the issue date for six (6) years while the remaining 94% of the principal amount is paid in 2020.

The outstanding balance of the Notes, net of unamortized loan transaction costs, amounted to nil and ₱1,527.9 million as of December 31, 2020 and 2019, respectively.

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

In 2019 and 2018, Rockwell Primaries made principal payments on the loan amounting to ₱92.7 million and ₱88.3 million, respectively. In 2019 and 2018, interest expense incurred and paid amounted to ₱4.6 million and ₱9.0 million, respectively (see Note 23). The note payable was paid in full in 2019.

On December 23, 2014, Rockwell Primaries South obtained a loan from Maybank ATRKE Capital in the aggregate principal amount of ₱112.7 million to pay off its obligations to a third party pursuant to the termination of the existing Joint Venture Agreement. Said notes are payable over five years and bear interest of 5% per annum and are not secured by collateral.

In 2019 and 2018, Rockwell Primaries South made principal payments on the loan amounting to ₱24.7 million and ₱88.2 million, respectively. In 2019 and 2018, interest expense incurred and paid amounted to ₱1.2 million and ₱9.0 million, respectively (see Note 23). The note payable was paid in full in 2019.

Loan Transaction Costs. As at December 31, 2020 and 2019, loan transaction costs consisting of documentary stamp tax and underwriting fees on the corporate notes and bonds were capitalized and presented as a deduction from the related loan balance.

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

	2020	2019
Balance at beginning of year	₱76,836	₱73,108
Additions	68,425	40,546
Amortization (see Note 23)	(44,883)	(36,818)
Balance at end of year	₱100,378	₱76,836

Interest expense. Interest expense on interest-bearing loans and borrowings amounted to ₱1,105.6 million, ₱1,238.1 million and ₱1,081.2 million in 2020, 2019 and 2018, respectively (see Note 23). Interest expense capitalized as part of investment properties amounted to ₱33.8 million and ₱9.6 million in 2020 and 2019, respectively (see Note 11). Interest expense capitalized as part of property and equipment amounted to ₱105.9 million and ₱71.9 million in 2020 and 2019, respectively (see Note 13).

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

Year	Amount
2021	₱7,379,740
2022	1,949,732
2023	1,756,677
2024	5,176,093
2025 and onwards	8,596,151
	₱24,858,393

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, current ratio and debt service covenant ratio (only for 2019). As at December 31, 2020 and 2019, the Group has complied with these covenants (see Note 30).

17. Installment Payable

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

Under the Deed of Sale, the Parent Company will pay for the cost of the property in installment until 2015 and a one-time payment in 2020. As at December 31, 2020 and 2019, the remaining undiscounted installment payable due amounted to nil and ₱655.8 million, respectively.

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 on installment payable, capitalized as part of investment properties in the consolidated statements of financial position, amounted to ₱0.9 million and ₱3.0 million in 2020 and 2019, respectively (see Note 11). Accretion of interest expense amounting to ₱54.9 million and ₱25.2 million, ₱23.9 million in 2020, 2019 and 2018, respectively, was recognized as part of the "Interest expense" account in the consolidated statements of comprehensive income (see Note 23).

Installment payable is secured by Stand-By Letters of Credit (SBLC) from MBTC and FMIC totaling ₱2.4 billion until 2020. These SBLC provides for a cross default provision wherein the SBLC shall automatically be due and payable in the event the Parent Company's other obligation is not paid when due or a default in any other agreement shall have occurred, entitling the holder of the obligation to cause such obligation to become due prior to its stated maturity. As at December 31, 2020 and 2019, the Parent Company has not drawn from the facility.

As at December 31, 2020 and 2019, the carrying value of the installment payable amounted to nil and ₱600.0 million, respectively.

18. Deposits and Other Liabilities

This account consists of:

	2020	2019
Retention payable - net of current portion of ₱891.1 million in 2020 and ₱201.3 million in 2019 (see Note 15)	₱540,965	₱1,116,538
Security deposits - net of current portion of ₱249.7 million in 2020 and ₱262.0 million in 2019 (see Note 15)	327,703	305,681
Deferred lease income - net of current portion of ₱158.4 million in 2020 and ₱162.9 million in 2019 (see Note 15)	159,430	156,509
Contract liabilities:		
Deposits from pre-selling of condominium units - net of current portion of ₱19.9 million in 2020 and ₱221.0 million in 2019 (see Notes 15 and 21)	56,492	928,261
Excess of collections over recognized receivables - net of current portion of ₱986.1 million in 2020 and ₱941.0 million in 2019 (see Notes 15 and 21)	563,179	21,505
Condominium and utility deposits	128,450	130,769
Others (see Notes 15 and 25)	10,271	46,371
	₱1,786,490	₱2,705,634

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

As discussed in Note 4, the Group uses discounted cash flow analysis to measure the fair value of retention payable. The resulting difference between the transaction price and fair value at initial recognition is recognized in the consolidated statements of financial position as a reduction from "Real estate inventories". The retention payable is carried at amortized cost using effective interest method. The amortization of discount on retention payable is expensed as part of the "Interest expense" account in the consolidated statements of comprehensive income (see Note 23).

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

	2020	2019
Balance at beginning of year	₱27,991	₱19,675
Additions	7,768	24,434
Amortization (see Notes 11 and 23)	(18,039)	(16,118)
Balance at end of year	₱17,720	₱27,991

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

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

19. Share-based Payment Plans

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

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

The primary terms of the grants follow:

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

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

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

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

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

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

There were no share options granted or exercised in 2020, 2019 and 2018.

As at December 31, 2020 and 2019, the outstanding ESOP shares are as follows:

	2020	2019
Number of grants	**63,918,000**	63,918,000
Cancellations	**(3,799,000)**	(3,510,000)
Exercised	**(15,000,000)**	(15,000,000)
Remaining shares	**45,119,000**	45,408,000

As at December 31, 2020 and 2019, total share-based payment transactions, net of applicable tax, amounting to ₱69.7 million are presented as "Share-based payments" account under the equity section of the consolidated statements of financial position.

20. Equity

a. Capital Stock

As at December 31, 2020 and 2019, capital stock consists of:

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

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

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

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

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

As of December 31, 2020, and 2019, the Parent Company has total shareholders of 46,195 and 46,339, respectively, on record. For this purpose, public shares held under PCD Nominee are counted as two (one for PCD Nominee - Filipino and another for PCD Nominee - Foreign).

b. Other Equity Adjustments

This account represents the difference between the consideration received from the sale of the proprietary shares and the carrying value of the related interest amounting to ₱540.3 million as at December 31, 2020 and 2019.

c. Treasury Shares

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

d. Retained Earnings

As at December 31, 2020 and 2019, the unappropriated consolidated retained earnings include undistributed net earnings of subsidiaries amounting to ₱915.52 million and ₱865.8 million, respectively. Such undistributed net earnings are not currently available for dividend distribution unless declared by the BOD of the subsidiaries. Retained earnings are further restricted to the extent of the cost of treasury shares.

On February 3, 2020, the Parent Company's BOD approved the appropriation of retained earnings amounting to ₱9.0 billion (after reversal of ₱7.0 billion appropriation) out of the total retained earnings as of December 31, 2019 to partially fund capital expenditure of the Parent Company from 2020 to 2021.

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

In 2018, the Parent Company's BOD approved the appropriation of retained earnings amounting to ₱7.0 billion (after reversal of ₱5.0 billion appropriation) for capital expenditures and asset acquisitions to be implemented in the next 2 years.

As at December 31, 2020 and 2019, appropriated retained earnings amounted to ₱9.7 billion and ₱7.0 billion, respectively.

e. Dividends

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

On July 19, 2019, the Parent Company's BOD approved the declaration of a regular cash dividend of ₱0.0831 per share to all common shareholders of record as at August 2, 2019 amounting to ₱503.3 million and 6% per annum cumulative cash dividend from July 1, 2018 to June 30, 2019 to all preferred shareholders amounting to ₱1.7 million. Payments of cash dividends for common shares were made on August 29, 2019.

On July 19, 2018, the Parent Company's BOD approved the declaration of a regular cash dividend of ₱0.0683 per share to all common shareholders of record as at August 3, 2018 amounting to ₱417.7 million and 6% per annum cumulative cash dividend from July 1, 2017 to June 30, 2018 to all preferred shareholders amounting to ₱1.7 million. Payments of cash dividends for common shares were made on August 17, 2018.

As at December 31, 2020 and 2019, unpaid cumulative dividends on preferred shares amounted to ₱0.8 million for each year.

21. Revenue from Contracts with Customers

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

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

	2020		
	Residential Development	Commercial Development	Hotel
Primary geographical markets			
National Capital Region	₱4,285,338	₱400,904	₱55,321
Cebu	1,048,644	–	–
Laguna	1,746,959	–	–
Batangas	309,517	–	–
	₱7,390,458	₱400,904	₱55,321
Major product/service lines			
Sale of high-end residential condominium units	₱4,786,604	₱–	₱–
Sale of residential lots	1,817,180	–	–
Sale of affordable housing units	239,296	–	–
Sale of office spaces	–	370,016	–
Room revenue	–	–	55,321
Cinema revenue	–	30,888	–
Others	547,378	–	–
	₱7,390,458	₱400,904	₱55,321
Timing of revenue recognition			
Transferred over time	₱6,843,080	₱370,016	₱–
Transferred at a point in time	547,378	30,888	55,321
	₱7,390,458	₱400,904	₱55,321

	2019		
	Residential Development	Commercial Development	Hotel
Primary geographical markets			
National Capital Region	₱10,098,400	₱585,981	₱221,326
Cebu	729,233	–	–
Laguna	318,302	–	–
Batangas	190,244	–	–
	₱11,336,179	₱585,981	₱221,326
Major product/service lines			
Sale of high-end residential condominium units	₱10,009,150	₱–	₱–
Sale of residential lots	393,337	–	–
Sale of affordable housing units	115,209	–	–
Sale of office spaces	–	307,571	–
Room revenue	–	–	221,326
Cinema revenue	–	278,410	–
Others	818,483	–	–
	₱11,336,179	₱585,981	₱221,326
Timing of revenue recognition			
Transferred over time	₱10,517,696	₱307,571	₱–
Transferred at a point in time	818,483	278,410	221,326
	₱11,336,179	₱585,981	₱221,326

	2018		
	Residential Development	Commercial Development	Hotel
Primary geographical markets			
National Capital Region	₱11,047,210	₱319,726	₱220,194
Cebu	690,794	–	–
Batangas	126,260	–	–
	₱11,864,264	₱319,726	₱220,194
Major product/service lines			
Sale of high-end residential condominium units	₱11,192,098	₱–	₱–
Sale of affordable housing units	126,260	–	–
Sale of office spaces	–	42,029	–
Room revenue	–	–	220,194
Cinema revenue	–	277,697	–
Others	545,906	–	–
	₱11,864,264	₱319,726	₱220,194
Timing of revenue recognition			
Transferred over time	₱11,318,358	₱42,029	₱–
Transferred at a point in time	545,906	277,697	220,194
	₱11,864,264	₱319,726	₱220,194

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

	2020	2019
Trade receivables* (see Note 8)	**₱3,465,017**	₱4,367,513
Contract assets (see Note 8)	**14,198,919**	13,151,407
Deposits from pre-selling of condominium units** (see Notes 15 and 18)	**76,429**	1,149,260
Excess of collections over recognized receivables** (see Note 15 and 18)	**1,549,260**	962,462
Advances payments from members and customers** (see Note 15)	**10,951**	12,812

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

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

Contract assets represent the right to consideration that was already delivered by the Group in excess of the amount recognized as installment contracts receivable. This is reclassified as installment contracts receivable when the monthly amortization of the customer is already due for collection. In 2020 and 2019, the movement in contract assets is mainly due to revenue recognized relative to the increase in percentage of completion of certain projects and the collection of outstanding receivables of completed residential condominium units.

No allowance for expected credit losses related to trade receivables from sale of real estate and contract assets was recognized as at December 31, 2020 and 2019.

Contract liabilities consist of deposits from pre-selling of condominium units (i.e., collections from real estate customers which have not reached the equity threshold to qualify for revenue recognition, excess of collections over recognized receivables (i.e., excess of collections over the goods and services transferred by Group based on percentage of completion) and advance payments from members and customers (membership dues received but are not yet due as at reporting period). In 2020, the movement in contract liabilities is mainly due to additional deposits received from pre-selling of condominium units in the "Nara Residences" project, excess of collections over revenue recognized of certain projects and the collection of outstanding receivables of completed residential condominium units of certain projects. In 2019, the movement in contract liabilities is mainly due to additional deposits received from pre-selling of condominium units in the "Mactan" project, excess of collections over revenue recognized of certain projects and the collection of outstanding receivables of completed residential condominium units of certain projects.

Revenue recognized from amounts included in contract liabilities at the beginning of 2020 and 2019 amounted to ₱8,115.9 million and ₱11,741.2 million, respectively.

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

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

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

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

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

	2020	2019
Within one year	₱7,134,401	₱8,651,715
More than one year	10,704,240	16,874,651
	₱17,838,641	₱25,526,366

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

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

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

As at December 31, 2020 and 2019, sales commission pertaining to real estate sold capitalized as deferred selling expense as part of "Prepaid costs" included under "Other current assets" in the consolidated statements of financial position amounted to ₱211.5 million and ₱526.8 million, respectively (see Note 10). For the year ended December 31, 2020 and 2019, the amortization related to incremental costs to obtain a contract recorded under "Selling expenses" account in the consolidated statements of comprehensive income amounted to ₱176.1 million and ₱497.1 million, respectively (see Note 23). No impairment loss was recognized in the consolidated statements of comprehensive income for the year ended December 31, 2020 and 2019 related to the Group's incremental costs to obtain a contract.

The Group considers land as contract fulfillment asset. Additions to land is disclosed in Note 9 to the consolidated financial statements. No impairment on contract fulfillment asset was recognized for the year ended December 31, 2020 and 2019.

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

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

22. Interest Income

This account consists of:

	2020	2019	2018
Interest income from:			
Amortization of unearned interest (see Note 8)	₱1,686,812	₱1,652,032	₱1,769,431
Cash and cash equivalents (see Note 7)	10,860	25,995	5,000
Penalty charges	42,031	40,453	1,794
In-house financing	1,082	2,296	4,783
	₱1,740,785	₱1,720,776	₱1,781,008

23. Expenses

Depreciation and Amortization

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

	2020	2019	2018
Included in:			
Cost of real estate (see Note 11)	₱455,977	₱395,649	₱374,662
General and administrative expenses (see Notes 11 and 12)	351,662	506,442	283,923
	₱807,639	₱902,091	₱658,585

General and Administrative Expenses

General and administrative expenses pertain to the following businesses:

	2020	2019	2018
Real estate	₱1,861,233	₱1,718,710	₱1,745,684
Hotel	97,085	137,872	148,619
Cinema	57,950	256,055	260,984
	₱2,016,268	₱2,112,637	₱2,155,287

a. Real Estate

	2020	2019	2018
Personnel (see Notes 24 and 25)	₱447,401	₱348,241	₱416,804
Taxes and licenses (see Note 6)	414,858	393,022	455,060
Depreciation and amortization (see Notes 11 and 12)	317,801	463,016	237,644
Repairs and maintenance	98,779	101,705	97,621
Provision for disallowance of claim for refund	95,600	–	14,400
Dues and subscriptions	60,647	57,522	48,564
Entertainment, amusement and recreation	57,027	62,775	60,241
Professional fees	54,879	62,027	61,741
Utilities	53,517	57,478	54,660
Contracted services	36,535	45,499	53,512
Fuel and oil	30,286	32,629	36,993
Marketing and promotions	22,677	29,603	29,256
Insurance	21,033	16,595	18,804
Security services	19,936	15,728	17,913
Bank charges	13,727	6,774	11,388
Provision for doubtful accounts (see Note 8)	13,430	–	–
Office supplies	9,819	7,393	7,315
Transportation and travel	6,001	4,938	4,016
Rental expense	–	–	64,019
Others	87,280	13,765	55,733
	₱1,861,233	₱1,718,710	₱1,745,684

The Group recognized provision for disallowance of claim for input VAT refund amounting to ₱95.6 million and ₱14.4 million in 2020 and 2018, respectively. As at December 31, 2020 and 2019, input VAT being claimed for refund, recognized under "Other noncurrent assets" in the consolidated statements of financial position, amounted to ₱13.0 million and ₱108.6 million, respectively.

b. Hotel

	2020	2019	2018
Personnel (see Notes 24 and 25)	₱19,264	₱24,034	₱26,002
Depreciation and amortization (see Note 12)	16,915	22,598	24,802
Rental expense	11,203	10,673	10,012
Utilities	11,023	18,977	19,293
Dues and subscription	8,155	8,246	8,205
Contracted services	6,771	9,146	11,231
Taxes and licenses	6,439	7,057	6,108
Accommodations	3,880	14,276	15,564
Insurance	3,292	1,289	1,377
Supplies	1,882	4,847	4,706
Security services	3,907	4,458	4,280
Others	4,354	12,271	17,039
	₱97,085	₱137,872	₱148,619

c. Cinema

	2020	2019	2018
Depreciation and amortization (see Note 12)	₱16,946	₱20,828	₱21,477
Producer's Share	14,303	107,238	108,314
Utilities	12,052	51,789	52,569
Snack bar	6,203	23,040	25,390
Personnel (see Notes 24 and 25)	3,708	23,492	26,279
Amusement tax	2,040	19,105	18,774
Others	2,698	10,563	8,181
	₱57,950	₱256,055	₱260,984

Selling expenses

Selling expenses are comprised of:

	2020	2019	2018
Marketing and promotions	₱260,936	₱365,339	₱382,630
Commissions and amortization of prepaid costs (see Notes 4 and 10)	176,089	497,104	413,587
Personnel (see Notes 24 and 25)	78,607	111,376	112,190
Entertainment, amusement and recreation	23,484	21,367	22,867
Utilities	13,809	13,958	5,283
Contracted services	7,781	14,583	12,093
Usufruct	2,767	4,176	3,404
Others	24,458	35,289	12,864
	₱587,931	₱1,063,192	₱964,918

Interest Expense
Interest expense is comprised of:

	2020	2019	2018
Interest expense on interest-bearing loans and borrowings (see Note 16)	₱1,105,602	₱1,238,145	₱1,081,233
Interest expense on lease liabilities (see Note 29)	48,723	43,759	–
Amortization of:			
Loan transaction costs (see Note 16)	44,883	36,818	37,942
Discount on installment payable (see Note 17)	54,860	25,220	23,936
Discount on retention payable (see Note 18)	13,908	13,359	18,768
	₱1,267,976	₱1,357,301	₱1,161,879

24. Personnel Expenses

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

	2020	2019	2018
Salaries and wages and other employee benefits (see Notes 23 and 25)	₱472,082	₱455,344	₱526,386
Pension costs (see Notes 23 and 25)	76,897	51,799	54,889
	₱548,979	₱507,143	₱581,275

25. Pension Costs and Other Employee Benefits

a. Pension Costs

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

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

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

Net Pension Costs

	2020	2019	2018
Current service cost	₱68,764	₱48,065	₱49,995
Interest cost	8,133	3,734	4,894
Net pension cost	₱76,897	₱51,799	₱54,889

Net Pension Liability

	2020	2019
Present value of benefit obligation	₱684,883	₱869,851
Fair value of plan assets	(389,952)	(658,386)
Net pension liability	₱294,931	₱211,465

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

	2020	2019
Defined benefit obligation at beginning of year	₱869,851	₱625,760
Current service cost	68,764	48,065
Interest cost	34,720	34,435
Actuarial loss (gain) in other comprehensive income/loss due to:		
Experience adjustments	(71,451)	(22,303)
Change in assumptions	88,650	187,746
Benefits paid	(305,651)	(3,852)
Defined benefit obligation at end of year	₱684,883	₱869,851

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

	2020	2019
Fair values of plan assets at beginning of year	₱658,386	₱528,760
Interest income included in net interest cost	26,587	30,701
Actual contributions	73,417	85,211
Gain (loss) on return on plan assets in other comprehensive income/loss	(62,787)	17,566
Benefits paid	(305,651)	(3,852)
Fair values of plan assets at end of year	₱389,952	₱658,386

The Group expects to contribute ₱60.9 million to its pension plan in 2021.

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

	2020	2019
Investments in:		
Government securities	39.18%	41.60%
Loans and debt instruments	2.50%	2.42%
Other securities	58.32%	55.98%
	100.00%	100.00%

The principal assumptions used as at December 31, 2020 and 2019 in determining pension cost obligation for the Group's plans are as follows:

	2020	2019
Discount rate	4.00%-4.18%	5.05%-5.19%
Future salary rate increases	10.00%	10.00%

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

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

	2020	2019
Cash in banks:		
MBTC	₱3,653	₱6,148
BDO	6	724
Receivables - net of payables:		
MBTC	3,536	12,544
BDO	443	371
Investments held for trading:		
MBTC	216,335	433,114
BDO	165,979	205,485
	₱389,952	₱658,386

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

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

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

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

The Retirement Plan has investment in shares of stock of the Parent Company amounting to ₱63.4 million and ₱73.8 million as at December 31, 2020 and 2019, respectively.

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

There are no outstanding balances arising from transactions between the Retirement Plan and the Group as at December 31, 2020 and 2019. Except as stated above, there were no other transactions entered into during the year by the Retirement Plan relating to the Group.

In 2020, 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:

	2020		2019	
	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation
Discount rate	+100	(₱93,212)	+100	(₱74,947)
	-100	114,817	-100	91,698
Future salary increases	+100	110,299	+100	91,527
	-100	(91,972)	-100	(77,054)

The Group does not currently employ any asset-liability matching.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31:

Year	2020	2019
Less than 1 year	₱39,019	₱305,126
More than 1 year to 5 years	48,442	84,215
More than 5 years to 10 years	307,745	332,902
More than 10 years to 15 years	323,515	322,127
More than 15 years to 20 years	583,922	569,939
More than 20 years	3,452,626	3,848,183

b. Other Employee Benefits

Other employee benefits consist of accumulated employee vacation and sick leave benefit amounting to ₱13.2 million and ₱12.1 million in 2020 and 2019, respectively (see Notes 23 and 24).

The present value of the defined benefit obligation of other employee benefits amounted to ₱98.6 million and ₱85.7 million as at December 31, 2020 and 2019, respectively (see Notes 15 and 18).

26. Income Taxes

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

	2020	2019	2018
Current	₱601,274	₱644,398	₱715,213
Deferred	(188,770)	374,544	250,507
	₱412,504	₱1,018,942	₱965,720

The provision for income current tax represents the regular corporate income tax (RCIT)/minimum corporate income tax (MCIT) of the Parent Company and certain subsidiaries.

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

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

	2020	2019
Deferred tax liabilities:		
Unrealized gain on real estate	₱2,429,411	₱2,071,777
Excess of fair value over carrying value of asset acquired in a business combination	169,831	173,250
Deferred selling expense	29,488	75,010
Capitalized interest	71,223	74,340
Unrealized gain on available-for-sale investments	2,516	2,890
Collections after the ITH period on low-cost housing project (Stonewell)	–	2,896
Unrealized foreign exchange gain and others	–	1,833
	2,702,469	2,401,996
Deferred tax assets:		
Capitalized interest	715,936	362,590
Deferred lease income	84,154	82,825
Unfunded pension costs	93,494	62,168
NOLCO	72,351	43,358
Lease liabilities, net of right-of-use assets	47,976	38,724
Unrealized loss on real estate	40,664	36,391

(Forward)

	2020	2019
Other employee benefits	₱29,789	₱25,721
Unamortized past service cost	20,106	23,682
Share-based payment	22,574	22,574
Collections after the ITH period on low-cost housing project (Stonewell)	15,846	–
MCIT	12,901	9,803
Allowance for doubtful accounts and others	20,912	4,143
Unrealized foreign exchange loss and others	551	28
	1,177,254	712,007
	₱1,525,215	₱1,689,989

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

	2020	2019
Deferred tax assets - net	₱75,903	₱45,862
Deferred tax liabilities - net	(1,601,118)	(1,735,851)
	(₱1,525,215)	(₱1,689,989)

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:

	2020	2019
NOLCO	₱33,519	₱25,596
Lease liability	5,935	–
Advances from members	1,860	15,286
MCIT	71	1,502
Unfunded pension costs	–	6,271
Allowance for doubtful accounts	–	731
	₱41,385	₱49,386

As at December 31, 2020, MCIT of subsidiaries which can be claimed as deduction from regular taxable income due as follows:

Year Paid	Expiry Year	Amount
2018	2021	₱3,248
2019	2022	5,988
2020	2025	3,736
		₱12,972

MCIT amounting to ₱1.5 million, ₱1.2 million and ₱1.2 million expired in 2020, 2019 and 2018, respectively.

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

As at December 31, 2020, NOLCO of certain subsidiaries can be carried forward and claimed as deduction against regular taxable income as follows:

Year Incurred	Expiry Date	Amount
2018	2021	₱92,619
2019	2022	24,001
2020	2025	154,579
		₱271,199

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:

	2020	2019	2018
Statutory income tax rate	30.0%	30.0%	30.0%
Additions to (deductions from) income tax resulting from:			
Share in net income of joint venture and associate	(5.92%)	(2.41%)	(2.3%)
Nontaxable income and others	(0.7%)	(0.6%)	(0.4%)
Effective income tax rate	23.38%	26.99%	27.30%

Revenue Memorandum Circular (RMC) No. 35-2012

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

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

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

27. Registration with the Board of Investments

On June 6, 2013, the Board of Investments approved the Parent Company's registration as new operator of Tourist Accommodation Facility for its Edades Serviced Apartments in accordance with the provisions of Omnibus Investments Code of 1987 with entitlement to Income Tax Holiday (ITH) of four years reckoning on February 2014.

On May 27, 2014, the BOI approved the amendments of specific terms and conditions under the Certificate of Registration particularly the registered capacity to cover 94 serviced apartment units and the corresponding change in projections.

Commercial operations of Edades Serviced Apartments started on July 1, 2014. ITH incentive enjoyed by the Parent Company amounted to ₱1.2 million and ₱18.4 million in 2020 and 2019, respectively (see Note 26).

On January 8, 2015, the Parent Company requested for amendments of investment and project timetable and sales revenue projection under the above mentioned BOI certification due to unforeseen circumstances affecting the construction and changes from projected launch. The request was approved on April 13, 2015.

On June 24, 2015, request for status upgrade of said BOI registration from Non-pioneer to Pioneer status was made. The Parent Company's request for status upgrade for its Edades Serviced Apartments, under BOI Certificate of Registration No 2013-121, was approved on November 4, 2015. Consequently, the ITH period was also amended from 4 years (February 2014-January 2016) to 6 years (February 2014-January 2020).

28. Related Party Transactions

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

The following table summarizes these significant transactions with related parties:

Related Parties	Relationship	Nature of Transaction	Period	Transaction Amount	Amounts Owed from (to) Related Parties	Terms	Conditions
Rockwell - Meralco BPO	Joint venture	Advances (see Note 15)	2020	(₱785,980)	₱–	90-day; noninterest-bearing	Unsecured
			2019	(123,043)	(488,808)		
			2018	84,196	(611,851)		
		Management fee (see Note 13)	2020	6,633	28,992	On demand; non-interest-bearing	Unsecured, no impairment
			2019	6,765	–		
			2018	11,387	19,589		
SEAI Metro Manila One, Inc.	Non-controlling shareholder	Loan payable (see Note 16): Principal	2020	110,000	(215,600)	Payable on December 31, 2022; interest-bearing	Unsecured
			2019	64,600	(105,600)		
			2018	41,000	(41,000)		
		Interest	2020	8,113	–		
			2019	5,024	–		
			2018	1,446	–		
Carmelray shareholders	Non-controlling shareholders	Advances (included under "Other noncurrent assets" account in the consolidated statement of financial position)	2020	–	400,000	3 years from the launch of the Phase 1 of the "Rockwell South" project; noninterest-bearing	Unsecured
			2019	400,000	400,000		
Advances to officers and employees		Advances (see Note 8)	2020	8,984	53,720	30-day; noninterest-bearing	Unsecured; no impairment
			2019	3,894	44,736		
			2018	(19,268)	43,067		

Other transactions with related parties pertain to the Project Development and JV Agreement with Meralco (see Note 15).

Terms and Conditions of Transactions with Related Parties

Purchases from related parties are made at normal market prices. Outstanding balances at year-end are unsecured, interest-free, settlement occurs in cash and collectible/payable on demand. There have been no guarantees provided for or received for any related party receivables or payables. For the years ended December 31, 2020, 2019 and 2018, the Group has not made any provision for doubtful accounts relating to amounts owed by related parties. This assessment is undertaken at each financial year through examination of the financial position of the related party and the market in which the related party operates.

Compensation of Key Management Personnel of the Group

	2020	2019	2018
Short-term employee benefits	₱94,429	₱102,213	₱93,283
Post-employment pension and other benefits (Note 25)	49,714	37,927	37,551
Total compensation attributable to key management personnel	₱144,143	₱140,140	₱130,834

29. Commitments and Contingencies

Lease Commitments

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

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

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

	2020	2019
Depreciation expense of right-of-use assets included in investment properties (see Notes 11 and 23)	₱15,268	₱15,268
Interest expense on lease liabilities (see Note 23)	48,723	43,759
Expenses relating to short-term leases and low-value assets (included under "General and administrative expenses" account) (see Note 23)	11,203	10,673
	₱75,194	₱69,700

The rollforward analysis of lease liabilities follows:

	2020	2019
At January 1	₱637,759	₱627,520
Interest expense (see Note 23)	48,723	43,759
Payments	(35,472)	(33,520)
As at December 31	651,010	637,759
Less current portion (see Note 15)	30,242	31,807
Noncurrent portion	₱620,768	₱605,952

Future minimum undiscounted lease payments are as follows:

Year	2020	2019
Within one year	₱36,398	₱35,482
Year 2	37,661	36,398
Year 3	38,986	37,661
Year 4	40,379	38,986
Year 5 and beyond	1,996,478	2,036,857
	₱2,149,902	₱2,185,384

Capital Commitment

The Group entered into contracts covering construction works related to various projects with different contractors and suppliers. The contract sum awarded amounted to ₱15.5 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. As at December 31, 2020 and 2019, ₱13.7 billion and ₱11.5 billion, respectively, has been incurred.

Contingencies

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

30. Financial Risk Management Objectives and Policies

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

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

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

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. As at December 31, 2020 and 2019, approximately 95% of the Group's borrowings are at a fixed rate of interest.

The following tables set out the principal amounts, by maturity, of the Group's interest-bearing financial instruments.

	2020				
	Within 1 Year	1–2 Years	2–3 Years	More than 3 Years	Total
Fixed Rate					
Interest-bearing loans and borrowings	₱7,215,590	₱1,785,532	₱1,592,427	₱13,155,794	₱23,749,343
Floating Rate					
Interest-bearing loans and borrowings	164,150	164,200	164,250	616,450	1,109,050
Short-term investments	1,837,216	–	–	–	1,837,216

	2019				
	Within 1 Year	1–2 Years	2–3 Years	More than 3 Years	Total
Fixed Rate					
Interest-bearing loans and borrowings	₱5,093,308	₱8,720,405	₱2,416,758	₱8,309,060	₱24,539,531
Floating Rate					
Interest-bearing loans and borrowings	164,000	164,150	164,200	780,700	1,273,050
Short-term investments	4,131,853	–	–	–	4,131,853

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

	2020 Effect on income before income tax increase (decrease)	
Change in basis points	+100 basis points	-100 basis points
Floating rate borrowings	(10,326)	10,326

	2019 Effect on income before income tax increase (decrease)	
Change in basis points	+100 basis points	-100 basis points
Floating rate borrowings	(11,853)	11,853

Credit Risk
Credit risk is the risk that a counterparty will meet its obligation under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risks from its operating activities (primarily from trade receivables and loans) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Default or delinquency on the part of buyers of condominium units are being monitored on an ongoing basis to enable the Group to determine the appropriate action, usually cancelling the sale and holding the units open for sale. Lease receivables are closely monitored based on aging of the accounts. Accounts determined to be uncollectible are recommended for write off. With regard to the other financial assets of the Group, these are also monitored regularly with the result that the Group's exposure to bad debts is not significant.

Trade receivables from sale of condominium units are secured with pre-completed condominium units. The legal title and ownership of these units will only be transferred to the customers upon full payment of the contract price. For other receivables, since the Group trades only with recognized third parties, there is no requirement for collateral.

The table below summarizes the maximum exposure to credit risk of each class of financial assets.

	2020		
	Gross Maximum Exposure	Net Exposure	Financial Effect of Collateral or Credit Enhancement
Cash and cash equivalents*	₱3,203,371	₱3,187,840	₱15,531
Trade receivables from:			
Sale of real estate	3,465,017	250,211	3,214,806
Lease	443,608	5,113	438,495
Advances to officers and employees	53,720	53,720	–
Other receivables	164,617	164,617	–
Refundable deposits**	71,506	71,506	–
Restricted cash**	15,416	14,916	500
	₱7,417,255	₱3,747,923	₱3,669,332

	2019		
	Gross Maximum Exposure	Net Exposure	Financial Effect of Collateral or Credit Enhancement
Cash and cash equivalents*	₱5,703,879	₱5,686,546	₱17,333
Trade receivables from:			
Sale of real estate	4,367,513	190,740	4,176,773
Lease	234,784	–	234,784
Advances to officers and employees	44,736	44,736	–
Other receivables	179,086	179,086	–
Refundable deposits**	73,594	73,594	–
Restricted cash**	15,416	14,916	500
Due from related parties***	400,000	400,000	–
	₱11,019,008	₱6,589,618	₱4,429,390

**Excluding cash on hand amounting to ₱1,651 and ₱1,983 as at December 31, 2020 and 2019, respectively.*
***Presented as part of "Other current assets" account in the consolidated statements of financial position.*
****Presented as part of "Other noncurrent assets" account in the consolidated statements of financial position.*

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

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

	2020		
	A Rating	B Rating	Total
Cash and cash equivalents	₱3,205,022	₱–	₱3,205,022
Trade receivables from:			
Sale of real estate	3,116,090	348,927	3,465,017
Lease	229,286	214,322	443,608
Advances to officers and employees	53,720	–	53,720
Other receivables	152,738	11,879	164,617
Refundable deposits	71,506	–	71,506
Restricted cash	15,416	–	15,416
	₱6,843,778	₱575,128	₱7,418,906

	2019		
	A Rating	B Rating	Total
Cash and cash equivalents	₱5,705,862	₱–	₱5,705,862
Trade receivables from:			
Sale of real estate	3,817,321	550,192	4,367,513
Lease	191,026	43,758	234,784
Advances to officers and employees	44,736	–	44,736
Other receivables	177,073	2,013	179,086
Refundable deposits	73,594	–	73,594
Restricted cash	15,416	–	15,416
Due from related parties	400,000	–	400,000
	₱10,425,028	₱595,963	₱11,020,991

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

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

As at December 31, 2020 and 2019, the analyses of the age of financial assets are as follows:

	2020						
	Current	Less than 30 Days	31 to 60 Days	61 to 90 Days	More than 90 Days	Impaired Financial Assets	Total
Cash and cash equivalents	₱3,205,022	₱–	₱–	₱–	₱–	₱–	₱3,205,022
Trade receivables from:							
Sale of real estate	3,214,806	23,422	41,663	32,929	152,197	–	3,465,017
Lease	308,100	48,938	31,252	20,533	29,672	5,113	443,608
Advances to officers and employees	53,720	–	–	–	–	–	53,720
Other receivables	152,738	–	–	–	–	11,879	164,617
Refundable deposits	27,546	3,223	36,495	53	4,189	–	71,506
Due from related parties	–	–	–	–	–	–	–
	₱6,961,932	₱75,583	₱109,410	₱53,515	₱186,058	₱16,992	₱7,403,490

	2019						
	Current	Less than 30 Days	31 to 60 Days	61 to 90 Days	More than 90 Days	Impaired Financial Assets	Total
Cash and cash equivalents	₱5,705,862	₱–	₱–	₱–	₱–	₱–	₱5,705,862
Trade receivables from:							
Sale of real estate	4,208,977	37,571	15,771	13,442	91,752	–	4,367,513
Lease	202,107	21,597	6,821	1,389	2,870	–	234,784
Advances to officers and employees	44,736	–	–	–	–	–	44,736
Other receivables	177,073	–	–	–	–	2,013	179,086
Refundable deposits	29,634	3,223	36,495	53	4,189	–	73,594
Due from related parties	–	–	–	–	400,000	–	400,000
	₱10,368,389	₱62,391	₱59,087	₱14,884	₱498,811	₱2,013	₱11,005,575

Financial assets are considered past due when collections are not received on due date.

Past due accounts which pertain to trade receivables from sale of real estate and club shares are recoverable since the legal title and ownership of the real estate and club shares will only be transferred to the customers upon full payment of the contract price. In case of cancellation, the real estate and club shares become available for sale. The fair value of the real estate amounted to ₱50.7 billion and ₱56.7 billion as at December 31, 2020 and 2019, respectively. The fair value of the club shares amounted to ₱0.2 million as at December 31, 2020 and 2019.

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

The changes in the gross carrying amount of receivables and unbilled revenue from sale of real estate and the impact of COVID-19 pandemic in 2020 did not materially affect the allowance for ECLs.

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets in 2020 and 2019:

	2020		
	Trade receivables from sale of real estate and lease		
	High-end	Affordable	Lease
Expected credit loss rate	0.0%	0.0%	1.2%
Estimated total gross carrying amount at default	₱17,394,062	₱269,874	₱443,608

	2019		
	Trade receivables from sale of real estate and lease		
	High-end	Affordable	Lease
Expected credit loss rate	0.0%	0.0%	0.0%
Estimated total gross carrying amount at default	₱17,403,711	₱115,209	₱234,784

Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. As at December 31, 2020 and 2019, 30% and 20% of the Group's debt will mature in less than one year as at December 31, 2020 and 2019, respectively.

The liquidity risk of the Group arises from their financial liabilities. The tables below summarized the maturity profile of the Group's financial liabilities at December 31, 2020 and 2019 based on contractual undiscounted payments.

	2020				
	On Demand	Due Within 3 Months	Due Between 3 and 12 Months	Due After 12 Months	Total
Trade and other payables*	₱–	₱2,354,410	₱2,610,977	₱–	₱4,965,387
Interest-bearing loans and borrowings					
Principal	–	4,929,985	2,449,755	17,478,653	24,858,393
Interest**	–	4,530,883	797,744	2,280,424	7,609,051
Installment payable	–	–	–	–	–
Lease liabilities	–	8,728	27,670	2,113,504	2,149,902
Retention payable***	–	–	891,079	540,965	1,432,044
Security deposits***	–	–	249,734	327,703	577,437
	₱–	₱11,824,006	₱7,026,959	₱22,741,249	₱41,592,214

	2019				
	On Demand	Due Within 3 Months	Due Between 3 and 12 Months	Due After 12 Months	Total
Trade and other payables*	₽–	₽2,192,848	₽3,423,808	₽–	₽5,616,656
Interest-bearing loans and borrowings					
Principal	–	2,129,631	3,128,077	20,554,873	25,812,581
Interest**	–	4,704,799	828,365	2,367,957	7,901,121
Installment payable	–	–	655,799	–	655,799
Lease liabilities	–	8,871	26,611	2,149,902	2,185,384
Retention payable***	–	–	201,252	1,116,538	1,317,790
Security deposits***	–	–	262,024	305,681	567,705
	₽–	₽9,036,149	₽8,525,936	₽26,494,951	₽44,057,036

**Excluding the current portion of retention payable and security deposits, lease liability, deposits from pre-selling of condominium units and excess of collections over recognized receivables and other statutory payables.*
***Future interest payments.*
****Presented as part of "Trade and other payables" and "Deposits and other liabilities" accounts in the consolidated statements of financial position.*

Maturity Profile of Financial Assets and Contract Assets Held for Liquidity Purposes
The table below shows the maturity profile of the Group's financial assets and contract assets based on contractual undiscounted cash flows as at December 31:

	2020					
	On Demand	Within 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Cash and cash equivalents	₽1,367,806	₽1,837,216	₽–	₽–	₽–	₽3,205,022
Trade receivables from:						
Sale of real estate	–	3,369,048	12,512	10,664	72,793	3,465,017
Lease	308,100	48,938	31,252	20,533	34,785	443,608
Contract assets	–	1,719,166	418,824	258,234	20,571,948	22,968,171
Investment in equity instruments at FVOCI	–	–	–	–	31,748	31,748
Due from related parties	–	–	–	–	–	–
	₽1,675,906	₽6,974,368	₽462,588	₽289,431	₽20,711,274	₽30,113,566

	2019					
	On Demand	Within 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Cash and cash equivalents	₽1,574,009	₽4,131,853	₽–	₽–	₽–	₽5,705,862
Trade receivables from:						
Sale of real estate	–	4,246,548	15,771	13,442	91,752	4,367,513
Lease	202,107	21,597	6,821	1,389	2,870	234,784
Contract assets	–	1,592,350	387,929	239,185	19,054,443	21,273,907
Investment in equity instruments at FVOCI	–	–	–	–	41,519	41,519
Due from related parties	–	–	–	–	400,000	400,000
	₽1,776,116	₽9,992,348	₽410,521	₽254,016	₽19,590,584	₽32,023,585

As at December 31, 2020, the COVID-19 pandemic has no significant impact on the Group's liquidity risk.

Capital Management Policy
The primary objective of the Gryeup's capital management is to maximize shareholder value by maintaining a healthy balance between debt and equity (capital) financing in support of its business requirements.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2020 and 2019.

The Group monitors its capital adequacy using the net debt-to-equity ratio, which is interest-bearing loans and borrowings less cash and cash equivalents divided by equity. The Group's policy is to limit the net debt-to-equity ratio to 1.0x.

The Group is required to maintain debt-to-equity ratio as set forth in the Fixed Rate Corporate Notes Facility Agreement and Bonds. The Agreement provides for a higher debt to equity ratio than the internal limit set by the Group (see Note 16).

	2020	2019
Interest-bearing loans and borrowings	₽24,758,015	₽25,735,745
Less cash and cash equivalents	3,205,022	5,705,862
Net debt	21,552,993	20,029,883
Equity	24,861,768	24,348,794
Net debt-to-equity ratio	0.87	0.82

31. Fair Value Measurement

Set out below is a comparison by class of carrying values and fair values of the Group's assets and liabilities for which fair values are determined for measurement and/or disclosure as at December 31, 2020 and 2019.

	2020				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets					
Investment properties	₽14,485,925	₽26,432,916	₽–	₽1,734,916	₽24,698,000
Due from related parties	400,000	377,626	–	–	377,626
Investment in equity instruments at FVOCI	31,748	31,748	28,460	–	3,288
	₽14,917,673	₽26,842,290	₽28,460	₽1,734,916	₽25,078,914
Liabilities					
Interest-bearing loans and borrowings (including noncurrent portion)	₽24,758,015	₽25,931,512	₽–	₽–	₽25,931,512
Retention payable (including noncurrent portion)	1,432,044	1,366,475	–	–	1,366,475
Security deposits (including noncurrent portion)	577,437	562,801	–	–	562,801
	₽26,767,496	₽27,860,788	₽–	₽–	₽27,860,788

	2019				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets					
Investment properties	₽14,419,708	₽27,228,446	₽–	₽7,240,446	₽19,988,000
Due from related parties	400,000	357,420	–	–	357,420
Investment in equity instruments at FVOCI	41,519	41,519	38,211	–	3,308
	₽14,861,227	₽27,627,385	₽38,211	₽7,240,446	₽20,348,728
Liabilities					
Interest-bearing loans and borrowings (including noncurrent portion)	₽25,735,745	₽25,963,041	₽–	₽–	₽25,963,041
Installment payable	599,975	641,611	–	–	641,611
Retention payable (including noncurrent portion)	1,317,790	1,332,057	–	–	1,332,057
Security deposits (including noncurrent portion)	567,705	588,088	–	–	588,088
	₽28,221,215	₽28,524,797	₽–	₽–	₽28,524,797

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and Cash Equivalents, Trade Receivables from Sale of Real Estate, Trade Receivables from Lease, Other Receivables, Restricted Cash, Refundable Deposits and Trade and Other Payables. Due to the short-term nature of transactions, the carrying values of these instruments approximate the fair values as at financial reporting period.

Investments in Equity Securities. The fair values of quoted equity securities were determined by reference to published two-way quotes of brokers as at financial reporting date. Unquoted equity securities for which no other reliable basis for fair value measurement is available were valued at cost as the difference between the carrying value and fair value of these unquoted equity securities is not material to the consolidated financial statements.

Due from Related Parties. The fair value was calculated by discounting the expected future cash flows at prevailing credit adjusted BVAL interest rate of 3.82% as at December 31, 2019.

Interest-bearing Loans and Borrowings. The fair values of fixed rate loans were calculated by discounting the expected future cash flows at prevailing credit adjusted BVAL interest rates ranging 0.99% to 3.95% as at December 31, 2020 and 3.1% to 5.2% as at December 31, 2019.

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

Retention Payable and Security Deposits. The fair values were calculated by discounting the expected future cash flows at prevailing credit adjusted BVAL interest rates ranging 0.99% to 3.95% as at December 31, 2020 and 3.1% to 5.2% as at December 31, 2019.

For the years ended December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

32. Basic/Diluted Earnings Per Share Computation

	2020	2019	2018
	(In Thousands, Except Numbers of Shares and Per Share Data)		
Net income attributable to equity holders of the Parent Company	1,078,756	₱2,956,553	₱2,571,417
Dividends on preferred shares	(1,650)	(1,650)	(1,650)
Net income attributable to common shares (a)	1,077,106	2,954,903	2,569,767
Common shares at beginning of year	6,116,762,198	6,116,762,198	6,116,762,198
Weighted average number of common shares - basic (b)	6,116,762,198	6,116,762,198	6,116,762,198
Dilutive potential common shares under the ESOP	3,492,624	14,626,489	12,158,791
Weighted average number of common shares - diluted (c)	6,120,254,822	6,131,388,687	6,128,920,989
Per share amounts:			
Basic (a/b)	₱0.1761	₱0.4831	₱0.4201
Diluted (a/c)	₱0.1760	₱0.4819	₱0.4193

33. Segment Information

PFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker.

For management purposes, the Group's operating segments is determined to be business segments as the risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group manages its operations under the following business segments:

- *Residential Development* is engaged in the development, selling, and property management of all residential projects of the Group. It also includes the operations of the Rockwell Club.
- *Commercial Development* is engaged in the sale, leasing and other related operations in the course of the management of commercial buildings or spaces used for retail and office leasing, including cinema operations.
- *Hotel* segment is engaged in leasing of serviced apartments and management of hotel and resort operations. Its hotel portfolio includes serviced apartments located in Edades Towers and Garden Villas, and The Grove and Joya Lofts and Towers until 2017 where its operations were discontinued.

The Group does not have any customers which constitutes 10% or more of the Group's revenue.

Management monitors the operating results of each business unit separately for the purpose of making decisions about resource allocation and performance assessment. Performance is evaluated based on net income for the year and earnings before interest, taxes and depreciation and amortization, or *EBITDA*. Net income for the year is measured consistent with consolidated net income in the consolidated financial statements. *EBITDA* is measured as net income excluding depreciation and amortization, interest expense and provision for income tax. *EBITDA* is a non-GAAP measure.

The Group centrally manages cash and its financing requirements, income taxes and resource allocation. Resource allocation are measured against profitability among potential investments and made in view of the Group's existing business portfolio.

The President, the Group's chief operating decision maker, monitors operating results of its business segments separately for the purpose of performance assessment and making recommendations to the Board about resource allocation. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit and loss in the consolidated financial statements.

Disclosure of the geographical information regarding the Group's revenues from external customers and total assets have not been provided since all of the Group's consolidated revenues are derived from operations within the Philippines.

Business Segments

The following tables present information regarding the Group's residential development and commercial development and hotel business segments:

	2020			
	Residential Development	Commercial Development	Hotel	Total
Revenue	₱8,816,221	₱1,844,288	₱76,827	₱10,737,336
Costs and expenses	(6,579,210)	(555,120)	(110,018)	(7,244,348)
Share in net income of joint venture and associate	–	338,811	–	338,811
Other income - net	(9,082)	102	(20)	(9,000)
EBITDA	2,227,929	1,628,081	(33,211)	3,822,799
Depreciation and amortization				(807,639)
Interest expense				(1,267,976)
Loss on prepayments of loan				(35,579)
Loss on loan modification				(19,596)
Loss on bond redemption				(18,528)
Provision for income tax				(412,504)
Consolidated net income				₱1,260,977
Assets and Liabilities				
Segment assets	₱33,223,263	₱5,785,438	₱252,550	₱39,261,251
Investment properties	2,780,649	11,705,276	–	14,485,925
Investment in joint venture and associate	–	2,829,216	–	2,829,216
Deferred tax assets - net	75,903	–	–	75,903
Property and equipment	2,914,214	2,338,562	29,971	5,282,747
Total assets	₱38,994,029	₱22,658,492	₱282,521	₱61,935,042
Segment liabilities	₱31,676,865	₱3,696,262	₱99,029	₱35,472,156
Deferred tax liabilities -net	1,601,118	–	–	1,601,118
Total liabilities	₱33,277,983	₱3,696,262	₱99,029	₱37,073,274

	2019			
	Residential Development	Commercial Development	Hotel	Total
Revenue	₱12,937,628	₱2,481,952	₱289,886	₱15,709,466
Costs and expenses	(9,177,936)	(633,610)	(184,890)	(9,996,436)
Share in net income of joint venture and associate	14,870	307,867	–	322,737
Other income - net	33	(184)	(11)	(162)
EBITDA	3,774,595	2,156,025	104,985	6,035,605
Depreciation and amortization				(902,091)
Interest expense				(1,357,301)
Gain on bargain purchase				191,069
Gain on remeasurement				58,509
Provision for income tax				(1,018,942)
Consolidated net income				₱3,006,849
Assets and Liabilities				
Segment assets	₱39,520,849	₱527,822	₱436,137	₱40,484,808
Investment properties	–	14,412,263	–	14,412,263
Investment in joint venture and associate	–	2,943,581	–	2,943,581
Deferred tax assets - net	45,862	–	–	45,862
Property and equipment	3,105,179	1,827,784	685,379	5,618,342
Total assets	₱42,671,890	₱19,711,450	₱1,121,516	₱63,504,856
Segment liabilities	₱33,675,553	₱3,630,357	₱114,301	₱37,420,211
Deferred tax liabilities -net	1,735,851	–	–	1,735,851
Total liabilities	₱35,411,404	₱3,630,357	₱114,301	₱39,156,062

	2018			
	Residential Development	Commercial Development	Hotel	Total
Revenue	₱13,411,276	₱1,989,530	₱283,489	₱15,684,295
Costs and expenses	(9,620,666)	(774,885)	(209,807)	(10,605,358)
Share in net income of joint venture and associate	–	270,595	–	270,595
Other income - net	3,175	77	21	3,273
EBITDA	3,793,785	1,485,317	73,703	5,352,805
Depreciation and amortization				(658,585)
Interest expense				(1,161,879)
Provision for income tax				(965,720)
Consolidated net income				₱2,566,621

34. Supplemental Disclosure of Cash Flow Information

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

	January 1, 2020	Cash Flows	Reclassification from Noncurrent to Current	Interest Expense/Discount Amortization	December 31, 2020
Current portion of interest-bearing loans and borrowings	₱5,238,844	(₱5,238,844)	₱7,354,635	₱–	₱7,354,635
Interest-bearing loans and borrowings - net of current portion	20,496,901	4,216,231	(7,354,635)	44,883	17,403,380
Lease liabilities	637,759	(35,472)	–	48,723	651,010
Installment payable	599,975	(655,799)	–	55,824	–
Total liabilities from financing activities	₱26,973,479	(₱1,713,884)	₱–	₱149,430	₱25,409,025

	January 1, 2019	Cash Flows	Reclassification from Noncurrent to Current	Interest Expense/Discount Amortization	December 31, 2019
Current portion of interest-bearing loans and borrowings	₱5,173,729	(₱5,173,729)	₱5,238,844	₱–	₱5,238,844
Interest-bearing loans and borrowings - net of current portion	19,053,087	6,645,840	(5,238,844)	36,818	20,496,901
Lease liabilities	627,520	(33,520)	–	43,759	637,759
Installment payable	571,748	–	–	28,227	599,975
Total liabilities from financing activities	₱25,426,084	₱1,438,591	₱–	₱108,804	₱26,973,479

	January 1, 2018	Cash Flows	Reclassification from Noncurrent to Current	Interest Expense/Discount Amortization	December 31, 2018
Current portion of interest-bearing loans and borrowings	₱2,020,014	(₱2,020,014)	₱5,173,729	₱–	₱5,173,729
Interest-bearing loans and borrowings - net of current portion	17,888,752	6,336,834	(5,173,729)	37,942	19,053,087
Installment payable	544,957	–	–	26,791	571,748
Total liabilities from financing activities	₱20,453,723	₱4,280,108	₱–	₱64,733	₱24,798,564

b. The Group's material non-cash investing activities include the investment in an associate with unpaid subscription amounting to ₱684.2 million as at December 31, 2020 and the return of investment in a joint venture previously recorded as advances to partners amounting to ₱875.5 million (see Note 13).

35. Events After the Reporting Period

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

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

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

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Imposition of improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Group would have been subjected to lower RCIT rate of 25% or MCIT rate of 1% effective July 1, 2020.

- This will result in lower provision for current income tax for the year ended December 31, 2020 and lower income tax payable as of December 31, 2020, which will be reflected in the Group's 2020 annual income tax return but will only be recognized for financial reporting purposes in its 2021 consolidated financial statements. Pending clarification from the tax authorities on how the taxable income for the period beginning July 1, 2020 will be computed, the Group has not quantified the impact of the lower corporate income tax rate on the 2020 current income tax.

- This will result in lower net deferred tax assets and liabilities as at December 31, 2020 and provision for deferred tax for the year then ended by ₱450.8 million, ₱196.2 million and ₱83.7 million, respectively. These reductions will be recognized in the 2021 consolidated financial statements.

36. Other Matter

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, which was subsequently extended to May 15, 2020. Upon lifting of the ECQ on May 16, 2020, the modified ECQ has been implemented until May 31, 2020 and general community quarantine (GCQ) until June 30, 2020. On August 3, 2020, the Office of the President issued a Memorandum declaring MECQ for NCR and selected provinces, starting August 4, 2020 until August 18, 2020. On August 19, 2020, NCR was placed under general community quarantine until August 31, 2020, which was subsequently extended until March 28, 2021. On March 26, 2021, NCR and selected provinces were placed under ECQ from March 29, 2021 until April 2, 2021. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Group considers the events surrounding the outbreak on its financial position and performance as of and for the year ended December 31, 2020. Considering the evolving nature of this outbreak, the Group will continue to monitor the situation.

FPH MISSION, PURPOSE, AND WAY OF PROCEEDING

Together with FPH, we are part of a vision that aspires to go beyond

OUR MISSION

We commit to forging collaborative pathways to a decarbonized and regenerative future.

OUR PURPOSE

We recognize that unbridled consumption and the singular pursuit of bottom line growth are at the roots of the climate crisis, alienation from nature, and deep social and economic divisions, which have become existential threats to humanity today. Our planetary support systems and basic social institutions are now at a breaking point.

Overcoming these challenges will require a paradigm shift in the way we think, live and do business. Pursuing sustainability that simply seeks to do less harm is no longer a viable path.

Business today urgently needs to become a regenerative force that elevates everything it touches – our customers, our employees, our suppliers, our contractors, our communities, our Earth, and our investors. Together, we need to create symbiotic, mutually beneficial relationships with nature and society that benefit more than just shareholders.

This transformation cannot be done by entities working alone. We are conscious that we work within highly diverse and nested systems. Everybody plays a unique and reciprocal role in a world that needs to be healed.

Thus, we commit ourselves to this mission. Our success will be measured by how much we can contribute to the urgent need to decouple economic and social prosperity from carbon emissions and ecosystem degradation.

We choose this path because it brings us closer to a world where every Filipino has the opportunity to prosper and thrive on a healthy planet. We choose this path because we believe it is the only way to create lasting value for all our stakeholders and investors. We choose this path because it is inseparable from the Lopez Values that has and will always define us.

OUR WAY OF PROCEEDING

In pursuing this path, we will unlock the potential of diverse talents to create a mission-driven organization that makes work fulfilling, fun, and that gives people a deep sense of belonging.

Our businesses will become multiple pathways toward a decarbonized and regenerative future.

- In energy, we shall lead the transition to a decarbonized energy system.
- In property, we shall nurture inclusive, well-tempered and creative spaces that elevate surrounding communities and the environment.
- In construction, we shall build infrastructure that creates resilience and enhances the quality of life in a complex, climate-changed world.

Our mission and purpose will guide everything we do.

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While the cities were silent,
We sounded the horn

To stand,
To unite,
To protect.

When the days seemed lost,
We walked towards our tomorrow.

Calmly,
Confidently,
With purpose.

Rockwell Land