ROCKWELL LAND

Rising stronger, on the path to brighter days

2021 ANNUAL REPORT

FPH

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

Just as a star shoots through the dark,
our 2021 blazed with a solemn yet strong
light amidst dark times.

It was a year of storied tales
of perseverance.

An era of steadfast strength
amidst insurmountable odds.

A time when thousands of hopes
helped light our way into the night.

Join us as we welcome the radiance
of a brilliant new dawn for us all.

Comet Leonard over The Grove by Rockwell and Metro Manila skyline on Christmas Day. Taken by astrophotographer MJ Magallon.

message of *the chairman*

After a year of persevering, we entered 2021 with a renewed sense of purpose and the will to rise above the challenges that begot us. I am most honored to witness the display of strength, unity, and business excellence that has pushed our company towards a continuous recovery.

We ended 2021 with a net income after tax to Parent that was 52% higher than 2020, which was no small feat given the ongoing pandemic. In fact, instead of heeding to caution, Rockwell introduced 10 new projects and marked our biggest year in terms of launches thus far. These include tasteful communities like **Rockwell Center Nepo, Angeles in Pampanga, Nara residential lots in Bacolod**, and **The Balmori Suites in Makati**, among others. Even in this time, we also set out to cater to fellow Filipinos living abroad, and offer them the quality homes they deserve upon returning to the Philippines. Our team then courageously went to the United States, despite lockdowns and constantly-changing restrictions.

Fueled by confidence for the goals we set out to reach, our people displayed bravery as they sought to overcome any obstacles that came their way. This was no different when the super typhoon Odette struck Cebu and its neighboring provinces. Our on-ground teams sustained operations and ensured the continuous supply of power and water for the safety of our residents, clients, and staff. We remained true to our nature of service, and it was a testament to our promise of delivering even in times of crisis.

We continue building on our progressive pace and look forward to more projects in the pipeline this year. Growing our footprint in Visayas will be the 2.8-hectare **Rockwell IPI in Cebu**, in partnership with International Pharmaceuticals, Inc. We also launched **Rockwell Center Bacolod** — a 30-hectare development that is set to be the next preferred mixed-used business district in Western Visayas. Here we first introduce the **Rockwell Business Park**, which will create opportunities not only just for investments but jobs as well. Residential and retail spaces will then complete this new Rockwell Center.

These truly would not be possible without the dedication to persevere through trials, and the commitment to uphold the quality of life we purvey. Through this we were able to thrive despite the challenges and now look forward to more successes. We thank you for your unwavering trust in our brand, and look forward to having you with us as we continue on.

AMB. MANUEL M. LOPEZ
CHAIRMAN OF THE BOARD

report of *the president*

Rising stronger was what the second year of the pandemic was all about for us in Rockwell. We started 2021 with recovery in mind and that's how we lived out the next 12 months. Challenges found their way in but we didn't allow ourselves to be overwhelmed. Instead, unyielding spirits kept us directed towards our radiating vision.

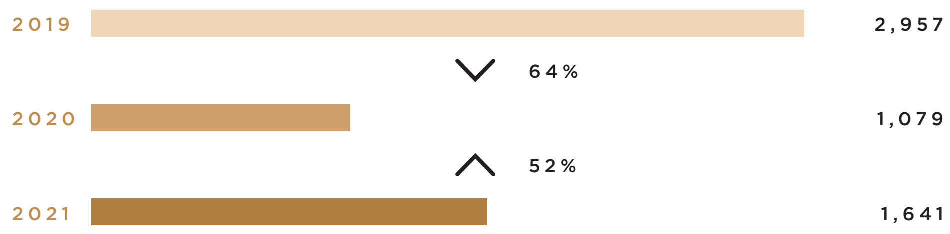
The crisis left us unfazed as we chose to not let uncertainties prevail over the many growth plans we have for our present and future communities. Had we allowed ourselves to be led on by fear of the pandemic, we would not have been able to focus on our mission – providing delightful memorable experiences. On the path to what some may think is an unthinkable normal, we believed our duty was to continue to create safer lifestyles and spaces as fast as we could to recover. Our resilient teams unfalteringly serviced members of our community despite risks. This includes being part of vaccinating over 15,000 individuals, through a partnership with the Makati Local Government Unit.

Our people blazed ahead and embraced brighter days, together. With this, what could have been another pandemic year turned to a 2021 full of highs.

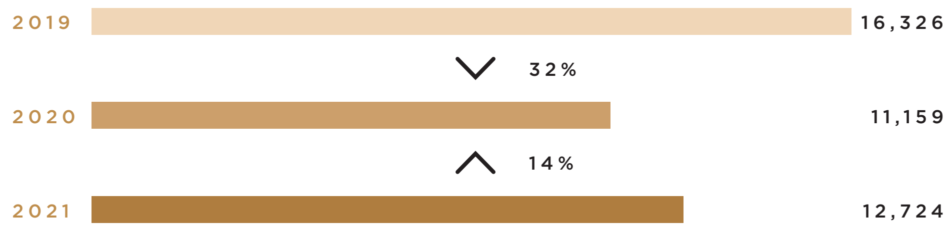
A GENTLE YET FIERCE LIGHT

While there were many instances recovery seemed far off, with the emergence of surges and stricter quarantine measures, we remained determined to finish the year strong. We saw a 52% increase versus previous year in our 2021 **net income after tax** to Parent of Php 1.6 billion. There were also significant increases in **revenue** and **EBITDA**, reaching Php 12.7 billion and Php 4.4 billion, respectively.

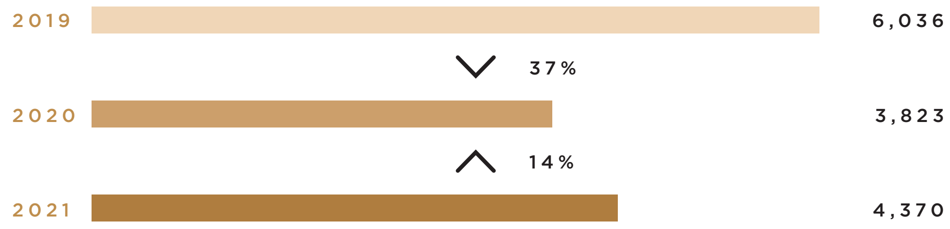
NIAT TO PARENT
IN PHP MILLIONS



REVENUE
IN PHP MILLIONS

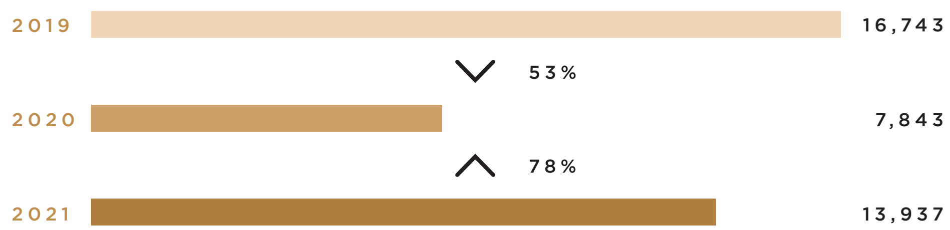


EBITDA
IN PHP MILLIONS



As the market grew more optimistic, we are grateful for their continued trust in the Rockwell brand. **Reservation sales** reached Php 13.9 billion, a 78% increase versus previous year.

RESERVATION SALES
IN PHP MILLIONS



Though heavily affected by restrictions, **Commercial Development** revenues increased 3% to Php 2.4 billion.

Rockwell Workspaces' leasing revenue increased by 1% versus previous year, mainly due to increased rental rates from renewed tenants, and with no significant change in occupancy.

Retail Development saw a rosier end to 2021 as well when more Rockwellists went back to the mall, especially during the Christmas holidays, which is the most awaited season in Power Plant Mall. The Christmas Raffle made a strong comeback, as the mall's most successful one ever. We ended 2021 with retail sales reaching more than 80% of pre-pandemic level and with foot traffic in December reaching an all-time high since the pandemic started.

ANOTHER YEAR OF BRILLIANT MILESTONES

With our firm resolve to forge ahead, we set our sights to grow despite evolving risks.

2021 was a year of launches as we introduced **10 new projects** to the market, located in 8 different cities, amounting to a historical high of Php 23.5 billion in development revenues.

We launched 2 new projects in our flagship mixed-use community in Makati. **The Balmori Suites**, at the heart of Rockwell Center and with direct access to Power Plant Mall, will be the future home to the most discerning clientele. With its rarity at only 57 prime units, unit owners will be treated to luxurious living spaces and private amenities.

We also introduced new premium workspaces with the latest addition to Proscenium at Rockwell. **1 Proscenium** is a Silver LEED certified building, with open outdoor spaces for employees to enjoy.

Our first high-end, high-rise project in Quezon City, The Arton by Rockwell, launched its last and tallest tower, **Arton East** in June 2021. Unit owners of its diverse unit cuts can experience spectacular views of the Sierra Madre. The Arton community will also start by the second half of 2022 as handover of units in the first tower, Arton West, will begin.

Rockwell South at Carmelray, our first premium horizontal development in Calamba, Laguna, remains very attractive to the market. Launched last November 2021, Cluster 3 of our residential lots sized 440-566 square meters, sold almost 90% in just 4 months. We are also excited to build our first community in Laguna as we start handing over lots in July this year.

Now on its third phase, **Terreno South** in Lipa City, Batangas remains a very popular choice for lot owners who aspire for refreshing weather and a nature-inspired development. Already reaching its sell-out, succeeding phases will be launched simultaneously this year, marked by an additional offering of bigger lot cuts that range from 250-400 square meters.

A new mixed-use community awaits Kapampangans with the launch of the 4.5-hectare Rockwell Center Nepo, Angeles, a joint venture with the Nepomuceno family. Its first residential tower, **The Manansala**, features 1 to 3-bedroom units with high ceilings. We received very good reception with buyers from Pampanga, Manila and even abroad, which led to being almost 70% sold by year end. In the middle of the community will be the first Power Plant Mall outside of Makati. Soon, we will also be introducing the second tower, **The BenCab**.

In Cebu, our communities continue to thrive with 2 new residential areas. 32 Sanson's fifth tower, **Sillion**, was launched last March 2021, with just 5 floors and featuring several garden units.

Our first beachfront development in Mactan, **Aruga Resort and Residences**, continues to garner positive reception as evidenced by the launch of the second cluster of the much-coveted villas. Now almost sold out again, the exclusive villas boast of being just a few meters away from the shore.

We continue to bring the Rockwell touch to Bacolod through Nara Residences. The second residential building in the 11-hectare development, **Two Nara**, has 3-meter-high ceilings in studios to 3-bedroom units. Staying competitive in the market, we also launched **Nara lots** last October 2021 as another premium residential offering.

RADIANT NEW DAYS AHEAD

Our growth story endures as we move toward more bountiful times. This year, we will expand our reach in Makati, Cebu and Bacolod, and soon, set foot in Iloilo.

Another distinct addition to our Rockwell Center Makati skyline will come to life this 2022. Situated alongside the premium towers in the West Block, the new rare residential tower will feature low density floors with expansive balconies.

A new Rockwell project will rise in the heart of Cebu City with **Rockwell IPI Cebu**. This 2.8-hectare joint venture with International Pharmaceuticals, Inc. will form a community with residential towers, workspaces, and a retail area.

The 30-hectare **Rockwell Center Bacolod** will be twice the size of our first Rockwell Center in Makati. This master-planned community brings together the design vision of Proscenium's architect, Carlos Ott, and the architect of multiple Rockwell projects, Jun Rodriguez. The sprawling neighborhood will be comprised of residential areas, commercial spaces and a much-awaited Power Plant Mall. To start off the community, the **Rockwell Business Park**, launched this year, offers commercial lots for investors, poised to gain returns similar to the bustling Makati business district. Residential lots will also soon launch towards the end of 2022.

Our first venture in Iloilo will be marked by **The Vantage at Iloilo**. Residential and office spaces within the 1.3-hectare development will enjoy wide open views. Its ideal location in the center of the city makes it accessible to major establishments and institutions.

A SHINING SPIRIT TO EVOLVE

While in an environment with rising challenges, we only choose to face it headstrong. We continue to optimistically persevere because we believe that it's not about getting back to a pre-pandemic scenario. Instead, we want to take this opportunity to transform and evolve the way we do things, and ultimately, the way we serve our communities and stakeholders.

With your confidence and support, we will adapt and move forward. We will take on every emerging opportunity to better lives, and we will not cease to create lifestyles that will impact many.

NESTOR J. PADILLA
PRESIDENT AND CHIEF EXECUTIVE OFFICER

In the midst of a crisis, we found ourselves unbelievably fortunate to be in such a safe and dependable environment with level-headed and reassuring staff. It's almost like we weren't in the middle of a massive storm.

But Rockwell truly delivered at the time where it mattered the most.

- A 32 SANSON RESIDENT AFTER TYPHOON ODETTE

business *portfolio*

A GOLDEN GLOW AND A BLAZING VISION

A legacy of golden lights illuminating homes, cities, and communities in the country.

ROCKWELL CENTER MAKATI

Since its inception, Rockwell established itself as a visionary that pushed the envelope in an evolving cityscape. From transforming a dormant thermal power plant in Makati to creating quintessential and sought after addresses all over the country, our legacy is marked by shining milestones that continue to capture the imagination of the most discerning.

It all began with our flagship **Rockwell Center** in Makati. This once untapped space beside a bustling business district became home to a series of exclusive residential developments. Among these were: the **Rizal Tower, Hidalgo Place, Amorsolo Square,** and **Luna Gardens** in Residential Drive; **The Manansala; Joya Lofts and Towers; One Rockwell; Edades Tower and Garden Villas,** and the **Edades Suites** which all soon became benchmarks for luxurious city living.

THE VANTAGE

THE ALVENDIA

THE GROVE

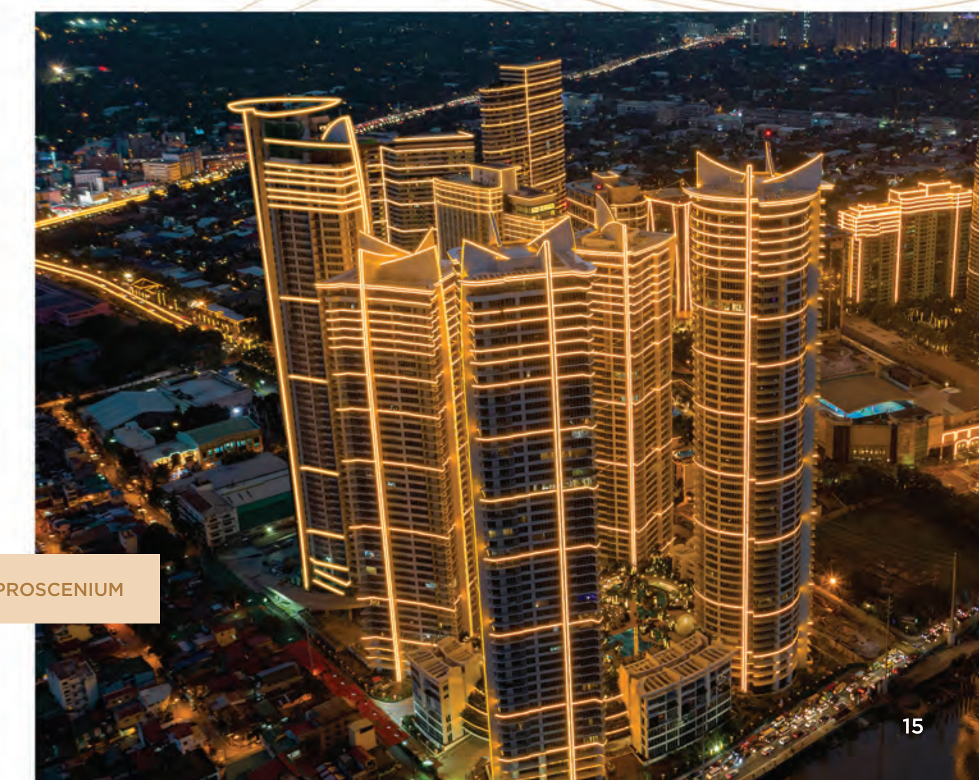
Others would find opportunities to be part of Rockwell communities as we expanded outside of Makati, giving more cities a taste of our signature shining glow. Our first step on new ground came in the form of **The Grove** in Pasig City, and the acclaimed townhomes of **205 Santolan** in Quezon City and **The Alvendia** in San Juan.

The Rockwell touch would reach even more aspiring clients and patrons with the creation of Rockwell Primaries. These new developments created intimate and exclusive communities perfectly tailored for young, modern families looking for that signature Rockwell attention to detail. The Rockwell Primaries brand started with a flourish through **53 Benitez** in Quezon City followed by **The Vantage at Kapitolyo** in Pasig City.

We then sought to offer a more accessible Rockwell lifestyle for families through our affordable housing projects. This launched with **Stonewell** in Sto. Tomas, Batangas with plans to further expand to other parts of the province for a quaint yet comfortable touch of Rockwell away from the bustle of the metro.

In 2012, we would unveil what many consider one of the peaks of modern luxurious living in the form of **The Proscenium at Rockwell**. This 3.6-hectare addition to the Rockwell Center is made up of five distinct residential towers – **Kirov, Sakura, Lincoln, Lorraine,** and **The Proscenium Residences,** all within walking distance of the community's exclusive retail areas and the Rockwell Performing Arts Theater.

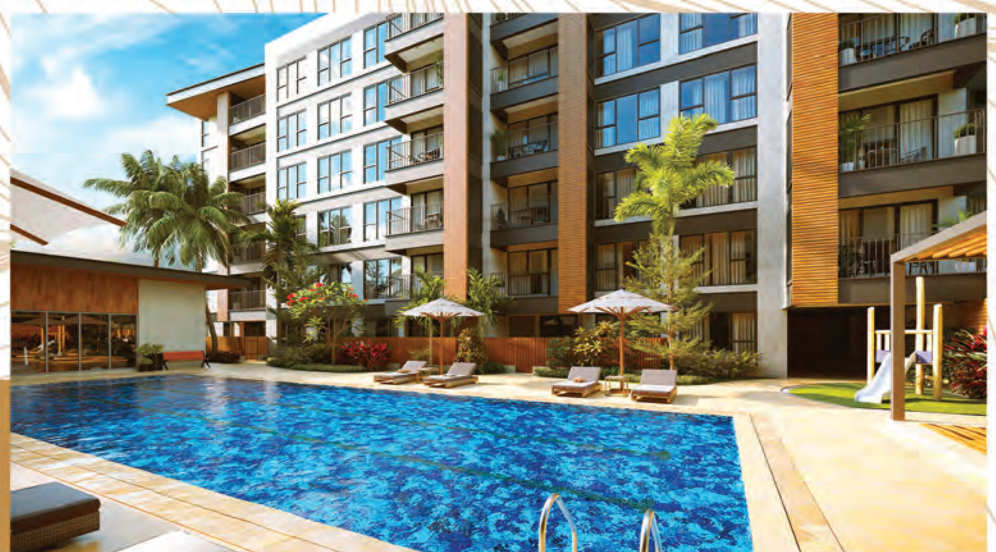
The fifth and final tower, The Proscenium Residences, has since begun its turnover in 2021 and gives discerning clients a last chance to be a part of one of our most exclusive communities.



THE PROSCENIUM

THE RADIANCE OF LIGHTS TO COME

Be part of communities and spaces to be lit by the Rockwell touch.



8 BENITEZ SUITES

A new, intimate, and warm sanctuary is coming to Quezon City. With only 61 units consisting of two-to-three-bedroom suites and private gardens all spread across 2 low-rise buildings, 8 Benitez is set to be a standout community near San Juan and New Manila.

Sitting at just over 4,200 sqm, this new development blurs the lines between down-to-earth townhome convenience and the highs of modern Rockwell life. You can take a look into this haven for yourself by visiting the 8 Benitez Suites model unit at 8 Rockwell in Makati.

EAST BAY RESIDENCES

Marking yet another exceptional addition to the Rockwell Primaries roster is East Bay Residences in Sucat, Muntinlupa. This 7.2-hectare development is made up of 60% open spaces and features its own retail row, providing residents a self-sustaining haven of a community a short drive away from the Metro's busiest districts.

With its first tower, Fordham, turning over this year, East Bay Residences offers more units in its neighborhood through its second tower, Larsen. Launched in 2020, Larsen offers 20-storeys of choice unit cut options and even bigger rooms than neighboring developments. Its diverse and roomy spaces create the ideal environment for both young professionals and starting families to thrive.

ARUGA APARTMENTS

Launched as our first venture into hotel and leisure, Aruga Apartments has since become a prime investment and a beacon of safety, convenience, and comfort.

Featuring 114 fully furnished apartments, Aruga offers a slew of options for any type of stay, ranging from studio units to spacious 2-bedroom spreads at the Edades Tower in Rockwell Center. In August 2020, Aruga Apartments opened its doors as a short-term home luxury stay business and investment opportunity.

Aruga Apartments was then granted multi-use accreditation in 2021, giving corporate clients, leisure guests, and travelers a taste of Rockwell living and convenience even during quarantine stays.

SPACES LIT BY WARMTH AND SAFETY

A new normal calls for a new era of assurance and choices for our Rockwell communities.

POWER PLANT MALL

During the most uncertain of times, our flagship Power Plant Mall stood as a redefining standard for safety when it came to lifestyle, shopping, and dining in the city.

Even before its official Safety Seal accreditation in June 2021, the mall and its staff held strict health and safety protocols to ensure that classic Power Plant Mall experience without the worry.

We also welcomed back excited mall-goers with the reopening of our cinemas, more specialty shopping and dining choices in Rockwell Center like Aesop, Zarah Juan, Marudori, Bar Pintxos, and the launch of our Streetside fairs and new al fresco dining areas.

Despite the restrictions from lockdowns at the time, we strove to give our shoppers the same Rockwell retail experience they've grown so accustomed to. In 2021, loyal Power Plant Mall guests were treated to new and exciting shopping opportunities online with the launch of our Rockwellist Rewards system, and our biggest holiday car raffle to date which drew in countless entries from mall patrons.

These all marked a new era of the Power Plant Mall, proving the Rockwellist experience will only shine brighter from here.

SANTOLAN TOWN PLAZA

A favorite spot for locals and shoppers from all over the metro, Santolan Town Plaza has since established itself as San Juan's premiere lifestyle and shopping destination. But what's new in this prime retail spot? Regular patrons will be delighted to catch the latest blockbusters at the newly reopened cinemas. Visitors also have another choice for freshly made, convenient food choices with the opening of Merienda by Pan De Manila.

ARTON STRIP

EAST BAY RETAIL ROW

Experience a bevy of local haunts, convenient stopovers, and intimate spaces at our Rockwell Retail sites. Present at most of our residential areas, these hubs for lifestyle and dining now have even more safety features and shopping choices for returning guests.

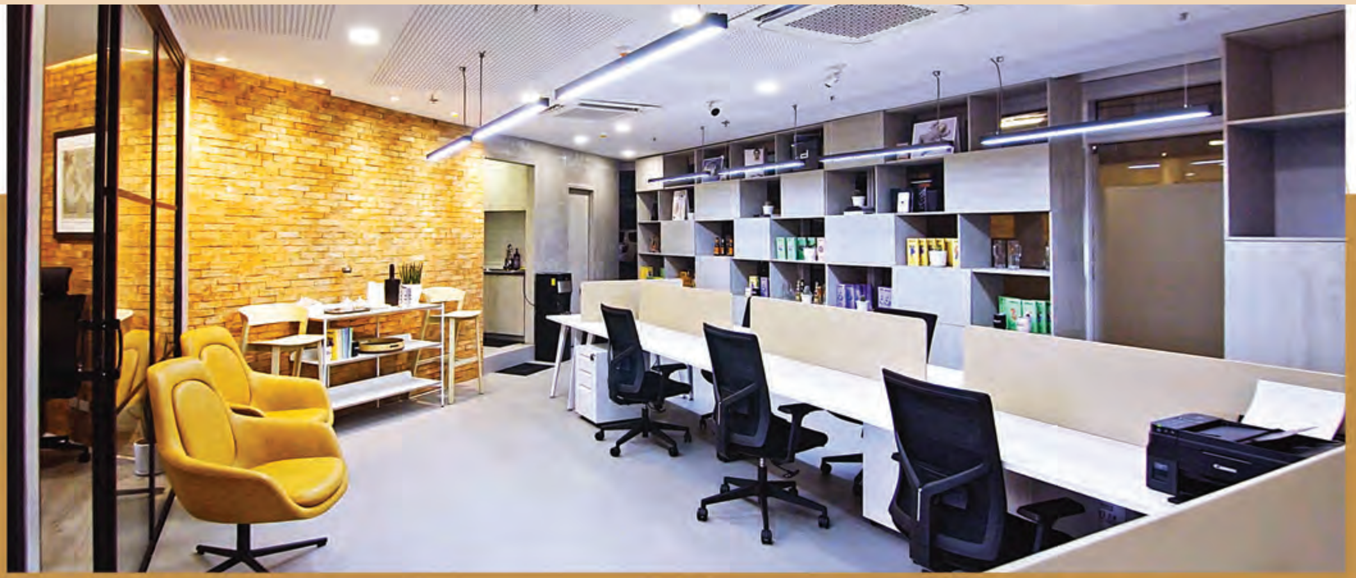
The Arton Strip now features more al fresco dining options, a scenic view of the Sierra Madre mountain range, new restaurants like Conti's, and convenient shopping stops like MerryMart Market.

Our Retail Rows are no different with **The Grove** now featuring Turnkey Studios for photograph and video needs as well as the addition of Your Daily Bread for comforting treats. Residents who frequent the **East Bay Retail Row** now have access to the quick and varied Lawson Convenience store while **The Vantage** now sports the anticipated Mos Burger from Japan, an all-new Hair MNL studio, and a daily go-to, Starbucks.

THE VANTAGE RETAIL ROW

REDEFINING STANDARDS THROUGH THE EXTRAORDINARY

Modern, safe, and fully equipped offices for the rising challenges of an evolving workspace.



PROSCENIUM PODIUM OFFICES

A groundbreaking residential development and now home to one of Rockwell's most premium workspaces. The Proscenium Podium Offices is our latest venture into office spaces in the Kirov, Sakura, Lorraine, and Lincoln residential towers as well as our three Garden Villas. With office spaces ranging from 80-300 sqm, RFID elevator access, and a Variable Refrigerant Flow air conditioning system, this workspace combines our signature attention to detail with a firm focus on employee safety. As of today, the Proscenium Podium Offices is home to 6 operating tenants with more brimming on the horizon.

8 ROCKWELL

One of the quintessential modern workspaces in Makati, 8 Rockwell exhibits a prime working experience with no compromise to safety nor form. Here, incredibly designed spaces meet advanced safety features such as contactless facial detection and an air conditioning system equipped with filtration equivalent to the MERV-17 HEPA filters by Samsung. These cutting-edge features combined with sleek, modern designs and timeless Rockwell comforts make for a workspace that blurs the lines between lifestyle and productivity for the modern professionals of today.

RBC SHERIDAN

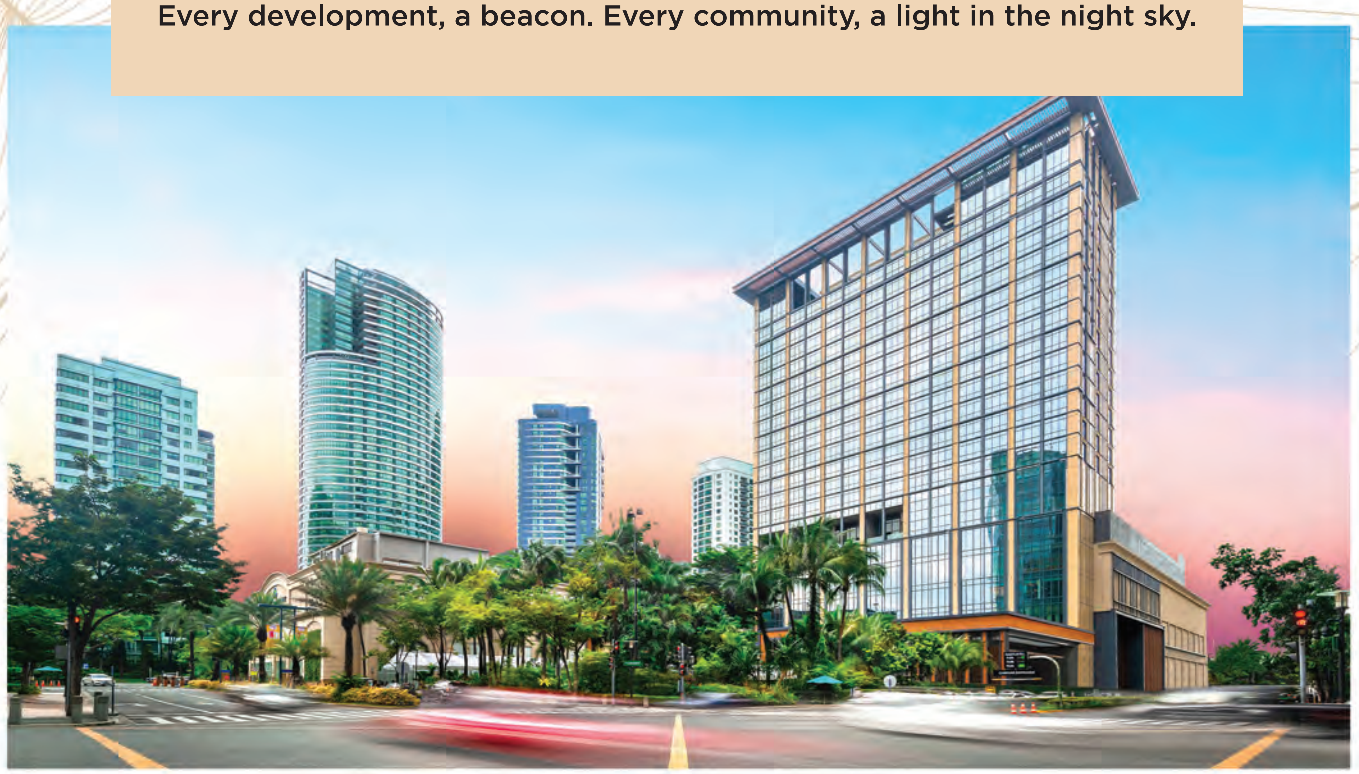
RBC ORTIGAS

ROCKWELL BUSINESS CENTERS
ORTIGAS AND SHERIDAN

Experience Rockwell's signature touch of safety in the comfort of our upscale, modern workspaces. The Rockwell Business Centers at Ortigas and Sheridan were designed to bridge leisure and productivity into one with a firm emphasis on safety as well. Both share top-of-the-line features such as air conditioning systems complete with filtration, sophisticated emergency water systems, and access to lifestyle options.

A YEAR OF BRILLIANT MILESTONES

Every development, a beacon. Every community, a light in the night sky.



THE BALMORI SUITES

Revisiting Makati is always an occasion for us, and this was never more apparent than the launch of Makati's crowning jewel, The Balmori Suites, at the heart of our flagship Rockwell Center. More than another stunning development, The Balmori Suites represents a once-in-a-lifetime opportunity for aspiring residents to have a home with direct access to the Power Plant Mall and be at the center of one of the city's most sought-after communities. The Balmori Suites also boasts a rare level of exclusivity even among other Rockwell properties, with a total of only 57 units, ranging from two to three bedroom spaces, and only 3-5 units per floor. It also holds other exclusive features, such as sophisticated dining destinations, a luxurious gym and pool, a lush outdoor garden tent on the 7F for gatherings and events, and hotel-like lobbies with premium finishes for the ultimate Rockwell touch in the city.

TERRENO SOUTH

Welcome to the fruits of our beautiful and bountiful move down south. Located in Lipa City, Batangas, Terreno South is a Rockwell development that truly captures southern warmth with a gentle Rockwell touch.

This massive 46-hectare community is home to 1,500 residential lots with a 1:1 tree-to-house ratio, 2-hectares of community open spaces, and a 1-hectare retail section.

Homeowners now have the opportunity to live in this sanctuary as we start the handover of lots for the first 2 residential lot phases, with some homes beginning to rise as of 2021.

We've since launched Phase 3 in December 2021, featuring optimized lots ranging from 132 to 252 sqm, and an additional sports park for activities. Terreno South also looks forward to the launch of Phase 4 in 2022 which will feature the development's biggest lot cuts ranging from 201-408 sqm all in a gated area with exclusive parks. These new residential phases grant the opportunity for more young families to be part of this growing Rockwell haven in the south.

NARA RESIDENCES BY ROCKWELL

Beyond Luzon lies one of our brightest steps into new territory. Our journey outside Makati and the mainland soon led to the creation of our first ever development in Western Visayas — the 11-hectare haven of Nara Residences along GM Cordova Avenue in Bacolod.

This mixed-use community brought our signature Rockwell touch to the people of Negros, offering a mix of premium residential options for a rising discerning audience.

The residential chapters first launched in December 2019 with One Nara, then followed with Two Nara in August 2021. Both feature prime unit cuts ranging from studios to 3BR units with 3-meter-high ceilings along with an exclusive clubhouse and a wide range of amenities that many have come to love from our developments.

With the success of One Nara and Two Nara, Rockwell in Bacolod launched its residential lots last October 2021 and remained strong in a competitive market. Premium lots ranging from 250-400 sqm are set along tree-lined avenues and smooth gradual slopes for an intimate, homey Rockwell experience within the community.

Our Nara Residences community also continues to grow with exciting new selections for the Bacolod neighborhood as we open our retail pavilions in the third quarter of 2022.

BEACHFRONT VILLA

ARUGA RESORT AND RESIDENCES - MACTAN

Step into a Rockwell island paradise by Cebu shores at the Aruga Resort and Residences – Mactan. Our first foray into a premiere residential-resort led to one of our most memorable projects to date. Featuring over 270m of beachfront, the finest examples of timeless design with modern comforts, and private villas a few meters from the sand, it has since become the ultimate in luxurious island living. We launched the first of our exclusive beachside villas in September of 2020, but the swift and positive reception from interested audiences led to the second cluster of villas launching in April 2021.

The year closed with almost all of our villas nearly sold out, but the Aruga Resort and Residences - Mactan still has plenty of opportunities for a beachside escape. The resort still has a number of residential units available, granting Cebuanos the chance to be part of this pearl by Mactan's shores.

THE ARTON BY ROCKWELL

The Arton represents a twin milestone for Rockwell and its community: the first as Katipunan's original high-end residential development, and second as our first residential development in the north of Quezon City. The project began as a joint venture between Rockwell and Mitsui Fudosan and has since become a beacon of fine living in the north. This master-planned community is made up of 3 residential towers, all of which offer spectacular views of the nearby Sierra Madre Mountains and neighboring cityscapes. Soon-to-be-residents are anticipating the turnover of Arton West beginning in the second half of 2022.

The latest tower, the Arton East, is the project's tallest at an astonishing 34-storeys and features the most diverse range of unit cuts. Arton East helps paint a beautiful picture inside each of its units ranging from studios to 4BR spaces, with all boasting particularly clear and vivid views of the nearby mountains to take residents away from the city at every window.

ROCKWELL CENTER NEPO, ANGELES

Rockwell has always had a deep-rooted relationship with Kapampangans. Known for their discerning nature and taste for the finer things, it was only a matter of time before we ventured north of Metro Manila and created our second ever Rockwell Center.

As a joint effort with the Nepomuceno family through Juan D. Nepomuceno Realty, Rockwell Center Nepo, Angeles is the culmination of a vision shared by both parties to finally bring the Rockwell living experience and even Power Plant Mall to Kapampangans. This relationship further deepened with the launch of this Rockwell Center's very first residential development, **The Manansala,** in September 2021. This residential building offers more than the usual, featuring bigger 1BR to 3BR unit cuts with high ceilings and direct access to the upcoming Power Plant Mall. Residents also get exclusive access to premiere amenities and community spaces like outdoor courts, yoga gardens, a dedicated barbecue area for gatherings, and a great lawn.

The Manansala only marks the start of the thriving community that is Rockwell Center Nepo, Angeles as we soon launch the next residential building, **The BenCab,** in the second half of 2022.

ROCKWELL SOUTH AT CARMELRAY

A grand vision and an even grander reality, Rockwell South at Carmelray marked one of our vital moves outside Manila in truly spectacular fashion. Spanning a total of 63-hectares, this development is our first and biggest premium horizontal community right in the homey grounds of Calamba, Laguna.

The project's first phase serves the perfect first taste of southern warmth and Rockwell intimacy for upcoming residents. A natural waterway adds life to the 30-meter-wide main spine road, and leads them to 3 clusters of residential lots, complete with numerous parks and exclusive community amenities across an area of 36 hectares.

2021 proved to be another monumental year for the development as we launched the third cluster of our first phase last November 2021. With 72 new residential lots ranging from 440 to 566 sqm and the new Pathway Park as a comfy spot for activities, Cluster 3 adds even more to the already warm and inviting community.

1 PROSCENIUM

Our newest workspace and another prime example of redefining the modern office setting. This entirely new office building is the next addition to the heralded Proscenium in the Rockwell Center. Launched in July 2021, it features every bit of the style, sophistication, and focus on safety that business partners and tenants have come to expect from a Rockwell commercial development.

1 Proscenium comes with many standard features of a modern Rockwell Workspace with its own unique flair. The development has a LEED Silver Certification, a low workplace density ratio of 1:8, open outdoor spaces, a fully equipped backup power system for no power outages, and the latest in Samsung VRF air conditioning.

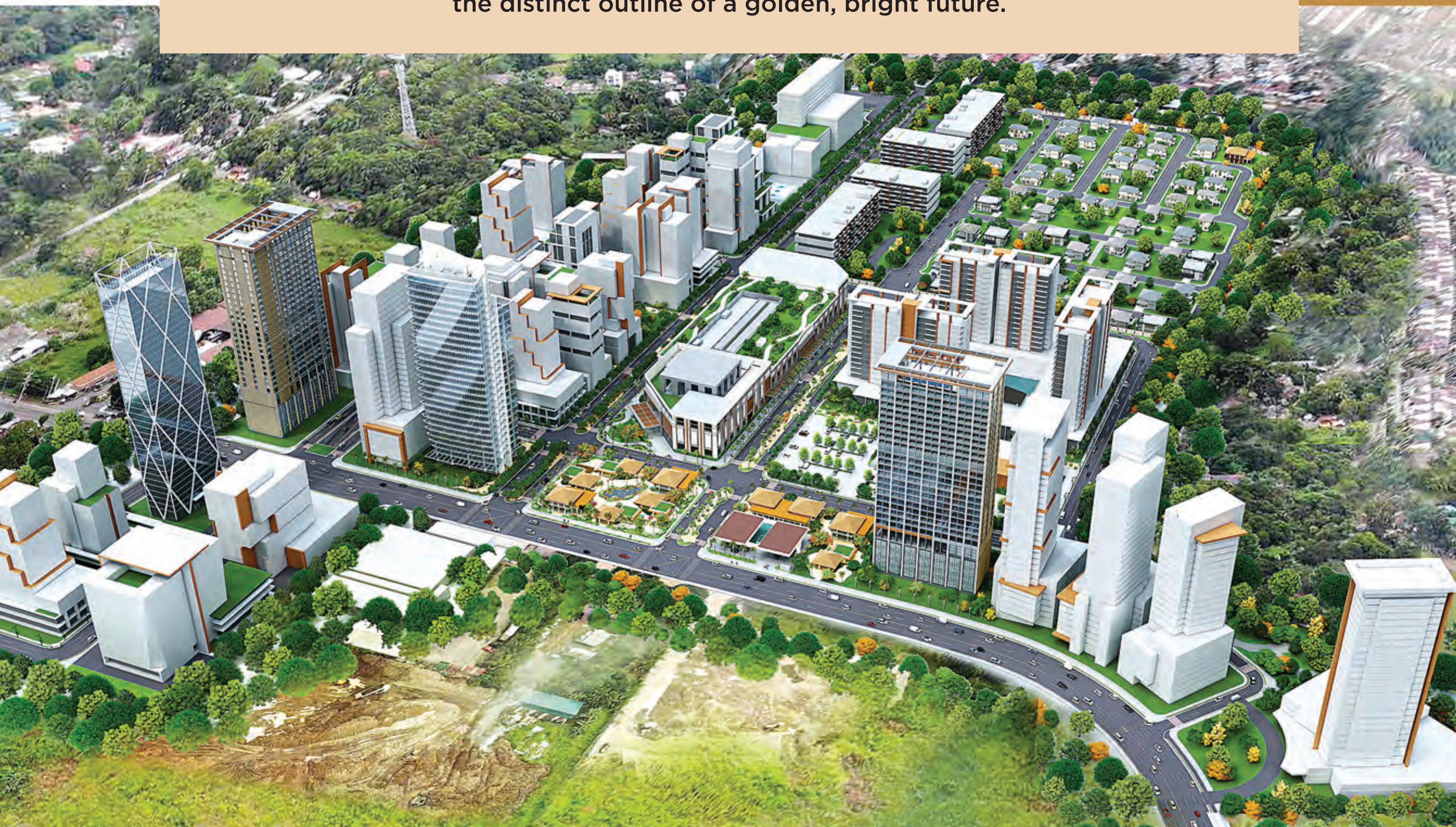
32 SANSON

An escape fit for the thriving modern Cebuano and any modern family. This 3.2-hectare development would be the first of our ventures in the Visayas, full of many of the signature design touches present in other Rockwells in the region. Located in Lahug, Cebu, 32 Sanson and its 5 mid-rise residential buildings give residents access to warm, comfortable homes in a sanctuary that is 70% open space.

Sanson's fifth building, The Sillion, was launched in March 2021 with an intimate array of studios to 3BR units in just 5 floors. The Sillion also boasts several garden units, making for beautiful dwellings surrounded by tree-lined canopies and new opportunities for aspiring residents to be part of this storied community.

LIGHTING THE WAY WITH OUR SIGNATURE GLEAM

From forging ahead with certainty, we now venture towards the distinct outline of a golden, bright future.



ROCKWELL CENTER BACOLOD

The first ever Rockwell Center in Visayas promises an experience that is uniquely Bacolod yet refreshingly Rockwell.

With the vision of renowned international architect, Carlos Ott, and the experience of master architect responsible for countless Rockwell projects, Jun Rodriguez, this 30-hectare master-planned community will surely set a new standard of Rockwell living. Nearly twice the size of the Rockwell Center in Makati, Rockwell Center Bacolod will mark another massive milestone for leisure, lifestyle, commercial centers, academic institutions and retail in Bacolod.

Future residents, patrons, tenants, and visitors can expect a coherent and well-balanced Rockwell lifestyle in a safe and exclusive community. The neighborhood will have much of what they have come to expect from previous developments and the much-beloved Power Plant Mall, from beautifully cut residential homes to a wide array of commercial spaces.

Those anticipating to be part of this incredible community will finally get the opportunity as we first open commercial lots to investors and future tenants. We then look forward to the launch of our residential lots in the latter part of 2022.

ROCKWELL IPI CEBU

The next chapter for aspiring young Cebuano families lies here. Coming in the second half of 2022 is our first mixed-use property in the heart of Cebu and a joint venture between Rockwell and International Pharmaceuticals, Inc. The result is a new holistic, self-sustaining 2.8-hectare community in a central location made up of 2 residential towers, 2 office towers, and a curated retail area.

This rising development is sure to bring the Rockwell touch to all the lifestyle, retail, and workspace needs for modern professionals and growing families of today.

EDADES WEST

The last of an exclusive few, and a distinct addition to our Rockwell skyline in Makati is set to launch in the second half of 2022. This newest development at the coveted West Block in Rockwell Center will boast only 3 to 8 units per floor, expansive balconies that seamlessly flow from meticulously designed living spaces, and all-new sustainability features for a future-proof home.

THE VANTAGE AT ILOILO

This historically and culturally rich city in Western Visayas is about to get the signature touch of Rockwell. Welcome to our first high-end development in Iloilo City coming this 2023.

Nestled in the heart of the city, this 1.3-hectare venture promises signature Rockwell residential and office lifestyle complemented by wonderful views of the Iloilo river and Iloilo-Guimaras strait. Perfect for end-users and investors alike, the project is ideally located along major schools, institutions, hospitals and essential retail establishments. Parallel to the goals of the city is Rockwell's vision of contributing growth and success to the Ilonggo community.

I'd like to commend Rockwell and its staff for the consistently amazing service. They have continued to go out of their way to help coordinate with my tenants and resolve other issues in spite of the pandemic constraints.

These are employees to keep and Rockwell remains the place to be, pandemic or not.

- A ROCKWELL CLIENT

board of *directors*

Under the leadership of our Board of Directors, we personified a spirit that never faltered and always forged onward.

MONICO V. JACOB
Independent Director
April 2016 - Present

Vice Chairman and CEO
- STI Education Services Group

President and 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
- PhilPlans First Inc.

Director
- iAcademy
- PhilCare
- Asian Terminals

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

FRANCIS GILES B. PUNO
Director
2013 - Present

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

OSCAR J. HILADO
Independent Director
2015 - Present

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

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

Director
- Philex Mining Corporation
- Smart Communications, Inc.
- A. Soriano Corporation
- Roxas Holdings, Inc.
- Phil Cement Corp.
- Digital Telecommunications Phils., Inc. (DIGITEL)
- Phinma Solar Energy Corporation
- Phinma Education Holdings, Inc.
- Phinma Hospitality, 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

BENJAMIN ERNESTO R. LOPEZ
Director
2020 - Present

President
- INAEC Aviation Corporation

Senior Executive Vice President
- Lopez Inc.

Vice President
- First Philippine Holdings Corporation

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

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

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

OSCAR M. LOPEZ
Chairman Emeritus
2012 - Present

Chairman Emeritus
- First Philippine Holdings Corporation
- First Gen Corporation
- Energy Development Corporation
- First Balfour, Inc.
- First Philippine Electric Corporation
- First Philippine Industrial Park, Inc.
- First Philippine Utilities Corp.
- First Philippine Properties Corp.

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

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 Holdings Corporation
- First Philippine Realty Corp.
- PGA Sompo Insurance Corp.

Member
- Executive Advisory Council – Mitsubishi Motors Corporation

Trustee
- Lopez Group Foundation, Inc.

FEDERICO R. LOPEZ
Vice Chairman
2012 - Present

Chairman and 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 Corp.
- 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 Disaster Resilience Foundation

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

Chairman
- BPI 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.

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

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

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

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

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

Executive Vice President
- Lopez Holdings Corporation

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

Board of Trustee
- Eugenio Lopez Foundation, Inc.

Board Advisor
- Lopez Group Foundation, Inc.

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 Grand 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, Inc.
- Stratbase ADR Institute, Inc.
- Citizens for Promoting Human Rights, Inc.

Director
- Indra Philippines, Inc.
- PLDT, Inc.
- Metro Pacific Investments Corporation
- Metro Pacific Tollways Corporation
- Two Rivers Pacific Holdings Corporation
- Metro Pacific Resources, Inc.
- Metro Pacific Holdings, Inc.
- Metro Pacific Asset Holdings, Inc.
- Philippine Telecommunications Investment Corporation
- Enterprise Investment Holdings, Inc.
- Mediaquest Holdings, Inc.
- Cignal TV, Inc.
- TV5 Network, Inc.
- Studio5, Inc.
- Businessworld Publishing Corporation
- Satventures, Inc.
- Hastings Holdings, Inc.
- Nation Broadcasting Corporation
- Med Vision Resources, Inc.
- Telemedia Business
- Ventures, Inc.
- Upbeam Investments, Inc.
- BTF Holdings, Inc.

Trustee
- Carlos P. Romulo Foundation for Peace & Development
- Philippine Cancer Society, Inc.

Member
- Asia Society Global Council

Board Advisor
- Metrobank Foundation, Inc.
- CSIS Southeast Asia Program

Our whole experience was very personal, yet the staff remained very professional. They ensured we got everything we needed throughout our stay.

Their amazing service and attention to detail are just a few reasons why we place so much faith in Rockwell.

- **MELANIE OCA,** A GUEST AT THE ARUGA

management team

Even through the most trying of circumstances, our leaders help shed light on bountiful new times within our grasp.

NESTOR J. PADILLA
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

> Having a shared vision and goal was a cornerstone for the team. We all sought to create a safe, reassuring, and comforting *Rockwell experience for patrons.*

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

VIENN T. GUZMAN — VICE PRESIDENT AND PROJECT DIRECTOR, ROCKWELL CEBU
TRACEY G. CASTILLO — VICE PRESIDENT, MARKETING
JOVIE JADE L. DY — VICE PRESIDENT AND PROJECT DIRECTOR, ROCKWELL CARMELRAY
ALEXIS NIKOLAI S. DIESMOS — VICE PRESIDENT, PROJECT DEVELOPMENT
CHRISTINE T. COQUEIRO — VICE PRESIDENT, RETAIL DEVELOPMENT
ANGELA MARIE B. PAGULAYAN — VICE PRESIDENT, PROPERTY MANAGEMENT

SHERRY ROSE I. LORENZO	ASSISTANT VICE PRESIDENT, FINANCE AND ACCOUNTING AND COMPTROLLER
ROMEO G. DEL MUNDO	ASSISTANT VICE PRESIDENT, INTERNAL AUDIT AND CHIEF AUDIT OFFICER
MA. FE CAROLYN G. PINOY	VICE PRESIDENT, LEGAL AND CHIEF DATA PRIVACY OFFICER
MANUEL L. LOPEZ JR.	PRESIDENT, ROCKWELL LEISURE CLUB, INC. AND ADVISER TO THE BOARD OF DIRECTORS
STELLA MAY A. FORTU	ASSISTANT VICE PRESIDENT, CORPORATE PLANNING AND RESEARCH, AND CHIEF RISK OFFICER
JESSE S. TAN	VICE PRESIDENT, OFFICE DEVELOPMENT

CONSULTANTS

ROCHELLE C. BAYLON	PROJECT DEVELOPMENT
BENITO P. JAPITANA	FINANCE AND ACCOUNTING
RINA C. ARNAIZ	PROJECT DEVELOPMENT
MONA K. MANALANG - NARCISO	AFTER SALES SERVICES
JOSE CARLO S. CONSUNJI	MARKETING
BELEN C. NONES	OFFICE DEVELOPMENT
JACKO M. ZIALCITA	DESIGN AND PLANNING
SALVA R. CATACUTAN	HOUSEKEEPING OPERATIONS

ATTY. ESMERALDO C. AMISTAD	ASSISTANT CORPORATE SECRETARY
ATTY. ENRIQUE I. QUIASON	CORPORATE SECRETARY

> There were some truly amazing acts of leadership, initiative, drive, and performance among the teams. Times were tough *but our resolve shined brighter.*

assistant *vice presidents*

A year of insurmountable odds, and a force of driven young leaders who persevered with kindled, blazing spirits.

GENG B. BRILLANTES	GENERAL MANAGER FOR ROCKWELL LEISURE CLUB, INC.
WHENG U. DAVID	FINANCE AND ACCOUNTING
RACHEL M. QUINTO	PROJECT DIRECTOR, ROCKWELL PRIMARIES
BENJIE C. GANNOD	PROPERTY MANAGEMENT
JOY Z. HERRERA	PROPERTY MANAGEMENT
TONI C. SISON	PROPERTY MANAGEMENT

ESTELITO A. DELA CRUZ JR.	GENERAL SECURITY
RINNA L. TIU	PROJECT DIRECTOR, ROCKWELL CENTER NEPO, ANGELES
CHRIS B. GECHA	PROJECT DEVELOPMENT
KENDRICK G. ONG	BUSINESS DEVELOPMENT
VERGEL V. RAPE	PROJECT DEVELOPMENT
MARCO N. VINLUAN	AFFORDABLE HOUSING

Time and time again, we realize that the relationship with those that depend on us is what gives us *the light to blaze ahead.*

KAREN C. GO — PROJECT DEVELOPMENT
ANNABELLE A. ONG - TUÑACAO — HUMAN RESOURCES
JEFF R. CARONAN — PROJECT DEVELOPMENT
ELLA A. BONTUYAN — HUMAN RESOURCES
BYRON M. RIMAS — PROJECT DEVELOPMENT
IMEE G. RAMOS — HUMAN RESOURCES

ALBERT M. LOBERES — LEGAL
THONY A. MONSAYAC — DESIGN AND PLANNING
GEMMA M. ABAYON — INFORMATION SYSTEMS
CHARM V. RODRIGUEZ — DESIGN AND PLANNING
ANDRE A. LOPEZ — DESIGN AND PLANNING

It's places that put a great emphasis on convenience and protocols that I came to trust given the circumstances.

From banking, grocery shopping, dining, and even self-care, Rockwell made every experience feel clean and safe.

- DORENE UY, A LONGTIME ROCKWELL PATRON

corporate *governance*

COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

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

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

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

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

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

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

e. 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.

We experienced superb customer service dealing with the staff during our quarantine stay. Always on-call, patient with our requests, and always assisting us with orders and items.

The whole stay was made infinitely easier and more comfortable thanks to the professional and reliable staff.

- **ELIAS BOLINA,** A GUEST AT ARUGA APARTMENTS

Illuminating *and serving*

Rockwell's light continues to illuminate the stories, lives, and people around us.

As the pandemic went on, it changed the face of how we interact with many aspects of regular life. We then saw an opportunity to help others recover and help create a safer space for the countless affected people all over the city.

It began with a partnership with the Makati City Government to create a safe, professional, and reliable vaccination hub for Rockwell Communities. Thanks to the Makati Local Government Unit, we were able to make this come to fruition at The Fifth at Rockwell. While we took care of the logistical concerns, medical staff, and the venue, the Makati Government provided the vaccines and manpower to ensure a smooth and seamless process for residents and their friends and family. Over the course of 2021, a total of over 15,000 have been fully vaccinated against COVID-19 at The Fifth.

As the holiday season rolled in, we continued giving back to communities in need by initiating a donation drive where a total of 4,400 beneficiaries participated across 8 churches around Rockwell communities. While this was just the beginning of what would be the new normal, this drive became the opportunity for many to experience their first proper Christmas since the start of the pandemic.

Every time I visited the mall, I witnessed Rockwell's continued and consistent efforts to ensure health and safety protocols while still attending to customers' needs and convenience.

Power Plant Mall remained a place I felt assured and safe at.

- **MANNY CAPARAS,** A POWER PLANT MALL PATRON

2021 performance *review*

RESULT OF OPERATIONS

Rockwell Land Corporation has started to bounce back from the slow down during the peak of the pandemic last year, ending the year with a consolidated net income after tax (NIAT) of Php 2.2 billion, a 75% increase from Php 1.3 billion in 2020. Of this, P1.6 billion is attributable to equity holders of Parent Company which also increased 52% from the 2020 level.

Consolidated revenues reached Php 12.7 billion in 2021 with Residential Development and Commercial Development accounting for 81% and 19% of the total amount, respectively. Below is a table showing the breakdown of total consolidated revenues.

	2021	% TO TOTAL	2020	% TO TOTAL	2019	% TO TOTAL
Residential Development	10,300	81%	8,816	79%	12,938	79%
Commercial Development	2,424	19%	2,343	21%	3,388	21%
Total Consolidated Revenues	**12,724**	**100%**	**11,159**	**100%**	**16,326**	**100%**
Share in Net Income of JV and Associates	368		339		323	

Residential Development revenues of Php 10.3 billion includes sale of residential units and accretion of interest income. The increase from the previous year of 17% was mainly due to higher construction accomplishment as the restrictions of the community quarantine eased. The Company has launched an all time high of Php 23.5 billion worth of development projects as the view of the market becomes more optimistic and accommodating. With the higher demand and more aggressive marketing efforts, sales take-up improved by 78% compared to last year, with reservation sales for the year ending at Php 13.9 billion.

Commercial Development revenues increased by 3% to Php 2.4 billion. Lease income, which accounted for the bulk of the segment's revenues, rose by 7% to Php 1.2 billion. Lighter restrictions and increased mall and consumer activity compared to last year helped push Retail operations to a recovery trajectory. As a result, leasing revenues amounted to Php 574.9 million, 14% higher from last year's Php 505.3 million. Sales and foot traffic by the end of the year already reached around 83% and 75% of pre-pandemic level respectively.

The office segment remained resilient as leasing revenues from 8 Rockwell, RBC Sheridan and Santolan Town Plaza increased by 1% to Php 652.9 million on the back of escalated rental rates from renewed tenants, despite a slight decrease in occupancy.

Share in net income of joint venture and associate reached Php 368.3 million in 2021, 9% higher than the previous year. This mainly pertains to Rockwell's share in the operations of RBC Ortigas, under the Rockwell-Meralco BPO venture. General and administrative expenses (GAE) amounted to Php 1.7 billion in 2021, a 17% decrease from the previous year's Php 2.0 billion with various cost savings initiatives. Consolidated EBITDA amounted to Php 4.4 billion, a 14% growth from 2020. Residential development contributed 60% while commercial development accounted for 40%.

CASH FLOW AND FUNDING

Cash and cash equivalents as of end 2021 was at Php 2.8 billion, a Php 420.2 million reduction from the previous year mainly due to higher project and capital expenditures (CAPEX). The company spent Php 10.2 billion (gross of VAT) in CAPEX for 2021, 42% higher than the previous year. 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, mostly coming from collection of balloon payments from completed units, and debt. Net loan availments for 2021 amounted to Php 2.1 billion. Interest paid on loans dropped 6% to Php 1.1 billion despite the higher debt level as a result of the refinancing activities implemented in 2020. The company declared and paid dividends of Php 217.6 million to its shareholders in 2021. This represents 20% of the previous year's Net Income, following the dividend policy.

FINANCIAL POSITION

Total assets as of December 31, 2021 amounted to Php 64.8 billion, a 5% increase from the previous year. The increase was mainly because of higher receivables and inventory related to increase in bookings and completion.

Total Liabilities as of December 31, 2021 amounted to Php 38.8 billion, 5% higher than last year's Php 37.1 billion. The slight increase was primarily due to additional loan drawdowns. Total Equity as of December 31, 2020 amounted to Php 26.0 billion, a growth of 5% from the previous year. This was mainly driven by the Php 2.2 billion NIAT, Php 1.6 billion of which is attributable to Parent Stockholders, while Php 567.7 million is attributable to Minority Shareholders.

KEY PERFORMANCE INDICATORS

KPI	2021	2020	2019
EBITDA[1] (PHP BILLIONS)	4.4 BILLION	3.8 BILLION	6.0 BILLION
CURRENT RATIO[2] (X)	3.29	2.37	2.47
NET DE RATIO[3] (X)	0.92	0.87	0.82
ASSET TO EQUITY RATIO[4] (X)	2.50	2.49	2.61
INTEREST COVERAGE RATIO[5] (X)	4.0	2.96	4.17
ROA[6]	3.48%	2.01%	5.00%
ROE[7]	8.69%	5.12%	13.85%
EPS[8]	0.27	0.18	0.48

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]

Under Rockwell's leadership we've felt how things are really safer.

This whole situation has been managed extremely well not just throughout the Rockwell locations, but as an institution as a whole.

- ROCKWELL PATRONS

financial statements

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of ROCKWELL LAND CORPORATION AND SUBSIDIARIES is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

Signed this 1st day of April 2022.
SUBSCRIBED AND SWORN to before me this day 01 April 2022 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	P7155127B	08 July 2021	DFA Manila
Ellen V. Almodiel	P2373847B	29 June 2019	DFA NCR East

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Page No. 33 ;
Book No. XXVIII ;
Series of 2022.

MA. FE CAROLYN GO-PINOY NOTARY PUBLIC ROLL NO. 39698 MAKATI CITY, PHILIPPINES

MA. FE CAROLYN GO-PINOY
Appointment No. M-250 until December 31, 2022
Roll of Attorneys No. 39698
IBP Lifetime No. 014554 / ZAMBASULTA
PTR No. 8852418 / 1.4.2022 / Makati City
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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, 2021 and 2020, 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, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021 are prepared in all material respects, in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC), as described in Notes 2 and 3 to the consolidated financial statements.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Notes 2 and 3 to the consolidated financial statements which indicates that the consolidated financial statements have been prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs on the 2021 consolidated financial statements are discussed in detail in Note 3. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

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, 2021, 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, 2021 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Gaile A. Macapinlac

Gaile A. Macapinlac
Partner
CPA Certificate No. 98838
Tax Identification No. 205-947-572
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 1621-AR-1 (Group A)
November 11, 2019, valid until November 10, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-126-2019, November 27, 2019, valid until November 26, 2022
PTR No. 8854320, January 3, 2022, Makati City

April 1, 2022

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

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7, 30 and 31)	₱2,784,864	₱3,205,022
Trade and other receivables (Notes 8, 16, 21, 28, 30 and 31)	5,994,517	4,109,970
Contract assets (Notes 8, 21 and 30)	8,458,512	12,081,855
Real estate inventories (Notes 9, 11 and 12)	17,243,928	13,154,505
Advances to contractors (Note 9)	1,717,178	1,570,714
Other current assets (Notes 10, 30 and 31)	2,794,840	2,251,349
Total Current Assets	38,993,839	36,373,415
Noncurrent Assets		
Investment properties (Notes 9, 11, 12 and 16)	14,634,096	14,485,925
Property and equipment (Notes 9, 11, 12 and 16)	2,962,617	5,282,747
Investments in joint venture and associate (Note 13)	3,527,714	2,829,216
Contract assets - net of current portion (Notes 8, 21 and 30)	4,112,047	2,117,064
Investment in equity instruments at fair value through other comprehensive income (FVOCI) (Notes 14, 30 and 31)	30,378	31,748
Deferred tax assets - net (Note 26)	93,539	75,903
Other noncurrent assets (Notes 11, 12, 23, 28, 30 and 31)	469,845	739,024
Total Noncurrent Assets	25,830,236	25,561,627
	₱64,824,075	₱61,935,042
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 9, 13, 15, 18, 21, 25, 30 and 31)	₱7,003,377	₱7,327,802
Current portion of interest-bearing loans and borrowings (Notes 8, 11, 12, 16, 28, 30 and 31)	4,347,235	7,354,635
Subscription payable (Note 13)	484,150	684,150
Total Current Liabilities	11,834,762	15,366,587
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Notes 8, 11, 12, 16, 28, 30 and 31)	22,440,730	17,403,380
Deferred tax liabilities - net (Note 26)	1,697,036	1,601,118
Lease liabilities - net of current portion (Notes 15, 29, 30 and 31)	635,328	620,768
Pension liability - net (Note 25)	241,844	294,931
Deposits and other liabilities (Notes 15, 18, 30 and 31)	1,993,202	1,786,490
Total Noncurrent Liabilities	27,008,140	21,706,687
Total Liabilities	38,842,902	37,073,274
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	14,219
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	9,700,000
Unappropriated	6,881,951	5,419,654
	23,505,425	22,043,128
Less cost of treasury shares (Notes 1 and 20)	185,334	185,334
Total Equity Attributable to Equity Holders of the Parent Company	23,320,091	21,857,794
Non-controlling interests (Note 6)	2,661,082	3,003,974
Total Equity	25,981,173	24,861,768
	₱64,824,075	₱61,935,042

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		
	2021	2020 (As restated – Note 3)	2019 (As restated – Note 3)
REVENUE			
Revenue from sale of real estate (Note 21)	₱8,925,994	₱7,213,096	₱10,825,267
Interest income (Notes 7, 8 and 22)	1,482,381	1,740,785	1,720,776
Lease income (Note 11)	1,227,788	1,149,868	1,845,204
Others (Notes 3, 13 and 21)	1,087,540	1,055,158	1,934,940
	12,723,703	11,158,907	16,326,187
EXPENSES			
Cost of real estate (Notes 3, 9, 11 and 23)	6,896,070	5,869,359	8,339,419
General and administrative expenses (Notes 11, 12, 13, 23, 24 and 25)	1,668,777	2,016,268	2,112,637
Selling expenses (Notes 23 and 24)	931,906	587,931	1,063,192
	9,496,753	8,473,558	11,515,248
INCOME BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	3,226,950	2,685,349	4,810,939
OTHER INCOME (EXPENSES)			
Interest expense (Notes 16, 23 and 29)	(1,141,452)	(1,267,976)	(1,357,301)
Share in net income of joint venture and associate (Note 13)	368,273	338,811	322,737
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	12,312	(9,000)	(162)
Gain on:			
Bargain purchase (Note 6)	–	–	191,069
Remeasurement of previously held interest (Note 6)	–	–	58,509
	(760,867)	(1,011,868)	(785,148)
INCOME BEFORE INCOME TAX	2,466,083	1,673,481	4,025,791
PROVISION FOR INCOME TAX (Note 26)	257,450	412,504	1,018,942
NET INCOME	2,208,633	1,260,977	3,006,849
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on employee benefits (Note 25)	75,358	(79,986)	(147,877)
Net gain (loss) on equity instruments designated at FVOCI (Note 14)	–	(2,500)	6,211
Income tax effect	(36,425)	23,996	40,680
	38,933	(58,490)	(100,986)
TOTAL COMPREHENSIVE INCOME	₱2,247,566	₱1,202,487	₱2,905,863
Net Income Attributable To			
Equity holders of the Parent Company	₱1,640,936	₱1,078,756	₱2,956,553
Non-controlling interests	567,697	182,221	50,296
	₱2,208,633	₱1,260,977	₱3,006,849
Total Comprehensive Income Attributable To			
Equity holders of the Parent Company	₱1,679,869	₱1,020,266	₱2,855,900
Non-controlling interests	567,697	182,221	49,963
	₱2,247,566	₱1,202,487	₱2,905,863
Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 32)			
Basic	₱0.2680	₱0.1761	₱0.4831
Diluted	₱0.2679	₱0.1760	₱0.4819

See accompanying Notes to Consolidated Financial Statements.

ROCKWELL LAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(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, 2020	₱6,270,882	₱28,350	₱14,219	₱540,323	₱69,700	₱9,700,000	₱5,419,654	(₱185,334)	₱21,857,794	₱3,003,974	₱24,861,768
Net income	–	–	–	–	–	–	1,640,936	–	1,640,936	567,697	2,208,633
Other comprehensive income (Notes 14 and 25)	–	–	–	–	–	–	38,933	–	38,933	–	38,933
Total comprehensive income	–	–	–	–	–	–	1,679,869	–	1,679,869	567,697	2,247,566
Cash dividends (Note 20)	–	–	–	–	–	–	(217,572)	–	(217,572)	–	(217,572)
Subsidiary's redemption of preferred shares from non-controlling interests (Note 6)	–	–	–	–	–	–	–	–	–	(676,332)	(676,332)
Subsidiary's payment of dividends to non-controlling interests (Note 6)	–	–	–	–	–	–	–	–	–	(234,257)	(234,257)
Balance at December 31, 2021	₱6,270,882	₱28,350	₱14,219	₱540,323	₱69,700	₱9,700,000	₱6,881,951	(₱185,334)	₱23,320,091	₱2,661,082	₱25,981,173
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

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱2,466,083	₱1,673,481	₱4,025,791
Adjustments for:			
Interest income (Notes 7, 8 and 22)	(1,482,381)	(1,740,785)	(1,720,776)
Interest expense (Notes 3, 16, 18, 23 and 29)	1,141,452	1,267,976	1,357,301
Depreciation and amortization(Notes 11, 12 and 23)	762,755	807,639	902,091
Share in net income of joint venture and associate (Note 14)	(368,272)	(338,811)	(322,737)
Provision for disallowance of claim for refund (Note 23)	8,500	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	(12,312)	9,000	162
Pension expense, net of contributions (Note 25)	22,271	3,480	(33,412)
Gain on:			
Bargain purchase (Note 6)	–	–	(191,069)
Remeasurement of previously held interest (Note 6)	–	–	(58,509)
Operating income before working capital changes	2,538,096	1,851,283	3,958,842
Decrease (increase) in:			
Trade and other receivables	(455,008)	2,396,957	1,505,950
Contract assets	1,628,360	(1,047,512)	3,042,187
Real estate inventories	(1,683,020)	156,055	638,493
Advances to contractors	(146,464)	(5,564)	175,713
Other current assets	(574,223)	(53,570)	(716,527)
Increase (decrease) in:			
Trade and other payables	(323,204)	737,351	(1,727,315)
Deposits and other liabilities	206,712	(923,275)	533,894
Net cash generated from operations	1,191,249	3,111,725	7,411,237
Income taxes paid	(183,491)	(674,385)	(571,287)
Interest received	52,842	55,870	69,211
Net cash provided by operating activities	1,060,600	2,493,210	6,909,161
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Investment properties (Note 11)	(531,115)	(541,689)	(1,775,871)
Property and equipment (Note 12)	(466,084)	(1,292,422)	(1,257,713)
Investment in associate (Note 13)	(634,446)	(72,000)	–
Subsidiary, net of cash received (Note 6)	–	–	478,384
Non-controlling interests in a subsidiary (Note 6)	–	–	(208,000)
Dividends received (Note 13)	304,220	333,850	271,661
Decrease (increase) in other noncurrent assets	260,679	148,850	(91,511)
Net cash used in investing activities	(1,066,746)	(1,423,411)	(2,583,050)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of loans and borrowings (Note 16)	11,596,000	9,910,000	6,071,382
Payments of:			
Interest-bearing loans and borrowings (Note 16)	(9,504,580)	(10,864,188)	(4,558,725)
Installment payable (Note 17)	–	(655,799)	–
Dividends (Note 20)	(217,572)	(292,522)	(499,367)
Debt issue cost (Note 16)	(61,470)	(68,425)	(40,546)
Lease liabilities (Notes 15 and 29)	(36,401)	(35,472)	(33,520)
Interest paid	(1,091,712)	(1,162,810)	(1,448,315)
Subsidiary's redemption of preferred shares from non-controlling interests (Note 6)	(676,332)	(258,322)	–
Subsidiary's payment of dividends to non-controlling interests (Note 6)	(234,257)	(134,101)	–
Payment of subscription payable	(200,000)	–	–
Advances to non-controlling interest holder (Note 28)	–	–	(400,000)
Subsidiary's issuance of shares to non-controlling interest	–	–	233,524
Net cash used in financing activities	(426,324)	(3,561,639)	(675,567)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	12,312	(9,000)	(162)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(420,158)	(2,500,840)	3,650,382
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,205,022	5,705,862	2,055,480
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	₱2,784,864	₱3,205,022	₱5,705,862

See accompanying Notes to Consolidated Financial Statements.

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

1. Corporate Information

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

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, 2021 and 2020, First Philippine Holdings Corporation (FPHC) owns 86.58% of Rockwell Land and the rest by the public. Lopez, Inc. is the ultimate parent company.

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

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on April 1, 2022.

2. Basis of Preparation and Statement of Compliance

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

The consolidated financial statements provide comparative information in respect of the previous period. While there are recent signs of increased market activity with the easing of quarantine measures in key areas in the Philippines, management believes that the impact of COVID-19 situation remains fluid and evolving and the pace of recovery remains uncertain.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Subsidiaries	Nature of Business	Percentage of Ownership 2021	2020	2019
Rockwell Integrated Property Services, Inc.	Service provider	100.0	100.0	100.0
Rockwell Primaries Development Corporation (Rockwell Primaries)	Real estate development	100.0	100.0	100.0
Stonewell Property Development Corporation	Real estate development	100.0	100.0	100.0
Rockwell Performing Arts Theater Corporation	Theater operator	100.0	100.0	100.0
Rockwell Hotels & Leisure Management Corp.	Hotel management	100.0	100.0	100.0
Rockwell Leisure Club, Inc. (Rockwell Club)	Leisure club	75.1	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	100.0
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	63.1	54.9	52.3

**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, 2021. 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.

- Adoption of PIC Q&A 2018-12-H, *Accounting for Common Usage Service Area (CUSA) Charges*

  In 2021, the Group adopted the provision of PFRS 15, *Revenue from Contracts with Customers*, covered by PIC Q&A 2018-12-E on the accounting for CUSA charges under the full retrospective approach. Upon adoption, there is no impact on opening retained earnings and the related balance sheet accounts. The Group previously presented the related revenue net of costs and expenses.

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

  Total CUSA adjustments recognized amounted to ₱418.6 million in 2021, ₱421.6 million in 2020 and ₱616.7 million in 2019.

- Adoption 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 FRSC which was November 11, 2020.

  The adoption of this PIC Q&A did not impact the consolidated financial statements of the Group since it has previously adopted approach 3 in its accounting for sales cancellation which records the repossessed inventory at cost.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

  The amendment provides 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, 2022; 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 amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

  The amendment is not applicable as there are no rent concessions granted to the Group as a lessee.

- Amendments to PFRS 9, PAS 39, 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 Group adopted the amendments beginning January 1, 2021.

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 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 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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

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

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

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

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

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

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

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

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

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023.

  Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

  Effective beginning on or after January 1, 2024

- 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. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

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

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

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

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

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 IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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

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

  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

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

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

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

  The Group availed of the SEC relief to defer the above specific provision of PIC Q&A No. 2018-12-D on determining whether the transaction price includes a significant financing component. Had this provision been adopted, the 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 in case a full retrospective approach is applied. Depending on the approach of adoption, the adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, contract assets, provision for deferred income tax, deferred tax asset or liability for all years presented (full retrospective approach), and the opening balance of retained earnings (full retrospective approach and modified retrospective approach). The Group has yet to assess if the mismatch constitutes a significant financing component for its contracts to sell.

  b. The above would have impacted the cash flows from operations and cash flows from financing activities for all years presented in case of a full retrospective approach.

  The Group has yet to decide on whether the adoption will be using a full retrospective or modified retrospective approach.

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

4. Summary of 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, 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*

  Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, FVOCI, and fair value through profit or loss (FVPL).

  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 FVPL, 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 FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest" on the principal amount outstanding (the SPPI criterion). 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 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, 2021 and 2020.

  - *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, 2021 and 2020.

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

    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 FVOCI are not subject to impairment assessment.

    The Group elected to classify irrevocably its quoted and unquoted equity securities under this category as at December 31, 2021 and 2020.

- *Impairment of Financial Assets*

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

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

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

  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 ECLs
  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 ECLs - 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 ECLs - 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 EIR to the amortized cost of the financial asset.

  Loss Allowances
  Loss allowances are recognized based on 12-month ECLs 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; and
  - 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 allowances recognized in the period are 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 ECLs;
  - 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 ECLs due to changes in PDs, LGDs and EADs in the period, arising from regular refreshing of inputs to models;
  - Impacts on the measurement of ECLs due to changes made to models and assumptions;
  - Discount unwind within ECLs due to passage of time, as ECLs is measured on a present value basis; and
  - 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 ECLs 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 ECLs to 12-month ECLs.

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

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

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

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 and subscription payable as at December 31, 2021 and 2020.

- *Subsequent Measurement*

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

<u>Derecognition of Financial Instruments</u>
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 EIR, 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 statements of financial position upon actual receipt of services. These are considered as nonfinancial instruments as these will be applied against future billings from contractors.

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.

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 and electricity in its mall retail spaces and office leasing activities, wherein it is acting as agent.

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

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

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

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

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

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.

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

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

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

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

Group as a Lessor

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

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

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

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

Group as a Lessee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

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

Income Tax

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 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 ₱8,926.0 million, ₱7,213.1 million and ₱10,825.3 million in 2021, 2020 and 2019, respectively, while room, cinema and other revenues recognized at a point in time amounted to ₱922.3 million, ₱873.2 million and ₱1,745.6 million in 2021, 2020 and 2019, 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 ₱1,227.8 million, ₱1,149.9 million and ₱1,845.2 million in 2021, 2020 and 2019, 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 in 2021 and 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.

The rent concessions resulted to reduction in rental income in 2021 and 2020 amounting to ₱456.5 million and ₱512.0 million, respectively (see Note 11).

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

Interests in Joint Ventures. Management has assessed that it has joint control in its joint venture agreements 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 41.21% and 40% of Rockwell Nepo Development Corporation (RNDC), formerly NepWell Property Management, Inc., as at December 31, 2021 and 2020, respectively. The contractual arrangement relative to the JV Agreement with T.G.N. Realty Corporation does not give two or more of those parties joint control over the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. However, considering the percentage shareholdings of each party to the JVA and the agreement on quorum and voting, multiple combinations of parties could collectively control the arrangement. The Parent Company's management has assessed that it has significant influence in its JVA with T.G.N. Realty Corporation shareholders as the Parent Company has representation in the BOD of RNDC, participation in the policy-making processes and provision of essential technical information as the sole project developer and marketing and sales agent (see Note 13).

Contingencies. The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material effect on the financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 29). No provision for contingencies was recognized in 2021, 2020 and 2019.

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 recent signs of increased market activity with the easing of community quarantines in key areas of the Philippines, the progress of the Group's performance obligation is directly affected which resulted to higher percentage of completion in the current period as compared to previous year.

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

Revenue from sale of real estate recognized over time amounted to ₱8,926.0 million, ₱7,213.1 million and ₱10,825.3 million in 2021, 2020 and 2019, respectively.

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

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

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

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

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

- *PD*

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

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

- *LGD*

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

- *EAD*

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

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

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

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

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

The COVID-19 pandemic did not have a significant impact on the collectability of the Group's trade receivables in 2021 and 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 ECLs.

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

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

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

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

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

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

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

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

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

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

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

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

The Group grouped its installment contracts receivable for collective measurement into (i) individuals and (ii) corporate customers. No impairment losses were recognized for installment contracts receivable, recognized as trade receivables, in 2021 and 2020.

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

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

The COVID-19 pandemic did not have a significant impact on the Group's inventory valuation. Although the Group suspended its operations during the implementation of community quarantine, it has resumed its operations after the lifting of the restrictions.

Real estate inventories, stated at cost, amounted to ₱17,243.9 million and ₱13,154.5 million as at December 31, 2021 and 2020, 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 2021, 2020 and 2019.

Investment properties, net of accumulated depreciation, (excluding land and investment properties in progress) amounted to ₱11,181.9 million and ₱10,941.1 million as at December 31, 2021 and 2020, respectively (see Note 11).

Property and equipment, net of accumulated depreciation and amortization, (excluding land and construction in progress) amounted to ₱1,264.0 million and ₱1,042.0 million as at December 31, 2021 and 2020, 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:

	2021	2020
Investment properties (see Note 11)	₱14,634,096	₱14,485,925
Property and equipment (see Note 12)	2,962,617	5,282,747
Investments in joint venture and associate (see Note 13)	3,527,714	2,829,216
Advances to contractors (see Notes 9, 11 and 12)	135,927	299,067

The fair value of the investment properties amounted to ₱28.3 billion and ₱26.4 billion as at December 31, 2021 and 2020, 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, 2021 and 2020, no other impairment indicators were identified for the Group's nonfinancial assets.

No impairment loss was recognized in 2021, 2020 and 2019.

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 ₱93.5 million and ₱75.9 million as at December 31, 2021 and 2020, respectively. Unrecognized deferred tax assets amounted to ₱4.4 million and ₱41.4 million as at December 31, 2021 and 2020, 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 ₱241.8 million and ₱294.9 million as at December 31, 2021 and 2020, 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:

	2021	2020
Current assets	₱4,894,180	₱5,732,752
Noncurrent assets	1,656,727	709,404
Current liabilities	723,244	575,932
Noncurrent liabilities	588,166	215,639
Revenues	3,443,582	1,986,981
Total comprehensive income	1,277,572	736,301

	2021	2020
Cash flows:		
Operating	16,759	247,129
Financing	(388,660)	(647,587)

In 2021, RCDC redeemed voting preferred shares of non-controlling interest holder which resulted to 63.1% ownership interest by RLC, and paid dividends to non-controlling interest holder amounting to ₱676.3 million and ₱234.3 million, respectively. Non-controlling interest in RCDC amounted to ₱2,218.6 million and ₱2,622.0 million as at December 31, 2021 and 2020, 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, 2021 and 2020, the Parent Company owns 80% interest in Rock MFA.

Non-controlling interest in Rock MFA amounted to ₱379.3 million, ₱312.7 million and ₱292.6 million as at December 31, 2021, 2020 and 2019, 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:

	2021	2020
Cash on hand and in banks	₱1,145,888	₱1,367,806
Short-term investments	1,638,976	1,837,216
	₱2,784,864	₱3,205,022

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 ₱6.3 million, ₱10.9 million and ₱26.0 million in 2021, 2020 and 2019 respectively (see Note 22).

8. Trade and Other Receivables and Contract Assets

Trade and other receivables consist of:

	2021	2020
Trade receivables from:		
Sale of real estate (see Note 21)	₱5,027,193	₱3,465,017
Lease	580,915	443,608
Advances to officers and employees (see Note 28)	47,555	53,720
Others	373,377	164,617
	6,029,040	4,126,962
Less: Allowance for ECLs	(34,523)	(16,992)
	₱5,994,517	₱4,109,970

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:

	2021	2020
Current	₱8,458,512	₱12,081,855
Noncurrent	4,112,047	2,117,064
	₱12,570,559	₱14,198,919

In 2021 and 2020, 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, 2021, the carrying value of installment contracts receivables and contract assets, and the corresponding loans payable amounted to ₱1,020.0 million and ₱1,262.5 million, respectively (see Note 16). 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 million and ₱3,077.7 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, 2021, 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 ₱5,027.0 million and ₱3,399.0 million, respectively. As at December 31, 2020, the movement in contract assets comprises of the reclassifications to installment contracts receivables from sale of real estate, and unbilled revenues recognized for the year amounting to ₱3,465.0 million and ₱14,198.9 million, respectively (see Note 21).

Interest income earned from sale of real estate amounted to ₱1.4 billion, ₱1.7 billion and ₱1.7 billion in 2021, 2020 and 2019, respectively (see Note 22). Unamortized unearned interest on these receivables and contract assets amounted to ₱3.34 billion and ₱2.82 billion as at December 31, 2021 and 2020, respectively.

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

	2021	2020
Trade receivables/contract assets at nominal amount	₱20,934,624	₱20,485,639
Less unearned interest:		
Balance at beginning of year	2,821,703	2,474,993
Unearned interest	1,944,708	2,033,522
Amortization (see Note 22)	(1,429,539)	(1,686,812)
Balance at end of year	3,336,872	2,821,703
Trade receivables/contract assets at discounted amount	₱17,597,752	₱17,663,936

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 ECLs, determined on a collective basis using ECL model (trade receivables) and specific identification (other receivables), follows:

	2021		2020	
	Trade Receivables from Lease	Others	Trade Receivables from Lease	Others
Balance at beginning of year	₱5,113	₱11,879	₱1,549	₱2,013
Provision for ECLs (Note 23)	–	17,531	3,564	9,866
Balance at end of year	₱5,113	₱29,410	₱5,113	₱11,879

9. Real Estate Inventories

This account consists of:

	2021	2020
Land and development costs:		
Balmori Suites	₱1,871,116	₱–
Rockwell South	1,679,540	2,608,858
The Arton	1,651,994	1,512,428
East Bay Residences (see Note 6)	1,391,218	1,133,197
Proscenium (see Note 17)	1,022,826	673,620
Mactan	1,004,810	890,888
8 Benitez Suites	577,950	553,499
Stonewell	421,411	194,369
Terreno South	221,218	567,270
Bacolod	213,109	429,583
32 Sanson	145,424	140,561
The Vantage	83,770	120,367
Edades Suites	-	203
Land held for future development and other developments costs	5,886,964	3,142,417
Condominium units for sale	1,072,578	1,187,245
	₱17,243,928	₱13,154,505

In 2021, the Group repurposed the Aruga Hotel Makati to The Balmori Suites, a highly exclusive residential project located at the Rockwell Center. Consequently, project development cost incurred for Aruga Hotel Makati amounting to ₱2,554.6 million was reclassified from property and equipment to real estate inventories (see Note 12).

The rollforward analysis of this account follows:

	2021	2020
At January 1	₱13,154,505	₱12,017,060
Cost of real estate sold (shown as part of "Cost of real estate" account in the consolidated statements of comprehensive income)	(5,977,401)	(4,991,811)
Construction/development costs incurred (see Note 29)	5,125,600	4,172,083
Land acquired	2,534,821	663,673
Transfers (to) from property and equipment (see Note 12)	2,158,444	1,293,500
Transfers (to) from investment properties (see Note 11)	247,959	-
Balance at end of year	₱17,243,928	₱13,154,505

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 2021	Estimated Cost to Complete 2020
The Arton:					
West	Highrise condominium, Quezon City	2022	Superstructure	₱245,373	₱951,617
North	Highrise condominium, Quezon City	2023	Superstructure	1,653,875	2,040,006
East	Highrise condominium, Quezon City	2025	Substructure	3,142,701	-
East Bay Residences:					
Fordham	Midrise condominium, Muntinlupa City	2022	Superstructure	208,515	287,970
Larsen	Midrise condominium, Muntinlupa City	2025	Substructure	1,157,755	1,403,234
Rockwell South:					
Cluster 1	Residential lots, Laguna	2022	Land development	728,849	973,764
Cluster 2	Residential lots, Laguna	2023	Land development	213,818	334,476
Cluster 3	Residential lots, Laguna	2024	Site development	263,749	-
32 Sanson Sillion	Midrise condominium, Cebu City	2024	Site development	537,913	-
32 Sanson Solihiya	Midrise condominium, Cebu City	2022	Superstructure	42,455	121,195
The Proscenium Residences	Highrise condominium, Makati	2022	Superstructure	766,637	1,418,664
The Vantage					
West	Highrise condominium, Pasig City	2022	Superstructure	₱85,990	₱152,939
East	Highrise condominium, Pasig City	2022	Superstructure	227,849	253,735
Stonewell:					
Mahogany	Residential house and lots, Batangas	2022	Superstructure	9,459	104,117
Royal Palms	Residential house and lots, Batangas	2023	Superstructure	74,719	134,387
Balmori Suites	Highrise condominium, Rockwell Center	2023	Superstructure	927,614	-
8 Benitez	Midrise condominium, New Manila	2024	Substructure	926,647	-
Terreno South					
Phase 1	Residential lots, Batangas	2021	Land development	-	68,694
Phase 2	Residential lots, Batangas	2021	Land development	-	148,301
Phase 3	Residential lots, Batangas	2024	Land development	177,814	-
Edades Suites	Highrise condominium, Rockwell Center	2021	Superstructure	-	455,087
Aruga Residences	Highrise condominium, Mactan	2027	Superstructure	3,561,465	3,706,053
Mactan Villas Phase 1	Villa, Mactan	2023	Superstructure	287,162	-
Nara Residences					-
One Nara	Midrise condominium, Bacolod	2023	Superstructure	504,742	-
Two Nara	Midrise condominium, Bacolod	2024	Site development	253,693	-
Nara Lots	Residential lots, Bacolod	2024	Site development	1,652,109	-
				₱17,650,903	₱12,554,239

Construction stage as at December 31, 2021.

As at December 31, 2021 and 2020, land held for future development and other development costs mainly pertain to land acquisitions in Manila and certain provinces.

As at December 31, 2021 and 2020, condominium units for sale pertains to unsold units of various completed projects.

As at December 31, 2021 and 2020, 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.

10. Other Current Assets

This account consists of:

	2021	2020
Creditable withholding tax	₱1,496,954	₱955,989
Input VAT	719,139	701,486
Prepaid costs (see Notes 17 and 21)	406,587	449,805
Refundable deposits	88,066	71,506
Supplies	18,424	20,793
Restricted cash	9,649	15,416
Others	56,021	36,354
	₱2,794,840	₱2,251,349

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.

As at December 31, 2021, restricted cash represents funds set aside to cover the application with DHSUD for a certificate of registration and license to sell for a project development. The fund will be released on 2nd quarter of 2022. As at December 31, 2020, restricted cash represents funds in escrow intended for the payment of land acquired in 2019 which was released to seller last January 2021.

11. Investment Properties

The rollforward analysis of this account follows:

2021	Land	Buildings and Improvements	Right-of-use Assets	Investment Properties in Progress	Total
At January 1, 2021, net of accumulated depreciation and amortization	₱2,777,154	₱10,447,175	₱493,950	₱767,646	₱14,485,925
Additions to construction (see Note 29)	107,218	375,754	–	48,143	531,115
Transfers (to) from real estate inventories (see Note 9)	46,276	–	–	(294,235)	(247,959)
Transfers (to) from property and equipment (see Note 12)	–	369,815	–	–	369,815
Depreciation and amortization (see Note 23)	–	(489,532)	(15,268)	–	(504,800)
At December 31, 2021, net of accumulated depreciation and amortization	₱2,930,648	₱10,703,212	₱478,682	₱521,554	₱14,634,096
At January 1, 2021:					
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
At December 31, 2021:					
Cost	₱2,930,648	₱14,677,710	₱524,486	₱521,554	₱18,654,398
Accumulated depreciation and amortization	–	(3,974,498)	(45,804)	–	(4,020,302)
Net carrying amount	₱2,930,648	₱10,703,212	₱478,682	₱521,554	₱14,634,096

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
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

Investment properties are carried at cost. Investment properties consist of the "Power Plant" Mall (₱3.6 billion and ₱3.5 billion as at December 31, 2021 and 2020), 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 (₱7.3 billion and ₱10.7 billion as at December 31, 2021 and 2020, respectively) and land held for appreciation (₱682.1 million and ₱771.5 million as at December 31, 2021 and 2020, respectively).

Investment properties in progress include costs incurred for the construction of One Proscenium which started in 2019. General borrowing costs capitalized as part of investment properties amounted to ₱20.4 million and ₱33.8 million in 2021 and 2020, respectively (see Note 16). Average capitalization rates used for all ongoing projects are 4.99% and 5.37% in 2021 and 2020, respectively.

Accretion of interest expense on installment payable, capitalized as part of construction costs, amounted to nil and ₱0.9 million in 2021 and 2020, respectively (see Note 17).

Amortization of discount on retention payable, capitalized as part of construction costs, amounted to nil and ₱4.1 million in 2021 and 2020, respectively (see Note 18).

As at December 31, 2021 and 2020, advances to contractors, included under "Other noncurrent assets" account in the consolidated statements of financial position, amounting to ₱135.9 million and ₱209.1 million, respectively, primarily pertain to advances related to the development of "One Proscenium" projects and "Mall Expansion".

Lease income earned from investment properties amounted to ₱1,227.8 million, ₱1,149.9 million and ₱1,845.2 million in 2021, 2020 and 2019, respectively. Direct operating expenses incurred amounted to ₱399.5 million, ₱430.1 million and ₱641.5 million in 2021, 2020 and 2019, 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, 2021. The Group accounted for the rent concessions as not a lease modification. The rent concessions resulted to reduction in rental income amounted to ₱456.5 million and ₱512.0 million in 2021 and 2020, respectively.

The aggregate fair value of the Group's Power Plant Mall amounted to ₱12.9 billion and ₱12.5 billion as at December 31, 2021 and 2020, 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 ₱15.4 billion and ₱13.9 billion as at December 31, 2021 and 2020, respectively.

The fair value as at December 31, 2021 and 2020 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).

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

12. Property and Equipment

The rollforward analysis of this account follows:

	2021					
	Land	Buildings and Improvements	Office Furniture and Other Equipment	Transportation Equipment	Construction in Progress	Total
Cost						
At January 1	₱515,032	₱1,772,482	₱1,981,859	₱372,106	₱3,725,718	₱8,367,197
Additions	–	194,129	177,233	11,024	83,698	466,084
Transfers (to) from real estate inventories (see Note 9)	264,363	(90)	–	–	(2,422,717)	(2,158,444)
Transfers (to) from investment properties (see Note 11)	–	(369,815)	–	–	–	(369,815)
Reclassification	–	467,511	–	–	(467,511)	–
At December 31	779,395	2,064,217	2,159,092	383,130	919,188	6,305,022
Accumulated Depreciation and Amortization						
At January 1	–	1,056,319	1,709,687	318,444	–	3,084,450
Depreciation and amortization (see Note 23)	–	120,885	123,427	13,643	–	257,955
At December 31	–	1,177,204	1,833,114	332,087	–	3,342,405
Net Book Value at December 31	₱779,395	₱887,013	₱325,978	₱51,043	₱919,188	₱2,962,617

	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 23)	–	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

In 2021 and 2020, construction in progress pertains to the ongoing construction of Mactan Hotel, Rockwell Performing Arts Theater and Aruga Hotel Makati (in 2020).

Borrowing costs capitalized as part of property and equipment amounted to ₱16.1 million and ₱105.9 million in 2021 and 2020, respectively (see Note 16). Average capitalization rates used are 4.99% and 5.37% in 2021 and 2020, respectively

As at December 31, 2021 and 2020, advances to contractors, included under "Other noncurrent assets" account in the consolidated statements of financial position, amounting to nil and ₱90.0 million, respectively, primarily pertain to advances related to the development of "Mactan Hotel" and "Aruga Hotel Makati" (in 2020).

In 2021, the Group repurposed the Aruga Hotel Makati to The Balmori Suites, a highly exclusive residential project located at the Rockwell Center. Consequently, project development cost incurred for Aruga Hotel Makati amounting to ₱2,554.6 million was reclassified from property and equipment to real estate inventories (see Note 9).

13. Investments in Joint Venture and Associate

This account consists of:

	2021	2020
Investment in:		
Joint venture	₱2,776,037	₱2,073,066
Associate	751,677	756,150
	₱3,527,714	₱2,829,216

Investments in Joint Venture

a. 8 Promoveo Land, Inc. (PLI)

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

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

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

In December 2021, Rockwell Land contributed ₱630.0 million in cash to the JV Co. as partial payment for Rockwell Land's subscription. On the same period, PLI filed its application with the SEC for the increase in authorized capital stock. The corresponding shares of Rockwell Land's first subscription shall be issued out of the said increase in authorized capital stock. Accordingly, the aforementioned partial subscription payment is treated as deposits for stock subscription as at December 31, 2021 presented as part of investments in joint ventures. As at April 1, 2022, the SEC approval is still pending.

b. RBC

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

In accordance with the terms of the JV Agreement, the Parent Company acts as the Property Manager of the unincorporated JV. Management fees recognized by the Parent Company, which is shown as part of "Others" account in the consolidated statements of comprehensive income, amounted to ₱4.5 million, ₱6.6 million and ₱6.8 million in 2021, 2020 and 2019, 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:

	2021	2020
Current assets	₱1,020,898	₱1,011,256
Noncurrent assets	2,456,096	2,644,733
Current liabilities	62,154	378,849
Noncurrent liabilities	349,073	315,617
Cash and cash equivalents	671,297	672,994
Current financial liabilities (excluding trade and other payables and provisions)	56,502	108,517
Noncurrent financial liabilities (excluding trade and other payables and provisions)	203,175	191,916

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

	2021	2020	2019
Revenue	₱980,377	₱782,659	₱738,588
General and administrative expenses	124,952	(9,025)*	4,278
Depreciation and amortization expense	212,191	175,609	184,499
Interest income	2,047	9,827	19,788
Provision for income tax	112,788	141,886	129,789
Total comprehensive income/net income	532,493	484,016	439,810

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:

	2021	2020
Cost	₱1,661,215	₱2,536,691
Return of investment*	4,446	(875,476)
	1,665,661	1,661,215
Accumulated share in net income:		
Balance at beginning of year	411,851	406,890
Share in net income**	372,745	338,811
Dividend distribution	(304,220)	(333,850)
Balance at end of year	480,376	411,851
Carrying value	₱2,146,037	₱2,073,066

**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:

	2021	2020
Net assets of the unincorporated JV	₱3,065,767	₱2,961,523
Interest of the Parent Company in the net asset of the unincorporated JV	70%	70%
Carrying amount of investment in joint venture	₱2,146,037	₱2,073,066

As at December 31, 2021 and 2020, the unincorporated JV has no commitments and contingencies.

Investment in Associates

a. RNDC

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

On November 6, 2020, the Parent Company subscribed to 746,698,125 redeemable preference shares and 9,451,878 common shares of RNDC, equivalent to 40% of RNDC's outstanding capital stock, for a total consideration of ₱756.2 million. As at December 31, 2020, the Parent Company made partial payment of the subscription price amounting to ₱72.0 million and accounted for such investment as an associate. As at December 31, 2021, the Parent Company made a partial payment of the subscription price amounting to ₱200.0 million, while the remaining unpaid subscription of the Parent Company in RNDC amounting to ₱484.2 million is recognized as subscription payable in the consolidated financial position (see Note 13).

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

As at December 31, 2021 and 2020, the Group's investment in RNDC amounted to ₱751.7 million and ₱756.2 million, respectively. Share in net loss of RNDC amounted to ₱4.5 million in 2021.

The Parent Company's share in the profit or loss/total comprehensive income of RNDC in 2021 is reported under share in net income of joint venture and associate. The Parent Company's share in the profit or loss/total comprehensive income of RNDC 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:

	2021	2020
Quoted	₱28,460	₱28,460
Unquoted	1,918	3,288
	₱30,378	₱31,748

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

	2021	2020
Balance at beginning of year	₱28,460	₱38,211
Disposal	–	(7,251)
Unrealized loss on fair value adjustments	–	(2,500)
Balance at end of year	₱28,460	₱28,460

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:

	2021	2020
Trade	₱1,042,349	₱1,177,575
Accrued expenses:		
Project costs	998,757	758,056
Taxes and licenses	131,970	484,385
Selling, marketing and promotions	367,474	293,577
Interest	157,449	119,137
Utilities	61,475	67,452
Repairs and maintenance	73,848	31,064
Producers' share	5,888	11,295
Employee benefits (see Note 25)	106,121	98,600
Others	108,534	132,813
Deferred output VAT	1,141,909	1,475,268
Contract liabilities:		
Excess of collections over recognized receivables (see Notes 18 and 21)	907,211	986,081
Deposits from pre-selling of condominium units (see Notes 18 and 21)	274,853	19,937
Advance payments from members and customers (see Note 21)	11,467	10,951
Current portions of:		
Security deposits (see Note 18)	313,817	249,734
Retention payable (see Note 18)	801,387	891,079
Deferred lease income (see Note 18)	183,561	158,430
Lease liabilities (see Note 29)	29,021	30,242
Output VAT	170,460	185,342
Due to related party (see Note 28)	3,954	–
Others	111,872	146,784
	₱7,003,377	₱7,327,802

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	2021	2020
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%	1,262,475	2,638,417
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%,	2,413,680	627,923
Short-term loans	3.0%, 2.8%	700,000	800,000
Corporate notes	5.1%, 4.8%, 4.7% fixed	–	–
		4,376,155	7,379,740
Less unamortized loan transaction costs		28,920	25,105
		₱4,347,235	₱7,354,635
Noncurrent			
Term loan	5.6%, 4.7%, 2.7% floating, 6.1%, 5.7%, 4.5%, 5.5%, 5.8%, 5.2%, 4.5%	₱22,549,290	₱17,039,371
CTS loans	5.7%, 5.6%, 5.5%, 5.6%, 5.3%, 6.6%, 6.7%, 5.4%	–	439,282
Bonds payable	5.3% fixed	–	–
		22,549,290	17,478,653
Less unamortized loan transaction costs		108,560	75,273
		₱22,440,730	₱17,403,380

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 Parent 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 Parent 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 nil and ₱3,312.7 million as of December 31, 2021 and 2020, respectively.

Contracts to Sell (CTS) Loan Financing
In 2021 and 2020, 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 ₱2,424.0 million and ₱2,457.2 million were made in 2021 and 2020, respectively.

Schedule of drawdowns are set out below:

Drawdown	Drawdown Date	Maturity	Start of Principal Payment	No. of Quarterly Payments	Amount (in billions)
1	March 2018	3 years	Jun 2018	12	₱0.54
2	March 2018	2 years	Mar 2018	2	0.57
3	March 2018	2 years	Mar 2018	22	0.32
4	April 2018	3 years	Jul 2018	12	0.29
5	April 2018	2 years	Apr 2019	2	0.43
6	May 2018	3 years	Jun 2018	36	0.53
7	June 2018	3 years	Jul 2018	36	0.47
8	July 2018	3 years	Oct 2018	12	0.16
9	August 2018	3 years	Sep 2018	40	0.22
10	August 2018	3 years	–	Lumpsum	0.42
11	August 2018	3 years	Sep 2018	36	0.36
12	September 2018	3 years	–	Lumpsum	0.21
13	October 2018	3 years	–	Lumpsum	0.33
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
20	March 2021	1 year	–	Lumpsum	0.10
21	June 2021	1 year	–	Lumpsum	0.15
22	July 2021	1 year	–	Lumpsum	0.02
					₱7.12

The outstanding balance of the CTS loans, net of unamortized loan transaction costs, amounted to ₱1,252.5 million and ₱3,070.9 million as of December 31, 2021 and 2020, respectively.

Term Loan

PNB. On May 25, 2016, December 19, 2019 and September 13, 2021, the Parent Company entered into unsecured credit facilities with PNB each amounting to ₱5.0 billion, for a total of ₱15.0 billion. The Parent Company will pay 70% of the loan amounts quarterly over the term of the loans and the balance upon maturity. Details of drawdowns are as follows:

Drawdown	Drawdown Date	Maturity	Start of Principal Payment	No. of Quarterly Payments	Amount (in billions)
1	May 2016	10 years	August 2018	32	1.0
2	August 2017	7 years	August 2019	20	1.0
3	September 2017	7 years	September 2019	20	1.0
4	October 2017	7 years	October 2019	20	1.0
5	December 2017	7 years	December 2019	20	1.0
6	December 2019	7 years	December 2021	20	1.0
7	January 2020	7 years	April 2022	20	1.0
8	December 2020	7 years	March 2023	20	1.0
9	February 2021	7 years	May 2022	24	2.0
10	October 2021	7 years	January 2024	20	1.0
					₱11.0

MBTC. On November 18, 2019, the Parent Company entered into an unsecured 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 Quarterly Payments	Amount (in billions)
1	November 2019	7 years	February 2022	20	₱2.0
2	December 2019	7 years	February 2022	20	1.0
3	March 2020	7 years	June 2022	20	1.0
4	August 2020	7 years	November 2022	20	1.0
					₱5.0

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

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

Schedule of drawdowns are shown below.

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

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

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

As at December 31, 2021 and 2020, the loan proceeds received by Rockwell MFA from SEAI Metro Manila One, Inc. amounted to ₱196.0 million and ₱215.6 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 ₱24,835.4 million and ₱17,574.4 million as of December 31, 2021 and 2020, respectively.

Short-term Loans
In 2021 and 2020, the Parent Company obtained short-term loans from various financial institutions bearing interest rates ranging from 2.5% to 3.00% 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, 2021 and 2020, outstanding short-term loans amounted to ₱700.0 million and ₱800.0 million, 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.

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, Rockwell Primaries principal payments and interest expense incurred and paid on the loan amounted to ₱92.7 million and ₱4.6 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, Rockwell Primaries South principal payments and interest expense incurred and paid on the loan amounted to ₱24.7 million and ₱1.2 million, respectively (see Note 23). The note payable was paid in full in 2019.

Loan Transaction Costs. As at December 31, 2021 and 2020, 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:

	2021	2020
Balance at beginning of year	₱100,378	₱76,836
Additions	60,000	68,425
Amortization (see Note 23)	(22,898)	(44,883)
Balance at end of year	₱137,480	₱100,378

Interest expense. Interest expense on interest-bearing loans and borrowings amounted to ₱1,024.3 million, ₱1,105.6 million and ₱1,238.1 million in 2021, 2020 and 2019, respectively (see Note 23). Interest expense capitalized as part of investment properties amounted to ₱20.4 million and ₱33.8 million in 2021 and 2020, respectively (see Note 11). Interest expense capitalized as part of property and equipment amounted to ₱16.1 million and ₱105.9 million in 2021 and 2020, respectively (see Note 12).

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

Year	Amount
2022	₱4,376,155
2023	2,706,010
2024	2,388,379
2025	2,388,379
2026 and onwards	15,066,522
	₱26,925,445

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, 2021 and 2020, 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. The outstanding balance of installment payable was fully paid in 2020.

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 nil and ₱0.9 million in 2021 and 2020, respectively (see Note 11). Accretion of interest expense amounting to nil and ₱54.9 million, ₱25.2 million in 2021, 2020 and 2019, 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.

18. Deposits and Other Liabilities

This account consists of:

	2021	2020
Retention payable - net of current portion of ₱801.4 million in 2021 and ₱891.1 million in 2020 (see Note 15)	₱742,438	₱540,965
Security deposits - net of current portion of ₱313.8 million in 2021 and ₱249.7 million in 2020 (see Note 15)	220,892	327,703
Deferred lease income - net of current portion of ₱183.6 million in 2021 and ₱158.4 million in 2020 (see Note 15)	198,983	159,430
Contract liabilities:		
Deposits from pre-selling of condominium units - net of current portion of ₱274.9 million in 2021 and ₱19.9 million in 2020 (see Notes 15 and 21)	347,177	56,492
Excess of collections over recognized receivables - net of current portion of ₱907.2 million in 2021 and ₱986.1 million in 2020 (see Notes 15 and 21)	115,886	563,179
Condominium and utility deposits	133,583	128,450
Others (see Notes 15 and 25)	234,243	10,271
	₱1,993,202	₱1,786,490

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.

	2021	2020
Balance at beginning of year	₱17,720	₱27,991
Additions	59,293	7,768
Amortization (see Notes 11 and 23)	(44,556)	(18,039)
Balance at end of year	₱32,457	₱17,720

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.

Other liabilities consist of reservation payments from tenants and noncurrent portion of deferred output VAT.

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 2021, 2020 and 2019.

As at December 31, 2021 and 2020, the outstanding ESOP shares are as follows:

	2021	2020
Number of grants	63,918,000	63,918,000
Cancellations	(4,027,000)	(3,799,000)
Exercised	(15,000,000)	(15,000,000)
Remaining shares	44,891,000	45,119,000

As at December 31, 2021 and 2020, 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, 2021 and 2020, 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, 2021, and 2020, the Parent Company has total shareholders of 46,019 and 46,195, 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, 2021 and 2020.

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, 2021 and 2020, the unappropriated consolidated retained earnings include undistributed net earnings of subsidiaries amounting to ₱1,895.5 million and ₱915.52 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 April 1, 2022, the Parent Company's BOD approved the appropriation of retained earnings amounting to ₱9.0 billion (after reversal of ₱9.0 billion appropriation) out of the total retained earnings as of December 31, 2021 to partially fund capital expenditure of the Parent Company from 2022 to 2023.

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.

As at December 31, 2021 and 2020, appropriated retained earnings amounted to ₱9.7 billion.

e. Dividends

On October 6, 2021, the Parent Company's BOD approved the declaration of a regular cash dividend of 0.0353 per share to all common shareholders of record as at October 21, 2021 amounting to ₱217.6 million and 6% per annum cumulative cash dividend from July 1, 2020 to June 30, 2021 to all preferred shareholders amounting to ₱1.7 million. Payments of cash dividends for common shares were made on November 17, 2021.

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.

As at December 31, 2021 and 2020, 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 two strategic divisions are presented below (excluding interest and lease income):

	2021	
	Residential Development	Commercial Development
Primary geographical markets		
National Capital Region	₱4,715,160	₱1,171,906
Laguna	3,143,608	–
Cebu	526,284	–
Batangas	456,576	–
	₱8,841,628	₱1,171,906
Major product/service lines		
Sale of high-end residential condominium units	₱4,847,062	₱–
Sale of residential lots	3,143,608	–
Sale of affordable housing units	456,576	–
Sale of office spaces	–	478,749
Room revenue	–	63,654
Cinema revenue	–	8,986
Others	394,382	620,517
	₱8,841,628	₱1,171,906
Timing of revenue recognition		
Transferred over time	₱8,447,246	₱478,749
Transferred at a point in time	394,382	693,157
	₱8,841,628	₱1,171,906

	2020	
	Residential Development	Commercial Development
Primary geographical markets		
National Capital Region	₱3,979,646	₱1,183,488
Cebu	1,048,644	–
Laguna	1,746,959	–
Batangas	309,517	–
	₱7,084,766	₱1,183,488
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	241,686	727,263
	₱7,084,766	₱1,183,488

	2020	
	Residential Development	Commercial Development
Timing of revenue recognition		
Transferred over time	₱6,843,080	₱370,016
Transferred at a point in time	241,686	813,472
	₱7,084,766	₱1,183,488

	2019	
	Residential Development	Commercial Development
Primary geographical markets		
National Capital Region	₱9,774,466	₱1,747,962
Cebu	729,233	-
Laguna	318,302	-
Batangas	190,244	-
	₱11,012,245	₱1,747,962
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	494,549	940,655
	₱11,012,245	₱1,747,962

	2019	
	Residential Development	Commercial Development
Timing of revenue recognition		
Transferred over time	₱10,517,696	₱307,571
Transferred at a point in time	494,549	1,440,391
	₱11,012,245	₱1,747,962

Contract Balances

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

	2021	2020
Trade receivables* (see Note 8)	₱5,027,193	₱3,465,017
Contract assets (see Note 8)	12,570,559	14,198,919
Deposits from pre-selling of condominium units** (see Notes 15 and 18)	622,030	76,429
Excess of collections over recognized receivables** (see Note 15 and 18)	1,023,097	1,549,260
Advances payments from members and customers** (see Note 15)	11,467	10,951

*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 2021 and 2020, 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, 2021 and 2020.

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 2021, the movement in contract liabilities is mainly due to additional deposits received from pre-selling of condominium units in the "Larsen" and "Mactan Villa" projects, excess of collections over revenue recognized of certain projects and the collection of outstanding receivables of completed residential condominium units of certain projects. 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.

Revenue recognized from amounts included in contract liabilities at the beginning of 2021 and 2020 amounted to ₱1,466.7 million and ₱1,069.6 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:

	2021	2020
Within one year	₱6,824,304	₱7,134,401
More than one year	6,293,262	10,704,240
	₱13,117,566	₱17,838,641

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, 2021 and 2020, 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 ₱123.5 million and ₱211.5 million, respectively (see Note 10). For the year ended December 31, 2021 and 2020, the amortization related to incremental costs to obtain a contract recorded under "Selling expenses" account in the consolidated statements of comprehensive income amounted to ₱459.9 million and ₱176.1 million, respectively (see Note 23). No impairment loss was recognized in the consolidated statements of comprehensive income for the year ended December 31, 2021 and 2020 related to the Group's incremental costs to obtain a contract.

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

	2021	2020	2019
Interest income from:			
Amortization of unearned interest (see Note 8)	₱1,429,539	₱1,686,812	₱1,652,032
Penalty charges	38,426	42,031	40,453
In-house financing	8,080	1,082	2,296
Cash and cash equivalents (see Note 7)	6,336	10,860	25,995
	₱1,482,381	₱1,740,785	₱1,720,776

23. Expenses

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

	2021	2020	2019
Included in:			
Cost of real estate (see Note 11)	₱500,069	₱455,977	₱395,649
General and administrative expenses (see Notes 11 and 12)	262,686	351,662	506,442
	₱762,755	₱807,639	₱902,091

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

	2021	2020	2019
Personnel (see Notes 24 and 25)	₱428,925	₱470,373	₱395,767
Taxes and licenses (see Note 6)	354,717	421,297	400,079
Depreciation and amortization (see Notes 11 and 12)	262,686	351,662	506,442
Repairs and maintenance	82,390	98,779	101,705
Utilities	76,498	76,592	128,244
Professional fees	73,457	54,879	62,027
Dues and subscriptions	51,885	68,802	65,768
Entertainment, amusement and recreation	46,653	57,027	62,775
Fuel and oil	40,354	30,286	32,629
Contracted services	33,517	43,306	54,645
Rental expense	25,718	11,203	10,673
Marketing and promotions	20,764	22,677	29,603
Insurance	19,053	24,325	17,884
Provision for ECLs (see Note 8)	17,531	13,430	–
Security services	14,009	23,843	20,186
Office supplies	9,687	11,701	12,240
Provision for disallowance of claim for refund	8,500	95,600	–
Transportation and travel	5,952	6,001	4,938
Bank charges	4,198	13,727	6,774
Producers' share	2,736	14,303	107,238
Snack bar	1,360	6,203	23,040
Amusement tax	513	2,040	19,105
Accommodations	–	3,880	14,276
Others	87,674	94,332	36,599
	₱1,668,777	₱2,016,268	₱2,112,637

The Group recognized provision for disallowance of claim for input VAT refund amounting to ₱8.5 million and ₱95.6 million in 2021 and 2020, respectively. As at December 31, 2021 and 2020, input VAT being claimed for refund, recognized under "Other noncurrent assets" in the consolidated statements of financial position, amounted to ₱17.5 million and ₱27.7 million, respectively.

Selling expenses
Selling expenses are comprised of:

	2021	2020	2019
Commissions and amortization of prepaid costs (see Notes 4 and 10)	₱459,856	₱176,089	₱497,104
Marketing and promotions	308,130	260,936	365,339
Personnel (see Notes 24 and 25)	76,639	78,607	111,376
Entertainment, amusement and recreation	24,314	23,484	21,367
Contracted services	8,162	7,781	14,583
Utilities	4,303	13,809	13,958
Usufruct	1,148	2,767	4,176
Others	49,354	24,458	35,289
	₱931,906	₱587,931	₱1,063,192

Interest Expense
Interest expense is comprised of:

	2021	2020	2019
Interest expense on interest-bearing loans and borrowings (see Note 16)	₱1,024,258	₱1,105,602	₱1,238,145
Interest expense on lease liabilities (see Note 29)	49,740	48,723	43,759
Amortization of:			
Discount on retention payable (see Note 18)	44,556	13,908	13,359
Loan transaction costs (see Note 16)	22,898	44,883	36,818
Discount on installment payable (see Note 17)	-	54,860	25,220
	₱1,141,452	₱1,267,976	₱1,357,301

24. Personnel Expenses

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

	2021	2020	2019
Salaries and wages and other employee benefits (see Notes 23 and 25)	₱423,885	₱472,083	₱455,344
Pension costs (see Notes 23 and 25)	81,679	76,897	51,799
	₱505,564	₱548,980	₱507,143

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

	2021	2020	2019
Current service cost	₱70,946	₱68,764	₱48,065
Interest cost	10,733	8,133	3,734
Net pension cost	₱81,679	₱76,897	₱51,799

Net Pension Liability

	2021	2020
Present value of benefit obligation	₱695,850	₱684,883
Fair value of plan assets	(454,006)	(389,952)
Net pension liability	₱241,844	₱294,931

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

	2021	2020
Defined benefit obligation at beginning of year	₱684,883	₱869,851
Current service cost	70,946	68,764
Interest cost	26,758	34,720
Actuarial loss (gain) in other comprehensive income/loss due to:		
Experience adjustments	33,100	(71,451)
Change in assumptions	(119,837)	88,650
Benefits paid	-	(305,651)
Defined benefit obligation at end of year	₱695,850	₱684,883

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

	2021	2020
Fair values of plan assets at beginning of year	₱389,952	₱658,386
Interest income included in net interest cost	16,025	26,587
Actual contributions	59,408	73,417
Gain (loss) on return on plan assets in other comprehensive income/loss	(11,379)	(62,787)
Benefits paid	-	(305,651)
Fair values of plan assets at end of year	₱454,006	₱389,952

The Group expects to contribute ₱82.0 million to its pension plan in 2022.

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

	2021	2020
Investments in:		
Government securities	40.13%	39.18%
Loans and debt instruments	2.37%	2.50%
Other securities	57.50%	58.32%
	100.00%	100.00%

The principal assumptions used as at December 31, 2021 and 2020 in determining pension cost obligation for the Group's plans are as follows:

	2021	2020
Discount rate	5.16-5.18%	4.00%-4.18%
Future salary rate increases	10%	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:

	2021	2020
Cash in banks:		
MBTC	₱1,299	₱3,653
BDO	26	6
Receivables - net of payables:		
MBTC	1,080	3,536
BDO	387	443
Investments held for trading:		
MBTC	282,829	216,335
BDO	168,385	165,979
	₱454,006	₱389,952

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 ₱85.3 million and ₱63.4 million as at December 31, 2021 and 2020, 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, 2021 and 2020. Except as stated above, there were no other transactions entered into during the year by the Retirement Plan relating to the Group.

In 2021, 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:

	2021		2020	
	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	(₱86,886)	+100	(₱93,212)
	-100	105,955	-100	114,817
Future salary increases	+100	103,221	+100	110,299
	-100	(86,726)	-100	(91,972)

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	2021	2020
Less than 1 year	₱56,222	₱39,019
More than 1 year to 5 years	61,444	48,442
More than 5 years to 10 years	305,515	307,745
More than 10 years to 15 years	402,314	323,515
More than 15 years to 20 years	663,504	583,922
More than 20 years	3,975,174	3,452,626

b. Other Employee Benefits

Other employee benefits consist of accumulated employee vacation and sick leave benefit amounting to ₱4.8 million, ₱13.2 million and ₱12.1 million in 2021, 2020 and 2019, respectively (see Notes 23 and 24).

The present value of the defined benefit obligation of other employee benefits amounted to ₱106.1 million and ₱98.6 million as at December 31, 2021 and 2020, respectively (see Note 15).

26. Income Taxes

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

	2021	2020	2019
Current	₱183,491	₱601,274	₱644,398
Deferred	73,959	(188,770)	374,544
	₱257,450	₱412,504	₱1,018,942

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

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

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

	2021	2020
Deferred tax liabilities:		
Unrealized gain on real estate	₱2,412,026	₱2,429,411
Excess of fair value over carrying value of asset acquired in a business combination	126,573	169,831
Capitalized interest	62,252	71,223
Deferred selling expense	34,675	29,488
Collections after the ITH period on low-cost housing project (Stonewell)	6,708	–
Unrealized foreign exchange gain and others	5,477	–
Unrealized gain on investment in equity instruments at FVOCI	2,096	2,516
	2,649,807	2,702,469
Deferred tax assets:		
Capitalized interest	615,679	715,936
NOLCO	94,603	72,351
Unfunded pension costs	85,800	93,494
Deferred lease income	73,969	84,154
Lease liabilities, net of right-of-use assets	48,739	47,976
Unrealized loss on real estate	38,518	40,664
Other employee benefits	26,650	29,789
Share-based payment	18,812	22,574
Allowance for ECLs and others	15,158	20,912
Unamortized past service cost	14,649	20,106
MCIT	9,408	12,901
Unrealized foreign exchange loss and others	4,325	551
Collections after the ITH period on low-cost housing project (Stonewell)	–	15,846
	1,046,310	1,177,254
	₱1,603,497	₱1,525,215

The above components of deferred tax assets and liabilities are presented in the consolidated statements of financial position as follows:

	2021	2020
Deferred tax assets - net	₱93,539	₱75,903
Deferred tax liabilities - net	(1,697,036)	(1,601,118)
	(₱1,603,497)	(₱1,525,215)

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:

	2021	2020
NOLCO	₱2,574	₱33,519
Lease liability	1,673	5,935
MCIT	149	71
Advances from members	–	1,860
	₱4,396	₱41,385

As at December 31, 2021, MCIT of subsidiaries which can be claimed as deduction from regular taxable income due as follows:

Year Paid	Expiry Year	Amount
2019	2022	₱5,988
2020	2025	3,736
2021	2026	2,095
		₱11,819

MCIT amounting to ₱3.2 million, ₱1.5 million and ₱1.2 million expired in 2021, 2020 and 2019, 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, 2021, NOLCO of certain subsidiaries can be carried forward and claimed as deduction against regular taxable income as follows:

Year Incurred	Expiry Date	Amount
2019	2022	₱24,001
2020	2025	154,579
2021	2026	72,528
		₱251,108

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:

	2021	2020	2019
Statutory income tax rate	25.0%	30.0%	30.0%
Additions to (deductions from) income tax resulting from:			
Share in net income of joint venture and associate	(1.4%)	(5.9%)	(2.4%)
Nontaxable income and others	(0.9%)	(0.7%)	(0.6%)
Effective income tax rate	22.7%	23.4%	27.0%

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

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

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

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

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

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding 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%.

- 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 Bill was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. Accordingly, current and deferred taxes as at 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 have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020. Below are the impact of the CREATE Act had they been adjusted retrospectively beginning July 1, 2020:

	Balance as reported in the consolidated financial statements	Impact of the CREATE Act	Balance had the impact of CREATE Act has been adjusted retrospectively
As at and for the year ended December 31, 2020:			
Provision for income tax – current	₱601,274	(₱43,283)	₱557,991
Provision for income tax – deferred	(188,770)	(247,140)	(435,910)

The impact of the CREATE Act as of and for the year ended December 31, 2020 is reflected in the 2021 consolidated financial statements for financial reporting purposes.

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)	2021	(₱19,873)	(₱3,954)	90-day; noninterest-bearing	Unsecured
			2020	(785,980)	–		
			2019	(123,043)	(488,808)		
		Management fee (see Note 13)	2021	4,355	4,355	On demand; non-interest-bearing	Unsecured, no impairment
			2020	6,633	28,992		
			2019	6,765	–		
SEAI Metro Manila One, Inc.	Non-controlling shareholder	Loan payable (see Note 16): Principal	2021	196,000	(411,600)	Payable on December 31, 2022; interest-bearing	Unsecured
			2020	110,000	(215,600)		
			2019	64,600	(105,600)		
		Interest	2021	15,086	–		
			2020	8,113	–		
			2019	5,024	–		
Carmelray shareholders	Non-controlling shareholders	Advances (included under "Other noncurrent assets" account in the consolidated statement of financial position)	2021	–	300,000	3 years from the launch of the Phase 1 of the "Rockwell South" project; noninterest-bearing	Unsecured
			2020	–	400,000		
			2019	–	–		
RNDC	Non-Controlling Shareholder	Project Management Fee	2021	390	233	On demand; non-interest-bearing	Unsecured
			2020	–	–		
			2019	–	–		
		Marketing Fee	2021	20,662	6,503	On demand; non-interest-bearing	Unsecured
			2020	–	–		
			2019	–	–		
		Sales Commission	2021	56,846	24,247	On demand; non-interest-bearing	Unsecured
			2020	–	–		
			2019	–	–		
		Construction Management Fee	2021	3,023	1,053	On demand; non-interest-bearing	Unsecured
			2020	–	–		
			2019	–	–		
		Reimbursement	2021	178,179	–	On demand; non-interest-bearing	Unsecured
			2020	–	–		
			2019	–	–		
Advances to officers and employees		Advances (see Note 8)	2021	–	47,555	30-day; noninterest-bearing	Unsecured; no impairment
			2020	8,984	53,720		
			2019	3,894	44,736		

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, 2021, 2020 and 2019, the Group has not made any provision for expected credit losses relating to amounts owed by related parties. This assessment is undertaken at each financial year through examination of the financial position of the related party and the market in which the related party operates.

Compensation of Key Management Personnel of the Group

	2021	2020	2019
Short-term employee benefits	₱110,230	₱94,429	₱102,213
Post-employment pension and other benefits (Note 25)	40,010	49,714	37,927
Total compensation attributable to key management personnel	₱150,240	₱144,143	₱140,140

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:

	2021	2020
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)	49,740	48,723
Expenses relating to short-term leases and low-value assets (included under "General and administrative expenses" account) (see Note 23)	25,718	11,203
	₱90,726	₱75,194

The rollforward analysis of lease liabilities follows:

	2021	2020
At January 1	₱651,010	₱637,759
Interest expense (see Note 23)	49,740	48,723
Payments	(36,401)	(35,472)
As at December 31	664,349	651,010
Less current portion (see Note 15)	29,021	30,242
Noncurrent portion	₱635,328	₱620,768

Future minimum undiscounted lease payments are as follows:

Year	2021	2020
Within one year	₱37,661	₱36,401
Year 2	38,986	37,661
Year 3	40,379	38,986
Year 4	42,398	40,379
Year 5 and beyond	1,956,868	1,996,475
	₱2,116,292	₱2,149,902

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, 2021 and 2020, ₱13.8 billion and ₱13.7 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, 2021 and 2020, 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.

	2021				
	Within 1 Year	1-2 Years	2-3 Years	More than 3 Years	Total
Fixed Rate					
Interest-bearing loans and borrowings	₱3,473,955	₱2,263,110	₱2,043,579	₱15,199,901	₱22,980,545
Floating Rate					
Interest-bearing loans and borrowings	629,800	442,900	406,000	2,466,200	3,944,900
Short-term investments	1,638,976	–	–	–	1,638,976

	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

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.

	2021 Effect on income before income tax increase (decrease)	
Change in basis points	+100 basis points	-100 basis points
Floating rate borrowings	(39,449)	39,449

	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

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.

	2021		
	Gross Maximum Exposure	Net Exposure	Financial Effect of Collateral or Credit Enhancement
Cash and cash equivalents*	₱2,784,024	₱2,748,754	₱35,270
Trade receivables from:			
Sale of real estate	5,027,193	622,392	4,404,801
Lease	580,915	–	580,915
Advances to officers and employees	47,555	47,512	43
Other receivables	373,377	373,377	–
Refundable deposits**	88,066	88,066	–
Restricted cash**	9,649	9,149	500
	₱8,910,779	₱3,889,250	₱5,021,529

	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

**Excluding cash on hand amounting to ₱840 and ₱1,651 as at December 31, 2021 and 2020, respectively.*
***Presented as part of "Other current assets" account in the consolidated statements of financial position.*

There are no significant concentrations of credit risk because the Group trades with various third parties.

The tables below show the credit quality by class of financial asset based on the Group's credit rating system.

	2021		
	A Rating	B Rating	Total
Cash and cash equivalents	₱2,784,024	₱–	₱2,784,024
Trade receivables from:			
Sale of real estate	4,998,722	28,471	5,027,193
Lease	466,302	114,613	580,915
Advances to officers and employees	47,555	–	47,555
Other receivables	373,377	–	373,377
Refundable deposits	88,066	–	88,066
Restricted cash	9,649	–	9,649
	₱8,767,695	₱143,084	₱8,910,779

	2020		
	A Rating	B Rating	Total
Cash and cash equivalents	₱3,203,371	₱–	₱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
	₱6,842,127	₱575,128	₱7,417,255

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, 2021 and 2020, the analyses of the age of financial assets are as follows:

	2021						
	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	₱2,784,024	₱–	₱–	₱–	₱–	₱–	₱2,784,024
Trade receivables from:							
Sale of real estate	4,863,867	23,377	10,172	6,908	122,869	–	5,069,106
Lease	374,455	128,605	49,833	21,591	6,431	–	580,915
Advances to officers and employees	47,555	–	–	–	–	–	47,512
Other receivables	373,377	–	–	–	–	–	331,507
Refundable deposits	88,066	–	–	–	–	–	88,066
Restricted cash	9,649	–	–	–	–	–	9,649
	₱8,540,993	₱151,982	₱60,005	₱28,499	₱129,300	₱–	₱8,910,779

	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	₱3,203,371	₱–	₱–	₱–	₱–	₱–	₱3,203,371
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
Restricted cash	15,416	–	–	–	–	–	15,416
	₱6,975,697	₱75,583	₱109,410	₱53,515	₱186,058	₱16,992	₱7,417,255

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 ₱51.4 billion and ₱50.7 billion as at December 31, 2021 and 2020, respectively. The fair value of the club shares amounted to ₱0.2 million as at December 31, 2021 and 2020.

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 2021 and 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 2021 and 2020:

	2021		
	Trade receivables from sale of real estate and lease		
	High-end	Affordable	Lease
ECL rate	0.0%	0.0%	1.3%
Estimated total gross carrying amount at default	₱17,107,262	₱490,490	₱580,915

	2020		
	Trade receivables from sale of real estate and lease		
	High-end	Affordable	Lease
ECL rate	0.0%	0.0%	1.2%
Estimated total gross carrying amount at default	₱17,394,062	₱269,874	₱443,608

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, 2021 and 2020, 15% and 30% of the Group's debt will mature in less than one year as at December 31, 2021 and 2020, 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, 2021 and 2020 based on contractual undiscounted payments.

	2021				
	On Demand	Due Within 3 Months	Due Between 3 and 12 Months	Due After 12 Months	Total
Trade and other payables*	₱-	₱3,364,719	₱-	₱-	₱3,364,719
Interest-bearing loans and borrowings					
Principal	-	1,281,533	3,094,622	22,549,290	26,925,445
Interest**	-	305,267	859,870	4,368,670	5,533,807
Lease liabilities	-	9,025	28,636	2,078,631	2,116,292
Retention payable***	-	62,098	757,027	726,880	1,546,005
Security deposits***	-	130,592	183,225	220,892	534,709
Due to related party	-	3,954	-	-	3,954
	₱-	₱5,157,188	₱4,923,380	₱29,944,363	₱40,024,931

	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	₱1,135,709	₱-	₱3,490,119
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
Lease liabilities	-	8,728	27,673	2,113,501	2,149,902
Retention payable***	-	-	891,079	540,965	1,432,044
Security deposits***	-	-	249,734	327,703	577,437
	₱-	₱11,824,006	₱5,551,694	₱22,741,246	₱40,116,946

*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:

	2021					
	On Demand	Within 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Cash and cash equivalents	₱1,145,048	₱1,638,976	₱-	₱-	₱-	₱2,784,024
Trade receivables from:						
Sale of real estate	–	4,929,158	10,172	6,908	80,955	5,027,193
Lease	374,456	128,605	49,833	21,591	6,430	580,915
Contract assets		50,062	26,411	19,997	12,474,089	12,570,559
Investment in equity instruments at FVOCI	–	–	–	–	30,378	30,378
	₱1,519,504	₱6,746,801	₱86,416	₱48,496	₱12,591,852	₱20,993,069

	2020					
	On Demand	Within 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Cash and cash equivalents	₱1,366,155	₱1,837,216	₱-	₱-	₱-	₱3,203,371
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	11,802,695	14,198,919
Investment in equity instruments at FVOCI	–	–	–	–	31,748	31,748
	₱1,674,255	₱6,974,368	₱462,588	₱289,431	₱11,942,021	₱21,342,663

As at December 31, 2021 and 2020, the COVID-19 pandemic has no significant impact on the Group's liquidity risk.

Capital Management Policy
The primary objective of the Group's capital management is to maximize shareholder value by maintaining a healthy balance between debt and equity (capital) financing in support of its business requirements.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2021 and 2020.

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).

	2021	2020
Interest-bearing loans and borrowings	₱26,787,965	₱24,758,015
Less cash and cash equivalents	2,784,864	3,205,022
Net debt	24,003,101	21,552,993
Equity	25,981,173	24,861,768
Net debt-to-equity ratio	0.92	0.87

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, 2021 and 2020.

	2021				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets					
Investment properties	₱14,634,096	₱28,350,887	₱-	₱1,834,887	₱26,516,000
Due from related parties	300,000	289,676	-	-	289,676
Investment in equity instruments at FVOCI	30,378	30,378	27,090	-	3,288
	₱14,964,474	₱28,670,941	₱27,090	₱1,834,887	₱26,808,964
Liabilities					
Interest-bearing loans and borrowings (including noncurrent portion)	₱26,787,965	₱26,608,425	₱-	₱-	₱26,608,425
Retention payable (including noncurrent portion)	1,543,825	1,372,935	-	-	1,372,935
Security deposits (including noncurrent portion)	534,709	658,489	-	-	658,489
	₱28,866,499	28,639,849	₱-	₱-	₱28,639,849

	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

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 1.01% to 4.82% as at December 31, 2021 and 0.99% to 3.95% as at December 31, 2020.

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 1.01% to 4.82% as at December 31, 2021 and 0.99% to 3.95% as at December 31, 2020.

For the years ended December 31, 2021 and 2020, 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

	2021	2020	2019
	(In Thousands, Except Numbers of Shares and Per Share Data)		
Net income attributable to equity holders of the Parent Company	₱1,640,936	₱1,078,756	₱2,956,553
Dividends on preferred shares	(1,650)	(1,650)	(1,650)
Net income attributable to common shares (a)	1,639,286	1,077,106	2,954,903
Common shares at beginning of year	6,116,762,198	6,116,762,198	6,116,762,198
Weighted average number of common shares - basic (b)	6,116,762,198	6,116,762,198	6,116,762,198
Dilutive potential common shares under the ESOP	1,575,521	3,492,624	14,626,489
Weighted average number of common shares - diluted (c)	6,118,337,719	6,120,254,822	6,131,388,687
Per share amounts:			
Basic (a/b)	₱0.2680	₱0.1761	₱0.4831
Diluted (a/c)	₱0.2679	₱0.1760	₱0.4819

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, hotel and resort operations.

The Group does not have any customers which constitutes 10% or more of the Group's revenue.

Management monitors the operating results of each business unit separately for the purpose of making decisions about resource allocation and performance assessment. Performance is evaluated based on net income for the year and earnings before interest, taxes and depreciation and amortization, or *EBITDA*. Net income for the year is measured consistent with consolidated net income in the consolidated financial statements. *EBITDA* is measured as net income excluding depreciation and amortization, interest expense and provision for income tax. *EBITDA* is a non-GAAP measure.

The Group centrally manages cash and its financing requirements, income taxes and resource allocation. Resource allocation are measured against profitability among potential investments and made in view of the Group's existing business portfolio.

The President, the Group's chief operating decision maker, monitors operating results of its business segments separately for the purpose of performance assessment and making recommendations to the Board about resource allocation. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit and loss in the consolidated financial statements.

Disclosure of the geographical information regarding the Group's revenues from external customers and total assets have not been provided since all of the Group's consolidated revenues are derived from operations within the Philippines.

Business Segments

The following tables present information regarding the Group's residential development and commercial development business segments:

	2021		
	Residential Development	Commercial Development	Total
Revenue	₱10,300,361	₱2,423,342	₱12,723,703
Costs and expenses	(7,681,839)	(1,052,159)	(8,733,998)
Share in net income of joint venture and associate	(4,472)	372,745	368,273
Other income - net	12,312	–	12,312
EBITDA	2,626,362	1,743,928	4,370,290
Depreciation and amortization			(762,755)
Interest expense			(1,141,452)
Provision for income tax			(257,450)
Consolidated net income			₱2,208,633
Assets and Liabilities			
Segment assets	₱40,379,167	₱3,226,942	₱43,606,109
Investment properties	2,243,590	12,390,506	14,634,096
Investment in joint venture and associate	1,100,379	2,427,335	3,527,714
Deferred tax assets - net	93,539	–	93,539
Property and equipment	2,722,233	240,384	2,962,617
Total assets	₱46,538,908	₱18,285,167	₱64,824,075
Segment liabilities	₱26,155,334	₱10,990,532	₱37,145,866
Deferred tax liabilities - net	1,697,036	–	1,697,036
Total liabilities	₱27,852,370	₱10,990,532	₱38,842,902

	2020		
	Residential Development	Commercial Development	Total
Revenue	₱8,816,221	₱2,342,686	₱11,158,907
Costs and expenses	(6,579,210)	(1,086,709)	(7,665,919)
Share in net income of joint venture and associate	–	338,811	338,811
Other income - net	(9,082)	82	(9,000)
EBITDA	2,227,929	1,594,870	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	₱6,037,988	₱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	2,368,533	5,282,747
Total assets	₱38,994,029	₱22,941,013	₱61,935,042
Segment liabilities	₱31,676,865	₱3,795,291	₱35,472,156
Deferred tax liabilities - net	1,601,118	–	1,601,118
Total liabilities	₱33,277,983	₱3,795,291	₱37,073,274

	2019		
	Residential Development	Commercial Development	Total
Revenue	₱12,937,628	₱3,388,559	₱16,326,187
Costs and expenses	(9,177,936)	(1,435,221)	(10,613,157)
Share in net income of joint venture and associate	14,870	307,867	322,737
Other income - net	33	(195)	(162)
EBITDA	3,774,595	2,261,010	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

	2019		
	Residential Development	Commercial Development	Total
Assets and Liabilities			
Segment assets	₱39,520,849	₱963,959	₱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	2,513,163	5,618,342
Total assets	₱42,671,890	₱20,832,966	₱63,504,856
Segment liabilities	₱33,675,553	₱3,744,658	₱37,420,211
Deferred tax liabilities - net	1,735,851	–	1,735,851
Total liabilities	₱35,411,404	₱3,744,658	₱39,156,062

34. Supplemental Disclosure of Cash Flow Information

a. The changes in the Group's liabilities arising from financing activities are as follows:

	January 1, 2021	Cash Flows	Reclassification from Noncurrent to Current	Interest Expense/Discount Amortization	December 31, 2021
Current portion of interest-bearing loans and borrowings	₱7,354,635	(₱7,354,635)	₱4,347,235	₱–	₱4,347,235
Interest-bearing loans and borrowings - net of current portion	17,403,380	9,361,687	(₱4,347,235)	22,898	22,440,730
Lease liabilities	651,010	(36,401)	–	49,740	664,349
Total liabilities from financing activities	₱25,409,025	₱1,970,651	₱–	₱72,638	₱27,452,314

	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

b. The Group's material non-cash investing activities include the investment in an associate with unpaid subscription amounting to ₱484.2 million and 684.2 million as at December 31, 2021 and 2020, respectively and the return of investment in a joint venture previously recorded as advances to partners amounting to nil and ₱875.5 million as at December 31, 2021 and 2020, respectively (see Note 13).

35. Other Matter

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 virus as a global pandemic. On March 13, 2020, the Office of the President of the Philippines issued a directive imposing stringent social distancing measures in the National Capital Region effective March 15, 2020. In a move to contain the COVID-19 outbreak, on March 16, 2020, the Office of the President of the Philippines issued Proclamation No. 929, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020 which was subsequently extended until May 15, 2020. On May 12, 2020, this was further extended into a modified enhanced community quarantine, wherein certain implementing rules have been relaxed.

The community quarantine classification was subsequently extended or changed as follows:

Classification	Effectivity
General community quarantine	June 1 – August 1, 2020
Modified enhanced community quarantine	August 2 - 18, 2020
General community quarantine	August 19, 2020 - March 27, 2021
Enhanced community quarantine	March 28, 2021 – April 11, 2021
Modified enhanced community quarantine	April 12, 2021 - May 31, 2021
General community quarantine	June 1, 2021 - July 31, 2021
Modified enhanced community quarantine	August 1, 2021 - August 5, 2021
Enhanced community quarantine	August 6, 2021 – August 20, 2021
Modified enhanced community quarantine	August 21, 2021 - September 7, 2021
General community quarantine	September 8, 2021 - September 30, 2021

Classification	Effectivity
Alert level 4	October 1, 2021 - October 15, 2021
Alert level 3	October 16, 2021 - November 4, 2021
Alert level 2	November 5, 2021 - January 2, 2022
Alert level 3	January 3, 2022 - January 30, 2022
Alert level 2	February 1, 2022 - February 28, 2022
Alert level 1	March 1, 2022 - March 31, 2022

These measures have caused disruptions to most businesses and significant increase in economic uncertainty. However, with the Group's nature of business, these measures did not have significant impact on its financial position and performance as at and for the year ended December 31, 2021 and 2020 despite the slowdown in the sales activities. The Group will continue to monitor the situation.

After 15 years at Rockwell, I will certainly miss the place and the people. It has been a great place to call my "home in Manila", and as always even the moving-out process was extremely smooth. Coordinating with everyone here was very reassuring.

The performance, attitude, and professionalism were excellent throughout and a credit to how Rockwell does things.

- A LONGTIME ROCKWELL RESIDENT

fph mission, purpose & way of *proceeding*

With FPH, we see the outline of our brightest days ahead.

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.

shareholder *services*

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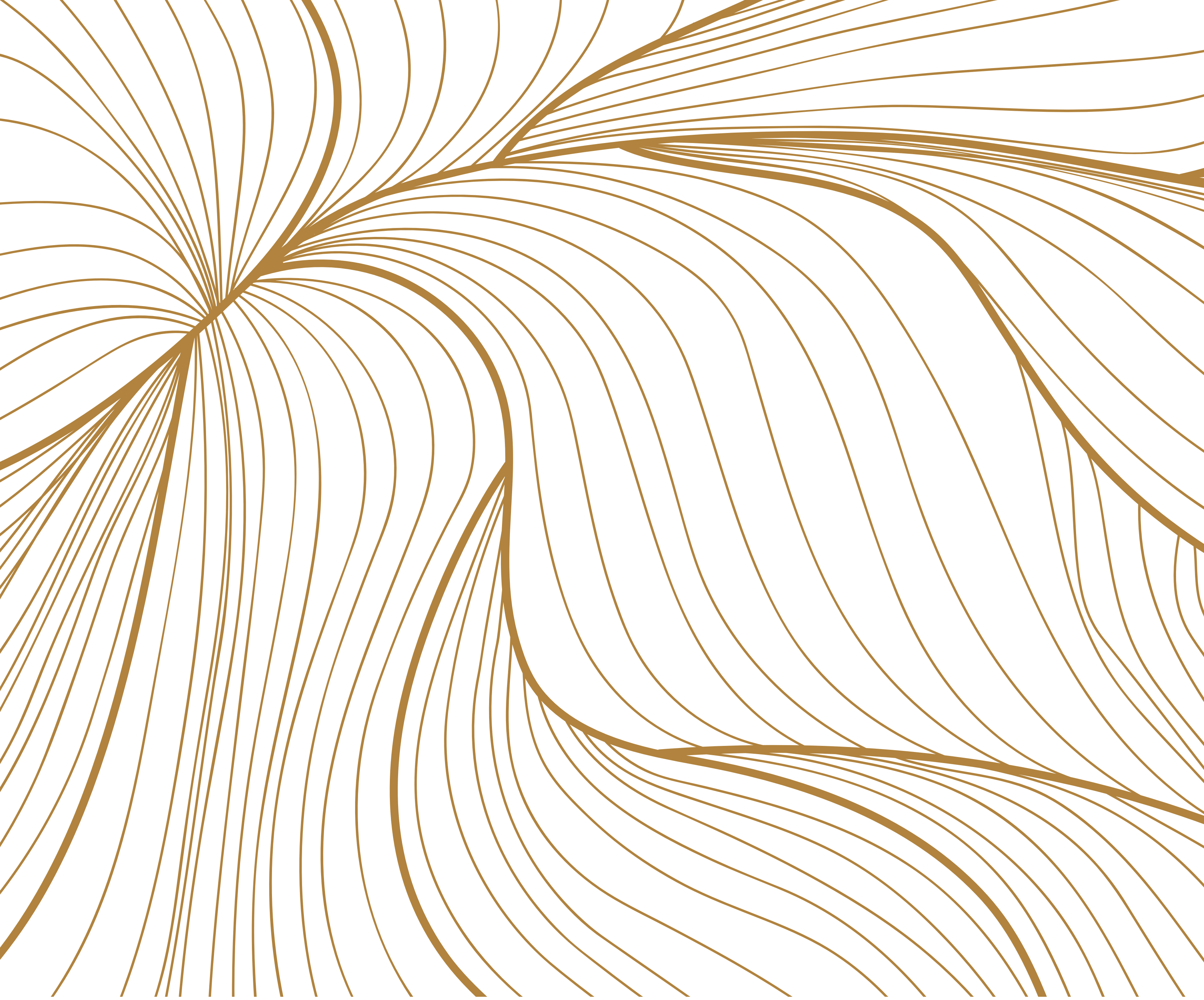

It started with a glimmer.

A gentle yet fierce light,
that forged ahead deep into the night.

Unyielding, Unflinching, Unwavering.

The light then grew, setting the
sky ablaze with the hope of
radiant new days.

Illuminating, Fighting, Persevering.