ROCKWELL LAND

2017

ANNUAL REPORT

FPH
A Lopez Group Company
POWERED BY GOOD

All the way down south,
within a hidden gem of the old city,
at the heart of pop culture,
or where the sun kisses the shore the most
— Rockwell is on its way.

Committed to reimagining landscapes,
and creating more spaces to live life
in extraordinary fashion.

Because the most graceful settings are still out there
for the most tasteful of our communities,
Rockwell is on the move.

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MESSAGE OF THE CHAIRMAN

Rockwell Land Corporation registered its highest net income after tax in 2017. This new record follows through its 2016 performance, which also set the record at that time.

The stock market finally noticed us and our stock price started climbing sometime in November 2017. Rockwell Land shares ended the year 36% higher than at the end of 2016.

Where is this renewed confidence coming from?

For one, we are fortunate to be able to ride the wave of a strong real estate sector, anchored on higher infrastructure spending, more direct investments and the continued growth of remittances from overseas. For another, we are reaping the benefits of Rockwell Land's steady expansion over the last five years, with our assets growing to Php 48.9 billion due to ongoing and new projects. Our debt remains at manageable levels, and sales remain robust. Both are supported by the reputation we have built for completing projects as committed to customers.

We have a lot to look forward to as the Rockwell brand carves its space in hotel operations. Aruga Hotel Makati, our first luxury boutique hotel, will open above the newly expanded Power Plant Mall in 2020. Preparations are underway for the launch of Aruga Resort and Residences, our first beach resort development in Mactan. We will obviously be very busy, but we continue to study other projects which will not only increase Rockwell Land's value, but also enhance our strengths as a company.

We will continue to move with agility and with prudence. Agility allows us to offer customers projects suitable to their needs, tastes and budgets. At the same time, agility allows us to pull back, change course and adjust should there be challenges or road blocks along the way. Prudence keeps our eyes open to risks and balances our evaluation of rewards for each project we undertake. Prudence also guides us toward workable and acceptable solutions for issues that crop up, as we oversee multiple projects for our expanding customer base.

Thank you for keeping faith with Rockwell Land.

Amb. Manuel M. Lopez
Chairman of the Board

REPORT OF THE PRESIDENT

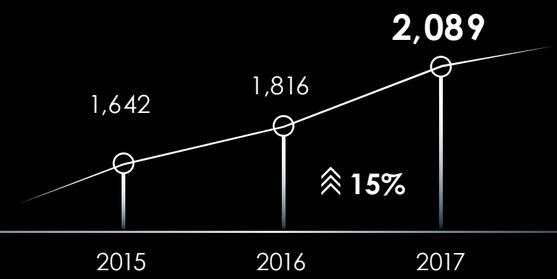
We are on the move.

Primed to Expand

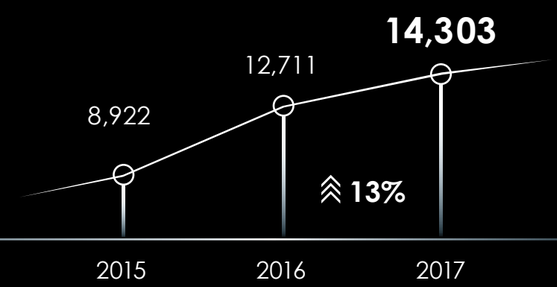
We built a strong core with the Rockwell Center in Makati. Today, you can find the Rockwell signature in cities all over the Metro. The move began with The Grove in Pasig, townhomes in Quezon City and San Juan, and reaching more people with Rockwell Primaries in New Manila. Indeed, we were primed to go into new cities down South in Muntinlupa and further into Cebu.

In 2017, our net income after tax (NIAT) hit a record high of Php 2.1 billion, a 15% growth from 2016 with the robust performance of our various businesses. Revenues reached Php 14.3 billion while EBITDA remained solid at Php 3.6 billion. Residential development still has the biggest share as we saw sustained construction completion and strong reservation sales for Proscenium, 32 Sanson, The Vantage and Edades Suites. On the other hand, in our office portfolio, we experienced higher occupancy of 8 Rockwell.

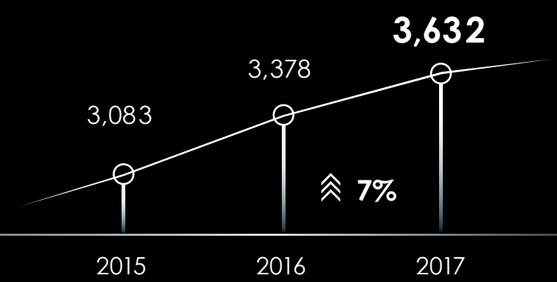
NIAT
in Php millions



Revenues
in Php millions



EBITDA
in Php millions



REPORT OF THE PRESIDENT

Extending our Commercial Reach

The last quarter of 2017 was busy because we launched new lifestyle office and retail developments that added 73,000 square meters of leasable space.

Rockwell Business Center – Sheridan in Mandaluyong is now home to foreign companies such as the United Nations Children's Fund, Ridley, EG Funds and Pearson. Its 2 floors of retail serve the immediate community through a variety of food choices like Starbucks, Mann Hann, Motorino Pizza and an indoor food park by Open Kitchen.

While we weren't as ready to open our first community retail in San Juan, **Santolan Town Plaza**, we welcomed families in the neighborhood as early as December 2017 with the opening of Marketplace by Rustan's and 4 new cinemas. Our focus for the next months is to add more retail to offer lifestyle essentials like Alta by Relik, Pancake House, True Value and The Medical City Diagnostic Clinic. These will complement the growing population in the project's five floors of office space.

Already a favorite, Christmas at Rockwell was even grander with the opening of the **Power Plant Mall expansion** featuring 40 new tenants including Nespresso's flagship store, Michelin star restaurant Din Tai Fung, Wholesome Table, The Spa, Signet and Saddle Row, plus a bigger chapel and 2 new cinemas. We were delighted to witness an increase in traffic with mall goers enjoying a spacious modern version of the old wing, staying true to the relaxed experience that the mall offers.

On the Move to Katipunan

The bustling corridor in Katipunan was an obvious site for expansion. Last July 2017, we launched our first high-end, 3-tower high-rise condominium in Quezon City. **The Arton by Rockwell**, featuring an 80:20 landscape to building ratio, is a joint venture with Japan's biggest real estate company, Mitsui Fudosan. Its first tower, Arton West, hit Php 1 billion worth of sales in just two months and riding on this success, Arton North opened its inventory to the market last March 2018.

Relentless in Providing the Greatest Rockwell Yet

We are nearing completion of our biggest project yet, **The Proscenium at Rockwell**. We saw strong investor confidence because of the continued positive market reception at a significantly high price of Php 300,000 per square meter and their belief in our ability to deliver a quality product beyond ordinary.

We are looking to welcome our first residents in the Kirov and Sakura Towers by the fourth quarter of this year. They will be the first to experience the close to one-hectare expanse of the amenity deck.

Broadening Markets in Kapitolyo and the South of the Metro

After completing 53 Benitez, Rockwell Primaries' first community in New Manila, we moved forward to the charming lifestyle in Kapitolyo through **The Vantage** and to a relaxed sanctuary in Sucat, Muntinlupa through **East Bay Residences**. Residents are now able to experience the redefined community with the recent opening of East Bay's newest central amenity.

Growing the Newest Business

After opening Aruga Serviced Apartments in 2014, we are poised to grow Rockwell's distinct brand of service through the **Aruga Hotel**, opening in 2020. Sitting atop the Power Plant Mall in the heart of Rockwell Center, this urban resort themed hotel will have 180 rooms.

On the Move to Mactan

With the success of our first Rockwell community in Cebu, **32 Sanson**, we will make bigger waves in the second half of this year with the launch of **Aruga Resort and Residences - Mactan**. Our first resort development marks our move to beach front living with 150 residential units and a hotel that will serve the growing tourism industry through this 5.3-hectare property.

Moving in the Right Direction

We are on the move to building new Rockwell communities in other areas. This year leads us to projects further South of Metro Manila that will position ourselves in the forefront of creating lifestyles. We will remain focused on our vision, to create admired communities beyond ordinary, and to unceasingly be on the move.

Nestor J. Padilla
President & Chief Executive Officer

BUSINESS PORTFOLIO

ON THE MOVE FROM A STRONG CORE

ROCKWELL CENTER

An unmistakable icon of the Makati skyline, the Rockwell Center is the starting point for Rockwell Land's flagship residential properties. Pioneering the community is the West Block, the setting for the center's first premium residential towers: Rizal Tower, Amorsolo Square, Hidalgo Place and Luna Gardens.

The Rockwell Center blossomed into a vast neighborhood with the rise of the East Block, where more unit variations and designs are offered at the Joya Lofts and Towers, The Manansala, and One Rockwell. Following suit are the Edades Tower and Garden Villas and the Edades Suites, Rockwell Center's latest additions to its premium residential community.

POWER PLANT MALL

Moving onto a new level of retail is the Power Plant Mall, now bigger and better to accommodate even more curated choices with an additional 5,000 square meters to the community's longtime favorite mall. Officially opening last December 2017, the expansion welcomes over 40 new brands, including culinary favorites Din Tai Fung, Wholesome Table, and the flagship store of Nespresso. The mall now also carries stores of local designers Patty Ang, Vania Romoff and Othello. The Spa, Saddle Row, and Options Studio add more lifestyle choices. Two new cinemas and a new chapel enrich the family's Power Plant experience.

8 ROCKWELL

For companies that wish to move into a prestigious corporate setting, 8 Rockwell has become a well-coveted address. This tower is designed and managed to keep up with today's fast-paced business world and features carefully chosen retail at the Ground Floor, including Balenciaga, Lanvin, Homme et Femme, Vera Wang and the latest restaurant addition, Wildflour.

ARUGA SERVICED APARTMENTS

A refined embodiment of Filipino hospitality, Aruga by Rockwell in the Edades Tower serves as the home for transients and semi-permanent residents. Over 100 serviced apartments exude the charm of Rockwell's distinct service with heart.

THE PROSCENIUM AT ROCKWELL

Fine living is on the move to new heights. The Proscenium at Rockwell is Rockwell Land's boldest undertaking yet – fusing rich, sleek designs by international architect Carlos Ott with engineering expertise. Live in a work of art with its 5 residential towers, over a hectare of indoor and outdoor amenities and the Rockwell Performing Arts Theater, surrounded by the vibrancy of city life – a masterpiece for a select few.

ARUGA HOTEL

Moving deeper into the hospitality arena, the Aruga Hotel, another Rockwell first, is envisioned to be a truly Filipino hotel in the country. Located at the heart of Rockwell Center, the hotel will be complete by 2020, with 180 rooms catering to travelers, companies, and hosts looking to celebrate events with a relaxing yet urban flair.

BUSINESS PORTFOLIO

ON THE MOVE TO PASIG

THE GROVE BY ROCKWELL

Situated on the peaceful side of Ortigas, The Grove is a sanctuary nestled in the freshness of nature. Choice restaurants and convenience establishments make it perfect for the modern urban family and the growing community residing there.

ROCKWELL BUSINESS CENTER – ORTIGAS

On the move towards growing business districts, Rockwell Business Center Ortigas, the company's first office development, gives more companies office spaces near retail and cuisine selections that they deserve.

ON THE MOVE TO KAPITOLYO

THE VANTAGE AT KAPITOLYO

For cosmopolitans that go with the flow or for families just starting to grow, The Vantage at Kapitolyo promises life that moves with your pace. Launched in 2015, its ideal location allows for easy access to four major business districts. It's the first high-rise Rockwell Primaries community situated in a suburban charm inherent in Kapitolyo.

BUSINESS PORTFOLIO

ON THE MOVE TO MANDALUYONG

ROCKWELL BUSINESS CENTER – SHERIDAN

Moving more businesses to an exemplary corporate setting is the Rockwell Business Center at Sheridan. The two tower property features retail, restaurants, and a garden amenity deck to give employees a refreshing new take on work-life balance. It currently serves as home to companies including the United Nations Children's Fund, Ridley, EG Funds and Pearson.

ON THE MOVE TO QUEZON CITY

THE ARTON BY ROCKWELL

Rockwell is on the move with an exclusive community north of the metro. The Arton is 3-tower high-rise development and is a joint venture with Japan's largest real estate company, Mitsui Fudosan Inc. Its first tower, Arton West, was successfully launched in July 2017. In less than a year, its second tower Arton North, launched in the 2nd quarter of 2018.

205 SANTOLAN BY ROCKWELL

Tucked away from the hustle and bustle of the city is Rockwell's first townhome community. 205 Santolan nurtures families with the security and amenities perfect for the tranquil home life.

53 BENITEZ

As the first Rockwell Primaries project, 53 Benitez is a pioneer property designed for suburban comfort and convenience. The community is now complete, from its amenities to the members of its neighborhood.

BUSINESS PORTFOLIO

ON THE MOVE TO SAN JUAN

SANTOLAN TOWN PLAZA

This side of town just got a lot more exciting. Opened recently last December 2017, Santolan Town Plaza is San Juan's local lifestyle and business spot. A mix of convenience, leisure, entertainment, and work, the immediate community is in for an everyday treat!

THE ALVENDIA BY ROCKWELL

Rockwell further redefines townhome living through The Alvendia. The San Juan gated community enjoys signature Rockwell security and exclusivity.

ON THE MOVE TO THE SOUTH OF THE METRO

EAST BAY RESIDENCES

Rockwell Primaries is on the move to Sucat with East Bay Residences. This breezy gated community has recently launched its Central Amenity, 1st quarter of 2018. Wrapped in nature and blessed with wide, open spaces, East Bay Residences opens The Fordham Tower to growing families.

BUSINESS PORTFOLIO

ON THE MOVE TO BATANGAS

STONEWELL

Stonewell, located in Sto. Tomas, Batangas, is Rockwell's first venture into affordable housing. The property features 564 socialized housing units, plus 188 economic housing units whose turnover to unit owners has been underway since 2017. Now, there are over 100 families residing in this inviting community.

ROCKWELL LIPA

Rockwell Land is developing a green horizontal community in Lipa, Batangas. It is a 38-hectare residential development offering open lots and house & lots for the middle market segment. The residential property will be accompanied by a 1-hectare retail area with the convenience of its immediate community in mind.

ON THE MOVE TO CEBU

ARUGA RESORT AND RESIDENCES, MACTAN-CEBU

Rockwell reaches the shores of Mactan with Aruga Resort and Residences. This paradise is Rockwell's first resort project, with 5.3 hectares of space and 150 exclusive residential units, that embrace sun, sand, and sea. Rockwell's take on beach-front living will launch on the 2nd half of 2018.

32 SANSON BY ROCKWELL

On the move to Visayas, 32 Sanson by Rockwell is a gated property in Lahug, Cebu City. 32 Sanson was designed to make for the most comfortable city life, surrounded by the lush green. The community has grown in two towers, Rafia and Gmelina. Construction for its third and fourth towers (Buri and Solihiya) is ongoing. Solihiya was launched last August 2017.

BOARD OF DIRECTORS

Bearing the wisdom of years at the top of their respective fields, our heads continuously move the company to places it has never been before.

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.

Board of Trustee
- Eugenio Lopez Foundation, Inc.

Adviser
- Lopez Group Foundation, Inc.

Oscar J. Hilado
INDEPENDENT DIRECTOR
2015 - PRESENT

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

Vice-Chairman
- Phinma Energy Corporation
- Union Galvasteel Corporation
- Phinma Power Generation Corporation

Director
- A. Soriano Corporation
- Philex Mining Corporation
- United Pulp and Paper Company, Inc.
- Beacon Property Ventures, Inc.
- Manila Cordage Company
- Smart Communications, Inc.
- Digital Telecommunications Phils., Inc. (DIGITEL)
- Pueblo de Oro Development Corporation
- Seven Seas Resorts and Leisure, Inc.
- Asian Eye Institute
- Roxas Holdings, Inc.
- PEN Holdings, Inc.
- Microtel Inns & Suites (Pilipinas), Inc.
- Phinma Renewable Energy Corporation
- Phinma Solar Energy Corporation
- Several state & private universities

Francis Giles B. Puno
DIRECTOR
2013 - PRESENT

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

Director
- Energy Development Corporation

Eugenio L. Lopez III
DIRECTOR
1995 - PRESENT

Chairman Emeritus
- ABS-CBN Corporation

Chairman
- ABS-CBN Lingkod Kapamilya Foundation, Inc.
- Sky Cable Corporation
- Lopez, Inc.
- Ang Misyon, Inc.
- Play Innovations, Inc.
- INAEC Aviation Corporation
- Infopro Business Solutions, Inc.

Chairman & CEO
- ADTEL

Vice-Chairman
- Knowledge Channel
- Lopez Holdings Corporation

Director
- First Gen Corporation
- First Philippine Holdings Corporation
- Eugenio Lopez Foundation, Inc.
- Beacon Academy
- Endeavor Philippines
- OML Center

Oscar M. Lopez
CHAIRMAN EMERITUS
2012 - PRESENT

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

Chairman
- Asian Eye Institute

Director
- ABS-CBN Corporation
- Lopez Group Foundation, Inc.
- Knowledge Channel Foundation, Inc.

Amb. Manuel M. Lopez
CHAIRMAN OF THE BOARD
1995 - PRESENT

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

Chairman & CEO
- Lopez Holdings Corporation

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

Vice-Chairman
- First Philippine Holdings Corporation
- Lopez, Inc.

President
- Eugenio Lopez Foundation, Inc.

Director
- ABS-CBN Corporation
- Lopez Group Foundation, Inc.
- First Philippine Realty Corporation
- Manila Electric Company, (MERALCO)

Federico R. Lopez
VICE-CHAIRMAN
2012 - PRESENT

Chairman & CEO
- First Philippine Holdings Corporation
- First Gen Corporation
- Energy Development Corporation
- First Gas Power Corporation

Chairman
- First Philec, Inc.
- First Balfour, Inc.
- First Philippine Industrial Corporation
- First Philippine Industrial Park, Inc.
- First Philippine Realty Corporation
- Sikat Solar Challenge Foundation, Inc.
- OML Center

President
- Ang Misyon, Inc.

Director
- ABS-CBN Corporation

Trustee
- Philippine Forest Foundation Philippines
- World Wildlife Fund Philippines
- Philippine Disaster Resilience Foundation

Nestor J. Padilla
PRESIDENT & CEO, DIRECTOR
1995 - PRESENT

Senior Vice-President
- First Philippine Holdings Corporation

Director
- Rockwell Leisure Club, Inc.
- First Philippine Industrial Park, Inc.
- First Philippine Realty Corporation
- FPIP Property Developers & Management Corporation
- FPIP Utilities, Inc.
- First Batangas Hotel Corporation
- Grand Batangas Resort Development, Inc.
- Terraprime, Inc.
- FPH Land Ventures, 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.
- Gotauco del Rosario Insurance Brokers, Inc.
- Stratbase ADR Institute, Inc.

Director
- PLDT, Inc.
- Metro Pacific Investments Corporation
- Metro Pacific Tollways Corporation
- Metro Pacific Resources, Inc.
- Metro Pacific Holdings, Inc.
- Metro Pacific Asset Holdings, Inc.
- First Pacific Company
- Indra Philippines, Inc.
- Sarimonde Foods Corporation
- Two Rivers Pacific Holdings Corporation
- Philippine Telecommunications Investment Corporation
- Enterprise Investments Holdings, Inc.
- Asia Insurance (Phil.) Corporation

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

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

Monico V. Jacob
INDEPENDENT DIRECTOR
2016 - PRESENT

President & CEO
- STI Education Systems Holdings, Inc.

President
- Maestro Holdings, Inc. (Formerly STI Investments, Inc.)
- STI West Negros University

Chairman
- Total Consolidated Asset Management, Inc.
- Philippine Life Financial Assurance, Inc.
- Rosehills Memorial Management, Inc.

Vice Chairman & CEO
- STI Education Services Group

Director
- Lopez Holdings Corporation
- Philhealthcare, Inc. and Philplans First, Inc.
- Jollibee Foods Corporation
- Asian Terminals
- 2Go Group
- Phoenix Petroleum Philippines, Inc.

MANAGEMENT TEAM

Closely guiding their team,
our leaders constantly ensure
every step made is a move
in the right direction.

Nestor J. Padilla
PRESIDENT & CHIEF EXECUTIVE OFFICER

Adela D. Flores
VICE-PRESIDENT, PROPERTY MANAGEMENT

Christine T. Coqueiro
VICE-PRESIDENT, RETAIL DEVELOPMENT

Jovie Jade V. Lim-Dy
VICE-PRESIDENT, RESIDENTIAL SALES

Estela Y. Dasmariñas
VICE-PRESIDENT, HUMAN RESOURCES

Miguel L. Lopez
SENIOR VICE-PRESIDENT, OFFICE DEVELOPMENT
TREASURER

Valerie Jane L. Soliven
SENIOR VICE-PRESIDENT, ROCKWELL RESIDENTIAL
CHIEF REVENUE OFFICER

Ma. Lourdes L. Pineda
SENIOR VICE-PRESIDENT, BUSINESS DEVELOPMENT

Ellen V. Almodiel
SENIOR VICE-PRESIDENT, FINANCE & ACCOUNTING
CHIEF FINANCE OFFICER
CHIEF COMPLIANCE OFFICER

Davy T. Tan
SENIOR VICE-PRESIDENT, BUSINESS DEVELOPMENT

Romeo G. Del Mundo
ASSISTANT VICE-PRESIDENT, INTERNAL AUDIT
CHIEF AUDIT OFFICER

Rica L. Bajo
ASSISTANT VICE-PRESIDENT, FINANCE & ACCOUNTING
CHIEF RISK OFFICER
DATA PRIVACY OFFICER

Jesse S. Tan
ASSISTANT VICE-PRESIDENT, COMMERCIAL DEVELOPMENT

Geraldine B. Brillantes
ASSISTANT VICE-PRESIDENT,
GENERAL MANAGER FOR ROCKWELL LEISURE CLUB, INC.

Angela Marie B. Pagulayan
VICE-PRESIDENT, HOTEL & LEISURE DEVELOPMENT

Baldwin Chua
SENIOR VICE-PRESIDENT, HOTEL & LEISURE DEVELOPMENT

Manuel L. Lopez, Jr.
PRESIDENT, ROCKWELL LEISURE CLUB, INC.
ADVISER TO THE BOARD OF DIRECTORS

John M. Mearns
SENIOR CONSULTANT, PROJECT DEVELOPMENT

Adolfo O. Granados
SENIOR CONSULTANT, FINANCE & ACCOUNTING

Belen C. Nones
CONSULTANT, OFFICE DEVELOPMENT & CINEMA MANAGEMENT

Atty. Enrique I. Quiason
CORPORATE SECRETARY

Atty. Esmeraldo C. Amistad
ASSISTANT CORPORATE SECRETARY

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 recommended 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 Repot (I-ACGR) by May 31, 2018 in lieu of several reports required in the past years. As of printing of the date of this s annual report for the year ending December 31, 2017, Rockwell Land is still in the process of compliance for the I-ACGR.

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 AIG 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.

COMMUNITY BUILDING

Exciting activities that celebrate life and passion have kept our established and growing communities moving forward.

2017 ROCKWELL CUP

On February 23, 2017, Rockwell residents, Rockwell Club members, and guests were on top of their game – and for a cause. The 2017 Rockwell Cup had a successful swing at the Canlubang Golf and Country Club, with over 150 participants. The event was hosted by Rockwell Land Chairman, Ambassador Manolo Lopez.

The cup's 5th year awarded Rockwell resident Ms. Karen Kime as Overall Winner. The Rockwell Cup Community Charity Dinner followed the next day at 8 Rockwell, Makati. About 350 guests partook in the celebration, helping the following beneficiary charities: Mary's Way Foundation, Ginto Foundation, Missionaries of Mary Mother of Poor, Missionaries of the Child Jesus, and the Roman Catholic Archdiocese of Manila, Sta. Cruz Parish.

YABAROCKADOO

Rockwell Land residents had a rockin' good time at YabaROCKadoo – the Rockwell Land 2017 Halloween bash. On October 28, 2017, Rockwell Center kids discovered Bedrock at 8 Rockwell. The 21st floor was dressed up to match pre-historic Bedrock, where the children got to enjoy games like 'Rock Strong,' 'Bedrock Bowling,' and 'Rock Builder.' On October 29th, kids from the Grove also gathered at The Grove's Great Lawn for the same YabaROCKing Bedrock experience!

HOP ABOARD!

A splash of nautical excitement made waves at Rockwell Land's 2017 Easter celebration! "Hop Aboard" was held simultaneously at 8 Rockwell in Makati and at The Grove in Ortigas. Over 600 kids from the Rockwell Center, The Grove, Alvendia, and 205 Santolan experienced being sailors for a day – embarking on an adventure with their favorite sea-loving characters like Ariel and Prince Eric from The Little Mermaid, and Moana and Maui from Moana. The fun Easter celebration was capped off with a whimsical Magic and Bubble Show, also enjoyed by the child at heart.

CHINESE NEW YEAR

Rockwell Land communities in Makati, Pasig, Quezon City, San Juan, and Sucat all welcomed the Year of the Rooster with cheer and a solemn wish for fortune and prosperity. Residents and tenants alike joined the Chinese New Year celebration, made colorful by the traditional lion and dragon dance.

CORPORATE SOCIAL RESPONSIBILITY

Rockwell Land is always inspired to move even more lives for the better.

MEDICAL MISSION 2017

The 2nd Annual Rockwell Medical Mission took place on December 2 and 9, 2017. The mission was simultaneously run in Makati, San Juan, Quezon City, Mandaluyong, Las Piñas, and Pasig. Rockwell volunteers helped with treatment, free consultations, and the distribution of free medicines. No less than 1,200 beneficiaries gained from the program, with families receiving Christmas grocery bags, school supplies, and toys. The mission was made possible through Rockwell's partnership with 6 parishes: Sts. Peter & Paul in Makati, Our Lady of the Miraculous Medal in Las Piñas, Holy Family Parish in Pasig, Our Lady of Fatima Parish in Mandaluyong, the Immaculate Conception Cathedral of Cubao and St. John the Baptist Parish in San Juan.

OUTREACH AT BAHAY NI MARIA ORPHANAGE

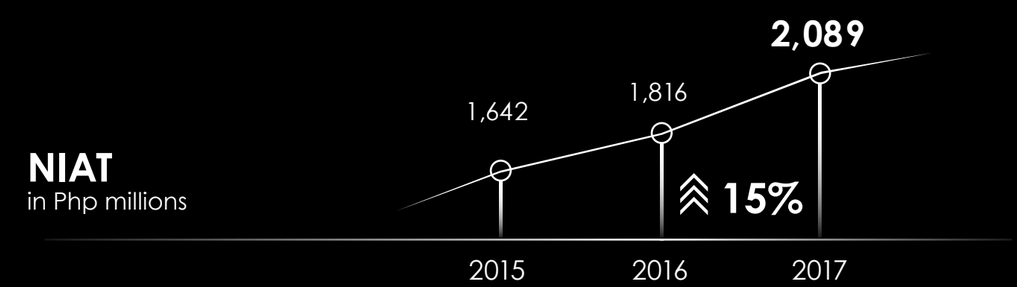
Last November 24, 2017, the orphans at Bahay ni Maria enjoyed a fun day of beautiful stories. They first presented a musical narration of the nativity scene, reliving the story of hope through timeless Christmas carols. This was followed by a movie screening of "Coco," Disney's heart-warming blockbuster hit.

CHRISTMAS OUTREACH AT STA. CRUZ CHURCH

Since 2014, Rockwell has been conducting a special outreach activity for the children of Sta. Cruz Church yearly. On November 25, 2017, Rockwell volunteers spent the day with over 100 kids, playing games and engaging in sing-and-dance activities. They were also surprised with a special visit from Jollibee himself! Each child went home with a Christmas gift bag and a wide smile to greet the season.

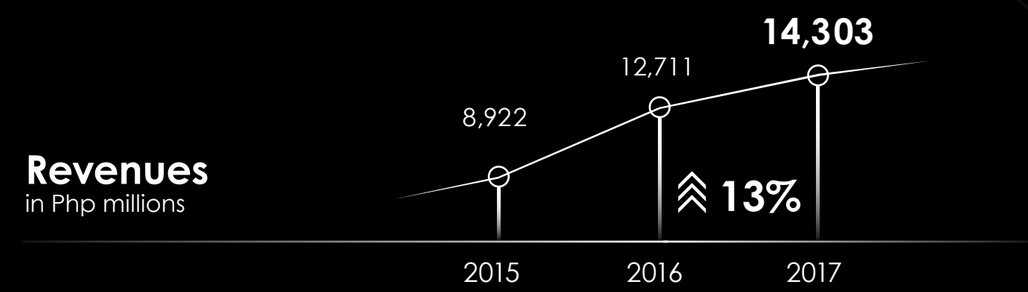
Result of Operations

Rockwell Land Corporation's net income after tax (NIAT) grew by 15% from Php 1.8 billion in 2016 to Php 2.1 billion in 2017. Since 2015, net income grew at a compounded annual rate of 13%.



Consolidated revenues reached Php 14.3 billion, a 13% increase from the previous year. Revenues are comprised of 88% Residential Development, 10% Commercial Development, and 2% Hotel Operations. Below is a table showing the breakdown of total consolidated revenues.

	2017	% to Total	2016	% to Total	2015	% to Total
Residential Development	12,567	88%	11,040	87%	6,515	73%
Commercial Development	1,424	10%	1,324	10%	2,147	24%
Hotel Operations	312	2%	347	3%	260	3%
Total Consolidated Revenues	**14,303**	**100%**	**12,711**	**100%**	**8,922**	**100%**
Share in Net Income in JV	265		254		171	



Sale of condominium units reached Php 10.8 billion, 12% higher than the previous year, while accretion of interest income grew by 14%, and amounted to Php 1.5 billion. The growth of the residential segment's revenue was largely influenced by increased bookings of the Proscenium projects, and start of construction accomplishment for Edades Suites and Rockwell Primaries' The Vantage. Reservation sales, which was driven by Proscenium, The Arton, and The Vantage, reached Php 11.6 billion, slightly lower than last year's Php 11.8 billion.

Commercial Development revenues grew by 7% to Php 1.4 billion. Lease income, which accounts for bulk of the segment revenues, increased by 10% from Php 914.8 million to Php 1.0 billion, mainly due to higher occupancy of 8 Rockwell.

Revenues from retail operations amounted to Php 909.5 million and accounted for 6% of total consolidated revenues. This is slightly lower compared to last year's revenues of Php 941.0 million due to closures of several stores affected by the construction of the expansion of the Power Plant Mall. Cinema Operations, on the other hand, amounted to Php 211.3 million and composed 1% of the total consolidated revenues. Moreover, revenues from office leasing, which pertains to units located in 8 Rockwell, reached Php 198.8 million in 2017 from Php 80.6 million last year due to increase in occupancy.

The share in net income of joint venture, which pertains to RBC Ortigas, operated under the Rockwell-Meralco BPO venture, increased by 4%. Gross revenues of the JV grew by 2%, from Php 672.8 million in 2016 to Php 689.4 million in 2017, mainly because of higher occupancy and rental rate escalation. At its 70% share, the Company generated revenues of Php 482.6 million and share in net income of Php 264.8 million.

Revenues from Hotel Operations reached Php 312.7 million and accounted for 2% of consolidated revenues in 2017. The 10% drop in revenues from the previous year was the result of the discontinuance of The Grove Serviced Apartments last September after operating for 18 months.

EBITDA amounted to Php 3.6 billion, 7% higher than the previous year's Php 3.4 billion. Residential development, commercial development and hotel operations contributed 65%, 33% and 2% to total EBITDA in 2017, respectively.

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

Cashflows & Funding

The Company spent a total of Php 11.8 billion for project and capital expenditures in 2017. This is mainly comprised of development costs of Proscenium, Power Plant Mall Expansion, RBC Sheridan and Santolan Town Plaza. Capital expenditures were funded through a combination of internally generated funds and debt availments. The Company declared and paid dividends amounting to Php 365.0 million to its shareholders, higher by 11% than the previous year's payout of Php 330.1 million.

Financial Position

Total Assets as of December 31, 2017 amounted to Php 48.9 billion, which is 21% higher from the previous year, due to completed and ongoing construction of investment properties as well as recognition of trade receivables following the completion progress of ongoing residential projects.

Total Liabilities as of December 31, 2017 amounted to Php 31.2 billion, higher than last year's Php 24.8 billion. This increase was primarily attributable to the availment of loans to fund construction of both residential and commercial projects.

Total Equity as of December 31, 2017 amounted to Php 17.7 billion, an increase of 13% from the previous year. This increase was mainly driven by the Php 2.1 billion net income in 2017.

Key Performance Indicators

	2017	2016	2014
EBITDA[1] (Php billions)	3.63	3.38	3.08
Current Ratio[2] (x)	2.89	3.01	2.92
Net Debt to Equity Ratio[3] (x)	0.98	0.91	0.82
Asset to Equity Ratio[4] (x)	2.76	2.58	2.54
Interest Coverage[5] (x)	4.73	4.54	7.64
ROA[6]	4.7%	4.8%	4.4%
ROE[7]	12.5%	12.2%	12.1%
EPS[8], ₱	0.34	0.30	0.27

Notes:

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY TO FINANCIAL STATEMENTS

The management of ROCKWELL LAND CORPORATION AND SUBSIDIARIES is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2016, 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
Chairman of the Board

Nestor J. Padilla
Chief Executive Officer

Ellen V. Almodiel
Chief Financial Officer

Signed this 10th day of April 2018.

SUBSCRIBED AND SWORN to before me this day 10 April 2018 at Makati City, affiant exhibiting to me his/her Passport as follows:

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

Doc No. 12;
Page No. 4;
Book No. VI;
Series of 2018.

FREDERICK R. TAMAYO
Notary Public for Makati City
until December 31, 2018
Roll of Attorneys No. 46115
IBP No. 034122 / 03.01.18 / Bulacan
PTR No. 6699417 / 02.28.18 / Makati City
MCLE Compliance No. V-0012372

INDEPENDENT AUDITOR'S REPORT

SGV
Building a better working world

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

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

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT 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, 2017 and 2016, 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, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Accounting for Real Estate Revenue and Cost under Percentage of Completion Method

The Group applies the percentage of completion (POC) method in determining real estate revenue and costs. The POC is based on physical completion of the real estate project. The cost of real estate sold is determined on the basis of the total estimated costs applied with the POC of the project. The Group's real estate revenue and costs accounts for 75% of the total consolidated revenue and the total consolidated expenses, respectively. The assessment of the physical stage of completion and the total estimated costs requires technical determination by management's project development engineers. In addition, the Group considers a certain percentage of collection over the total selling price (buyer's equity), as one of the criteria in order to initiate revenue recognition. The percentage is representative of the buyer's continuing commitment with the sales agreement and the level at which management has assessed the probability of inflow of economic benefits to the Group. The assessment of the stage of completion, total estimated costs and level of buyer's equity involves significant management judgment and estimates as disclosed in Note 5 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's processes for determining the POC and for determining and updating the total estimated costs, and performed tests of the relevant controls of these processes. We obtained the certified POC reports prepared by the project development engineers and assessed their competence, capabilities and objectivity by reference to their qualifications, experience and reporting responsibilities. For selected projects, we conducted ocular inspections, made relevant inquiries and obtained the supporting details of the POC reports showing the completion of the major activities of the project construction. We obtained the approved total estimated costs and any revisions thereto, including supporting documents such as project contracts and contractor's billings, and made relevant inquiries. We evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales collections from buyers for each project.

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, 2017, 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, 2017 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Gaile A. Macapinlac
Partner
CPA Certificate No. 98838
SEC Accreditation No. 1621-A (Group A),
March 21, 2017, valid until March 20, 2020
Tax Identification No. 205-947-572
BIR Accreditation No. 08-001998-126-2017,
February 9, 2017, valid until February 8, 2020
PTR No. 6621282, January 9, 2018, Makati City

March 21, 2018

ROCKWELL LAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7, 29 and 30)	₱2,562,942	₱1,440,860
Trade and other receivables (Notes 8, 29 and 30)	13,371,478	9,519,194
Land and development costs (Notes 6, 9, 12, 14, 15, 16, 18 and 28)	8,890,906	9,301,507
Advances to contractors (Note 9)	2,296,859	2,637,680
Condominium units for sale	717,389	620,947
Other current assets (Notes 10, 16, 29 and 30)	1,528,160	1,599,159
Total Current Assets	29,367,734	25,119,347
Noncurrent Assets		
Investment properties (Notes 12 and 15)	11,668,243	7,929,445
Investment in joint venture (Note 13)	2,881,116	2,879,249
Property and equipment (Notes 14 and 15)	2,841,446	2,736,986
Land held for future development (Note 9)	1,190,715	1,422,094
Noncurrent trade receivables (Notes 8, 29 and 30)	717,319	118,248
Available-for-sale investments (Notes 11, 29 and 30)	19,658	16,808
Deferred tax assets - net (Note 25)	694	2,468
Other noncurrent assets (Note 16)	212,072	213,127
Total Noncurrent Assets	19,531,263	15,318,425
	₱48,898,997	₱40,437,772
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 4, 9, 17, 18, 24, 29 and 30)	₱8,148,916	₱6,636,153
Current portion of interest-bearing loans and borrowings (Notes 6, 9, 12, 14, 15, 29 and 30)	2,020,014	1,711,506
Total Current Liabilities	10,168,930	8,347,659
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Notes 9, 12, 14, 15, 29 and 30)	17,888,752	13,922,440
Deferred tax liabilities - net (Note 25)	1,066,216	893,659
Installment payable (Note 16)	544,957	521,054
Pension liability - net (Note 24)	102,634	176,468
Deposits and other liabilities (Notes 9, 17, 18, 24, 29 and 30)	1,412,750	898,103
Total Noncurrent Liabilities	21,015,309	16,411,724
Total Liabilities	31,184,239	24,759,383

(Forward)

	December 31	
	2017	2016
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
Unrealized gain on available-for-sale investments (Note 11)	8,516	6,093
Other equity adjustments (Note 20)	291,162	291,162
Share-based payments (Note 19)	69,700	69,700
Retained earnings (Note 20)		
Appropriated	5,000,000	3,000,000
Unappropriated	5,659,266	5,884,246
	17,327,876	15,550,433
Less cost of treasury shares (Notes 1 and 20)	(185,334)	(185,334)
Total Equity Attributable to Equity Holders of the Parent Company	17,142,542	15,365,099
Non-controlling interests (Note 6)	572,216	313,290
Total Equity	17,714,758	15,678,389
	₱48,898,997	₱40,437,772

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		
	2017	2016	2015
REVENUE			
Sale of condominium units	**₱10,777,599**	₱9,602,054	₱6,336,931
Interest income (Notes 7 and 21)	**1,479,907**	1,323,216	988,329
Lease income (Note 12)	**1,006,952**	914,783	793,368
Room revenue (Note 14)	**285,730**	325,951	260,002
Cinema revenue	**211,316**	220,226	210,421
Others (Note 13)	**541,889**	325,073	333,178
	14,303,393	12,711,303	8,922,229
EXPENSES			
Cost of real estate (Notes 9, 12 and 22)	**8,739,992**	7,777,643	4,496,722
General and administrative expenses (Notes 8, 14, 22, 23, 24 and 27)	**1,809,269**	1,565,741	1,394,957
Selling expenses (Notes 22 and 23)	**877,702**	748,202	460,931
	11,426,963	10,091,586	6,352,610
INCOME BEFORE OTHER INCOME (EXPENSES)	**2,876,430**	2,619,717	2,569,619
OTHER INCOME (EXPENSES)			
Interest expense (Notes 15 and 22)	**(250,983)**	(389,848)	(471,188)
Share in net income of joint venture (Note 13)	**264,763**	254,231	170,844
Foreign exchange gain - net (Note 29)	**(1,378)**	4,026	6,586
Gain (loss) on sale of property and equipment (Note 14)	**–**	5	(130)
	12,402	(131,586)	(293,888)
INCOME BEFORE INCOME TAX	**2,888,832**	2,488,131	2,275,731
PROVISION FOR INCOME TAX (Note 25)	**799,661**	671,897	633,386
NET INCOME	**2,089,171**	1,816,234	1,642,345
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Unrealized gain on available-for-sale investments (Note 11)	**2,850**	1,000	500
Income tax effect	**(427)**	(100)	(50)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on employee benefits (Note 24)	**42,515**	7,792	(57,459)
Income tax effect	**(12,755)**	3,938	16,851
	32,183	12,630	(40,158)
TOTAL COMPREHENSIVE INCOME	**₱2,121,354**	₱1,828,864	₱1,602,187
Net Income Attributable To			
Equity holders of the Parent Company	**₱2,110,245**	₱1,823,981	₱1,643,731
Non-controlling interests	**(21,074)**	(7,747)	(1,386)
	₱2,089,171	₱1,816,234	₱1,642,345
Total Comprehensive Income Attributable To			
Equity holders of the Parent Company	**₱2,142,428**	₱1,836,184	₱1,603,953
Non-controlling interests	**(21,074)**	(7,320)	(1,766)
	₱2,121,354	₱1,828,864	₱1,602,187
Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 31)			
Basic	**₱0.3447**	₱0.2979	₱0.2685
Diluted	**₱0.3442**	₱0.2977	₱0.2682

See accompanying Notes to Consolidated Financial Statements.

ROCKWELL LAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent Company										
						Retained Earnings (Note 20)					
	Capital Stock (Note 20)	Additional Paid-in Capital	Unrealized Gain on Available-for-Sale Investments (Note 11)	Other Equity Adjustments (Note 20)	Share-based Payments (Note 19)	Appropriated	Unappropriated	Treasury Shares (Notes 1 and 20)	Total	Non-controlling Interests (Notes 4 and 6)	Total Equity
Balance at December 31, 2016	**₱6,270,882**	**₱28,350**	**₱6,093**	**₱291,162**	**₱69,700**	**₱3,000,000**	**₱5,884,246**	**(₱185,334)**	**₱15,365,099**	**₱313,290**	**₱15,678,389**
Net income	–	–	–	–	–	–	2,110,245	–	2,110,245	(21,074)	2,089,171
Other comprehensive income (Notes 11 and 24)	–	–	2,423	–	–	–	29,740		32,183	–	32,183
Total comprehensive income	–	–	2,423	–	–	–	2,140,005	–	2,142,428	(21,074)	2,121,354
Appropriation (Note 20)	–	–	–	–	–	2,000,000	(2,000,000)	–	–	–	–
Cash dividends (Note 20)	–	–	–	–	–	–	(364,985)	–	(364,985)	–	(364,985)
Non-controlling interests arising from incorporation of a subsidiary	–	–	–	–	–	–	–	–	–	280,000	280,000
Balance at December 31, 2017	**₱6,270,882**	**₱28,350**	**₱8,516**	**₱291,162**	**₱69,700**	**₱5,000,000**	**₱5,659,266**	**(₱185,334)**	**₱17,142,542**	**₱572,216**	**₱17,714,758**
Balance at December 31, 2015	₱6,270,882	₱28,350	₱5,193	₱291,162	₱69,700	₱–	₱7,379,082	(₱185,334)	₱13,859,035	₱320,610	₱14,179,645
Net income	–	–	–	–	–	–	1,823,981	–	1,823,981	(7,747)	1,816,234
Other comprehensive income (Notes 11 and 24)	–	–	900	–	–	–	11,303	–	12,203	427	12,630
Total comprehensive income	–	–	900	–	–	–	1,835,284	–	1,836,184	(7,320)	1,828,864
Appropriation (Note 20)	–	–	–	–	–	3,000,000	(3,000,000)	–	–	–	–
Cash dividends (Note 20)	–	–	–	–	–	–	(330,120)	–	(330,120)	–	(330,120)
Balance at December 31, 2016	₱6,270,882	₱28,350	₱6,093	₱291,162	₱69,700	₱3,000,000	₱5,884,246	(₱185,334)	₱15,365,099	₱313,290	₱15,678,389
Balance at December 31, 2014	₱6,270,882	₱28,350	₱4,743	₱291,162	₱69,700	₱–	₱6,089,792	(₱185,334)	₱12,569,295	₱322,376	₱12,891,671
Net income	–	–	–	–	–	–	1,643,731	–	1,643,731	(1,386)	1,642,345
Other comprehensive loss (Notes 11 and 24)	–	–	450	–	–	–	(40,228)	–	(39,778)	(380)	(40,158)
Total comprehensive income	–	–	450	–	–	–	1,603,503	–	1,603,953	(1,766)	1,602,187
Cash dividends (Note 20)	–	–	–	–	–	–	(314,213)	–	(314,213)	–	(314,213)
Balance at December 31, 2015	₱6,270,882	₱28,350	₱5,193	₱291,162	₱69,700	₱–	₱7,379,082	(₱185,334)	₱13,859,035	₱320,610	₱14,179,645

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱2,888,832**	₱2,488,131	₱2,275,731
Adjustments for:			
Interest income (Notes 7 and 21)	**(1,479,907)**	(1,323,216)	(988,329)
Depreciation and amortization (Note 22)	**491,711**	500,265	335,687
Share in net income of joint venture (Note 13)	**(264,764)**	(254,231)	(170,844)
Interest expense (Notes 15 and 22)	**250,983**	389,848	471,188
Pension expense, net of contributions (Note 24)	**(31,319)**	(3,236)	24,396
Unrealized foreign exchange gain – net	**1,378**	(4,026)	(6,586)
Loss (gain) on sale of property and equipment (Note 14)	**–**	(5)	130
Operating income before working capital changes	**1,856,914**	1,793,530	1,941,373
Decrease (increase) in:			
Trade and other receivables	**(3,398,673)**	689,594	1,796,205
Land and development costs	**218,761**	(1,537,448)	436,596
Advances to contractors	**340,821**	(1,079,003)	(338,850)
Condominium units for sale	**363,253**	64,568	(1,244)
Other current assets	**485,613**	(291,161)	(70,374)
Increase (decrease) in trade and other payables	**1,449,808**	813,292	(3,002,175)
Net cash generated from operations	**1,316,497**	453,372	761,531
Income taxes paid	**(638,511)**	(590,617)	(521,950)
Interest paid	**(162,311)**	(383,093)	(403,651)
Net cash provided by (used in) operating activities	**515,675**	(520,338)	(164,070)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Investment properties (Note 12)	**(3,521,458)**	(1,453,229)	(493,485)
Property and equipment (Note 14)	**(733,323)**	(558,814)	(419,178)
Land held for future development	**(97,960)**	(365,826)	(664,595)
Dividends received (Note 13)	**262,896**	405,445	–
Increase in other noncurrent assets	**1,055**	(2,427)	–
Interest received	**12,611**	30,987	56,241
Proceeds from sale of property and equipment	**5,199**		
Net cash used in investing activities	**(4,070,980)**	(1,943,864)	(1,521,017)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of loans and borrowings (Note 15)	**6,250,000**	5,000,000	500,000
Payments of:			
Interest-bearing loans and borrowings (Note 15)	**(1,968,527)**	(3,213,954)	(1,709,284)
Debt issue cost (Note 15)	**(35,000)**	(20,000)	–
Dividends (Note 20)	**(362,355)**	(309,171)	(306,588)
Installment payable	**–**	–	(799,755)
Increase in deposits and other liabilities	**514,647**	194,950	247,633
Subsidiary's issuance of shares to non-controlling interest	**280,000**	**–**	**–**
Net cash provided by (used in) financing activities	**4,678,765**	1,651,825	(2,067,994)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(1,378)**	4,026	6,586
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**₱1,122,082**	(₱808,351)	(₱3,746,495)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,440,860**	2,249,211	5,995,706
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱2,562,942**	₱1,440,860	₱2,249,211

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. The Parent Company's corporate life is 50 years and can be extended for another 50 years on or within five years before the expiration of its term.

The Parent Company's principal office address is The Garage at Rockwell Center, Estrella St., Rockwell Center, Makati City.

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

As at December 31, 2017 and 2016, First Philippine Holdings Corporation (FPHC) owns 86.58% of Rockwell Land and the rest by the public. Lopez, Inc. is the ultimate parent company.

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 21, 2018.

2. Basis of Preparation and Statement of Compliance

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

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

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

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

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

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

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

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

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

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

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

		Percentage of Ownership		
Subsidiaries	Nature of Business	2017	2016	2015
Rockwell Integrated Property Services, Inc.	Service provider	100.0	100.0	100.0
Rockwell Primaries Development Corporation (Rockwell Primaries)	Real estate development	100.0	100.0	100.0
Stonewell Property Development Corporation	Real estate development	100.0	100.0	100.0
Primaries Properties Sales Specialists Inc.	Marketing	100.0	100.0	100.0
Rockwell Hotels & Leisure Management Corp.	Hotel management	100.0	100.0	100.0
Rockwell Leisure Club, Inc. (Rockwell Club)	Leisure club	76.4	76.7	77.0
Retailscapes Inc. (Retailscapes)	Commercial development	100.0	100.0	100.0
Rockwell Primaries South Development Corporation (Rockwell Primaries South)	Real estate development	60.0	60.0	60.0
Rockwell MFA Corp. (Rock MFA)*	Real estate development	80.0	–	–

Incorporated in August 2017

All subsidiaries are incorporated in the Philippines.

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

3. Changes in Accounting Policies and Disclosures

Changes in Accounting Policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year, except for the adoption of the following amended PAS and PFRS which were adopted effective beginning January 1, 2017. Except as otherwise indicated, adoption of the new standards and amendments has no significant impact on the Group's consolidated financial statements.

- Amendment to PFRS 12, *Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

  Adoption of these amendments did not have any impact on the consolidated financial statements.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

  The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

  The Group has provided the required information in Note 33 to the consolidated financial statements. As allowed under the transition provisions of the standard, the Group did not present comparative information for the year ended December 31, 2016.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Standards Issued But Not Yet Effective

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

Effective beginning on or after January 1, 2018

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

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

The Group is currently assessing the potential effect of the amendments on its consolidated financial statements.

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

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

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

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  In 2017, the Group performed its initial impact assessment of all three phases of PFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information becoming available to the Group when it adopts PFRS 9 in 2018. The Group is still finalizing the impact of adopting this standard.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group is currently assessing the impact of adopting this standard.

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

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

  The amendments should be applied retrospectively, with earlier application permitted.

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

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

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

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

  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

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

Effective beginning on or after January 1, 2019

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

  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. The Group is still assessing the impact of adopting these amendments.

- PFRS 16, *Leases*

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

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

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

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

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

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

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

  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. The Group is still assessing the impact of adopting these amendments.

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

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

  The interpretation specifically addresses the following:

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

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

  The Group is currently assessing the impact of adopting this interpretation.

Deferred effectivity

- Amendments to PFRS 10 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, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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

4. Summary of Significant Accounting Policies

Current Versus Non-current Classification

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

An asset is current when:

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

All other assets are classified as noncurrent.

A liability is current when:

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

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

Cash and Cash Equivalents

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

Financial Assets and Financial Liabilities

Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit or loss.

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Financial assets and financial liabilities are classified into the following categories: financial assets or financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities. The Group determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this classification at each financial year-end.

Financial Assets

Financial Assets at Fair Value through Profit or Loss (FVPL). Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on financial assets held for trading are recognized in the consolidated statement of comprehensive income.

Financial assets may be designated by management at initial recognition as at fair value through profit or loss when any of the following criteria is met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis; or
- the assets are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Derivative instruments are also classified under this category unless they are designated as effective hedges under hedge accounting. Assets classified under this category are carried at fair value in the consolidated statement of financial position.

As at December 31, 2017 and 2016, the Group has no financial assets and liabilities at FVPL.

Derivative Financial Instruments. Derivative instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivatives embedded in host contracts are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognized in the consolidated statement of comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The Group has no bifurcated embedded derivatives as at December 31, 2017 and 2016.

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

This category includes the Group's cash and cash equivalents, trade receivables from sale of condominium units and lease, advances to officers and employees, other receivables, refundable deposits and restricted cash (see Notes 7, 8 and 10).

Held-to-Maturity Investments. Non-derivative quoted financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the EIR method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the consolidated statement of comprehensive income. The losses arising from impairment are recognized as interest expense in the consolidated statement of comprehensive income.

The Group has no held-to-maturity investments as at December 31, 2017 and 2016.

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

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

This category includes mainly the Parent Company's investments in Manila Polo Club shares and Meralco preferred shares (see Note 11).

Financial Liabilities

Financial Liabilities at Fair Value through Profit or Loss. Financial liabilities are classified in this category if these result from trading activities or derivatives transaction that are not accounted for as accounting hedges, or when the Group elects to designate a financial liability under this category.

The Group has no financial liabilities at fair value through profit or loss as at December 31, 2017 and 2016.

Other Financial Liabilities. The Group's financial liabilities classified under this category include mainly interest-bearing loans and borrowings. All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs, if any.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.

Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

This category includes the Group's trade and other payables (excluding statutory payables), interest-bearing loans and borrowings, installment payable, retention payable and security deposits (see Notes 15, 16, 17 and 18).

Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Day 1 Profit. Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the difference between the transaction price and fair value (a Day 1 profit) is recognized in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where unobservable data is used, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the Day 1 profit amount. The Group has determined that the discounted cash flow analysis using credit-adjusted Philippine Dealing and Exchange Corporation (PDEx) interest rates is appropriate in determining the fair value of retention payable, with the Day 1 profit treated as a reduction from "Land and development costs" as these are directly related to project development (see Notes 9 and 18).

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts; and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. The 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.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or, when 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; or

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

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

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

Classification of Financial Instruments Between Liability and Equity

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

- Deliver cash or another financial asset to another entity; or
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the 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.

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

Assets Carried at Amortized Cost. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of loss shall be recognized in the consolidated statement of comprehensive income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. The Group considers breach of contract, such as default or delinquency in interest or principal payments as objective evidence that a financial asset or group of assets is impaired. For both specific and collective assessment, any collateral and credit enhancement are considered in determining the amount of impairment loss. The carrying amount of an impaired financial asset is reduced through an allowance account.

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

Financial assets, particularly trade receivables, are written off to the extent of the amount determined by management to be uncollectible. Those with pending cases in court are recommended for write-off, subject to management's approval.

Assets Carried at Cost. If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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

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

Cost includes:

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

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

Land acquisitions expected to be launched beyond the following year are presented as "Land held for future development" in the consolidated statements of financial position.

Advances to Contractors
Advances to contractors represent advance payments on services to be incurred in connection with the Group's operations. These are capitalized to projects under "Land and development costs" account in the consolidated statement of financial position, upon actual receipt of services, which is normally within 12 months or within the normal operating cycle. These are considered as nonfinancial instruments as these will be applied against future billings from contractors normally within one year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Construction in progress pertains to serviced apartments under construction and is stated at cost which includes cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and become available for operational use. Upon completion, it will be depreciated over a period of 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 property and equipment) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

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

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

Revenue and Cost Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Condominium Units. The Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectability of the sales price is demonstrated by the buyer's commitment to pay, which in turn is supported by substantial initial and continuing investments that give the buyer a stake in the property sufficient that the risk of loss through default motivates the buyer to honor its obligation to the seller. Collectability is also assessed by considering factors such as the credit standing of the buyer, age and location of the property.

Revenue from sale of completed real estate projects is accounted for using the full accrual method.

For revenue from sales of uncompleted real estate projects, in accordance with Philippine Interpretation Committee Q&A No. 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering and design work, execution of construction contracts, site clearance and preparation, excavation, and completion of the building foundation are finished), and the costs incurred or to be incurred can be reliably measured. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers is recognized as "Deposits from pre-selling of condominium units" account under "Trade and other payables" account in the consolidated statement of financial position (see Note 17).

Any excess of collections over the recognized receivables are presented as part of "Trade and other payables" account in the consolidated statement of financial position (see Note 17).

Cost of real estate sold is recognized consistent with the revenue recognition method applied. Cost of condominium units sold before completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by in-house technical staff.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the percentage of completion used for revenue recognition purposes.

Contract costs include all direct materials and labor costs and those direct costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Other costs incurred during the pre-selling stage to sell real estate are capitalized as prepaid costs and shown as part of "Other current assets" account in the consolidated statement of financial position if they are directly associated with and their recovery is reasonably expected from the sale of real estate that are initially being accounted for as deposits (see Note 10). Capitalized selling costs shall be charged to expense in the period in which the related revenue is recognized as earned.

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

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

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

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

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

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

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

As a lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statement of comprehensive income or capitalized in the consolidated statement of financial position (in case of leases directly related to construction) on a straight-line basis over the lease term.

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

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

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

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

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

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

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

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

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

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

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see Note 31).

Pension Costs and Other Employee Benefits

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

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

Income Tax

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

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

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

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

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

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

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

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

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

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

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

Borrowing Costs
Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalized. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when all the activities necessary to prepare the asset for its intended use or sale are substantially complete. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. All other borrowing costs are expensed in the period in which they occur.

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

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

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

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

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

Segment Reporting
The Group's operating businesses are organized and managed separately into three business activities. Such business segments are the bases upon which the Group reports its operating segment information. The Group operates in one geographical area where it derives its revenue. Financial information on segment reporting is presented in Note 32.

5. Significant Accounting Judgments, Estimates and Assumptions

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

Judgments
In the process of applying the 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:

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

Lease income earned from investment properties amounted to ₱1,007.0 million, ₱914.8 million and ₱793.4 million in 2017, 2016 and 2015, respectively (see Note 12).

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

Transfers made to investment properties amounted to ₱406.7 million and ₱246.0 million in 2017 and 2016, respectively. Transfer made from investment properties amounted to nil and ₱171.2 million in 2017 and 2016, respectively (see Notes 9, 12 and 14).

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

Fair Value of Financial Assets and Financial Liabilities. Entities are required to disclose for each class of financial assets and liabilities the fair value of that class of assets and liabilities in a way that permits it to be compared with the corresponding carrying amount in the consolidated statement of financial position, which requires the use of accounting judgment and estimates. While significant components of fair value measurement are determined using verifiable objective evidence (i.e., foreign exchange rates and interest rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and liabilities would affect the disclosures made by management. The fair values of the Group's financial assets and liabilities are set out in Note 30.

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 28). No provision for contingencies was recognized in 2017, 2016 and 2015.

Estimates and Assumptions

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

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

The Group's revenue from sale of real estate is recognized using the percentage-of-completion method. This is measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project.

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

In addition, the Group's project development costs used in the computation of the cost of real estate sold are based on estimated cost components determined by the Group's project development engineers. There is no assurance that such use of estimates may not result to material adjustments in future periods.

Revenue from sale of condominium units amounted to ₱10.8 billion, ₱9.6 billion and ₱6.3 billion in 2017, 2016 and 2015 respectively, while the cost of real estate sold amounted to ₱8.6 billion, ₱7.6 billion and ₱4.4 billion in 2017, 2016 and 2015, respectively (see Note 9).

Impairment of Financial Assets. The Group maintains allowance for doubtful accounts at a level considered adequate to provide for potential uncollectible trade receivables. The level of this allowance is evaluated by management based on the results of the specific and collective assessments of impairment of financial assets, considering the Group's collection experience and other factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the customers, the customers' payment behavior and known market factors. The amount and timing of recorded expenses for any period would therefore differ depending on the judgments and estimates made for each year.

Provision for doubtful accounts amounted to ₱0.06 million in 2017, ₱1.2 million in 2016 and nil in 2015 (see Note 22). Trade and other receivables, net of allowance for doubtful accounts, amounted to ₱14.1 billion and ₱9.6 billion as at December 31, 2017 and 2016, respectively (see Note 8).

Evaluation of Net Realizable Value of Condominium Units for Sale and Land Held for Future Development. Land held for future development and condominium units for sale are carried at the lower of cost or NRV. The carrying value of land held for future development and condominium units for sale are adjusted when the NRV becomes lower than cost due to changes in estimated selling prices less cost to sell. Condominium units for sale, stated at cost, amounted to ₱717.3 million and ₱620.9 million as at December 31, 2017 and 2016, respectively. Land held for future development amounted to ₱1,190.7 million and ₱1,422.1 million as at December 31, 2017 and 2016, respectively.

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

There were no changes in the estimated useful lives of investment properties and property and equipment in 2017, 2016 and 2015.

Investment properties, net of accumulated depreciation, amounted to ₱11.7 billion and ₱7.9 billion as at December 31, 2017 and 2016, respectively (see Note 12).

Property and equipment, net of accumulated depreciation and amortization, amounted to ₱2.8 billion and ₱2.7 billion as at December 31, 2017 and 2016, respectively (see Note 14).

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

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

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

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

	2017	2016
Investment properties (see Note 12)	**₱11,668,243**	₱7,929,445
Investment in joint venture (see Note 13)	**2,881,116**	2,879,249
Property and equipment (see Note 14)	**2,841,446**	2,736,986

The fair value of the investment properties amounted to ₱28.7 billion and ₱19.4 billion as at December 31, 2017 and 2016, respectively (see Note 12).

No impairment loss was recognized in 2017, 2016 and 2015.

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 ₱164.4 million and ₱144.5 million as at December 31, 2017 and 2016, respectively. Unrecognized deferred tax assets amounted to ₱9.4 million and ₱8.0 million as at December 31, 2017 and 2016, respectively (see Note 25).

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

Pension liability and other employee benefits amounted to ₱164.7 million and ₱235.0 million as at December 31, 2017 and 2016, respectively. Since there is no minimum funding requirement, the resulting net asset or net liability recognized in the consolidated statements of financial position was determined as the lower of the surplus of the plan and the present value of the future service cost to the Group (see Note 24).

6. Non-controlling Interests

a. Acquisition of Majority Interest in Rockwell Primaries South

On December 22, 2014, Rockwell Primaries entered into a Memorandum of Agreement with ATR Holdings, Inc. and Dragon Eagle International Limited for the joint and collective investment in and acquisition of all of the outstanding common shares of Maybank ATR KimeEng Capital Partners, Inc. (Maybank ATR) in Rockwell Primaries South, the developer of East Bay Residences (East Bay) project. Rockwell Primaries acquired 1,860,000 common shares, equivalent to 60% ownership interest, through a Deed of Absolute Sale for a consideration of ₱591.1 million (initial consideration of ₱561.6 million plus payment of indemnity premium of ₱29.5 million). Initial payment representing 25% of the purchase price was made at closing date and the remaining 75% is payable over five years with 5% interest per annum (see Notes 5 and 9). The unpaid purchase price of ₱180.9 million and ₱265.2 million as at December 31, 2017 and 2016, respectively, is presented as part of "Notes payable" under "Interest-bearing loans and borrowings" account in the consolidated statements of financial position (see Note 15).

Non-controlling interest in Rockwell Primaries South amounted to ₱279.9 million and ₱297.0 million as at December 31, 2017 and 2016, respectively.

b. Incorporation of Rock MFA

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

7. Cash and Cash Equivalents

This account consists of:

	2017	2016
Cash on hand and in banks	**₱1,157,297**	₱463,186
Short-term investments	**1,405,645**	977,674
	₱2,562,942	₱1,440,860

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

Interest income earned from cash in banks and short-term investments amounted to ₱10.2 million, ₱17.1 million and ₱50.0 million in 2017, 2016 and 2015 respectively (see Note 21).

8. Trade and Other Receivables

This account consists of:

	2017	2016
Trade receivables from:		
Sale of condominium units - net of noncurrent portion of ₱717.3 million in 2017 and ₱118.2 million in 2016	**₱12,506,927**	₱9,117,318
Lease	**235,571**	123,264
Advances to officers and employees (see Note 27)	**60,110**	45,985
Others - net of allowance for doubtful accounts of ₱2.0 million in 2017 and ₱3.3 million in 2016	**568,870**	232,627
	₱13,371,478	₱9,519,194

Trade receivables from sale of condominium units are noninterest-bearing long-term receivables with terms ranging from 1 to 5 years. Unamortized unearned interest on these receivables amounted to ₱3.1 billion and ₱4.1 billion as at December 31, 2017 and 2016, respectively.

Movements of unearned interest on trade receivables from sale of condominium units are as follows:

	2017	2016
Trade receivables at nominal amount	₱16,336,289	₱13,353,489
Less unearned interest:		
Balance at beginning of year	4,117,923	2,704,625
Unearned interest	461,158	2,699,409
Amortization (see Note 21)	(1,467,038)	(1,286,111)
Balance at end of year	3,112,043	4,117,923
Trade receivables at discounted amount	₱13,224,246	₱9,235,566

Trade receivables from sale of condominium units are classified as follows:

	2017	2016
Current	₱12,506,927	₱9,117,318
Noncurrent	717,319	118,248
	₱13,224,246	₱9,235,566

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 and The Grove.

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

Other receivables mainly consist of claims from contractors and receivable from various third parties. The movements in the allowance for doubtful accounts of other receivables are as follows:

	2017	2016
Balance at beginning of year	₱3,307	₱2,611
Provision during the year (see Note 22)	64	1,223
Reversal of provision	(1,223)	(527)
Write-off	(138)	–
Balance at end of year	₱2,010	₱3,307

9. Land and Development Costs

This account consists of land and development costs for the following projects:

	2017	2016
Proscenium (see Note 16)	₱3,461,074	₱4,139,845
East Bay Residences (see Note 6)	1,263,038	1,165,470
The Arton	1,042,055	889,833
Mactan	871,660	–
The Vantage	866,404	702,438
32 Sanson Phase 1 & 2	583,412	732,686
Edades Suites	440,142	469,092
Stonewell	180,199	136,664
The Grove Phases 2 & 3	–	404,064
Others	182,922	661,415
	₱8,890,906	₱9,301,507

A summary of the movements in land and development costs is set out below:

	2017	2016
Balance at beginning of year	₱9,301,507	₱8,923,712
Cost of real estate sold (shown as part of cost of real estate)	(8,550,674)	(7,565,192)
Construction/development costs incurred (see Note 28)	7,777,093	7,506,069
Borrowing costs capitalized (see Notes 15, 16 and 18)	511,015	330,846
Reclassification to condominium units for sale	(459,695)	(573,412)
Reclassification from (to) land held for future development	435,330	(386,984)
Net transfers to investment properties (see Note 12)	(189,647)	(246,016)
Land acquired during the year	67,708	1,312,484
Transfer to property and equipment (see Note 14)	(1,731)	–
Balance at end of year	₱8,890,906	₱9,301,507

Details related to these completed projects in 2017 and on-going projects as at December 31 are as follows:

				Estimated Cost to Complete	
Project	Structure and Location	Expected Completion Date	Construction Stage*	2017	2016
Proscenium:					
Kirov	Highrise condominium, Rockwell Center	2018	Superstructure	₱1,125,173	₱2,190,627
Sakura	Highrise condominium, Rockwell Center	2018	Superstructure	927,153	1,715,032
Lincoln	Highrise condominium, Rockwell Center	2018	Superstructure	601,477	1,403,793
Lorraine	Highrise condominium, Rockwell Center	2019	Superstructure	880,919	1,761,262
Garden Villas	Midrise condominium, Rockwell Center	2018	Superstructure	70,965	254,073
Residences	Highrise condominium, Rockwell Center	2020	Superstructure	3,304,759	4,681,849
East Bay Residences	Midrise condominium, Muntinlupa City	2021	Substructure	205,112	417,109
The Grove Phase 3	Highrise condominium, Pasig City	2017	Completed	–	1,176
32 Sanson:					
Phase 1	Low rise residential buildings, Cebu City	2017	Completed	–	41,439
Phase 2	Low rise residential buildings, Cebu City	2020	Superstructure	761,722	1,245,460
The Vantage	Midrise condominium, Pasig City	2021	Superstructure	2,291,600	2,945,993
Stonewell	Low rise residential buildings, Batangas	2018	Superstructure	43,032	124,319
Edades Suites	Highrise condominium, Rockwell Center	2019	Superstructure	1,279,011	1,138,613
The Arton - West	Highrise condominium, Quezon City	2021	Substructure	1,542,840	–
				₱13,033,763	₱17,920,745

*Construction stage as at December 31, 2017.

As at December 31, 2017, other land and development costs mainly pertain to land acquisition for the Batangas project which is expected to be launched in 2018. As at December 31, 2016, other land and development costs mainly pertain to land acquisitions for projects in Quezon City and Batangas expected to be launched in 2017.

Other land acquisitions expected to be launched beyond the following year are presented as "Land held for future development" in the consolidated statements of financial position.

As at December 31, 2017, advances to contractors, shown separately in the consolidated statements of financial position, mainly pertain to advances related to the development of "Proscenium", "32 Sanson Phase 2", "The Arton", "Edades Suites", "The Vantage" and "Stonewell" projects. As at December 31, 2016, advances to contractors, shown separately in the consolidated statements of financial position, mainly pertain to advances related to the development of "Proscenium", "The Grove Phase 3", "8 Rockwell", "32 Sanson Phases 1 and 2", "Edades Suites", "The Vantage" and "Stonewell" projects.

General borrowing costs on interest-bearing loans and borrowings capitalized as part of development costs amounted to ₱455.4 million and ₱255.5 million in 2017 and 2016, respectively. Average capitalization rate used is 5.03% and 5.06% in 2017 and 2016, respectively (see Note 15).

Amortization of discount on retention payable, capitalized as part of development costs, amounted to ₱31.7 million and ₱21.2 million in 2017 and 2016, respectively (see Note 18). Accretion of interest from installment payable amounted to ₱23.9 million and ₱54.1 million in 2017 and 2016, respectively (see Note 16).

Total cash received from pre-selling activities amounted to ₱243.2 million and ₱560.4 million as at December 31, 2017 and 2016, respectively (see Note 17).

10. Other Current Assets

This account consists of:

	2017	2016
Prepaid costs	₱850,842	₱742,188
Creditable withholding tax	239,398	129,498
Input VAT	206,522	308,346
Refundable deposits	174,103	166,190
Supplies	19,138	14,874
Restricted cash	–	194,307
Others	38,157	43,756
	₱1,528,160	₱1,599,159

Refundable deposits mainly consist of deposits for various planned property acquisitions for future development.

In 2016, restricted cash represents funds with an escrow agent in compliance with Presidential Decree No. 957, as amended, in connection with the Group's application for a Certificate of Registration and a License to Sell (LTS) with the Housing and Land Use Regulatory Board (HLURB). The proceeds from the pre-selling of residential development projects, received from the date of issuance of the temporary LTS by HLURB, are temporarily restricted until receipt by the Group of its Certificate of Registration and permanent LTS. The escrow account shall only be disbursed for purposes of payment of refunds to buyers, cancellation charges to the developer, fees, charges and other expenses incurred in the management and administration of the escrow agent. The restricted cash pertains to "Edades Suites" and "East Bay" projects.

11. Available-for-Sale Investments

As at December 31, this account consists of:

	2017	2016
Quoted	₱16,350	₱13,500
Unquoted	3,308	3,308
	₱19,658	₱16,808

Quoted Equity Shares

This consists of investment in Manila Polo Club shares. Movement in the balance follows:

	2017	2016
Balance at beginning of year	₱13,500	₱12,500
Unrealized gain on fair value adjustments (gross of tax effects of ₱427 in 2017 and ₱100 in 2016)	2,850	1,000
Balance at end of year	₱16,350	₱13,500

Unquoted Equity Shares

Unquoted equity securities consist of investments in Meralco preferred shares, which do not have a quoted market price, hence, valued at cost. These shares were issued to the Parent Company when Meralco meters were connected and will only be disposed of upon termination of service. As at financial reporting date, the Parent Company has no plans of disposing the unquoted equity securities.

12. Investment Properties

The rollforward analysis of this account follows:

	2017			
	Land	Buildings and Improvements	Investment Properties in Progress	Total
At January 1, 2017, net of accumulated depreciation	₱2,191,469	₱2,451,453	₱3,286,523	₱7,929,445
Additions:				
Construction costs (see Note 28)	–	3,396,636	8,534	3,405,170
Borrowing costs (see Note 15)	–	–	116,288	116,288
Transfers from property and equipment (see Note 14)	–	217,011	–	217,011
Transfers from land and development costs (see Note 9)	1,502	188,145	–	189,647
Reclassification	–	3,214,953	(3,214,953)	–
Depreciation (see Note 22)	–	(189,318)	–	(189,318)
At December 31, 2017, net of accumulated depreciation	₱2,192,971	₱9,278,880	₱196,392	₱11,668,243

	2017			
	Land	Buildings and Improvements	Investment Properties in Progress	Total
At January 1, 2017:				
Cost	₱2,191,469	₱4,508,085	₱3,286,523	₱9,986,077
Accumulated depreciation	–	(2,056,632)	–	(2,056,632)
Net carrying amount	₱2,191,469	₱2,451,453	₱3,286,523	₱7,929,445
At December 31, 2017:				
Cost	₱2,192,971	₱11,535,681	₱196,392	₱13,925,044
Accumulated depreciation	–	(2,256,801)	–	(2,256,801)
Net carrying amount	₱2,192,971	₱9,278,880	₱196,392	₱11,668,243

	2016			
	Land	Buildings and Improvements	Investment Properties in Progress	Total
At January 1, 2016, net of accumulated depreciation	₱1,976,755	₱2,641,205	₱1,995,898	₱6,613,858
Additions:				
Construction costs (see Note 28)	–	98,844	1,257,601	1,356,445
Borrowing costs (see Note 15)	–	–	96,784	96,784
Transfers from land and development costs (see Note 9)	241,101	4,915	–	246,016
Transfers to property and equipment (see Note 14)	(23,739)	(144,820)	–	(168,559)
Transfers to land held for future development	(2,648)	–	–	(2,648)
Reclassification	–	63,760	(63,760)	–
Depreciation (see Note 22)	–	(212,451)	–	(212,451)
At December 31, 2016, net of accumulated depreciation	₱2,191,469	₱2,451,453	₱3,286,523	₱7,929,445

	2016			
	Land	Buildings and Improvements	Investment Properties in Progress	Total
At January 1, 2016:				
Cost	₱1,976,755	₱4,500,880	₱1,995,898	₱8,473,533
Accumulated depreciation	–	(1,859,675)	–	(1,859,675)
Net carrying amount	₱1,976,755	₱2,641,205	₱1,995,898	₱6,613,858
At December 31, 2016:				
Cost	₱2,191,469	₱4,508,085	₱3,286,523	₱9,986,077
Accumulated depreciation	–	(2,056,632)	–	(2,056,632)
Net carrying amount	₱2,191,469	₱2,451,453	₱3,286,523	₱7,929,445

Investment properties are carried at cost. Investment properties consist of the "Power Plant" Mall (₱4.2 billion as at December 31, 2017 and ₱3.0 billion as at December 31, 2016), other investment properties held for lease within the Rockwell Center, The Grove, Santolan Town Plaza, 53 Benitez and The Rockwell Business Center - Sheridan (₱6.7 billion as at December 31, 2017 and ₱4.1 billion as at December 31, 2016) and land held for appreciation (₱800.6 million as at December 31, 2017 and 2016, respectively).

Investment properties in progress include costs incurred for the construction of Proscenium offices and Arton Stop in 2017; and Mall Expansion, The Rockwell Business Center - Sheridan and Santolan Town Plaza in 2016. Borrowing costs capitalized as part of investment properties amounted to ₱116.3 million and ₱96.8 million in 2017 and 2016, respectively (see Note 15). Capitalization rates used are 5.03% and 5.06% in 2017 and 2016, respectively. As at December 31, 2017 and 2016, unamortized borrowing costs capitalized as part of investment properties amounted to ₱605.0 million and ₱498.1 million, respectively.

Lease income earned from investment properties amounted to ₱1,007.0 million, ₱914.8 million and ₱793.4 million in 2017, 2016 and 2015, respectively. Direct operating expenses incurred amounted to ₱398.4 million, ₱349.2 million and ₱334.9 million in 2017, 2016 and 2015, respectively.

The aggregate fair value of the Group's Power Plant Mall and Mall Expansion amounted to ₱16.8 billion and ₱11.8 billion as at December 31, 2017 and 2016, respectively. The aggregate fair value of other investment properties held for lease within the Rockwell Center and The Grove, Rockwell Business Center Sheridan, 8 Rockwell, Santolan Town Plaza and 53 Benitez, and land held for appreciation amounted to ₱11.9 billion and ₱7.6 billion as at December 31, 2017 and 2016, respectively.

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

The value of the mall (excluding the mall expansion component) and investment properties held for lease within the Rockwell Center and The Grove 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 30).

The value of land held for appreciation and land component of assets under construction was arrived at through the use of the "Market Data Approach." "Market Data Approach" is based on the assumption that no prudent purchaser will buy more than what it will cost him to acquire an equally desirable substitute parcel or site. This approach is primarily based on sales and listings, which are adjusted for time of sale, location, and general characteristics of comparable lots in the neighborhood where the subject lot is situated. This is included under Level 2 in the fair value hierarchy (see Note 30).

The value of assets recently completed and undergoing construction was arrived at through the use of the "Cost Approach". "Cost Approach" is based on the amount required to replace the service capacity of an asset (frequently referred to as current replacement cost). This approach is applied by estimating the amount that currently would be required to construct a substitute software asset of comparable utility. This is included under Level 3 in the fair value hierarchy (see Note 30).

13. Investment in Joint Venture

Joint Venture (JV) Agreement

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

In accordance with the terms of the JV Agreement, the Parent Company acts as the Property Manager of the unincorporated JV. Management fees recognized by the Parent Company, which is shown as part of "Others" account in the consolidated statements of comprehensive income, amounted to ₱1.6 million, ₱1.5 million and ₱1.4 million in 2017, 2016 and 2015, respectively (see Note 27). The unincorporated JV will be managed and operated in accordance with the terms of the JV Agreement and with the Property Management Plan provided for in the JV Agreement. The principal place of business of the unincorporated JV is at Meralco Compound, Ortigas Center, Pasig City.

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

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

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

	2017	2016
Current assets	₱760,867	₱691,965
Noncurrent assets	3,799,749	3,859,344
Current liabilities	256,994	249,995
Noncurrent liabilities	187,742	188,101
Cash and cash equivalents	608,409	553,144
Current financial liabilities (excluding trade and other payables and provisions)	46,647	67,282
Noncurrent financial liabilities (excluding trade and other payables and provisions)	137,610	109,585

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

	2017	2016	2015
Revenue	**₱689,392**	₱672,765	₱519,759
General and administrative expenses	**30,117**	24,903	23,833
Depreciation and amortization expense	**175,609**	178,703	175,829
Interest income	**9,046**	11,255	9,291
Interest expense	–	2,488	–
Provision for income tax	**114,479**	114,739	85,325
Total comprehensive income/ net income	**378,233**	363,187	244,063

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

	2017	2016
Cost	**₱2,536,691**	₱2,536,691
Accumulated share in net income:		
Balance at beginning of year	**342,558**	493,772
Share in net income	**264,763**	254,231
Dividend distribution	**(262,896)**	(405,445)
Balance at end of year	**344,425**	342,558
Carrying value	**₱2,881,116**	₱2,879,249

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

	2017	2016
Net assets of the unincorporated JV	**₱4,115,880**	₱4,113,213
Interest of the Parent Company in the net asset of the unincorporated JV	**70%**	70%
Carrying amount of the investment in joint venture	**₱2,881,116**	₱2,879,249

As at December 31, 2017 and 2016, the unincorporated JV has no commitments and contingencies.

14. Property and Equipment

The rollforward analysis of this account follows:

	2017					
	Land	Buildings and Improvements	Office Furniture and Other Equipment	Transportation Equipment	Construction in Progress	Total
Cost						
At January 1	₱323,478	₱2,530,072	₱1,557,090	₱214,239	₱–	₱4,624,879
Additions during the year	–	131,975	113,636	111,226	376,487	733,324
Reclassifications from land and development costs (see Note 9)	–	1,731	–	–	–	1,731
Reclassification to land held for future development	(106,991)	–	–	–	–	(106,991)
Reclassifications to investment properties (see Note 12)	–	(217,011)	–	–	–	(217,011)
Disposals	–	–	–	(31,031)	–	(31,031)
At December 31	217,487	2,446,767	1,670,726	294,434	376,487	5,005,901
Accumulated Depreciation and Amortization						
At January 1	–	505,095	1,219,061	163,737	–	1,887,893
Depreciation and amortization (see Note 22)	–	203,093	10,498	88,802	–	302,393
Disposals	–	–	–	(25,831)	–	(25,831)
At December 31	–	708,188	1,229,559	226,708	–	2,164,455
Net Book Value at December 31	₱217,487	₱1,738,579	₱441,167	₱67,726	₱376,487	₱2,841,446

	2016					
	Land	Buildings and Improvements	Office Furniture and Other Equipment	Transportation Equipment	Construction in Progress	Total
Cost						
At January 1	₱301,781	₱2,052,363	₱1,335,464	₱188,316	₱27,713	₱3,905,637
Additions during the year	–	305,176	221,718	31,920	–	558,814
Reclassifications from (to) completed projects	–	27,713	–	–	(27,713)	–
Reclassifications to land held for future development	(2,042)	–	–	–	–	(2,042)
Reclassifications from investment properties (see Note 12)	23,739	144,820	–	–	–	168,559
Disposals	–	–	(92)	(5,997)	–	(6,089)
At December 31	323,478	2,530,072	1,557,090	214,239	–	4,624,879
Accumulated Depreciation and Amortization						
At January 1	–	424,244	1,037,640	142,121	–	1,604,005
Depreciation and amortization (see Note 22)	–	80,851	181,444	25,519	–	287,814
Disposals	–	–	(23)	(3,903)	–	(3,926)
At December 31	–	505,095	1,219,061	163,737	–	1,887,893
Net Book Value at December 31	₱323,478	₱2,024,977	₱338,029	₱50,502	₱–	₱2,736,986

Property and equipment account includes the portion of Edades (in 2017 and 2016) and The Grove (in 2016) used in the hotel operations. Construction of Edades Serviced Apartments was completed in November 2014 (see Note 26) while The Grove Serviced Apartments was completed in March 2016. The net book value of Edades Serviced Apartments included in property and equipment account amounted to ₱653.8 million and ₱668.9 million as at December 31, 2017 and 2016, respectively; while the net book value of The Grove Serviced Apartments included in property and equipment account amounted to ₱297.6 million as at December 31, 2016.

Borrowing costs capitalized as part of property and equipment amounted to ₱2.5 million and ₱8.8 million in 2017 and 2016, respectively (see Note 15).

15. Interest-bearing Loans and Borrowings

This account consists of:

	Effective Interest Rate	2017	2016
Current			
Corporate notes	4.9%, 4.6%, 4.5% fixed	**₱1,612,000**	₱1,612,000
Term loan	5.6%, 4.4%, 5.9%, 6.0% fixed, 2.53% floating, 2.59% floating	**315,125**	–
Notes payable	5.0% fixed	**111,854**	106,527
		2,038,979	1,718,527
Less unamortized loan transaction costs		**18,965**	7,021
		₱2,020,014	₱1,711,506
Noncurrent			
Corporate notes	4.9%, 4.6%, 4.5% fixed	**₱3,140,000**	₱4,752,000
Term loan	5.6%, 4.4%, 5.9%, 6.0%, 5.8%, 5.6%, 6.1%, 6.7% fixed, 2.53% floating, 2.59% floating	**9,684,875**	4,000,000
Bonds payable	5.0932% fixed	**5,000,000**	5,000,000
Notes payable	5.0% fixed	**117,446**	229,300
		17,942,321	13,981,300
Less unamortized loan transaction costs		**53,569**	58,860
		₱17,888,752	₱13,922,440

Corporate Notes

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

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

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

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

Term Loan

On May 25, 2016, the Parent Company entered into a credit facility with PNB amounting to ₱5.0 billion. The Parent Company will pay 70% of the loan amount quarterly over the term of the loan and the balance upon maturity. Detals of drawdowns is as follows:

Drawdown	Drawdown Date	Maturity	Start of Principal Payment	No. of Quarterly Payments	Amount (in billions)
1	May 2016	10 years	August 2016	31	₱1.0
2	August 2017	7 years	November 2019	20	1.0
3	September 2017	7 years	December 2019	20	1.0
4	October 2017	7 years	January 2020	20	1.0
5	December 2017	7 years	March 2020	20	1.0
					₱5.0

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

Drawdown	Drawdown Date	Maturity	Start of Principal Payment	No. of Quarter Payments	Amount (in billions)
1	June 2016	7 years	September 2018	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 be used for the development of Santolan Town Plaza. Retailscapes will pay 70% of the loan amount quarterly over the term of the loan and the balance upon maturity.

Drawdown	Drawdown Date	Maturity	Start of Principal Payment	No. of Quarterly Payments	Amount (in billions)
1	June 2016	10 years	September 2018	31	₱0.5
2	May 2017	10 years	September 2018	31	0.5
					₱1.0

Bonds Payable

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

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

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

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). Notes payable are payable over five years and bear interest of 5% per annum and are not secured by collateral.

In 2017 and 2016, Rockwell Primaries made principal payments on the loan amounting to ₱84.0 million and ₱80.0 million, respectively. In 2017 and 2016, interest expense incurred and paid amounted to ₱13.2 million and ₱17.2 million, respectively, as part of interest expense (see Note 22).

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.

Notes payable are payable over five years and bear interest of 5% per annum and are not secured by collateral.

In 2017 and 2016, Rockwell Primaries South made principal payments on the loan amounting to ₱22.5 million and ₱21.4 million, respectively. In 2017 and 2016, interest expense incurred and paid amounted to ₱3.5 million and ₱4.6 million, respectively (see Note 22).

Covenants. The loan contains, among others, covenants regarding incurring additional long-term debt and paying out dividends, to the extent that such will result in a breach of the required debt-to-equity ratio and current ratio. As at December 31, 2017 and 2016, the Group has complied with these covenants (see Note 29).

Loan Transaction Costs. As at December 31, 2017 and 2016, loan transaction costs consisting of documentary stamp tax and underwriting fees on the corporate notes and bonds were capitalized and presented as a deduction from the related loan balance.

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

	2017	2016
Balance at beginning of year	₱65,881	₱65,108
Additions	35,000	20,000
Amortization (see Note 22)	(28,347)	(19,227)
Balance at end of year	₱72,534	₱65,881

Interest expense on interest-bearing loans and borrowings amounted to ₱221.3 million, ₱370.0 million and ₱430.2 million in 2017, 2016 and 2015, respectively (see Note 22). Interest expense capitalized as part of land and development costs amounted to ₱455.4 million and ₱255.5 million in 2017 and 2016, respectively (see Note 9). Interest expense capitalized as part of investment properties amounted to ₱116.3 million and ₱96.8 million in 2017 and 2016, respectively (see Note 12). Interest expense capitalized as part of property and equipment amounted to ₱2.5 million and ₱8.8 million in 2017 and 2016, respectively (see Note 14).

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

Year	Amount
2018	₱2,038,979
2019	2,563,521
2020	2,712,875
2021	6,184,875
2022 and onwards	6,481,050
	₱19,981,300

16. Installment Payable

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

Under the Deed of Sale, the Parent Company will pay for the cost of the property in installment until 2015 and a one-time payment in 2020. As at December 31, 2017 and 2016, the remaining undiscounted installment payable due in June 2020 amounted to ₱655.8 million.

The installment payable and the corresponding land held for development were recorded at present value using the discount rate of 8%. Accretion of interest expense amounting to ₱23.9 million and ₱54.1 million in 2017 and 2016, respectively, was capitalized as part of land and development costs (see Note 9).

As at December 31, 2017 and 2016, the carrying value of the installment payable amounted to ₱545.0 million and ₱521.1 million, respectively.

Installment payable is secured by Stand-By Letters of Credit (SBLC) from MBTC and FMIC totaling ₱2.4 billion until 2020. These SBLC provides for a cross default provision wherein the SBLC shall automatically be due and payable in the event the Parent Company's other obligation is not paid when due or a default in any other agreement shall have occurred, entitling the holder of the obligation to cause such obligation to become due prior to its stated maturity. As at December 31, 2017 and 2016, the Parent Company has not drawn from the facility.

Unamortized prepaid premium on the SBLC as at December 31, 2017 and 2016 amounting to ₱0.4 million, is presented as part of "Prepaid costs" under "Other current assets" account in the consolidated statements of financial position (see Note 10).

As at December 31, 2017 and 2016, the related deferred input VAT amounting to ₱70.3 million is recognized as part of "Other noncurrent assets" account in the consolidated statements of financial position. This deferred input VAT will be claimed against output VAT upon payment of the related installment payable.

17. Trade and Other Payables

This account consists of:

	2017	2016
Trade	**₱943,085**	₱897,031
Accrued expenses:		
Project costs	**3,053,104**	1,970,158
Interest	**412,209**	115,371
Taxes and licenses	**61,803**	54,439
Utilities	**26,748**	42,018
Producers' share	**31,749**	24,595
Marketing and promotions	**32,218**	22,621
Repairs and maintenance	**22,240**	13,777
Others (see Notes 18 and 24)	**458,164**	551,509
Due to related parties (see Note 27)	**527,655**	537,550
Deferred output VAT	**1,317,208**	965,968
Deposits from pre-selling of condominium units (see Note 9)	**262,726**	560,365
Current portions of:		
Retention payable (see Note 18)	**125,138**	244,178
Security deposits (see Note 18)	**286,723**	181,419
Deferred lease income (see Note 18)	**105,178**	73,567
Excess collections over recognized receivables (see Note 4)	**389,498**	80,740
Advance payments from members and customers	**10,826**	24,377
Output VAT	**68,111**	50,498
Others	**14,533**	225,972
	₱8,148,916	₱6,636,153

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

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

Accrued expenses are normally settled within 12 months.

Deposits from pre-selling of condominium units represent cash received from buyers of those projects with pending recognition of revenue. These are expected to be applied against receivable from sale of condominium units the following year (see Note 9).

Excess collections over recognized receivables pertain to Edades Suites, Proscenium Lorraine and Residences in 2017 and Proscenium Garden Villa and Residences projects in 2016.

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

18. Deposits and Other Liabilities

This account consists of:

	2017	2016
Retention payable - net of current portion of ₱115.5 million in 2017 and ₱244.2 million in 2016 (see Note 17)	**₱1,034,896**	₱616,777
Security deposits - net of current portion of ₱286.7 million in 2017 and ₱181.4 million in 2016 (see Note 17)	**234,747**	180,545
Deferred lease income - net of current portion of ₱105.2 million in 2017 and ₱73.6 million in 2016 (see Note 17)	**110,844**	74,811
Others (see Notes 17 and 24)	**32,263**	25,970
	₱1,412,750	₱898,103

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 "Land and development costs". The retention payable is carried at amortized cost using effective interest method. The amortization of discount on retention payable is capitalized as part of land and development costs while the related project's construction is in progress (see Note 9).

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

	2017	2016
Balance at beginning of year	**₱20,414**	₱20,872
Additions during the year	**65,735**	20,775
Amortization during the year (see Note 9)	**(31,700)**	(21,233)
Balance at end of year	**₱54,449**	₱20,414

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

Deferred lease income pertains to two months advance rent included in the initial billing to mall tenants, which shall be applied to the monthly rental at the end of the lease term.

19. Share-based Payment Plans

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

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

The primary terms of the grants follow:

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

The fair value of equity-settled share options granted is estimated as at the date of grant using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the option grants:

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

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

There were no share options granted or exercised in 2017 and 2016.

As at December 31, 2017 and 2016, the outstanding ESOP shares are as follows:

	2017	2016
Number of grants	**63,918,000**	63,918,000
Cancellations	**(2,732,000)**	(1,957,000)
Exercised	**(15,000,000)**	(15,000,000)
Remaining shares	**46,186,000**	46,961,000

As at December 31, 2017 and 2016, 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, 2017 and 2016, 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 movement of the common stock of the Parent Company:

Date of SEC Approval	Authorized Capital Stock	New Subscriptions/ Issuances	Issue/ Offer Price
May 2012, listing by way of introduction	8,890,000,000	6,228,382,344	₱1.46
Exercise of ESOP shares (see Note 19)	–	15,000,000	
	8,890,000,000	6,243,382,344	

As of December 31, 2017 and 2016, the Parent Company has total shareholders of 47,330 and 47,939, respectively, on record. For this purpose, public shares held under PCD Nominee are counted as two (one for PCD Nominee - Filipino and another for PCD Nominee - Foreign).

b. Other Equity Adjustments

This account represents the difference between the consideration received from the sale of the proprietary shares and the carrying value of the related interest amounting to ₱291.2 million as at December 31, 2017 and 2016.

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, 2017 and 2016, the unappropriated consolidated retained earnings include undistributed net earnings of subsidiaries amounting to ₱193.2 million and ₱167.9 million, respectively. Such undistributed net earnings are not currently available for dividend distribution unless declared by the BOD of the subsidiaries.

The BOD approved the appropriation of retained earnings amounting to ₱2.0 billion and ₱3.0 billion in 2017 and 2016, respectively, for capital expenditures and asset acquisitions to be implemented in the next 2 years. As at December 31, 2017 and 2016, appropriated retained earnings amounted to ₱5.0 billion and ₱3.0 billion, respectively.

e. Dividends

On June 8, 2017, BOD approved the declaration of a regular cash dividend of ₱0.0594 per share to all common shareholders of record as at June 23, 2017 amounting to ₱363.3 million and 6% per annum cumulative cash dividend from July 1, 2016 to June 30, 2017 to all preferred shareholders amounting to ₱1.7 million. Payments of cash dividends for common shares were made on July 19, 2017.

On July 28, 2016, BOD approved the declaration of a regular cash dividend of ₱0.0537 per share to all common shareholders of record as at August 11, 2016 amounting to ₱328.4 million and 6% per annum cumulative cash dividend from July 1, 2015 to June 30, 2016 to all preferred shareholders amounting to ₱1.7 million. Payments of cash dividends for common shares were made on September 6, 2016.

On July 1, 2015, BOD approved the declaration of a regular cash dividend of ₱0.0511 per share to all common shareholders of record as at July 15, 2015 amounting to ₱312.5 million and 6% per annum cumulative cash dividend from July 1, 2014 to June 30, 2015 to all preferred shareholders amounting to ₱1.7 million. Payments of cash dividends for common shares were made on August 10, 2015.

As at December 31, 2017 and 2016, unpaid cumulative dividends on preferred shares amounted to ₱0.8 million for each year.

21. Interest Income

This account consists of:

	2017	2016	2015
Interest income from:			
Amortization of unearned interest (see Note 8)	₱1,467,038	₱1,286,111	₱933,273
Cash and cash equivalents (see Note 7)	10,185	17,107	49,970
Interest and penalty charges	1,670	17,963	2,998
In-house financing	1,014	2,035	2,088
	₱1,479,907	₱1,323,216	₱988,329

22. Expenses

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

	2017	2016	2015
Included in:			
Cost of real estate (see Note 12)	₱189,318	₱212,451	₱143,509
General and administrative expenses (see Note 14)	302,393	287,814	192,178
	₱491,711	₱500,265	₱335,687

General and administrative expenses pertain to the following businesses:

	2017	2016	2015
Real estate	₱1,406,303	₱1,113,221	₱1,022,626
Cinema	186,408	190,213	187,137
Hotel	216,558	262,307	185,194
	₱1,809,269	₱1,565,741	₱1,394,957

a. Real Estate

	2017	2016	2015
Personnel (see Notes 23 and 24)	₱346,684	₱319,757	₱323,272
Taxes and licenses	292,285	155,609	180,251
Depreciation and amortization (see Note 14)	248,379	219,147	147,184
Entertainment, amusement and recreation	92,709	93,287	44,942
Professional fees	73,629	37,592	27,456
Marketing and promotions	62,356	78,793	68,430
Contracted services	41,570	39,312	36,529
Utilities	38,433	25,920	34,725
Security services	34,425	10,220	9,575
Dues and subscriptions	23,296	16,169	20,556
Fuel and oil	20,834	9,926	9,799
Insurance	16,423	10,643	9,620
Provision for doubtful accounts (see Note 8)	64	1,223	–
Transportation and travel	5,108	2,304	3,958
Others	110,108	93,219	106,329
	₱1,406,303	₱1,113,121	₱1,022,626

b. Cinema

	2017	2016	2015
Producers' share	₱83,527	₱88,150	₱87,645
Utilities	27,595	20,863	23,596
Depreciation and amortization (see Note 14)	21,637	18,149	19,941
Amusement tax	14,590	15,551	14,871
Snack bar	14,120	16,402	13,719
Contracted services	11,030	6,676	11,643
Personnel (see Notes 23 and 24)	6,837	2,542	2,518
Advertising	–	–	2,749
Others	7,072	21,880	10,455
	₱186,408	₱190,213	₱187,137

c. Hotel

	2017	2016	2015
Rental expense	₱35,652	₱59,411	₱56,766
Depreciation and amortization (see Note 14)	32,377	50,518	25,053
Contracted services	31,294	9,133	9,175
Utilities	18,697	27,050	15,758
Accommodations	17,647	25,146	11,717
Dues and subscriptions	17,121	13,532	4,149
Personnel (see Notes 23 and 24)	12,393	30,636	21,612
Supplies	8,665	11,247	28,449
Security services	6,549	6,588	3,040
Others	36,163	29,046	9,475
	₱216,558	₱262,307	₱185,194

Selling expenses are comprised of:

	2017	2016	2015
Commissions and amortization of prepaid costs (see Notes 4 and 10)	₱514,392	₱525,805	₱326,966
Marketing and promotions	184,472	83,616	56,930
Personnel (see Notes 23 and 24)	116,919	89,365	38,449
Contracted services	12,290	6,509	5,330
Utilities	6,768	12,890	6,158
Usufruct	2,668	6,673	2,314
Others	40,193	23,344	24,784
	₱877,702	₱748,202	₱460,931

Interest expense is comprised of:

	2017	2016	2015
Interest expense on interest-bearing loans and borrowings (see Note 15)	₱221,321	₱370,035	₱430,220
Amortization of loan transaction costs (see Note 15)	28,347	19,227	20,913
Amortization of deferred security deposit	1,315	586	–
Others	–	–	20,055
	₱250,983	₱389,848	₱471,188

23. Personnel Expenses

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

	2017	2016	2015
Salaries and wages and other employee benefits (see Notes 22 and 24)	₱429,212	₱385,536	₱341,455
Pension costs (see Note 24)	53,622	56,764	44,396
	₱482,834	₱442,300	₱385,851

24. Pension Costs and Other Employee Benefits

a. Pension Costs

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

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

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

Net Pension Costs

	2017	2016	2015
Current service cost	₱45,688	₱47,426	₱39,535
Interest cost	7,934	9,338	4,861
Net pension cost	₱53,622	₱56,764	₱44,396

Pension Liability

	2017	2016
Present value of benefit obligation	₱596,808	₱522,311
Fair value of plan assets	(494,174)	(345,843)
Pension liability	₱102,634	₱176,468

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

	2017	2016
Defined benefit obligation at beginning of year	₱522,311	₱470,799
Current service cost	45,688	47,426
Interest cost	22,394	19,332
Actuarial loss in other comprehensive income/loss due to:		
Experience adjustments	21,600	43,331
Change in assumptions	(15,185)	(55,547)
Benefits paid	–	(3,030)
Defined benefit obligation at end of year	₱596,808	₱522,311

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

	2017	2016
Fair values of plan assets at beginning of year	₱345,843	₱283,303
Interest income included in net interest cost	14,460	9,994
Actual contributions	84,941	60,000
Gain (loss) on return on plan assets in other comprehensive income/loss	48,930	(4,424)
Benefits paid	–	(3,030)
Fair values of plan assets at end of year	₱494,174	₱345,843

The Group expects to contribute ₱58.9 million to its pension plan in 2018.

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

	2017	2016
Investments in:		
Government securities	32.45%	36.33%
Loans and debt instruments	2.25%	8.58%
Other securities	65.30%	55.09%
	100.00%	100.00%

The principal assumptions used as at December 31, 2017 and 2016 in determining pension cost obligation for the Group's plans are as follows:

	2017	2016
Discount rate	5.78%-5.80%	5.5%-5.68%
Future salary rate increases	10.00%	10.0%

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

As at December 31, 2017 and 2016, the carrying values of the plan approximate their fair values:

	2017	2016
Cash in banks:		
MBTC	₱16,600	₱18,233
BDO	5	7,338
Receivables - net of payables:		
MBTC	9,184	149
BDO	3,366	920
Investments held for trading:		
MBTC	270,632	185,410
BDO	194,387	133,793
	₱494,174	₱345,843

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

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

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

i. Government securities' maturities range from 1 to 25 years with interest rates ranging from 3.20% to 9.12%.
ii. The Corporate bonds are certificates of indebtedness issued by top and usually listed corporations exhibiting sound financial performance and enjoying good credit from reputable/accredited agencies. Maturity dates range from 7 to 10 years with interest rates ranging from 4.41% to 8.85%.
iii. Investment in stocks represents equity securities of companies listed in the PSE.

The Retirement Plan has investment in shares of stock of the Parent Company's amounting to ₱84.8 million and ₱62.4 million as at December 31, 2017 and 2017, respectively.

The Group's retirement fund is exposed to a short term risk since 50% of it is in equities. On the long term, should there be any major corrections in the local equities market, the correction should have a positive impact of the fund since historically the equities market have always out-performed the fixed income market in the long term.

There are no outstanding balances arising from transactions between the Retirement Plan and the Group as at December 31, 2017 and 2016. Except as stated above, there were no other transactions entered into during the year by the Retirement Plan relating to the Group.

In 2016, the sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions were held constant:

	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation
Discount rate	+100	(₱42,668)
	-100	51,520
Future salary increases	+100	53,215
	-100	(45,360)

The Group does not currently employ any asset-liability matching.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31:

Year	2017	2016
Less than 1 year	**₱258,070**	₱1,452
More than 1 year to 5 years	**58,765**	608
More than 5 years to 10 years	**142,455**	2,320
More than 10 years to 15 years	**333,784**	7,437
More than 15 years to 20 years	**411,763**	16,835
More than 20 years	**2,404,649**	407,994

b. Other Employee Benefits

Other employee benefits consists of accumulated employee vacation and sick leave benefit amounted to ₱8.9 million and ₱1.6 million in 2017 and 2016, respectively (see Notes 22 and 23).

The present value of the defined benefit obligation of other employee benefits amounted to ₱62.1 million and ₱58.5 million as at December 31, 2017 and 2016, respectively (see Notes 17 and 18).

25. Income Taxes

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

	2017	2016	2015
Current income tax	**₱638,512**	₱671,017	₱552,229
Deferred income tax	**161,149**	880	81,157
	₱799,661	₱671,897	₱633,386

The current provision for income tax represents the regular corporate income tax (RCIT)/minimum corporate income tax (MCIT) of the Parent Company and certain subsidiaries.

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

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

	2017	2016
Deferred tax liabilities:		
Unrealized gain on real estate	**₱1,160,457**	₱809,053
Capitalized interest	**63,178**	66,295
Collections after the ITH period on low-cost housing project (Stonewell)	**5,089**	–
Unrealized gain on available-for-sale investments	**1,104**	677
Unrealized foreign exchange gain	**115**	33
Fair value increment on the real estate inventories	**–**	159,610
	1,229,943	1,035,668
Deferred tax assets:		
Deferred lease income	**58,242**	28,004
Unfunded pension costs	**29,766**	47,160
Share-based payment	**22,574**	22,574
Other employee benefits	**30,437**	17,683
Unamortized past service cost	**13,431**	2,461
Allowance for doubtful accounts and others	**4,714**	5,372
NOLCO	**4,411**	473
MCIT	**839**	78
Unrealized foreign exchange loss	**7**	19,044
Advance payment from members	**–**	1,628
	164,421	144,477
	₱1,065,522	₱891,191

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

	2017	2016
Deferred tax assets - net	**₱694**	₱2,468
Deferred tax liabilities - net	**(1,066,216)**	(893,659)
	(₱1,065,522)	(₱891,191)

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:

	2017	2016
Advances from members	**₱11,377**	₱6,172
MCIT	**3,495**	2,985
Unfunded pension costs	**7,566**	6,265
NOLCO	**46**	3,528
Allowance for doubtful accounts	**559**	632
	₱23,043	₱19,582

As at December 31, 2017, MCIT of a subsidiary which can be claimed as deduction from regular taxable income due as follows:

Year Paid	Expiry Year	Amount
2015	2018	₱1,497
2016	2019	1,291
2017	2020	1,546
		₱4,334

MCIT amounting to ₱1.5 million, ₱1.5 million and ₱0.15 million expired in 2017, 2016 and 2015, respectively.

As at December 31, 2016, NOLCO of certain subsidiaries can be carried forward and claimed as deduction against regular taxable income as follows:

Year Incurred	Expiry Date	Amount
2015	2018	₱1,136
2016	2019	494
2017	2020	13,119
		₱14,749

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:

	2017	2016	2015
Statutory income tax rate	**30.0%**	30.0%	30.0%
Additions to (deductions from) income tax resulting from:			
Share in net income of joint venture	**(2.7%)**	(3.1%)	(2.3%)
Nontaxable income and others	**0.4%**	0.1%	0.1%
Effective income tax rate	**27.7%**	27.0%	27.8%

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.

Tax Reform for Acceleration and Inclusion (TRAIN) Law
Republic Act No. 10963 or the TRAIN Act was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same did not have any significant impact on the 2017 financial statements.

26. Registration with the Board of Investments

On June 6, 2013, the Board of Investments approved the Parent Company's registration as new operator of Tourist Accommodation Facility for its Edades Serviced Apartments in accordance with the provisions of Omnibus Investments Code of 1987 with entitlement to Income Tax Holiday (ITH) of four years reckoning on February 2014.

On May 27, 2014, the BOI approved the amendments of specific terms and conditions under the Certificate of Registration particularly the registered capacity to cover 94 serviced apartment units and the corresponding change in projections.

Commercial operations of Edades Serviced Apartments started on July 1, 2014. ITH incentive enjoyed by the Parent Company amounted to ₱12.3 million and ₱14.0 million in 2017 and 2016, respectively (see Note 25).

On January 8, 2015, Rockwell Land requested for amendments of investment and project timetable and sales revenue projection under the above mentioned BOI certification due to unforeseen circumstances affecting the construction and changes from projected launch. The request was approved on April 13, 2015.

On June 24, 2015, request for status upgrade of said BOI registration from Non-pioneer to Pioneer status was made. The 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).

27. Related Party Transactions

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

The following table summarizes these significant transactions with related parties:

Related Parties	Relationship	Nature of Transaction	Period	Transaction Amount	Amounts Owed from (to) Related Parties	Terms	Conditions
Rockwell - Meralco BPO	Joint venture	Advances (see Note 17)	**2017**	**₱22,931**	**(₱527,655)**	90-day; noninterest-bearing	Unsecured
			2016	267,840	(519,395)		
		Management fee (see Note 13)	**2017**	**1,650**	**8,202**	On demand; non-interest-bearing	Unsecured; no impairment
			2016	4,290	6,552		
FPHC	Parent	Charges for construction of 8 Rockwell (see Note 17)	**2017**	**–**	**–**	90-day; noninterest-	Unsecured
			2016	–	(18,155)		
Advances to officers and employees		Advances (see Note 8)	**2017**	**14,125**	**60,110**	30-day; noninterest-bearing	Unsecured; no impairment
			2016	18,261	45,985		

Other transactions with related parties pertain to the Project Development and JV Agreement with Meralco (see Note 13).

Terms and Conditions of Transactions with Related Parties
Purchases from related parties are made at normal market prices. Outstanding balances at year-end are unsecured, interest-free, settlement occurs in cash and collectible/payable on demand. There have been no guarantees provided for or received for any related party receivables or payables. For the years ended December 31, 2017, 2016 and 2015, the Group has not made any provision for doubtful accounts relating to amounts owed by related parties. This assessment is undertaken at each financial year through examination of the financial position of the related party and the market in which the related party operates.

Compensation of Key Management Personnel of the Group

	2017	2016	2015
Short-term employee benefits	**₱84,203**	₱73,353	₱70,948
Post-employment pension and other benefits (Note 24)	**38,144**	36,919	18,612
Total compensation attributable to key management personnel	**₱122,347**	₱110,272	₱89,560

28. Commitments and Contingencies

Operating Lease Commitments

The Group has entered into agreements for the lease of land to be used for various commercial projects. These noncancellable leases have remaining terms of between two and twenty five years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. Future minimum lease payments are as follows:

Year	Amount (in thousands)
2017	₱31,863
2018	32,925
2019	34,554
2020	35,743
2021 and after	2,130,417
	₱2,265,502

In 2017 and 2016, capitalized rentals included under "Land and development costs" amounted to nil and ₱69.5 million, respectively (see Note 9), while capitalized rentals included under "Investment properties in progress" amounted to nil and ₱15.4 million, respectively (see Note 12).

Capital Commitment

a. The Group entered into contract covering Substructure works related to "Proscenium Substructure and Podium" with Megawide Construction Corporation. The contract sum awarded for the work amounted to ₱980.0 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Substructure works commenced in July 2014. Megawide has a deductive change order of ₱527.9 million but with an additional of ₱173.0 million. As at December 31, 2017 and 2016, ₱576.0 million and ₱403.0 million, respectively, has been incurred and paid.

b. The Group entered into contract covering Superstructure works related to "Proscenium Phase 1B" with Megawide Construction Corporation. The contract sum awarded for the work amounted to ₱2.1 billion, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Superstructure works commenced in October 2015. As at December 31, 2017 and 2016, ₱1.3 billion and ₱883.0 million, respectively, has been incurred and paid.

c. The Group entered into contract covering Superstructure works related to "Proscenium Phase 1A" with Phenix Garuda Construction and Development Corporation. The contract sum awarded for the work amounted to ₱2.4 billion, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Superstructure works commenced in May 2015. As at December 31, 2017 and 2016, ₱1.4 billion and ₱934.0 million, respectively, has been incurred and paid.

d. The Group entered into contract covering Excavation works related to "Proscenium Phase 2" with IPM Construction and Development Corp. The contract sum awarded for the work amounted to ₱61.0 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Excavation works commenced in August 2015. As at December 31, 2017 and 2016, ₱57.0 million and ₱31.5 million, respectively, has been incurred and paid.

e. The Group entered into contract covering Substructure and Superstructure works related to "Proscenium Phase 2" with Phenix Garuda Construction and Development Corporation. The contract sum awarded for the work amounted to ₱2.0 billion, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Superstructure works commenced in May 2016. As at December 31, 2017 and 2016, ₱593.53 and ₱328.0 million, respectively, has been incurred and paid.

f. The Group entered into contract covering Superstructure works (Ground – 7th floor) related to "Mall Expansion and hotel" with Phenix Garuda Construction and Development Corporation. The contract sum awarded for the work amounted to ₱459.1 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Superstructure works commenced in October 2015. As at December 31, 2017 and 2016, ₱582.1 million and ₱230.0 million has been incurred and paid.

g. The Group entered into contract covering General Construction works related to "Rockwell Business Center Sheridan" with Phenix Garuda Construction and Development Corporation. The contract sum awarded for the work amounted to ₱900.0 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Phenix has an additive change order of ₱37.3 million. General Construction Works commenced in October 2015. As at December 31, 2017 and 2016, ₱846.7 million and ₱421.7 million, respectively, has been incurred and paid.

h. The Group entered into contract covering Earthworks related to "32 Sanson" with Omicron Construction. The contract sum awarded for the work amounted to ₱55.4 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. General construction works commenced in May 2015. As at December 31, 2017 and 2016, ₱32.0 million and ₱23.2 million, respectively, has been incurred and paid.

i. The Group entered into contract covering General Construction works related to "Santolan Town Plaza" with Omicron Construction. The contract sum awarded for the work amounted to ₱401.6 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Omicron has an additive change order of ₱37.3 million. General Construction Works commenced in November 2015. As at December 31, 2017 and 2016, ₱404.0 million and ₱137.9 million has been incurred and paid, respectively.

j. The Group entered into a contract with Millennium Erectors Corporation in 2016 covering structural and building enclosure works related to "The Vantage" Project. The contract amounted to a fixed fee of ₱460.0 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of the works. Structural and building enclosure works commenced in 2016 and is currently ongoing. As at December 31, 2017 and 2016, ₱258.8 million and ₱92.0 million has been incurred and paid.

Contingencies

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

29. Financial Risk Management Objectives and Policies

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

The Group also occasionally enters into derivative transactions, specifically foreign currency forward contracts to sell US$. The primary purpose was to manage currency risks arising from its foreign currency-denominated receivables from sale of condominium units.

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

Cash Flow Interest Rate Risk

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

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. As at December 31, 2017 and 2016, approximately 90% of the Group's borrowings are at a fixed rate of interest.

The following tables set out the principal amounts, by maturity, of the Group's interest-bearing financial instruments.

	2017				
	Within 1 Year	1–2 Years	2–3 Years	More than 3 Years	Total
Fixed Rate					
Interest-bearing loans and borrowings	₱2,023,755	₱2,399,515	₱2,548,868	₱11,509,162	₱18,481,300
Floating Rate					
Interest-bearing loans and borrowings	104,584	164,007	164,007	1,067,402	1,500,000
Short-term investments	1,405,645	–	–	–	1,405,645

	2016				
	Within 1 Year	1–2 Years	2–3 Years	More than 3 Years	Total
Fixed Rate					
Interest-bearing loans and borrowings	₱1,718,527	₱1,901,754	₱2,011,246	₱8,568,300	₱14,199,827
Floating Rate					
Interest-bearing loans and borrowings	–	85,900	163,700	1,250,400	1,500,000
Short-term investments	977,674	–	–	–	977,674

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.

	Effect on income before income tax increase (decrease)	
Change in basis points	**+100 basis points**	**-100 basis points**
Floating rate borrowings	(15,208)	15,208

	Effect on income before income tax increase (decrease)	
Change in basis points	+100 basis points	-100 basis points
Floating rate borrowings	(1306)	1306

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future value of the financial instruments will fluctuate because of changes in foreign exchange rates. As a result of the Group's significant marketing operations in the United States in the past, the Group's consolidated statement of financial position can be affected significantly by movements in the US$ exchange rates.

Foreign Currency-Denominated Asset

	2017		2016	
	US		US$	Peso
Cash and cash equivalents	**$667**	**₱33,297**	$1,378	₱68,514

As at December 31, 2017 and 2016, the exchange rate was ₱49.92 to US$1.00 and ₱49.72 to US$1.00, respectively. Net foreign exchange gain (loss) amounted to (₱1.4 million), ₱4.0 million and ₱6.6 million in 2017, 2016 and 2015, respectively.

The following tables demonstrate the sensitivity to a reasonably possible change in the US$ exchange rate with respect to Peso, with all other variables held constant, of the Group's December 31, 2016 and 2015 income before income tax (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Group's equity other than those already affecting the income.

	2017	
	Increase/Decrease in US$ Rate (in %)	**Effect on Income Before Income Tax**
Foreign currency-denominated financial assets	+5%	₱1,665
	-5%	(₱1,665)

	2016	
	Increase/Decrease in US$ Rate (in %)	Effect on Income Before Income Tax
Foreign currency-denominated financial assets	+5%	₱3,426
	-5%	(₱3,426)

Foreign exchange gain or loss is computed for the year based on management's best estimate that the Peso-US$ conversion rate may strengthen or weaken using the year end balances of dollar-denominated cash and cash equivalents. An increase in the US$ rate means a weaker peso while a decrease in the US$ rate means a stronger peso. There has been no change in the methods and assumptions used by management in the above analyses.

Credit Risk

Credit risk is the risk that a counterparty will meet its obligation under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risks from its operating activities (primarily from trade receivables and loans) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

Default or delinquency on the part of buyers of condominium units are being monitored on an ongoing basis to enable the Group to determine the appropriate action, usually cancelling the sale and holding the units open for sale. Lease receivables are closely monitored based on aging of the accounts. Accounts determined to be uncollectible are recommended for write off. With regard to the other financial assets of the Group, these are also monitored regularly with the result that the Group's exposure to bad debts is not significant.

Trade receivables from sale of condominium units are secured with pre-completed condominium units. The legal title and ownership of these units will only be transferred to the customers upon full payment of the contract price. For other receivables, since the Group trades only with recognized third parties, there is no requirement for collateral.

The table below summarizes the maximum exposure to credit risk of each class of financial assets.

	2017		
	Gross Maximum Exposure	Net Exposure	Financial Effect of Collateral or Credit Enhancement
Cash and cash equivalents*	₱2,561,224	₱2,547,062	₱14,162
Trade receivables from:			
Sale of condominium units	13,224,246	340,827	13,039,553
Lease	235,571	78,310	157,261
Advances to officers and employees	60,110	–	60,110
Other receivables	634,857	634,857	–
Available-for-sale investments:			
Quoted	13,500	13,500	–
Unquoted	3,308	3,308	–
Refundable deposits**	162,240	162,240	–
	₱16,895,056	₱3,780,104	₱13,271,086

	2016		
	Gross Maximum Exposure	Net Exposure	Financial Effect of Collateral or Credit Enhancement
Cash and cash equivalents*	₱1,435,757	₱1,413,480	₱22,277
Trade receivables from:			
Sale of condominium units	9,235,566	107,912	9,127,654
Lease	123,264	70,352	52,912
Advances to officers and employees	45,985	–	45,985
Other receivables	232,627	232,627	–
Available-for-sale investments:			
Quoted	13,500	13,500	–
Unquoted	3,308	3,308	–
Refundable deposits**	166,190	166,190	–
Restricted cash **	194,307	194,307	–
	₱11,450,504	₱2,201,676	₱9,248,828

*Excluding cash on hand amounting to ₱1,718 and ₱5,103 as at December 31, 2017 and 2016, 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.

	2017		
	A Rating	B Rating	Total
Cash and cash equivalents	₱2,562,942	₱–	₱2,562,942
Trade receivables from:			
Sale of condominium units	11,997,392	1,037,427	13,034,819
Lease	201,565	34,006	235,571
Advances to officers and employees	60,110	–	60,110
Other receivables	634,857	–	634,857
Available-for-sale investments:			
Quoted	13,500	–	13,500
Unquoted	3,308	–	3,308
Refundable deposits	162,240	–	162,240
	₱15,635,914	₱1,071,433	₱16,707,347

	2016		
	A Rating	B Rating	Total
Cash and cash equivalents	₱1,440,860	₱–	₱1,440,860
Trade receivables from:			
Sale of condominium units	6,603,820	1,935,626	8,539,446
Lease	97,879	21,519	119,398
Advances to officers and employees	45,985	–	45,985
Other receivables	232,627	–	232,627
Available-for-sale investments:			
Quoted	13,500	–	13,500
Unquoted	3,308	–	3,308
Restricted cash	194,307	–	194,307
Refundable deposits	64,297	–	64,297
	₱8,696,583	₱1,957,145	₱10,653,728

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

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

As at December 31, 2017 and 2016, the analyses of the age of financial assets are as follows:

	2017						
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired Financial Assets	Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	More than 90 Days		
Cash and cash equivalents	₱1,157,147	₱1,405,645	₱–	₱–	₱–	₱–	₱2,562,942
Trade receivables from:							
Sale of condominium units	13,034,819	41,425	5,395	6,846	135,761		13,224,246
Lease	221,915	12,969	678	-	9		235,571
Advances to officers and employees	60,110	–	–	–	–	–	60,110
Other receivables	566,860	–	–	–	–	2,010	568,870
Available-for-sale investments:		–	–	–	–	–	
Quoted	13,500	–	–	–	–	–	13,500
Unquoted	3,308	–	–	–	–	–	3,308
Refundable deposits	16,369	10,695	121,102	176	13,899		162,240
	₱15,074,028	₱1,470,734	₱127,175	₱7,022	₱149,669	₱2,010	₱16,830,787

	2016						
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired Financial Assets	Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	More than 90 Days		
Cash and cash equivalents	₱1,440,860	₱–	₱–	₱–	₱–	₱–	₱1,440,860
Trade receivables from:							
Sale of condominium units	8,539,446	391,609	11,859	51,167	241,475	–	9,235,556
Lease	119,398	1,571	520	400	1,375	–	123,264
Advances to officers and employees	45,985	–	–	–	–	–	45,985
Other receivables	232,627	–	–	–	–	3,307	235,934
Available-for-sale investments:							
Quoted	13,500	–	–	–	–	–	13,500
Unquoted	3,308	–	–	–	–	–	3,308
Refundable deposits	64,297	10,210	78,246	168	13,269	–	166,190
Restricted cash	194,307	–	–	–	–	–	194,307
	₱10,653,728	₱403,390	₱90,625	₱51,735	₱256,119	₱3,307	₱11,458,904

Financial assets are considered past due when collections are not received on due date.

Past due accounts which pertain to trade receivables from sale of condominium units and club shares are recoverable since the legal title and ownership of the condominium units and club shares will only be transferred to the customers upon full payment of the contract price. In case of cancellation, the condominium units and club shares become available for sale. The fair value of the condominium units amounted to ₱23.3 billion and ₱24.1 billion as at December 31, 2017 and 2016, respectively. The fair value of the club shares amounted to ₱0.2 million and ₱2.7 million as at December 31, 2017 and 2016, respectively.

Past due accounts pertaining to lease are recoverable because security deposits and advance rent paid by the tenants are sufficient to cover the balance in case of default or delinquency of tenants.

No provision for impairment was made for trade receivables from sale of condominium units and club shares which are subjected to collective assessment since these assets are secured with collateral.

Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. As at December 31, 2017 and 2016, 11% and 11% of the Group's debt will mature in less than one year as at December 31, 2017 and 2016, 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, 2017 and 2016 based on contractual undiscounted payments.

	2017				
	On Demand	Due Within 3 Months	Due Between 3 and 12 Months	Due After 12 Months	Total
Trade and other payables*	₱–	₱926,286	₱8,409,074	₱–	₱9,335,357
Interest-bearing loans and borrowings**	–	412,000	1,608,014	17,888,762	19,908,776
Installment payable	–	–		544,957	544,957
Retention payable***	–	–	271,912	815,735	1,087,646
Security deposits***	–	–	76,876	230,627	307,503
	₱–	₱1,338,286	₱10,365,875	₱19,480,081	₱31,184,239

	2016				
	On Demand	Due Within 3 Months	Due Between 3 and 12 Months	Due After 12 Months	Total
Trade and other payables*	₱–	₱555,385	₱3,728,024	₱–	₱4,283,409
Interest-bearing loans and borrowings**	–	912,000	806,527	13,981,300	15,699,827
Installment payable	–	–	–	655,799	655,799
Retention payable***	–	–	244,178	616,777	860,955
Security deposits***	–	–	181,419	180,545	361,964
	₱–	₱1,467,385	₱4,960,148	₱15,434,421	₱21,861,954

*Excluding the current portion of retention payable and security deposits, deposits from pre-selling of condominium units and excess of collections over recognized receivables and other statutory payables.

**Principal payments

***Presented as part of "Trade and other payables" and "Deposits and other liabilities" accounts in the consolidated statements of financial position.

Maturity Profile of Financial Assets Held for Liquidity Purposes

The table below shows the maturity profile of the Group's financial assets based on contractual undiscounted cash flows as at December 31:

	2017					
	On Demand	Within 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Cash and cash equivalents	₱1,157,147	₱1,405,645	₱–	₱–	₱–	₱2,562,942
Trade receivables from:						
Sale of condominium units	16,446,995	1,014,941	164,840	152,897	896,675	18,676,348
Lease	221,915	12,969	678	–	9	235,571
Available-for-sale investments	–	–	–	–	16,808	16,808
	₱17,826,057	₱2,433,555	₱165,518	₱152,897	₱913,492	₱21,491,669

	2016					
	On Demand	Within 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Cash and cash equivalents	₱463,186	₱977,674	₱–	₱–	₱–	₱1,440,860
Trade receivables from:						
Sale of condominium units	11,014,139	1,571,387	519,813	399,509	1,375,197	14,880,045
Lease	119,398	1,571	520	400	1,375	123,264
Available-for-sale investments	–	–	–	–	16,808	16,808
	₱11,596,723	₱2,550,632	₱520,333	₱399,909	₱1,393,380	₱16,460,977

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, 2017 and 2016.

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 15).

	2017	2016
Interest-bearing loans and borrowings	₱19,908,766	₱15,633,946
Less cash and cash equivalents	2,562,942	1,440,860
Net	17,345,824	14,193,086
Equity	17,714,758	15,678,389
Net debt-to-equity ratio	0.98	0.91

30. Fair Value Measurement

Set out below is a comparison by class of carrying values and fair values of the Group's assets and liabilities that are carried in the consolidated financial statements as at December 31, 2017 and 2016.

	2017				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets					
Loans and receivables:					
Sale of condominium units (including noncurrent portion)	₱13,224,246	₱23,339,483	₱–	₱23,339,483	₱–
Investment properties (see Note 12)	11,668,243	28,677,869		8,391,472	20,286,397
Available-for-sale financial assets	16,808	16,808	13,500	–	3,308
	₱24,909,297	₱52,034,160	₱13,500	₱31,730,955	₱20,289,705
Liabilities					
Other financial liabilities:					
Interest-bearing loans and borrowings (including noncurrent portion)	₱19,908,776	₱20,656,835	₱–	₱–	₱20,656,835
Installment payable	544,957	576,502	–	–	576,502
Retention payable (including noncurrent portion)	1,087,645	1,006,973	–	–	1,006,973
Security deposits (including noncurrent portion)	307,503	317,314	–	–	317,314
	₱21,848,881	₱22,557,624	₱–	₱–	₱22,557,624

	2016				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets					
Loans and receivables:					
Sale of condominium units (including noncurrent portion)	₱9,235,566	₱20,604,092	₱–	₱20,604,092	₱–
Investment properties (see Note 12)	7,929,445	19,451,422	–	6,367,422	13,084,000
Available-for-sale financial assets	16,808	16,808	13,500	–	3,308
	₱17,181,819	₱40,072,322	₱13,500	₱26,971,514	₱13,087,308
Liabilities					
Other financial liabilities:					
Interest-bearing loans and borrowings (including noncurrent portion)	₱15,633,946	₱16,326,693	₱–	₱–	₱16,326,693
Installment payable	521,054	555,848	–	–	555,848
Retention payable (including noncurrent portion)	860,955	621,847	–	–	621,847
Security deposits (including noncurrent portion)	361,964	217,508	–	–	217,508
	₱17,377,919	₱17,721,896	₱–	₱–	₱17,721,896

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and Cash Equivalents, Trade Receivables from Lease, Advances to Officers and Employees, Other Receivables, Restricted Cash, Refundable Deposits and Trade and Other Payables. Due to the short-term nature of transactions, the carrying values of these instruments approximate the fair values as at financial reporting period.

Trade Receivables from Sale of Condominium Units. The fair values of trade receivables from sale of condominium units were calculated by discounting the expected future cash flows at prevailing credit adjusted PDEx interest rates ranging from 3.2% to 5.7% as at December 31, 2017 and from 1.8% to 5.0% as at December 31, 2016.

Available-for-Sale Investments. The fair values of quoted equity securities were determined by reference to published two-way quotes of brokers as at financial reporting date. Unquoted equity securities for which no other reliable basis for fair value measurement is available, were valued at cost, net of impairment, if any.

Interest-bearing Loans and Borrowings. The fair values of fixed rate loans were calculated by discounting the expected future cash flows at prevailing credit adjusted PDEx interest rates ranging from 3.2% to 5.7% as at December 31, 2017 and 1.8% to 5.0% as at December 31, 2016.

Installment Payable. The fair value of installment payable were calculated by discounting the expected cash flows at prevailing credit adjusted PDEx interest rates ranging from 3.2% to 5.7% as at December 31, 2017 and 1.8% to 5.0% as at December 31, 2016.

Retention Payable and Security Deposits. The fair values were calculated by discounting the expected future cash flows at prevailing credit adjusted PDEx interest rates ranging from 3.2% to 5.7% as at December 31, 2017 and 1.8% to 5.0% as at December 31, 2016. For the years ended December 31, 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

31. Basic/Diluted Earnings Per Share Computation

	2017	2016	2015
	(In Thousands, Except Numbers of Shares and Per Share Data)		
Net income attributable to equity holders of the Parent Company	₱2,110,245	₱1,823,981	₱1,643,731
Dividends on preferred shares	(1,650)	(1,650)	(1,650)
Net income attributable to common shares (a)	2,108,595	1,822,331	1,642,081
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	9,513,500	4,183,823	5,677,731
Weighted average number of common shares – diluted (c)	6,126,275,698	6,120,946,021	6,122,439,929
Per share amounts:			
Basic (a/b)	₱0.3447	₱0.2979	₱0.2685
Diluted (a/c)	₱0.3442	₱0.2977	₱0.2682

32. Segment Information

PFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker.

For management purposes, the Group's operating segments is determined to be business segments as the risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group manages its operations under the following business segments:

- *Residential Development* is engaged in the development, selling, and property management of all residential projects of the Group. It also includes the operations of the Rockwell Club.
- *Commercial Development* is engaged in the sale, leasing and other related operations in the course of the management of commercial buildings or spaces used for retail and office leasing, including cinema operations.
- *Hotel segment* is engaged in leasing of serviced apartments and management of hotel and resort operations. Its hotel portfolio includes serviced apartments located in Edades Towers and Garden Villas, The Grove and Joya Lofts and Towers.

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

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

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

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

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

Business Segments

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

	2017			
	Residential Development	Commercial Development	Hotel	Total
Revenue	₱12,566,999	₱1,423,700	₱312,694	₱14,303,393
Costs and expenses	(10,189,897)	(508,093)	(237,262)	(10,935,252)
Share in net income of a joint venture	–	264,763	–	264,763
Other income – net	(1,377)	–	(1)	(1,378)
EBITDA	2,375,725	1,180,370	75,431	3,631,526
Depreciation and amortization	(248,379)	(210,955)	(32,377)	(491,711)
Interest expense	(250,977)	(6)	–	(250,983)
Provision for income tax	–	–	–	(799,661)
Consolidated net income	₱1,876,369	₱969,409	₱43,054	₱2,089,171

	2017			
	Residential Development	Commercial Development	Hotel	Total
Assets and Liabilities				
Segment assets	₱30,493,074	₱422,139	₱592,979	₱31,508,190
Investment properties	813,542	10,650,215	204,486	11,668,243
Investment in joint venture	–	2,881,116	–	2,881,116
Property and equipment	1,498,014	716,782	626,650	2,841,446
Total assets	₱32,804,630	₱14,670,252	₱1,424,115	₱48,898,997
Segment liabilities	₱27,858,385	₱3,154,420	₱171,434	₱31,184,239

	2016			
	Residential Development	Commercial Development	Hotel	Total
Revenue	₱11,040,158	₱1,324,416	₱346,729	₱12,711,303
Costs and expenses	(8,876,504)	(456,690)	(258,127)	(9,591,321)
Share in net income of a joint venture	–	254,231	–	254,231
Other income – net	4,031	–	–	4,031
EBITDA	2,167,685	1,121,957	88,602	3,378,244
Depreciation and amortization	(169,135)	(280,358)	(50,772)	(500,265)
Interest expense	(221,798)	(139,688)	(28,362)	(389,848)
Provision for income tax	–	–	–	(671,897)
Consolidated net income	₱1,776,778	₱701,911	₱9,468	₱1,816,234

	2016			
	Residential Development	Commercial Development	Hotel	Total
Assets and Liabilities				
Segment assets	₱25,136,487	₱1,509,962	₱245,643	₱26,892,092
Investment properties	809,559	7,119,886	–	7,929,445
Investment in joint venture	–	2,879,249	–	2,879,249
Property and equipment	1,505,007	269,618	962,361	2,736,986
Total assets	₱27,451,053	₱11,778,715	₱1,208,004	₱40,437,772
Segment liabilities	₱22,701,816	₱1,907,059	₱150,508	₱24,759,383

	2015			
	Residential Development	Commercial Development	Hotel	Total
Revenue	₱6,515,111	₱2,147,116	₱260,002	₱8,922,229
Costs and expenses	(4,962,491)	(856,260)	(198,172)	(6,016,923)
Share in net income of joint venture	–	170,844	–	170,844
Other income – net	6,456	–	–	6,456
EBITDA	1,559,076	1,461,700	61,830	3,082,606
Depreciation and amortization	–	–	–	(335,687)
Interest expense	–	–	–	(471,188)
Provision for income tax	–	–	–	(633,386)
Consolidated net income	₱1,559,076	₱1,461,700	₱61,830	₱1,642,345
Assets and Liabilities				
Segment assets	₱22,221,512	₱1,638,054	₱224,331	₱24,083,897
Investment properties	800,615	5,813,243	–	6,613,858
Investment in joint venture	–	3,030,463	–	3,030,463
Property and equipment	1,261,420	259,322	780,890	2,301,632
Total assets	₱24,283,547	₱10,741,082	₱1,005,221	₱36,029,850
Segment liabilities	₱21,266,467	₱455,574	₱128,164	₱21,850,205

33. Supplemental Disclosure of Cash Flow Information

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

	January 1, 2017	Cash flows	Reclassification from noncurrent to current	Net amortization of discount	December 31, 2017
Current portion of interest-bearing loans and borrowings	₱1,711,506	(₱1,711,506)	₱2,020,014	₱–	₱2,020,014
Interest-bearing loans and borrowings - net of current portion	13,922,440	5,992,979	(2,020,014)	6,653	17,888,752
Installment payable	521,054	–	–	23,903	544,957
Total liabilities from financing activities	₱16,155,000	₱4,281,473	₱–	₱30,556	₱20,453,723

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