ROCKWELL LAND

ANNUAL REPORT
2015

FPH
A Lopez Group Company
POWERED BY GOOD

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Seeing Through Prisms of Possibilities

Rockwell has the capacity for unparalled reinvention because it chooses to envision whatever it develops through many different prisms.

Rockwell Land sees its own people through the prism of passion. A passion driven by the desire to perfect their projects and deliver beyond expectations.

Together, these people choose to see communities, the city scapes and the lifestyles that they are elavating through a prism of spectatcular progress.

Message of the Chairman

Over the last 20 years, Rockwell Land has transformed itself from a single project, inner city developer into a diversified company with immense potential for sustained growth.

It all started with the development of the 15.5 hectare Rockwell Center in Makati City, which today has expanded to 19.1 hectares with The Proscenium. This was followed by three other major developments: the 5.4 hectare The Grove in Pasig City, which was the first venture of Rockwell Land outside Rockwell Center; the 1.3 hectare, three-building complex Rockwell Business Center (RBC) in the Ortigas Business District, which was the company's first office development; and the 3.2 hectare residential enclave 32 Sanson in Cebu City, the company's first regional project.

All these have become world-class communities that evoke pride in us Filipinos, as they stand out in quality and elegance. The Rockwell Land team worked with both foreign and local professionals to ensure that we would deliver what the market wanted. We aim to continue growing the business in order to make available to more Filipinos the well-designed, self-contained communities for which Rockwell Land has gained renown.

Indeed, we accomplished much to pursue this vision in the last five years, as economic fundamentals supported sustainable growth, fueled by strong OFW (Overseas Filipino Worker) remittances and revenues from the BPO (Business Process Outsource) industry, which have been growing at the compounded annual growth rate of 7% and 17%, respectively, since 2010. In addition, we witnessed increased infrastructure spending by the government, which now stands at 5% of total GDP from just 2.5% of GDP in 2010, and steadily increasing tourism arrivals, which has been growing at 9% since 2010 and just reached the five million mark in 2015.

In line with this period of growth, we actively formed partnerships and acquired key properties in the last five years that would match the requirements of our country's growing economy. We launched the Primaries brand in 2013 to cater to the broader market, and in 2015, we acquired properties that are now being marketed as The Vantage at Kapitolyo, located in Pasig City, and East Bay Residences, located in Muntinlupa City. We also went in full swing with our first pocket development, Santolan Town Plaza. These projects do not only cater to OFWs and their children, but also to the demands of young families and urban professionals for comfort, convenience, safety and security in their homes and environs.

We are soon developing the Rockwell Business Center on Sheridan Street in Mandaluyong, and will also be involved in developing townships, in particular, a 37-hectare property in Batangas. These will address the continued expansion of the BPO industry, as well as government infrastructure spending as development is brought outside Metro Manila. Our OFWs and Primaries customers will also surely be attracted to our first township, which will make residences available in proximity to light industrial complexes where skilled workers and professionals are in high demand.

In response to higher tourism arrivals, we have Aruga Serviced Apartments both in Makati and in Pasig, as well as a new acquisition, Punta Engaño in Mactan, Cebu.

On the risk management side, we know that the property market operates in cycles. We did not expect the low interest rate environment that prevailed in the last five years to last forever. We did not expect the rate of launches and sale of condominiums, from an average of 16,000-18,000 in 2006-2007 up to highs of 58,000-60,000 annually from 2010-2012, to continue unabated. We remained quite aware of external risks brought about by challenges in major global economies that could easily overturn the real estate industry, especially when interest rates surge upward.

Although it was appropriate to be aggressive as the Philippines quickly grew in recent years, we remained cautious in our optimism and prudent in our action. We strengthened our balance sheet by gradually increasing our recurring income. This would insulate Rockwell Land from external shocks, given the cyclical nature of the real estate industry. In the next five years, we intend to have more office buildings and retail pocket developments in several cities in Metro Manila, aside from the ongoing expansion of the Power Plant Mall.

Given the current market slowdown in condominium sales felt by all the players in the industry, we continue with our cautiously optimistic stance. We will be selective with our moves and individually weigh the risk and return profile of every project in our purview.

With this, let me thank the various men and women of Rockwell Land who have built the Rockwell brand through the years; for reshaping the landscape of quality living that touches lives and contributes to nation building. We share with you, our fellow shareholders, our dream of developing more self-contained communities in more cities nationwide.

More than aspiring to grow big, our utmost desire is to have more of our fellow Filipinos enjoy the Rockwell lifestyle, so that what is available to discriminating property owners overseas becomes available to our hardworking people in our own country.

We look forward to spreading the Rockwell Land lifestyle to fulfill every Filipino's dream of quality living, as well as provide access to safe and secure neighborhoods where they could build lasting memories and aspire for an even brighter future for themselves and their loved ones. That is actually our brand promise. This is what we, at Rockwell Land, strive to uphold and deliver today in the coming years.

Mabuhay!

Ambassador Manuel M. Lopez

Report of the President

2015 marked 20 years of creating the Rockwell brand.

With 14 completed projects spanning across residential, commercial, hotel and leisure and provincial developments, Rockwell is now a diversified brand solidly established in the Philippine real estate industry.

We already have presence outside Metro Manila and have created new brands, namely: Rockwell Business Center (2008), Rockwell Primaries (2013), and Aruga by Rockwell (2014) to serve various types of customers and to help grow our business in various locations.

But this didn't come easy for us. With market and industry challenges and organizational stretch, we were determined to change the game in the property industry by providing our clientele with innovations that redefined luxury living. We would like to think that we have become the preferred developer in the high end market for inner-city developments in Metro Manila.

The past 5 years were the most eventful. In 2011, we entered a very exciting phase when we acquired properties to be our "firsts": **205 Santolan**, our first townhouse development and **53 Benitez**, our first mid-rise development. And of course, we acquired **The Proscenium**, our biggest high-end development yet.

This was followed by our acquisition in 2012 of our first development outside Metro Manila: a 3.2 hectare lot in Lahug, Cebu City now called **32 Sanson by Rockwell**.

In 2013, we extended the Rockwell lifestyle to the growing mid-market with the introduction of our second brand, **Rockwell Primaries**. Riding on the booming BPO market, we also started construction of the third office tower of **Rockwell Business Center** in Ortigas.

2014 was a busy year with the launch of our first ever venture into the hospitality industry, the **Aruga Serviced Apartments**.

2015 turned out to be another busy year!

Rockwell Center, Makati City: Heightened Sophistication

A new kind of sophistication came to life in The Proscenium with its 5 residential towers and a performing arts theater, master planned by the world-renowned architect, Carlos Ott, designer of the L'Opera dela Bastille in France. **The Proscenium Residences**, the biggest among the 5 towers, was launched in September 2015. The launch was held at the 19-storey premium office building, **8 Rockwell**, which was completed in December 2015.

8 Rockwell also offers a luxury retail row which is now home to foreign brands like Balenciaga, Lanvin, Laduree and Vera Wang, the last three brands being the first in the Philippines. 8 Rockwell is now home to Wyeth Philippines (pharmaceutical), Ogilvy (international advertising agency), Estee Lauder (leading global cosmetics company) and ABS CBN's ANC Studio, to name a few.

To enhance the Rockwell lifestyle, the expansion of the Power Plant Mall started construction in April 2015 and will add 12% of leasable space with a landmark 20-storey Aruga Hotel above it.

2nd Rockwell Center, Pasig City: Coming-to-Life of The Grove

After the successful delivery of Towers A&B, we started the turnover of Towers C&D in 2015, bringing the overall count of residents at The Grove to nearly a thousand.

The Grove's resort-like lifestyle was further highlighted with the opening of the 8,000 square meter Amenity Deck, the biggest poolside deck among all Rockwell developments. In addition, The Grove Retail Row was also launched. Anchored by Rustan's Supermarket, it offers unique restaurant concepts and specialty services, completing the promise of providing The Grove community with utmost convenience and accessibility.

2nd Residential Brand: Rockwell Primaries

After the success of **53 Benitez**, the first project of Rockwell Primaries, we secured two (2) new properties to be developed over a 7-10 year span.

First is the 5,000 square meter residential project, **The Vantage at Kapitolyo**, strategically located in Pasig City. The first tower, launched in August 2015, received an enthusiastic reception from the public. The second tower will be launched later this year.

Second is the 6.5 hectare lot in Sucat, Muntinlupa City which we will launch as **East Bay Residences**. This residential development will offer modern conveniences in a gated community village setting. The first tower will be launched this year.

2nd Rockwell Business Center (RBC)

With our very good experience with our first BPO center, we signed a long-term lease agreement on a 1-hectare property at the corner of United and Sheridan Streets in Mandaluyong City to build a 15-storey twin tower office development called **RBC Sheridan**. This will add 48,000 square meters of leasable space to our office portfolio and is targeted for completion in 2017.

1st Pocket Retail Development: Santolan Town Plaza

With changing customer preferences on shopping and convenience, we now are building our first total lifestyle community retail in **Santolan Town Plaza** located in the city of San Juan. This community retail will offer four boutique cinemas, a wide array of casual dining restaurants and neighborhood conveniences – set amongst lush landscaping and open spaces dotted by pavilions. There will be three floors of retail and cinemas and five floors of office space due to be completed by September 2017.

Hotel and Leisure Brand: Aruga by Rockwell

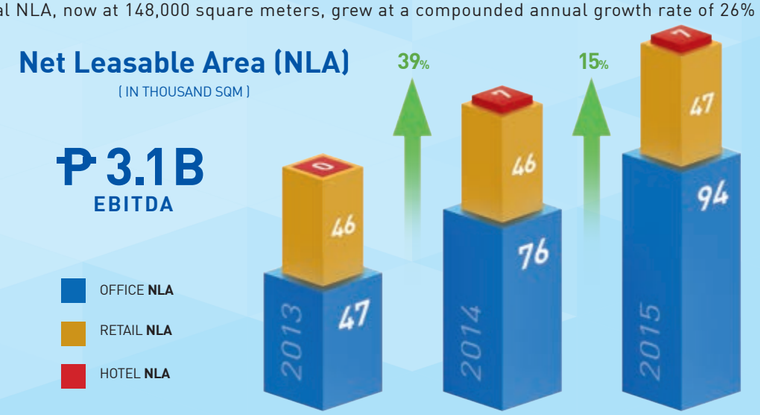
2015 was Aruga's first full year of operations.

It was launched in July 2014 with 114 serviced apartments designed to suit the needs of every kind of traveler The name of the brand, Aruga, was our way of showcasing unique Filipino hospitality.

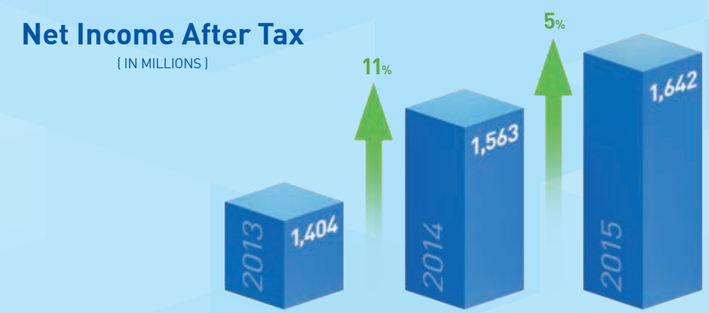
This year, we began operations of the 80-key Aruga Serviced Apartments at The Grove.

Financial Performance

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) reached ₱3.1 billion, garnering a 9% CAGR since 2013. The increase was primarily due to additional office Net Leasable Area (NLA) that came from the completion of the third tower of RBC Ortigas in September 2014 and 8 Rockwell in December 2015. Total NLA, now at 148,000 square meters, grew at a compounded annual growth rate of 26% since 2013.



Our Net Income After Tax (NIAT) increased by 5% year-on-year to ₱1.6 billion, achieving an 8% CAGR since 2013 and 15% since 2010. As a percentage to revenues, this year's net income was at 18%, same as 2014. Total revenues grew to ₱8.9 billion, achieving a 5% CAGR since 2013 and 13% since 2010.



What Lies Ahead

There is reason to look forward to the next 5 years with the rise of The Proscenium and our first Aruga Hotel in Rockwell Center. This will soon be followed in two years' time by the second Aruga Hotel that will further transform the shores of Punta Engaño in Mactan, Cebu. This project will create a ripple of creative development in this island destination.

In Luzon, we hope to build our first township development in Lipa City, Batangas. Rockwell Primaries and Retailscapes can transform this 37 hectare lot into one of the most desirable provincial developments in the south.

After having created several brands that cater to the growing needs of the real estate market, we plan to take these brands into other key cities in the Philippines.

An Organization Dedicated to the Brand Promise

Rockwell Land does all these through the dedication of the men and women who passionately hone their understanding and appreciation of lifestyle trends and innovation. Our promise is to deliver quality and positive memorable customer experience.

Nestor J. Padilla
President & Chief Executive Officer

Business Portfolio

Rockwell Land expands the prism of potential to more areas. With its Makati projects as a head start, they are now developing new locations, each into their unique vision of progress.

WITHIN MAKATI

VISIONS FULLY REALIZED

The first four towers, **Rizal Tower, Hidalgo Place, Luna Gardens, Amorsolo Square** gave the Makati elite their very first experience of the Rockwell lifestyle.

The Manansala, Joya Lofts and Towers and One Rockwell, introduced innovative design concepts that cleverly used new space configurations and re-defined condo living.

Edades Tower and Garden Villas is now in full bloom with the first garden villas in the community.

Completing the Rockwell lifestyle for the past 20 years are the country's most carefully curated lifestyle hubs – **Power Plant Mall** and the highly exclusive **Rockwell Club.**

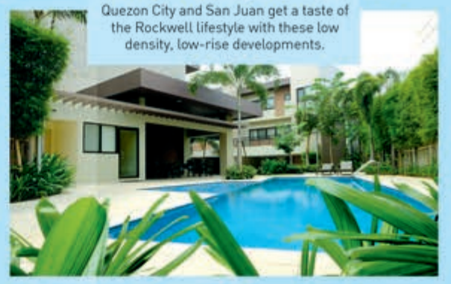
BEYOND MAKATI

The Rockwell Business Center - Ortigas

Rockwell redefines the upscale business address with Rockwell Business Center's 3 towers in Ortigas.

205 Santolan by Rockwell & The Alvendia by Rockwell

Quezon City and San Juan get a taste of the Rockwell lifestyle with these low density, low-rise developments.



RESIDENTIAL

VISIONS-IN-PROGRESS

The Proscenium at Rockwell

A new apex in high end living will soon become a reality with the Proscenium – a superbly masterplanned masterpiece that boasts of a hectare of highly coveted amenities and retail options. The Proscenium – the latest, most eagerly awaited Rockwell residential complex

The Grove by Rockwell

The Grove by Rockwell in Pasig is designed to enfold residents in a beautiful, well-managed and holistic environment with facilities for lifestyle and leisure. A new retail row in this community serves the neighborhood with unique food concepts and a grocery.

32 Sanson by Rockwell

Cebu's first Rockwell development, 32 Sanson in Lahug boasts of 70% open space and lush gardens amidst its 4 towers that look like modern masterpieces of form and function: Raffia, Gmelina, Buri and Solihiya.

RESIDENTIAL

VISIONS-IN-PROGRESS

53 Benitez by Rockwell Primaries

The young, upwardly mobile family will soon have a perfect place to start the life they've been dreaming of this 2016.

The Vantage At Kapitolyo

This vertical village development at the heart of Kapitolyo will bring the convenience of city living, where everything comes together with the integration of retail hubs and condo units.

Stonewell

This vision of the first, affordable housing development by Rockwell Land is fast becoming a reality. Stonewell's 752 units also boasts of a clubhouse, basketball court and playground.

OFFICE, RETAIL AND HOTEL

VISIONS-IN-PROGRESS

8 Rockwell

8 Rockwell, a high-end business tower located right beside Power Plant Mall is fast becoming Makati's most highly coveted business address. It houses the restaurant, Solstice and revered retail brands like Balenciaga, Lanvin, Homme et Femme, Laduree and soon to come, Vera Wang.

Power Plant Mall Expansion

With 5,300 square meters of new additional space, Power Plant Mall will soon be an even more exciting destination for highly curated, globally and locally renowned fashion, lifestyle and dining choices. With this much anticipated expansion, two new cinemas, a bigger chapel and a highly rated hotel will soon be added.

OFFICE, RETAIL AND HOTEL

VISIONS-IN-PROGRESS

Santolan Town Plaza

Santolan Town Plaza, the first total lifestyle community retail venture of Retailscapes, will soon be serving San Juan a wide array of easily accessible choices for casual dining restaurants and neighborhood conveniences – all within lush landscaping and open spaces dotted by pavilions. Among its features are three floors of retail and cinema spread out across 10,000 square meters and five floors of offices contained within 10,000 square meters due to be completed by September 2017.

Rockwell Business Center - Sheridan

This 44,000 square meter comprehensive business establishment will soon be housing BPO companies within two state-of-the-art towers, each made up of 15 floors and a retail arcade. Due to be completed by 2017.

Aruga by Rockwell

In Edades

In 2014, the Rockwell community got bigger and better with the opening of Aruga by Rockwell which has its own Aruga Café, and is ready to serve expats, transients and tourists with 114 serviced apartments.

At The Grove

Aruga, which recently opened last April 2016, has 80 serviced apartments that are ready to serve transients and tourists in Pasig who also want to experience The Grove.

VISIONS COMING TRUE

Edades Suites

These ultra-exclusive residential spaces offer a beautiful view of the city. The Edades Suites redefines the meaning of high living: each unit has its own elevator that opens directly into a private foyer – an experience that makes privacy the one true luxury.

East Bay Residences

East Bay Residences is Rockwell Primaries' landmark project in the South of Metro Manila. This 6.5 hectare property in Sucat, Muntinlupa will soon be an accessible yet private condominium enclave with its own retail center. Plus, it is spacious enough to accommodate young growing families and professionals.

Aruga Hotel, Makati

Aruga means to care for and this is exactly what Rockwell aims to do with its first venture in the hospitality industry with over 200 hotel rooms spread out across 20 floors that total almost 28,000 square meters. Amenities include a lounge bar, spa, all day dining restaurant with private dining rooms, gym, ballroom, meeting rooms, outdoor terrace for events & executive lounge, pool deck with sky bar, specialty restaurant, swimming pool and cabanas – all designed to make our distinguished guests feel like they are in their second home.

Board of Directors

The Board of Directories of Rockwell Land. Men of uncanny foresight who can envision the future through a prism of uncompromising excellence that inspires the extraordinary people that surrounds them.

Monico V. Jacob
INDEPENDENT DIRECTOR
April 2016 – present

- President and Chief Executive Officer
  - STI Education Services Group
  - STI West Negros University
- Chairman
  - PhilPlans First Inc.
  - Philippine Life Financial Assurance, Inc.
  - Total Consolidated Asset Management, Inc.
  - Ateneo de Naga University
- President
  - STI Education Systems Holdings, Inc.
  - Maestro Holdings, Inc.
- Director
  - Philhealthcare, Inc.
  - Jollibee
  - Asian Terminals
  - 2Go Group
  - Phoenix Petroleum Phils. Lopez Holdings

Vicente R. Ayllon
INDEPENDENT DIRECTOR
2012 - April 2016

- Director
  - The Palms Country Club

Prior to 2016 Retirement:

- Chairman and CEO
  - The Insular Life Assurance Co., Ltd
- Chairman and President
  - Insular Life Property Holdings, Inc.
- Chairman
  - Insular Investment Corp.
  - Insular Health Care, Inc.
  - Insular Foundation
  - Insular Life Management & Development Corporation
  - Home Credit Mutual Building & Loan Association
- Vice Chairman
  - Union Bank of the Philippines
  - Mapfre Insular Insurance Corp.
- Director
  - Pilipinas Shell Petroleum Corp.
  - Shell Co. of the Philippines, Ltd.

Eugenio L. Lopez III
DIRECTOR
1995 - present

- Chairman
  - ABS-CBN Corp.
  - Sky Cable Corp.
- Vice Chairman and President
  - Bayan Telecommunications Holdings
- President
  - Lopez Inc.
- Vice Chairman
  - Lopez Holdings Corp.
- Chairman Emeritus
  - ABS-CBN Lingkod Kapamilya Foundation, Inc.
- Director
  - First Gen Corp.
  - First Philippine Holdings Corp.
  - Ang Misyon Inc.

Federico R. Lopez
VICE-CHAIRMAN
2012 - present

- Chairman and CEO
  - First Philippine Holdings Corp.
  - First Gen Corp.
  - Energy Development Corp.
  - First Gas Power Corp.
  - First Gas Holdings Corp.
  - FGP Corp.
  - First Philippine Industrial Corp.
- Chairman
  - First Philippine Electric Corp.
  - First Philippine Realty Corp.
  - First Balfour, Inc.
  - Philippine Solar Car Challenge Society, Inc.
- Director
  - ABS-CBN Corporation

Nestor J. Padilla
PRESIDENT AND CEO, DIRECTOR
1995 - present

- Senior Vice President
  - First Philippine Holdings Corp.
- Director
  - First Batangas Hotel Corp.
  - First Philippine Realty Corp.
  - First Philippine Industrial Park

Ambassador Manuel M. Lopez
CHAIRMAN OF THE BOARD
1995 - present

- Currently serving as Philippine Ambassador to Japan
  - Awarded the Rank of the Order of Sikatuna, Gold
- Chairman and CEO
  - Lopez Holdings Corp.
- Chairman of the Board
  - Bayan Telecommunications Holdings Corp.
  - Rockwell Leisure Club, Inc.
- Vice-Chairman
  - First Philippine Holdings Corp.
  - Lopez Inc.
- President
  - Eugenio Lopez Foundation, Inc.
- Director
  - ABS-CBN Corp.
  - ABS-CBN Holdings Corp.
  - Sky Cable Corp.
  - Sky Vision Corp.
  - First Philippine Realty Corp.
  - Lopez Group Foundation Inc.
  - Manila Electric Company

Oscar M. Lopez
CHAIRMAN EMERITUS
2012 - present

- Chairman Emeritus
  - Lopez Holdings Corp.
  - Energy Development Corp.
  - First Philippine Holdings Corp.
- Chairman
  - Asian Eye Institute
- Director
  - ABS-CBN Corporation

Miguel Ernesto L. Lopez
DIRECTOR, SENIOR VICE-PRESIDENT AND TREASURER
2010 - present

- General Manager and Senior Vice President, Rockwell Integrated Property Services Inc.
- Senior Vice President and Head of Corporate Affairs, Lopez Holdings Corporation
- Director
  - Philippine Commercial Capital Inc.
  - Rockwell Leisure Club Inc.
- Trustee
  Eugenio Lopez, Foundation, Inc.
- Consultant
  Lopez Group Foundation, Inc.

Manuel L. Lopez, Jr.
DIRECTOR
2011- present

- Chairman and CEO, Global Integrated Contact Facilities, Inc.
- CEO, SLASHdotPH
- Executive Vice President Benpres Insurance Agency Inc.
- Director
  - Lopez Inc.
  - Philippine Trade Foundation Inc.
  - Stargate Media
  - Philippine Commercial Capital Inc.

Ferdinand Edwin S. Co Seteng
DIRECTOR
2013 – present

- President, First Philippine Industrial Park
- Executive Vice President and Director, First Philippine Holdings

Francis Giles B. Puno
DIRECTOR
2013 – present

- President, COO and Director
  - First Gen Corp.
  - First Philippine Holdings Corp.
- Director
  - Energy Development Corp.

Oscar J. Hilado
INDEPENDENT DIRECTOR
2015- present

- Chairman
  - Philippine Investment Management (PHINMA), Inc.
  - Phinma Corp.
  - Trans Asia Oil & Energy Development Corp.
  - Phinma Property Holdings Corp.
  - Union Galvasteel Corporation
- Vice Chairman
  - Trans Asia Power Generation Corp.
  - Trans-Asia Petroleum Corp.
- Director
  - Soriano Corporation
  - First Philippine Holdings Corp.
  - 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 Corp.
  - Seven Seas Resorts and Leisure, Inc.
  - Asian Eye Institute
  - Roxas Holdings, Inc.
  - Araullo University, Inc.
  - Cagayan de Oro College, Inc.
  - University of Iloilo, Inc.
  - University of Pangasinan, Inc.
  - Microtel Inns & Suites (Pilipinas) Inc.
  - Trans Asia Renewable Energy Corp.

Management Team

They are not just leaders.
They are visionaries
who see their people
through a prism of success
that is steadily being realized.

Nestor J. Padilla
President & Chief Executive Officer

Valerie Jane Lopez-Soliven
Senior Vice-President,
Rockwell Residential Development

Maria Lourdes Lacson-Pineda
Senior Vice-President,
Rockwell Primaries

Ellen V. Almodiel
Senior Vice-President, Finance &
Accounting and Chief Finance Officer

Miguel Ernesto L. Lopez
Treasurer & Senior Vice-President,
Property Management

Davy T. Tan
Vice President,
Provincial Development- VisMin

Estela Y. Dasmariñas
Vice President,
Human Resources

Divino M. Villanueva, Jr.
Vice President,
Provincial Development- Luzon

Adela D. Flores
Vice President,
Property Management

Abel L. Roxas
Vice-President,
Project Development

Adolfo O. Granados
Senior Consultant,
Finance & Accounting

Garry P. Constantine
Senior Consultant,
Project Development

Belen C. Nones
Consultant,
Estate and Cinema Management

Alex Jureeratana
Senior Consultant,
Hotel & Leisure Development

Esmeraldo C. Amistad
Assistant Corporate Secretary

Enrique I. Quiason
Corporate Secretary

Angela Marie B. Pagulayan
Assistant Vice President,
Hotel & Leisure Development

Geraldine B. Brillantes
Assistant Vice President & General Manager,
Rockwell Club

Jesse S. Tan
Assistant Vice-President,
Commercial Development

Corporate Governance

COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

Rockwell adopted its Manual on Corporate Governance (the "Manual") on May 2, 2012. 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:

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

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

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

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

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

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

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

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

Rockwell continues to abide by all the governance regulatory requirements. It has filed the Certificate required by the SEC certifying its, as well as its directors, officers and employees, compliance with the manual last January 29, 2013. Rockwell submitted to the Philippine Stock Exchange its responses to the Disclosure Template on Corporate Governance Guidelines for Listed Companies last March 31, 2016.

Apart from 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.

Rockwell's current board composition serves to insure independent, impartial and fair discussions having two independents, seven non-executive and two executive members. The Board shall hold regular meetings and may convene for special meetings as may be required by business exigencies in accordance with the provisions of the By-Laws.

Pursuant to the Manual for Corporate Governance, the Board has formed committees: Audit Committee, Nomination and Election Committee and Risk Management Committee.

Rockwell also has an Internal Audit Group ("IAG") composed of Certified Public Accountants. The IAG reports to the Board through the Audit Committee. The IAG provides assurance and consulting functions for Rockwell in the areas of internal control, corporate governance and risk management. It conducts its internal audit activities in accordance with the International Standards for Professional Practice of Internal Auditing (ISPPIA) under the International Professional Practices Framework.

It bears mention that the Audit Committee is chaired by an independent director. The Nomination and Election Committee and Risk Management Committee are composed of four members of the board, one of which is an independent director.

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 Nomination and Election Committee should they have recommendations and/or nominations for board directorship.

Community Building

Chinese New Year

February 19, 2015

The Year of the Sheep was celebrated in true Rockwell style as dragon and lion dancers paraded around all Rockwell communities to usher in a year's worth of good fortune. Sweet treats were given to the kids who witnessed this auspicious tradition.

Blockville: Build a 100% Rockwell Easter Eggs-perience

April 5, 2015
at Rockwell Center
and The Grove

At Rockwell, Easter is not just fun, it's an elaborately conceived celebration like Blockville: A 100% Rockwell Easter. Inspired by the world famous video game Minecraft and the iconic Lego, Blockville was an adventure-packed event for kids.

What's more, Rockwell prepared an educational yet exciting program that included performances by magicians, Mad Science and the Neutron Acrobats, face painting, cookie-making, and toy building. The day ended with over 300 kids and their families combined, at the Rockwell Tent and at the Great Lawn in The Grove, going home with candies, chocolates and other Easter goodies.

Rockwell Cup

March 12-13, 2015

In 2015, the prestigious Rockwell Cup was a success with 149 golfers, composed of residents, club members and friends, playing for highly coveted prizes or simply for a day of unforgettable excitement. It was held for the first time at Wack Wack Golf and Country Club.

The highlight of the Community Dinner on the second day was not only the awarding of the tournament winners but also a gathering for the benefit of charitable institutions – Mary's Way Foundation, Ginto Foundation and Missionaries of the Child Jesus. Over 300 highly esteemed guests were feted and entertained by hosts Danny Javier, Gretchen Fullido and the acclaimed band REO Brothers

Into the Playhouse: A 100% Larger Than Life Rockwell Halloween Experience

October 24, 2015
at Rockwell Center

October 31, 2015
at The Grove

Halloween became a festive event never before experienced at Rockwell's magical playhouse - a place filled with larger than life toys, exciting games and fun activities where over 700 families were entertained by magicians, interactive storytelling and a puppet show at the Rockwell Tent and at The Grove.

Corporate Social Responsibility

Make A Wish Foundation Partnership

November 4, 2015

Rockwell teamed up with Make A Wish Foundation Philippines to help grant a day of wishes coming true for three ill children: Andrei, Kyle and Rowie who all suffer from Beta Thalassemia, a life-threatening blood disorder.

The children enjoyed their favorite dishes at Wooden Spoon followed by a photoshoot at Picture Company where the kids dressed up as if they were working in their dream professions. Then they were treated to their own private screening of Pan at Power Plant Cinema. At the end of the day, their wishes came true when they were given their gifts: a Transformers toy for Andrei, a Kitchen Set for Kyle, and a Lego Set for Rowie.

The Binhi Program (Tree Planting)

June 05, 2015

The Grove by Rockwell served as a venue to support Energy Development Corporation's "BINHI: A Greening Legacy" – a nationwide project for reforestation, biodiversity preservation and sustainable livelihood for forest communities. Under this advocacy, "BINHI – Tree for the Future" aims to rescue endangered premium Philippine timber tree species by planting their seedlings in school grounds, public parks, and similar areas that can provide a safe haven for their long-term survival. In aid of this worthy advocacy, these endangered trees were planted and protected at The Grove.

Adopt A School Program

July 7, 2015

Rockwell donated P15.8M for the construction of 12 classrooms damaged by typhoons in Bicol, Iloilo and Bukidnon. For this commitment, Rockwell signed a Memorandum of Agreement with the Department of Education.

Servathon 2015

October 17, 2015

Rockwell Land supported Hands On Manila's Servathon 2015, an assemblage of service projects that aims to support an identified community of indigent families and children, by choosing the Supplemental feeding program and nutrition kiddie class activity.

Saints Peter & Paul Feeding Program

August 9, 2015

Rockwell held a feeding program for 200 less fortunate children from the Sts. Peter and Paul Parishes.

White Cross Children's Home

January 2015

Rockwell volunteers gathered at the White Cross Children's Home to lead the refurbishing of their playground and to paint a mural for the orphanage.

At A Glance

2015 Performance Review

Rockwell Land Corporation's net income after tax in 2015 amounted to ₱1.6 billion, up by 5% than last year. The Company's net income grew by 8% compounded annually since 2013 and 15% since 2010. As a percentage to revenues, this year's net income was 18%, same as 2014.

Total revenues grew to ₱8.9 billion in 2015, growing at a compounded annual rate of 7% since 2013 and 13% since 2010. Residential development accounts for 73% of the total revenues, which is lower from its 84% share in 2014. On the other hand, the overall commercial development accounts for 24% of the total revenues, this includes the sale of office units from 8 Rockwell which accounted for 12% and the contribution of Hotel Operations which likewise grew from 1% to 3% of total revenues. Our Hotel Operations reported its first full year of operations in 2015 since its launch in July 2014.

SEGMENT	SOURCE OF REVENUES	2013	% TO TOTAL	2014	% TO TOTAL	2015	% TO TOTAL
Residential Development	Residential Sales [1]	6,573	84%	7,092	80%	6,170	69%
Commercial Development	Commercial Leasing	727	9%	735	8%	793	9%
	Office Sales [2]		9%	336	4%	1,043	12%
Hotel Operations	Hotel Revenues		9%	90	1%	260	3%
	Others[3]	530	7%	600	7%	656	7%
TOTAL CONSOLIDATED REVENUES		7,830	100%	8,853	100%	8,922	100%

Note:
(1) Pertains only to sales of condominium units (at present value) and related interest income.
(2) Pertains to sale of office units (at present value) and related interest income.
(3) Includes income from Cinema, parking and other income from various segments (ex. Residential leasing commission income, income from the tent, etc).

Total revenues reported from the sale of condominium units, including accretion of interest income, amounted to ₱6.2 billion. The 13% decrease was primarily due to the lower completion of The Grove, Edades, and Alvendia, which were substantially complete in 2014. Reservation sales reached ₱8.1 billion mainly coming from the Proscenium towers.

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

The details of the performances per source of revenue stream under the segment, Commercial Development, are as follows:

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

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

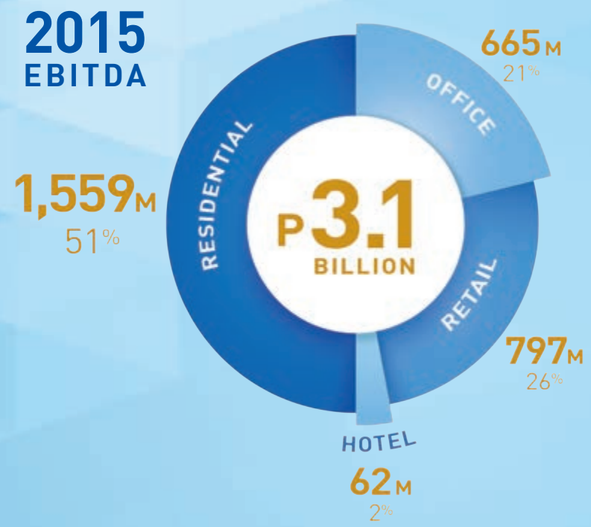
- Revenue from sale of office units of 8 Rockwell amounted to ₱1,043 million. This revenue pertains to revenue recognized based on completion and related interest income recognized from sale of office units. Succeeding periods will include revenues from leasing 8 Rockwell office spaces of 18,470 sqm as full completion was achieved end 2015.

- Office Leasing, operated under the Rockwell-Meralco BPO Venture, generated gross revenues of ₱529.1 million, which is higher by 63% than last year's ₱324.4 million due to higher occupancy of the third tower. The third tower has reached 100% occupancy by the end of the year. At its 70% share, the Company generated revenues of ₱370.4 million and a share in net income of ₱170.8 million. To reiterate, only the ₱170.8 million share in net income of RBC is reflected in the Company's consolidated statements of comprehensive income as "Share in Net Losses (Income) of JV".

Hotel Operations contributed ₱260.0 million worth of revenues, this is 189% higher than last year's ₱89.6 million due to the full year of operations of Aruga Serviced Apartments.

EBITDA[1] in 2015 amounted to ₱3.1 billion, which is about the same level as last year's but representing higher percentage to total revenues of 35% vs. 2014's 35% due to lower cost of real estate.

EBITDA has grown annually by 9% since 2013 and 25% since 2010. Contributions to total EBITDA from residential development, commercial development and hotel operations are currently at 51%, 47% and 2%, respectively.



While EBITDA from Residential Development declined by 26% in 2015, the Commercial Development segment made up for it. The Power Plant Mall continues to be a stable source of income. The opening of additional retail spaces from Edades and The Grove, the full occupancy of the third tower of RBC, and the sale of 8 Rockwell office spaces all contributed to the significant growth of 49% for the commercial development segment's EBITDA compared to previous year. Hotel Operations also grew its EBITDA by 974% to ₱61.8 million.

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

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

Interest Expense amounted to ₱471.2 million, which is 22% lower than last year's ₱603.8 million. The decreases is primarily due to lower debt level of ₱13.8 billion as of December 2015 vs December 2014's ₱15.0 billion. By end of 2015, average interest rate of 5.0%, slightly higher from last year's 4.8%.

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

[1] *EBITDA is derived by adding interest expense, depreciation and amortization and provision for income tax to Net Income.*

FINANCIAL CONDITION

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

Total Liabilities as of December 31, 2015 amounted to ₱21.9 billion, lower than 2014's ₱26.3 billion. The decrease in liabilities was primarily attributable to payment of trade and other liabilities and partial principal loan payment. By the end of 2015, Net debt level was at ₱11.6 billion and stands at 0.82 of total equity.

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

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

Below is a table showing the key performance indicators of the Company for 2013-2015.

KEY PERFORMANCE INDICATORS	AS OF DECEMBER 31		
	2013	2014	2015
Current Ratio (x)	4.13	2.47	2.92
Net DE Ratio (x)	0.52	0.70	0.82

KEY PERFORMANCE INDICATORS	FOR THE YEAR ENDING DECEMBER 31		
	2013	2014	2015
EBITDA (₱)	2.6 billion	3.1 billion	3.1 billion
Interest coverage ratio (x)	8.03	5.60	6.25
ROA	5.1%	4.2%	4.4%
ROE	13.1%	12.9%	12.1%
Basic EPS (₱)	0.23	0.26	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]

Financial Statements

Statement of Management's Responsibility for Financial Statements

The management of ROCKWELL LAND CORPORATION AND SUBSIDIARIES is responsible for the preparation and fair presentation of the consolidated financial statements as of December 31, 2015 and 2014, and for each of the three years in the period ended December 31, 2015, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards.

This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approved the consolidated financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

Manuel M. Lopez
Chairman of the Board

Nestor J. Padilla
Chief Executive Officer

Ellen V. Almodiel
Chief Financial Officer

Signed this 13th day of March 2015.

NAME	PASSPORT NO.	DATE ISSUED	PLACE ISSUED
Manuel M. Lopez	DE0003367	10 June 2013	PE TOKYO
Nestor J. Padilla	EB7323729	07 February 2013	DFA MANILA
Ellen V. Almodiel	EC3260629	26 January 2015	DFA NCR CENTRAL

Doc No. 387;
Page No. 79;
Book No. XVII;
Series of 2016.

Cecilia M. Tuazon
Notary Public for Makati City
Until December 31, 2016
Roll No. 58750 (p. 313, Bk. 24)
IBP No. 1025872; 01/18/16; Manila IV
PTR No. 5330878; 01/11/16; Makati
MCLE Compliance No. V-0013281
The Garage at Rockwell, Estrella St.,
Rockwell Center, Makati City

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

The Stockholders and the Board of Directors
Rockwell Land Corporation

We have audited the accompanying consolidated financial statements of Rockwell Land Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Rockwell Land Corporation and Subsidiaries as at December 31, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Roel E. Lucas
Partner
CPA Certificate No. 98200
SEC Accreditation No. 1079-AR-1 (Group A),
March 4, 2014, valid until March 3, 2017
Tax Identification No. 191-180-015
BIR Accreditation No. 08-001998-95-2014,
January 22, 2014, valid until January 21, 2017
PTR No. 5321652, January 4, 2016, Makati City

April 6, 2016

Rockwell Land Corporation and Subsidiaries

Consolidated Statements of Financial Position

(AMOUNTS IN THOUSANDS)

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7, 29 and 30)	**₱2,249,211**	₱5,995,706
Trade and other receivables (Notes 8, 29 and 30)	**9,024,026**	9,869,935
Land and development costs (Notes 6, 9, 12, 14, 15, 16, 18 and 28)	**8,923,712**	9,106,944
Advances to contractors (Note 9)	**1,558,677**	1,219,827
Condominium units for sale	**112,103**	110,859
Other current assets (Notes 10, 16, 29 and 30)	**1,307,998**	1,237,624
Total Current Assets	**23,175,727**	27,540,895
Noncurrent Assets		
Investment properties (Notes 12 and 15)	**6,613,858**	6,147,124
Investment in joint venture (Note 13)	**3,030,463**	2,859,619
Property and equipment (Notes 14 and 15)	**2,301,632**	1,988,169
Land held for future development (Note 9)	**664,594**	353,081
Available-for-sale investments (Notes 11, 29 and 30)	**15,808**	15,308
Noncurrent trade receivables (Notes 8, 29 and 30)	**10,781**	28,989
Deferred tax assets - net (Note 25)	**6,287**	2,691
Other noncurrent assets (Note 16)	**210,700**	300,835
Total Noncurrent Assets	**12,854,123**	11,695,816
	₱36,029,850	₱39,236,711
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 4, 9, 17, 18, 24, 29 and 30)	**₱5,693,701**	₱8,717,558
Current portion of interest-bearing loans and borrowings (Notes 6, 9, 12, 14, 15, 29 and 30)	**2,202,769**	1,693,781
Current portion of installment payable (Note 16)	**–**	710,536
Income tax payable	**38,764**	8,485
Total Current Liabilities	**7,935,234**	11,130,360
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Notes 9, 12, 14, 15, 29 and 30)	**11,645,404**	13,342,103
Installment payable - net of current portion (Note 16)	**467,007**	467,007
Deferred tax liabilities - net (Note 25)	**911,911**	843,959
Pension liability (Note 24)	**187,496**	105,641
Deposits and other liabilities (Notes 9, 17, 18, 24, 29 and 30)	**703,153**	455,970
Total Noncurrent Liabilities	**13,914,971**	15,214,680
Total Liabilities	**21,850,205**	26,345,040
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Notes 19 and 20)	**6,270,882**	6,270,882
Additional paid-in capital (Notes 19 and 20)	**28,350**	28,350
Unrealized gain on available-for-sale investments (Note 11)	**5,193**	4,743
Other equity adjustments (Note 20)	**291,162**	291,162
Share-based payments (Note 19)	**69,700**	69,700
Retained earnings (Note 20)	**7,379,082**	6,089,792
	14,044,369	12,754,629
Less cost of treasury shares (Notes 1 and 20)	**(185,334)**	(185,334)
Total Equity Attributable to Equity Holders of the Parent Company	**13,859,035**	12,569,295
Non-Controlling Interests	**320,610**	322,376
Total Equity	**14,179,645**	12,891,671
	₱36,029,850	₱39,236,711

See accompanying Notes to Consolidated Financial Statements.

Rockwell Land Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE VALUE)

	Years Ended December 31		
	2015	2014	2013
REVENUE			
Sale of condominium units	**₱6,336,931**	₱6,413,046	₱5,642,149
Interest income (Note 21)	**988,329**	1,116,922	983,404
Lease income (Note 12)	**793,368**	734,864	727,017
Room revenue (Note 14)	**260,002**	89,572	–
Cinema revenue	**210,421**	188,847	216,712
Others (Note 13)	**333,178**	309,536	260,231
	8,922,229	8,852,787	7,829,513
EXPENSES			
Cost of real estate (Notes 9, 12, 22 and 27)	**4,496,722**	4,743,429	4,182,824
General and administrative expenses (Notes 8, 14, 19, 22, 23, 24 and 27)	**1,394,957**	1,107,406	1,040,881
Selling expenses (Notes 22 and 23)	**460,931**	327,134	372,896
	6,352,610	6,177,969	5,596,601
INCOME BEFORE OTHER INCOME (EXPENSES)	**2,569,619**	2,674,818	2,232,912
OTHER INCOME (EXPENSES)			
Interest expense (Notes 15 and 22)	**(471,188)**	(603,848)	(345,223)
Share in net income of joint venture (Note 13)	**170,844**	102,819	93,261
Foreign exchange gain - net (Note 29)	**6,586**	2,902	2,726
Gain (loss) on sale of property and equipment (Note 14)	**(130)**	–	2,436
	(293,888)	(498,127)	(246,800)
INCOME BEFORE INCOME TAX	**2,275,731**	2,176,691	1,986,112
PROVISION FOR INCOME TAX (Note 25)	**633,386**	613,391	582,156
NET INCOME	**1,642,345**	1,563,300	1,403,956
OTHER COMPREHENSIVE LOSS			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Unrealized gain on available-for-sale investments (Note 11)	**500**	–	–
Income tax effect	**(50)**	–	–
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Remeasurement loss on employee benefits (Note 24)	**(57,459)**	(7,438)	(74,550)
Income tax effect	**16,851**	5	24,514
	(40,158)	(7,433)	(50,036)
TOTAL COMPREHENSIVE INCOME	**₱1,602,187**	₱1,555,867	₱1,353,920
Net Income (Loss) Attributable To			
Equity holders of the Parent Company	**₱1,643,731**	₱1,562,600	₱1,402,138
Non-controlling interests	**(1,386)**	700	1,818
	₱1,642,345	₱1,563,300	₱1,403,956
Total Comprehensive Income (Loss) Attributable To			
Equity holders of the Parent Company	**₱1,603,953**	₱1,555,456	₱1,351,455
Non-controlling interests	**(1,766)**	411	2,465
	₱1,602,187	₱1,555,867	₱1,353,920
Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 31)			
Basic	**₱0.2685**	₱0.2552	₱0.2293
Diluted	**₱0.2682**	₱0.2548	₱0.2284

See accompanying Notes to Consolidated Financial Statements.

Rockwell Land Corporation and Subsidiaries

Consolidated Statements of Changes in Equity

For the years ended December 31, 2015, 2014 and 2013

(AMOUNTS IN THOUSANDS)

	Equity Attributable to Equity Holders of the Parent Company									
	Capital Stock (Note 20)	Additional Paid-in Capital (Notes 18 and 19)	Unrealized Gain on Available-for-Sale Investments (Notes 5 and 11)	Other Equity Adjustments (Notes 4 and 20)	Share-based Payments (Note 19)	Retained Earnings (Note 20)	Treasury Shares (Notes 1 and 20)	Total	Non-Controlling Interests (Note 4)	Total Equity
Balance at December 31, 2014	**₱6,270,882**	**₱28,350**	**₱4,743**	**₱291,162**	**₱69,700**	**₱6,089,792**	**(₱185,334)**	**₱12,569,295**	**₱322,376**	**₱12,891,671**
Net income (loss)	**–**	**–**	–	–	–	**1,643,731**	–	**1,643,731**	**(1,386)**	**1,642,345**
Other comprehensive loss	**–**	**–**	**450**	–	–	**(40,228)**	–	**(39,778)**	**(380)**	**(40,158)**
Total comprehensive income	**–**	**–**	**450**	**–**	**–**	**1,603,503**	**–**	**1,603,953**	**(1,766)**	**1,602,187**
Cash dividends (Note 20)	**–**	**–**	–	–	–	**(314,213)**	–	**(314,213)**	–	**(314,213)**
Balance at December 31, 2015	**₱6,270,882**	**₱28,350**	**₱5,193**	**₱291,162**	**₱69,700**	**₱7,379,082**	**(₱185,334)**	**₱13,859,035**	**₱320,610**	**₱14,179,645**
Balance at December 31, 2013	₱6,270,882	₱28,350	₱4,743	₱288,659	₱69,700	₱4,818,757	(₱185,334)	₱11,295,757	₱70,324	₱11,366,081
Net income	–	–	–	–	–	1,562,600	–	1,562,600	700	1,563,300
Other comprehensive loss	–	–	–	–	–	(7,144)	–	(7,144)	(289)	(7,433)
Total comprehensive income	–	–	–	–	–	1,555,456	–	1,555,456	411	1,555,867
Non-controlling interests of an acquired subsidiary (Note 6)	–	–	–	–	–	–	–	–	251,212	251,212
Sale to non-controlling interests	–	–	–	2,503	–	–	–	2,503	429	2,932
Cash dividends (Note 20)	–	–	–	–	–	(284,421)	–	(284,421)	–	(284,421)
Balance at December 31, 2014	₱6,270,882	₱28,350	₱4,743	₱291,162	₱69,700	₱6,089,792	(₱185,334)	₱12,569,295	₱322,376	₱12,891,671
Balance at December 31, 2012	₱6,255,882	₱–	₱4,743	₱286,850	₱–	₱3,691,847	(₱185,334)	₱10,053,988	₱67,217	₱10,121,205
Net income	–	–	–	–	–	1,402,138	–	1,402,138	1,818	1,403,956
Other comprehensive income (loss)	–	–	–	–	–	(50,683)	–	(50,683)	647	(50,036)
Total comprehensive income	–	–	–	–	–	1,351,455	–	1,351,455	2,465	1,353,920
Share-based payments (Note 19)	15,000	28,350	–	–	69,700	–	–	113,050	–	113,050
Sale to non-controlling interests	–	–	–	1,809	–	–	–	1,809	642	2,451
Cash dividends (Note 20)	–	–	–	–	–	(224,545)	–	(224,545)	–	(224,545)
Balance at December 31, 2013	₱6,270,882	₱28,350	₱4,743	₱288,659	₱69,700	₱4,818,757	(₱185,334)	₱11,295,757	₱70,324	₱11,366,081

See accompanying Notes to Consolidated Financial Statements.

Rockwell Land Corporation and Subsidiaries

Consolidated Statements of Cash Flows

(AMOUNTS IN THOUSANDS)

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱2,275,731**	₱2,176,691	₱1,986,112
Adjustments for:			
Interest income (Note 21)	**(988,329)**	(1,116,922)	(983,404)
Interest expense (Note 22)	**471,188**	603,848	345,223
Depreciation and amortization (Note 22)	**335,687**	307,491	265,206
Share in net income of joint venture (Note 13)	**(170,844)**	(102,819)	(93,261)
Share-based payment expense (Note 19)	**–**	–	91,150
Loss (gain) on sale of property and equipment (Note 14)	**130**	–	(2,436)
Unrealized foreign exchange loss (gain) - net	**(6,586)**	1,464	748
Operating income before working capital changes	**1,916,977**	1,869,753	1,609,338
Pension costs (Note 24)	**44,396**	34,041	26,827
Decrease (increase) in:			
Trade and other receivables	**1,796,205**	(2,715,344)	(1,709,446)
Land and development costs	**436,596**	(1,226,054)	(562,184)
Advances to contractors	**(338,850)**	476,771	(641,200)
Condominium units for sale	**(1,244)**	13,424	19,971
Other current assets	**(70,374)**	(283,615)	(438,166)
Contribution to plan assets	**(20,000)**	–	–
Increase in trade and other payables	**(3,002,175)**	3,838,441	1,553,934
Net cash generated from (used for) operations	**761,531**	2,007,417	(140,926)
Interest paid	**(403,651)**	(551,531)	(323,375)
Income taxes paid	**(521,950)**	(418,346)	(347,771)
Net cash provided by (used in) operating activities	**(164,070)**	1,037,540	(812,072)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Investment properties (Note 12)	**(493,485)**	(1,277,718)	(840,090)
Property and equipment (Note 14)	**(419,178)**	(466,110)	(183,363)
Investment in joint venture (Note 13)	**–**	(474,648)	–
Land held for future use	**(664,595)**		
Interest received	**56,241**	106,521	41,726
Proceeds from sale of property and equipment	**–**	–	12,163
Net cash used in investing activities	**(1,521,017)**	(2,111,955)	(969,564)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Sale to non-controlling interests (Note 20)	**–**	2,932	2,451
Availments of loans and borrowings (Note 15)	**500,000**	–	14,861,807
Proceeds from exercise of stock options (Note 19)	**–**	–	21,900
Payments of:			
Interest-bearing loans and borrowings (Note 15)	**(1,709,284)**	(412,000)	(4,458,954)
Installment payable	**(799,755)**	(799,755)	(714,067)
Dividends (Note 20)	**(306,588)**	(284,421)	(221,797)
Increase (decrease) in deposits and other liabilities	**247,633**	(407,186)	729,905
Net cash provided by (used in) financing activities	**(2,067,994)**	(1,900,430)	10,221,245
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**6,586**	(1,464)	(748)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(3,746,495)**	(2,976,309)	8,438,861
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**5,995,706**	8,972,015	533,154
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱2,249,211**	₱5,995,706	₱8,972,015

See accompanying Notes to Consolidated Financial Statements.

Rockwell Land Corporation and Subsidiaries

Notes to Consolidated Financial Statements

(AMOUNTS IN THOUSANDS, EXCEPT NUMBER OF SHARES, EARNINGS PER VALUE AND UNLESS OTHERWISE SPECIFIED)

1. Corporate Information

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

On October 8, 2014, the Securities and Exchange Commission (SEC) approved the amendment of the Articles of Incorporation of the Parent Company for the change in principal office address to The Garage at Rockwell Center, Estrella St., Rockwell Center, Makati City.

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

As at December 31, 2015 and 2014, First Philippine Holdings Corporation owns 86.58% of Rockwell Land and the rest by public. Lopez, Inc. is the ultimate parent company.

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on April 6, 2016.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

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

Statement of Compliance

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

Basis of Consolidation

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

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

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

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

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

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

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

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

The consolidated financial statements comprise the financial statements of Rockwell Land and the following subsidiaries it controls:

		Percentage of Ownership		
Subsidiaries	Nature of Business	**2015**	2014	2013
Rockwell Integrated Property Services, Inc.	Service provider	**100.0**	100.0	100.0
Rockwell Primaries Development Corporation (formerly, Rockwell Homes, Inc.)	Real estate development	**100.0**	100.0	100.0
Stonewell Property Development Corporation	Real estate development	**100.0**	100.0	100.0
Primaries Properties Sales Specialists Inc.	Marketing	**100.0**	100.0	100.0
Rockwell Hotels & Leisure Management Corp.	Hotel Management	**100.0**	100.0	100.0
Rockwell Leisure Club, Inc. ("Rockwell Club")	Leisure club	**77.0**	75.0	68.6
Retailscapes Inc. *	Commercial development	**100.0**	100.0	–
Rockwell Primaries South Development Corporation ("Rockwell Primaries South", formerly, ATR KimEng Land, Inc.)**	Real estate development	**60.0**	60.0	–

**Incorporated in November 2014*
***Indirect subsidiary acquired in 2014*

All subsidiaries are incorporated in the Philippines.

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

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year, except for the adoption of the following amended PAS and PFRS which were adopted effective beginning January 1, 2015. Except as otherwise indicated, adoption of the new standards and amendments has no significant impact on the Company's consolidated financial statements.

- PAS 19, *Employee Benefits* – Defined Benefit Plans: Employee Contributions (Amendments)

The improvements below are effective from January 1, 2015 and unless otherwise stated, these amendments have no significant impact on the Company's consolidated financial statements:

Annual Improvements to PFRS (2010–2012 cycle)

- PFRS 2, *Share-based Payment* – Definition of Vesting Condition

  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

  - A performance condition must contain a service condition
  - A performance target must be met while the counterparty is rendering service
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
  - A performance condition may be a market or non-market condition
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

  The Company shall consider this amendment for future share-based payment transactions.

- PFRS 3, *Business Combinations* – Accounting for Contingent Consideration in a Business Combination

  The amendment is applied prospectively for business combinations for which the acquisition date is on or after January 1, 2015. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, Financial Instruments: Recognition and Measurement (or PFRS 9, Financial Instruments, if early adopted). The Company shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments* – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets

- PAS 16, *Property, Plant and Equipment,* and PAS 38, Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization

- PAS 24, *Related Party Disclosures* – Key Management Personnel

Annual Improvements to PFRS (2011–2013 cycle)

- PFRS 3, *Business Combinations* – Scope Exceptions for Joint Arrangements

- PFRS 13, *Fair Value Measurement* – Portfolio Exception

- PAS 40, *Investment Property*

Standards, Amendments and Interpretations Issued but Not Yet Effective

The Company did not early adopt the following amendments to existing standards and interpretations that have been approved but are not yet effective as at December 31, 2015. Except as otherwise indicated, the Company does not expect the adoption of these amendments and interpretations to have a significant impact on its consolidated financial statements.

Effective January 1, 2016

- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets* – Clarification of Acceptable Methods of Depreciation and Amortization

  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. These amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 41, *Agriculture* – Bearer Plants

  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under these amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). These amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- Amendments to PAS 27, *Property, Plant and Equipment* – Equity Method in Separate Financial Statements

  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first–time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures* – Investment Entities: Applying the Consolidation Exception

  The amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The Company shall consider the amendments in the future.

- PFRS 11, *Joint Arrangements* – Accounting for Acquisitions of Interest in Joint Operations

  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendments will not have any impact on the Company's financial statements.

- PFRS 14, *Regulatory Deferral Accounts*

  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate–regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first–time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate–regulation and the effects of that rate–regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Company is an existing PFRS preparer, this standard would not apply.

- PAS 1, *Presentation of Financial Statements* – Disclosure Initiative (Amendments)

  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

  - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures of functions
  - That specific line items in the statement of income and OCI and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they represent the notes to financial statements
  - That the share of OCI of associate and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Annual Improvements to PFRSs (2012–2014 Cycle)

- PFRS 5, *Non–current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*

  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice–versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts*

  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendment.

- PFRS 7 – *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

  The amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits – Regional Market Issue Regarding Discount Rate*

  The amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting – Disclosure of Information 'Elsewhere in the Interim Financial Report'*

  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross–reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

- *PFRS 9, Financial Instruments* (2014 or final version)

  In July 2014, the final version of PFRS 9, Financial Instruments, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Company's financial liabilities. The adoption will also have an effect on the Company's application of hedge accounting. The Company is currently assessing the impact of adopting this standard.

The following new standards issued by the International Accounting Standards Board (IASB) have not yet been adopted by the FRSC:

- IFRS 15, *Revenue from Contracts with Customers*

  IFRS 15 was issued in May 2014 by the IASB and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

- IFRS 16, *Leases*

  On January 13, 2016, the IASB issued its new standard, IFRS 16, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Company is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

With Deferred Effective Date

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 15, *Agreements for the Construction of Real Estate*

  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the IASB and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

The Company continues to assess the impact of the above new, amended and improved accounting standards and interpretations effective subsequent to December 31, 2015 on the consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

4. Summary of Significant Accounting Policies

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

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

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

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

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

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

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

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

Financial Assets

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

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

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

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

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

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

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

The Company has no bifurcated embedded derivatives as at December 31, 2015 and 2014.

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

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

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

The Company has no held-to-maturity investments as at December 31, 2015 and 2014.

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

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

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

Financial Liabilities

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

The Company has no financial liabilities at fair value through profit or loss as at December 31, 2015 and 2014.

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

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

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

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

Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Offsetting of Financial Instruments

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

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or, when applicable, a part of a financial asset or part of a Company of similar financial assets) is derecognized when:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cost includes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenue and Cost Recognition

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

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

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

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

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers is recognized as "Deposits from pre-selling of condominium units" account under "Trade and other payables" and "Deposits and other liabilities" accounts in the consolidated statement of financial position (see Notes 17 and 18).

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

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

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

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

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

Interest. Revenue is recognized using the effective interest, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

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

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

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

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

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

Operating Leases

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

Equity

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

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

Retained earnings represent the Company's accumulated earnings, net of dividends declared.

Treasury Shares

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

Share-based Payment Transactions

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

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

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

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

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

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

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

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

Pension Costs and Other Employee Benefits

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

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

Income Tax

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

Judgments

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

Asset Acquisition. In 2014, Rockwell Primaries Development Corporation (Rockwell Primaries) acquired 60% ownership interest in Rockwell Primaries South Development Corporation (Rockwell Primaries South), formerly ATR KimEng Land, Inc.. Management considered the substance of the assets and activities of the acquired entity and assessed that the acquisition of a subsidiary does not represent a business, but rather an acquisition of the undeveloped land, the remaining asset of the subsidiary at the date of acquisition (see Notes 6 and 9). The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

The acquisition cost of 60% interest in Rockwell Primaries South substantially allocated to the land amounted to ₱591.1 million as at December 31, 2015 (see Note 6).

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

Lease income earned from investment properties amounted to ₱793.4 million, ₱734.9 million and ₱727.0 million in 2015, 2014 and 2013, respectively (see Note 12).

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

Transfers made from investment properties amounted to nil and ₱10.8 million in 2015 and 2014, respectively. Transfers made to investment properties amounted to ₱116.8 million and ₱73.3 million in 2015 and 2014, respectively (see Notes 9 and 12).

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

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

The fair values of the Company's financial assets and liabilities are set out in Note 30.

Contingencies. The Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Company currently does not believe these proceedings will have a material effect on the financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 28).

No provision for contingencies was recognized in 2015, 2014 and 2013.

Estimates and Assumptions

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

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

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

The Company's revenue from sale of real estate is recognized using the percentage-of-completion method. This is measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project. There is no assurance that such use of estimates may not result to material adjustments in future periods.

Impairment of Financial Assets

a. Loans and Receivables

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

   Provision for doubtful accounts amounted to nil in 2015 and 2014 and ₱0.1 million in 2013 (see Note 22). Trade and other receivables, net of allowance for doubtful accounts, amounted to ₱9.0 billion and ₱9.9 billion as at December 31, 2015 and 2014, respectively (see Note 8).

b. Available-for-sale Financial Assets

   The Company considers available-for-sale financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Company treats "significant" generally as 20% or more and "prolonged" as period more than 12 months for quoted equity securities. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Available-for-sale investments amounted to ₱15.8 million and ₱15.3 million as at December 31, 2015 and 2014, respectively (see Note 11). No impairment loss was recognized in 2015, 2014 and 2013.

Net Realizable Value of Condominium Units for Sale. Condominium units for sale are carried at the lower of cost or NRV. The carrying value of condominium units for sale is adjusted when the NRV becomes lower than cost due to changes in estimated selling prices less cost to sell. Condominium units for sale, stated at cost, amounted to ₱112.1 million and ₱110.9 million as at December 31, 2015 and 2014, respectively.

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

There were no changes in the estimated useful lives of investment properties and property and equipment in 2015, 2014 and 2013.

Investment properties, net of accumulated depreciation, amounted to ₱6.6 billion and ₱6.1 billion as at December 31, 2015 and 2014, respectively (see Note 12).

Property and equipment, net of accumulated depreciation and amortization, amounted to ₱2.3 billion and ₱2.0 billion as at December 31, 2015 and 2014, respectively (see Note 14).

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

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

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

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

	2015	2014
Investment properties (see Note 12)	**₱6,613,858**	₱6,147,124
Investment in joint venture (see Note 13)	**3,030,463**	2,859,619
Property and equipment (see Note 14)	**2,301,632**	1,988,169

The fair value of the investment properties amounted to ₱14.4 billion and ₱12.7 billion as at December 31, 2015 and 2014, respectively (see Note 12).

No impairment loss was recognized in 2015, 2014 and 2013.

Deferred Tax Assets. Management uses judgment in reviewing the carrying amount of deferred tax assets. The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of such deferred tax assets to be utilized. However, there is no assurance that sufficient taxable profit will be generated to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets recognized in the consolidated statements of financial position amounted to ₱62.3 million and ₱81.6 million as at December 31, 2015 and 2014, respectively. Unrecognized deferred tax assets amounted to ₱13.7 million and ₱14.8 million as at December 31, 2015 and 2014, respectively (see Note 25).

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

Pension liability and other employee benefits amounted to ₱187.5 million and ₱105.6 million as at December 31, 2015 and 2014, respectively. Since there is no minimum funding requirement, the resulting net asset or net liability recognized in the consolidated statement of financial position was determined as the lower of the surplus of the plan and the present value of the future service cost to the Company (see Note 24).

6. Acquisition of Majority Interest in Rockwell Primaries South

On December 22, 2014, Rockwell Primaries entered into a Memorandum of Agreement with ATR Holdings, Inc. and Dragon Eagle International Limited for the joint and collective investment in and acquisition of all of the outstanding common shares of Maybank ATR KimeEng Capital Partners, Inc. (Maybank ATR) in Rockwell Primaries South, the developer of East Bay Residences (East Bay) project. Rockwell Primaries acquired 1,860,000 common shares, equivalent to 60% ownership interest, through a Deed of Absolute Sale for a consideration of ₱591.1 million. Initial payment representing 25% of the purchase price was made at closing date and the remaining 75% shall be payable over five years with 5% interest per annum (see Notes 5 and 9). The unpaid purchase price of ₱345.0 million and ₱421.2 million as at December 31, 2015 and 2014, respectively, is presented as part of "Notes payable" under "Interest-bearing loans and borrowings" account in the consolidated statements of financial position (see Note 15). Non-controlling interest in Rockwell Primaries South amounted to ₱251.9 and ₱251.6 million as at December 31, 2015 and 2014, respectively.

7. Cash and Cash Equivalents

This account consists of:

	2015	2014
Cash on hand and in banks	**₱432,558**	₱466,706
Short-term investments	**1,816,653**	5,529,000
	₱2,249,211	₱5,995,706

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

Interest income earned from cash in banks and short-term investments amounted to ₱50.0 million, ₱98.4 million and ₱40.4 million in 2015, 2014 and 2013, respectively (see Note 21).

8. Trade and Other Receivables

This account consists of:

	2015	2014
Trade receivables from:		
Sale of condominium units - net of noncurrent portion of ₱10.8 million in 2015 and ₱29.0 million in 2014	**₱8,711,333**	₱9,589,882
Lease	**122,129**	126,111
Advances to officers and employees (see Note 27)	**27,724**	43,454
Others - net of allowance for doubtful accounts of ₱2.6 million in 2015 and ₱5.2 million in 2014	**162,840**	110,488
	₱9,024,026	₱9,869,935

Trade receivables from sale of condominium units are noninterest-bearing long-term receivables with terms ranging from 1 to 5 years. Unamortized unearned interest on these receivables amounted to ₱2.8 billion and ₱2.3 billion as at December 31, 2015 and 2014, respectively.

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

	2015	2014
Trade receivables at nominal amount	**₱11,534,781**	₱11,961,260
Less unearned interest:		
Balance at beginning of year	**2,342,389**	2,035,190
Unearned interest	**1,403,551**	1,321,181
Amortization (see Note 21)	**(933,273)**	(1,013,982)
Balance at end of year	**2,812,667**	2,342,389
Trade receivables at discounted amount	**₱8,722,114**	₱9,618,871

Trade receivables from lease represents short-term receivables from the "Power Plant" Mall tenants and from other commercial establishments on properties held for lease within the Rockwell Center and The Grove.

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

Other receivables mainly consist of claims from contractors and receivable from various third parties.

The movements in the allowance for doubtful accounts of other receivables are as follows:

	2015	2014
Balance at beginning of year	**₱5,181**	₱5,181
Reversal of provision	**(2,570)**	–
Balance at end of year	**₱2,611**	₱5,181

9. Land and Development Costs

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

	2015	2014
The Proscenium (see Note 16)	**₱4,752,137**	₱5,231,947
The Grove Phases 2 & 3	**1,158,548**	1,359,263
East Bay Residences (see Note 6)	**1,097,710**	1,032,268
32 Sanson Phase 1 & 2	**573,205**	601,299
The Vantage at Kapitolyo	**537,814**	–
53 Benitez	**131,586**	341,454
Stonewell	**82,997**	–
8 Rockwell	**–**	298,460
Others	**589,715**	242,253
	₱8,923,712	₱9,106,944

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

	2015	2014
Balance at beginning of year	**₱9,106,944**	₱6,992,692
Construction/development costs incurred	**3,254,190**	5,519,011
Cost of real estate sold (shown as part of cost of real estate)	**(4,353,213)**	(4,616,172)
Land acquired during the year	**511,391**	1,082,611
Borrowing costs capitalized (see Notes 15, 16 and 18)	**254,860**	205,115
Net transfers to investment properties (see Note 12)	**(116,758)**	(62,463)
Reclassifications from (to) property and equipment (see Note 14)	**(86,783)**	20,852
Reclassification from land held for future development	**353,081**	49,945
Reclassification to condominium units for sale	**–**	(84,647)
Balance at end of year	**₱8,923,712**	₱9,106,944

Details related to these on-going projects are as follows:

Project	Structure and Location	Expected Completion Date	Construction Stage*	Estimated Cost to Complete 2015	2014
The Proscenium:					
Kirov	Highrise condominium, Rockwell Center	2018	Substructure	**₱3,355,142**	₱4,786,202
Sakura	Highrise condominium, Rockwell Center	2018	Substructure	**3,113,549**	3,967,157
Lincoln	Highrise condominium, Rockwell Center	2017	Superstructure	**2,681,174**	3,303,946
Lorraine	Highrise condominium, Rockwell Center	2018	Substructure	**2,481,210**	3,464,097
Garden Villas	Office spaces, Rockwell Center	2018	Substructure	**148,061**	–
Residences	Highrise condominium, Rockwell Center	2018	Substructure	**2,403,040**	–
The Grove:					
Phase 2	Highrise condominium, Pasig City	2016	Superstructure	**1,685**	200,120
Phase 3	Highrise condominium, Pasig City	2016	Superstructure	**104,684**	654,461
32 Sanson:					
Phase 1	Low rise residential buildings, Cebu City	2017	Superstructure	**344,144**	862,837
Phase 2	Low rise residential buildings, Cebu City	2019	Substructure	**1,112,137**	–
Stonewell	Low rise residential buildings, Batangas	2016	Superstructure	**150,972**	–
8 Rockwell	Office spaces, Rockwell Center	2016	Superstructure	**57,366**	371,034
53 Benitez	Midrise condominium, Quezon City	2016	Superstructure	**62,409**	336,220
East Bay	Midrise condominium, Muntinlupa City	2021	Development Planning	**5,181,135**	–
The Vantage at Kapitolyo	Midrise condominium, Pasig City	2020	Substructure	**2,232,413**	–
Alvendia	Townhouse, San Juan City	2015	Superstructure	–	10,773
Edades	Highrise condominium, Rockwell Center	2015	Superstructure	–	13,105
				₱23,429,121	₱17,969,952

** Construction stage as at December 31, 2015*

Other land and development costs mainly pertain to land acquisitions for projects expected to be launched in 2016.

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

Advances to contractors, shown separately in the consolidated statements of financial position, mainly pertain to advances related to the development of "The Grove", "8 Rockwell", "32 Sanson", "53 Benitez" and "Proscenium" projects.

General borrowing costs from interest-bearing loans and borrowings capitalized as part of development costs amounted to ₱154.2 million and ₱67.7 million in 2015 and 2014, respectively. Average capitalization rate used is 4.9% and 4.6% in 2015 and 2014, respectively. Amortization of discount on retention payable, capitalized as part of development costs, amounted to ₱11.5 million and ₱14.8 million in 2015 and 2014, respectively (see Note 18).

Total cash received from pre-selling activities amounted to ₱0.3 billion and ₱2.6 billion as at December 31, 2015 and 2014, respectively (see Note 17).

10. Other Current Assets

This account consists of:

	2015	2014
Prepaid costs (see Notes 4, 16 and 22)	**₱822,415**	₱711,256
Refundable deposits	**172,711**	147,519
Input VAT (see Note 16)	**151,239**	213,404
Restricted cash	**98,255**	–
Creditable withholding tax	**16,778**	40,925
Supplies	**7,764**	18,525
Others (see Note 27)	**38,836**	105,995
	₱1,307,998	₱1,237,624

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

Restricted cash represents funds with an escrow agent in compliance with Presidential Decree No. 957, as amended, in connection with the Parent Company's application for a Certificate of Registration and a License to Sell (LTS) with the Housing and Land Use Regulatory Board (HLURB). The proceeds from the pre-selling of residential development projects, received from the date of issuance of the temporary LTS by HLURB, are temporarily restricted until receipt by the Parent Company of its Certificate of Registration and permanent LTS. The escrow account shall only be disbursed for purposes of payment of refunds to buyers, cancellation charges to the developer, fees, charges and other expenses incurred in the management and administration of the escrow agent. The restricted cash in 2015 pertains to "The Vantage at Kapitolyo" project.

11. Available-for-sale Investments

As at December 31, 2015 and 2014, this account consists of:

	2015	2014
Quoted	**₱12,500**	₱12,000
Unquoted	**3,308**	3,308
	₱15,808	₱15,308

Quoted Equity Shares
This consists of investment in Manila Polo Club shares. Movement in the balance in 2015 follows:

Balance at beginning of year	₱12,000
Unrealized gain on fair value adjustments (excluding tax effect of ₱50)	500
Balance at end of year	₱12,500

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

12. Investment Properties

The rollforward analysis of this account follows:

	2015			
	Land	Buildings and Improvements	Investment Properties in Progress	Total
At January 1, 2015, net of accumulated depreciation	₱1,859,997	₱2,401,825	₱1,885,302	₱6,147,124
Additions	–	382,889	110,596	493,485
Transfers from land and development costs (see Note 9)	116,758	–	–	116,758
Depreciation (see Note 22)	–	(143,509)	–	(143,509)
At December 31, 2015, net of accumulated depreciation	₱1,976,755	₱2,641,205	₱1,995,898	₱6,613,858
At January 1, 2015:				
Cost	₱1,859,997	₱4,117,991	₱1,885,302	₱7,863,290
Accumulated depreciation	–	(1,716,166)	–	(1,716,166)
Net carrying amount	₱1,859,997	₱2,401,825	₱1,885,302	₱6,147,124
At December 31, 2015:				
Cost	₱1,976,755	₱4,500,880	₱1,995,898	₱8,473,533
Accumulated depreciation	–	(1,859,675)	–	(1,859,675)
Net carrying amount	₱1,976,755	₱2,641,205	₱1,995,898	₱6,613,858

	2014			
	Land	Buildings and Improvements	Investment Properties in Progress	Total
At January 1, 2014, net of accumulated depreciation	₱1,870,844	₱2,444,516	₱618,840	₱4,934,200
Additions	–	11,256	1,266,462	1,277,718
Transfers (to) from land and development costs (see Note 9)	(10,847)	73,310	–	62,463
Depreciation (see Note 22)	–	(127,257)	–	(127,257)
At December 31, 2014, net of accumulated depreciation	₱1,859,997	₱2,401,825	₱1,885,302	₱6,147,124
At January 1, 2014:				
Cost	₱1,870,844	₱4,033,425	₱618,840	₱6,523,109
Accumulated depreciation	–	(1,588,909)	–	(1,588,909)
Net carrying amount	₱1,870,844	₱2,444,516	₱618,840	₱4,934,200
At December 31, 2014:				
Cost	₱1,859,997	₱4,117,991	₱1,885,302	₱7,863,290
Accumulated depreciation	–	(1,716,166)	–	(1,716,166)
Net carrying amount	₱1,859,997	₱2,401,825	₱1,885,302	₱6,147,124

Investment properties are valued at cost. Investment properties consist of the "Power Plant" Mall (₱2.8 billion as at December 31, 2015 and ₱3.0 billion as at December 31, 2014), other investment properties held for lease within the Rockwell Center, The Grove, Santolan Town Plaza and The Rockwell Business Center - Sheridan (₱3.0 billion as at December 31, 2015 and ₱2.3 billion as at December 31, 2014) and land held for appreciation (₱800.6 million as at December 31, 2015 and 2014).

Investment properties in progress includes costs incurred for the construction of 8 Rockwell, Santolan Town Plaza and The Rockwell Business Center – Sheridan in 2015 and 8 Rockwell only in 2014. Borrowing costs capitalized as part of investment properties amounted to ₱88.8 million and ₱58.0 million in 2015 and 2014, respectively (see Note 15). Capitalization rates used are 4.9% and 4.6% in 2014 and 2013, respectively. As at December 31, 2015 and 2014, unamortized borrowing costs capitalized as part of investment properties amounted to ₱409.8 million and ₱322.0 million, respectively.

Lease income earned from investment properties amounted to ₱793.4 million, ₱734.9 million, and ₱727.0 million in 2015, 2014 and 2013, respectively. Direct operating expenses incurred amounted to ₱334.9 million, ₱384.4 million and ₱301.5 million in 2015, 2014 and 2013, respectively.

The aggregate fair value of the Company's mall amounted to ₱8.9 billion and ₱7.6 billion as at December 31, 2015 and 2014, respectively. The aggregate fair value of other investment properties held for lease within the Rockwell Center and The Grove, Rockwell Business Center-Sheridan, 8 Rockwell, and land held for appreciation amounted to ₱5.5 billion and ₱5.1 billion as at December 31, 2015 and 2014, respectively.

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

The value of the mall was arrived at through the use of the "Income Approach," particularly the "Discounted Cash Flow Analysis" which is a financial modelling technique based on explicit assumptions regarding the prospective cash flow to a property. This analysis involves the projection of a series of periodic cash flows to an operating property. To this projected cash flow series, an appropriate discount rate is applied to establish an indication of the present value of the income stream associated with the property being valued. In an operating property, periodic cash flow is typically estimated as gross revenue less operating expenses and other outgoings. The series of periodic net operating incomes, along with an estimate of the terminal value, anticipated at the end of the projection period, is then discounted at the discount rate, being a cost of capital or a rate of return used to convert a monetary sum, payable or receivable in the future, into present value.

The value of other investment properties held for lease within the Rockwell Center and The Grove, and land held for appreciation was arrived at through the use of the "Market Data Approach." "Market Data Approach" is based on the assumption that no prudent purchaser will buy more than what it will cost him to acquire an equally desirable substitute parcel or site. This approach is primarily based on sales and listings, which are adjusted for time of sale, location, and general characteristics of comparable lots in the neighborhood where the subject lot is situated.

13. Investment in Joint Venture

JV Agreement

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

In accordance with the terms of the JV Agreement, the Parent Company acts as the Property Manager of the unincorporated JV. Management fees recognized by the Parent Company, which is shown as part of "Others" account in the consolidated statements of comprehensive income, amounted to ₱1.4 million , ₱1.3 million and ₱1.2 million in 2015, 2014 and 2013, respectively. The unincorporated JV will be managed and operated in accordance with the terms of the JV Agreement and with the Property Management Plan provided for in the JV Agreement. The principal place of business of the unincorporated JV is at Meralco Compound, Ortigas Center, Pasig City.

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

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

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

	2015	2014
Current assets	**₱1,334,459**	₱906,359
Noncurrent assets	**3,321,461**	3,503,517
Current liabilities	**221,439**	226,302
Noncurrent liabilities	**105,248**	132,624
Cash and cash equivalents	**780,769**	492,739
Current financial liabilities (excluding trade and other payables and provisions)	**24,908**	15,482
Noncurrent financial liabilities (excluding trade and other payables and provisions)	**147,203**	115,490

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

	2015	2014	2013
Revenue	**₱519,759**	₱320,748	₱288,863
General and administrative expenses	**23,833**	18,436	17,462
Depreciation and amortization expense	**175,829**	122,298	117,431
Interest income	**9,291**	3,655	6,471
Interest expense	**–**	3,732	2,116
Provision for income tax	**85,325**	66,701	56,805
Total comprehensive income/net income	**244,063**	113,236	101,520

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

	2015	2014
Balance at beginning of year	**₱2,536,691**	₱2,062,043
Additions	**–**	474,648
Balance at end of year	**2,536,691**	2,536,691
Accumulated share in net income:		
Balance at beginning of year	**322,928**	220,109
Share in net income	**170,844**	102,819
Balance at end of year	**493,772**	322,928
Carrying value	**₱3,030,463**	₱2,859,619

In 2014, additional investment pertains to the construction cost of the third tower of the BPO Building. The construction was completed in December 2014.

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

	2015	2014
Net asset of the unincorporated JV	**₱4,329,233**	₱4,050,950
Interest of the Parent Company in the net asset of the unincorporated JV	**70%**	70%
	3,030,463	2,835,665
Effect of difference between the Parent Company's percentage share in net income as previously discussed	**–**	23,954
Carrying amount of the investment in joint venture	**₱3,030,463**	₱2,859,619

14. Property and Equipment

The rollforward analysis of this account follows:

	2015					
	Land	**Buildings and Improvements**	**Office Furniture and Other Equipment**	**Transportation Equipment**	**Construction in Progress**	**Total**
Cost						
At January 1	**₱306,628**	**₱1,586,102**	**₱1,309,554**	**₱170,932**	**₱27,713**	**₱3,400,929**
Additions	**–**	**374,631**	**25,910**	**18,897**	**–**	**419,438**
Reclassifications from (to) land and development costs (see Note 9)	**(4,847)**	**91,630**	**–**	**–**	**–**	**86,783**
Disposals	**–**	**–**	**–**	**(1,513)**	**–**	**(1,513)**
At December 31	**301,781**	**2,052,363**	**1,335,464**	**188,316**	**27,713**	**3,905,637**
Accumulated Depreciation and Amortization						
At January 1	**–**	**410,100**	**879,311**	**123,349**	**–**	**1,412,760**
Depreciation and amortization (see Note 22)	**–**	**14,144**	**158,329**	**19,705**	**–**	**192,178**
Disposals	**–**	**–**	**–**	**(933)**	**–**	**(933)**
At December 31	**–**	**424,244**	**1,037,640**	**142,121**	**–**	**1,604,005**
Net Book Value at December 31	**₱301,781**	**₱1,628,119**	**₱297,824**	**₱46,195**	**₱27,713**	**₱2,301,632**

	2014					
	Land	Buildings and Improvements	Office Furniture and Other Equipment	Transportation Equipment	Construction in Progress	Total
Cost						
At January 1	₱20,852	₱803,779	₱1,085,994	₱141,868	₱903,178	₱2,955,671
Additions	107,558	87,268	223,560	29,064	18,660	466,110
Reclassifications to land and development costs (see Note 9)	(20,852)	–	–	–	–	(20,852)
Reclassifications	199,070	695,055	–	–	(894,125)	–
At December 31	306,628	1,586,102	1,309,554	170,932	27,713	3,400,929
Accumulated Depreciation and Amortization						
At January 1	–	310,170	817,462	104,894	–	1,232,526
Depreciation and amortization (see Note 22)	–	99,930	61,849	18,455	–	180,234
At December 31	–	410,100	879,311	123,349	–	1,412,760
Net Book Value at December 31	₱306,628	₱1,176,002	₱430,243	₱47,583	₱27,713	₱1,988,169

The cost related to the development of the Edades and The Grove Serviced Apartments included in property and equipment account amounted to ₱1.2 billion and ₱1.0 billion as at December 31, 2015 and 2014, respectively. Construction of Edades Serviced Apartments was completed on November 15, 2014 (see Note 26). As at December 31, 2015, construction of The Grove Serviced Apartments is still on-going.

Borrowing costs capitalized as part of property and equipment amounted to nil and ₱23.8 million in 2015 and 2014, respectively (see Note 15). Capitalization rate used is nil and 4.6% in 2015 and 2014, respectively.

15. Interest-bearing Loans and Borrowings

This account consists of:

	Effective Interest Rate	**2015**	2014
Current			
Corporate notes	4.9%, 4.6%, 4.5% fixed	**₱1,612,000**	₱1,612,000
Bridge loan	2.5% floating	**500,000**	–
Notes payable	5.0% fixed	**101,454**	96,624
		2,213,454	1,708,624
Less unamortized loan transaction costs (see Note 22)		**10,685**	14,843
		₱2,202,769	₱1,693,781
Noncurrent			
Corporate notes	4.9%, 4.6%, 4.5% fixed	**₱6,364,000**	₱7,976,000
Bonds payable	5.0932% fixed	**5,000,000**	5,000,000
Notes payable	5.0% fixed	**335,827**	437,281
		11,699,827	13,413,281
Less unamortized loan transaction costs (see Note 22)		**54,423**	71,178
		₱11,645,404	₱13,342,103

Corporate Notes

On November 27, 2012, the Parent Company entered into a Fixed Rate Corporate Notes Facility Agreement ("the Agreement") with First Metro Investment Corporation (FMIC), PNB Capital and Investment Corporation, Metropolitan Bank and Trust Company (MBTC) - Trust Banking Group, and Philippine National Bank – Trust Banking Group for the ₱10.0 billion Notes for the purpose of refinancing the existing ₱4.0 billion fixed rate corporate notes and to finance the Parent Company's capital expenditures and land acquisitions. The Notes are comprised of Tranche 1, Tranche 2 and Tranche 3, amounting to ₱4.0 billion, ₱2.0 billion and ₱4.0 billion, respectively. Tranches 1 and 2 were availed on January 7, 2013 and March 7, 2013, respectively. Tranche 3 was availed in three drawdowns amounting to ₱1.0 billion, ₱1.5 billion and ₱1.5 billion on May 27, 2013, July 26, 2013 and August 27, 2013, respectively. The Notes are payable in 22 quarterly payments starting October 2014. A portion of Tranche 2 amounting to ₱1.2 billion will be paid annually at 1% of the principal amount from the issue date for six (6) years while the remaining 94% of the principal amount is payable in 2020. The Corporate Notes contain a negative pledge.

Interest is fixed up to maturity at 75 to 90 bps over the seven-year PDST-F, grossed-up for GRT.

Covenants. The loan contains, among others, covenants regarding incurring additional debt and dividend, to the extent that such will result in a breach of the required debt-to-equity ratio and current ratio. As at December 31, 2015 and 2014, the Parent Company has complied with these covenants (see Note 29).

Bridge Loan

In 2015, the Parent Company had a peso-denominated loan from a local bank which is intended to bridge its long-term loan requirements expected to be drawn in 2016. The loan has a tenor of maximum of 360 days, at prevailing lending rate subject to repricing. On December 3, 2015, the Company made the first drawdown amounting to ₱500.0 million from the facility at an interest rate of 2.50% per annum. The bridge loan does not contain any covenant.

Bonds Payable

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

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

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

Covenants. The loan contains, among others, covenants regarding incurring additional long-term debt and paying out dividends, to the extent that such will result in a breach of the required debt-to-equity ratio and current ratio. As at December 31, 2015 and 2014, the Parent Company has complied with these covenants (see Note 29).

Interest expense on interest-bearing loans and borrowings amounted to ₱430.2 million and ₱546.3 million in 2015 and 2014, respectively (see Note 22). Interest expense capitalized as part of land and development costs amounted to ₱154.2 million and ₱67.7 million in 2015 and 2014, respectively (see Note 9). Interest expense capitalized as part of investment properties amounted to ₱88.8 million and ₱58.0 million in 2015 and 2014, respectively (see Note 12). Interest expense capitalized as part of property and equipment nil and ₱23.8 million 2015 and 2014, respectively (see Note 14).

Loan Transaction Costs. As at December 31, 2015 and 2014, loan transaction costs consisting of documentary stamp tax and underwriting fees on the corporate notes and bonds were capitalized and presented as a deduction from the related loan balance.

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

	2015	2014
Balance at beginning of year	**₱86,021**	₱132,892
Amortization (see Note 22)	**(20,913)**	(46,871)
Balance at end of year	**₱65,108**	₱86,021

Notes Payable

On December 22, 2014, Rockwell Primaries South issued promissory notes to Maybank ATR for the remaining unpaid balance of the acquisition cost of 60% interest in Rockwell Primaries South amounting to ₱421.2 million.

On December 23, 2014, Rockwell Primaries South obtained a loan from Maybank ATRKE Capital in the aggregate principal amount of ₱112.7 million to pay off its obligations to a third party pursuant to the termination of the existing Joint Venture Agreement.

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

The repayments of all loan principal based on existing terms are scheduled as follows:

Year	Amount
2016	₱2,213,454
2017	1,718,527
2018	1,723,854
2019	1,729,446
2020 and onwards	6,528,000
	₱13,913,281

16. Installment Payable

In November 2011, the Parent Company entered into a Deed of Sale with Futura Realty, Inc. for the purchase of land for development adjacent to the Rockwell Center. This will house the latest condominium project of the Parent Company called "The Proscenium" project (see Note 9).

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

The installment payable and the corresponding land held for development were recorded at present value using the discount rate of 8%. Accretion of interest expense amounted to ₱89.2 million and ₱122.6 million in 2015 and 2014, respectively, and was capitalized as part of land and development costs (see Note 9).

As at December 31, 2015 and 2014, the balance of the installment payable amounted to ₱0.5 billion and ₱1.2 billion, respectively.

Installment payable is secured by Stand-By Letters of Credit (SBLC) from MBTC and FMIC totaling ₱2.4 billion, until year 2020. These SBLC provides for a cross default provision wherein the SBLC shall automatically be due and payable in the event the Company's other obligation is not paid when due or a default in any other agreement shall have occurred, entitling the holder of the obligation to cause such obligation to become due prior to its stated maturity. As at December 31, 2015 and 2014, the Parent Company has not drawn from the facility. Unamortized prepaid premium on the SBLC as at December 31, 2015 and 2014 amounting to ₱0.4 million and ₱1.9 million, respectively, is presented as part of "Prepaid costs" under "Other current assets" account in the consolidated statements of financial position (see Note 10).

The related deferred input VAT amounting to ₱70.3 million, net of current portion of nil and ₱72.5 million in 2015 and 2014, respectively (see Note 10), is recognized as part of "Other noncurrent assets" account in the consolidated statements of financial position. This deferred input VAT will be claimed against output VAT upon payment of the related installment payable.

17. Trade and Other Payables

This account consists of:

	2015	2014
Trade	**₱694,283**	₱211,043
Accrued expenses:		
Project costs	**939,435**	3,280,869
Taxes and licenses	**174,104**	337,571
Interest	**129,758**	151,439
Utilities	**35,421**	22,265
Marketing and promotions	**20,789**	7,356
Producers' share	**19,583**	11,550
Repairs and maintenance	**13,774**	14,373
Management fee	**4,274**	23,114
Others (see Notes 18 and 24)	**283,475**	292,254
Deferred output VAT	**715,473**	938,896
Due to related parties (see Note 27)	**269,710**	18,155
Current portions of:		
Deposits from pre-selling of condominium units (see Note 9)	**301,721**	2,581,566
Security deposits (see Note 18)	**182,546**	240,449
Retention payable (see Note 18)	**92,591**	170,875
Deferred lease income (see Note 18)	**85,745**	83,955
Excess collections over recognized receivables (see Note 4)	**1,679,365**	284,153
Advance payments from members and customers	**33,610**	37,260
Output VAT	**14,573**	2,201
Others	**3,471**	8,214
	₱5,693,701	₱8,717,558

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

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

Accrued expenses are normally settled within 12 months.

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

Excess collections over recognized receivables pertain to Proscenium Lincoln for 2015 and 2014 and Sakura and Kirov projects in 2015.

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

18. Deposits and Other Liabilities

This account consists of:

	2015	2014
Retention payable - net of current portion of ₱92.6 million in 2015 and ₱170.9 million in 2014 (see Note 17)	**₱547,448**	₱400,283
Security deposits - net of current portion of ₱182.5 million in 2015 and ₱240.4 million in 2014 (see Note 17)	**120,097**	38,637
Deferred lease income - net of current portion of ₱85.7 million in 2015 and ₱84.0 million in 2014 (see Note 17)	**23,548**	9,240
Others (see Notes 17 and 24)	**12,060**	7,810
	₱703,153	₱455,970

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

As discussed in Note 4, the Company uses discounted cash flow analysis to measure the fair value of retention payable. The resulting difference between the transaction price and fair value at initial recognition is recognized in the consolidated statements of financial position as a reduction from "Land and development costs". The retention payable is carried at amortized cost using effective interest method. The amortization of discount on retention payable is capitalized as part of land and development costs while the related project's construction is in progress (see Note 9).

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

	2015	2014
Balance at beginning of year	**₱24,326**	₱17,253
Additions during the year	**8,015**	21,883
Amortization during the year (see Note 9)	**(11,469)**	(14,810)
Balance at end of year	**₱20,872**	₱24,326

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

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

19. Share-based Payment Plans

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

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

The primary terms of the grants follow:

Grant date	January 3, 2013
Number of options granted	63,740,000
Offer price per share	1.46
Option value per share	1.43

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

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

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

The following table shows the movement in share options in 2014 and 2013:

	Number of shares
Stock options granted in 2013	63,740,000
Stock options exercised in 2013	(15,000,000)
Outstanding at end of year	48,740,000

There were no share options granted or exercised in 2015 and 2014. Total share-based payment expense recognized amounting to ₱91.1 million is presented as part of "Personnel expenses" under "General and administrative expenses" account in the consolidated statement of comprehensive income for the year ended December 31, 2013.

As at December 31, 2015 and 2014, total share-based payment transactions, net of applicable tax, amounting to ₱69.7 million are presented as "Share-based payments" account under the equity section of the consolidated statements of financial position.

20. Equity

a. Capital Stock

	2015		2014	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized				
Common - ₱1 par value	**8,890,000,000**	**₱8,890,000**	8,890,000,000	₱8,890,000
Preferred - ₱0.01 par value	**11,000,000,000**	**110,000**	11,000,000,000	110,000
	19,890,000,000	**₱9,000,000**	19,890,000,000	₱9,000,000
Issued				
Common - ₱1 par value	**6,243,382,344**	**₱6,243,382**	6,243,382,344	₱6,243,382
Preferred - ₱0.01 par value	**2,750,000,000**	**27,500**	2,750,000,000	27,500
	8,993,382,344	**₱6,270,882**	8,993,382,344	₱6,270,882

The preferred shares are of equal rank, preference and priority with the common shares and are identical in all respects regardless of series, except as to the issue value which may be specified by the BOD from time to time. It has voting rights and are non-participating in any other or further dividends beyond that specifically on such preferred shares. Each preferred share shall not be convertible to common shares. Other features of the preferred shares shall be at the discretion of the BOD at the time of such issuance. All preferred shares currently outstanding earn 6% cumulative dividend per annum. On January 31, 2012, the Parent Company fully redeemed these preferred shares at par value, including dividends in arrears of ₱4.1 million. On February 28, 2012, the BOD authorized the reissuance of these preferred shares at a later date. On April 10, 2012, the Parent Company issued to FPHC all preferred shares at par value.

Below is the movement of the common stock of the Parent Company:

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

b. Dividends

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

On July 2, 2014, BOD approved the declaration of a regular cash dividend of ₱0.0459 per share to all common shareholders of record as at July 18, 2014 and 6% per annum cumulative cash dividend from April 10, 2012 to June 30, 2014 to all preferred shareholders. Payments of cash dividends for common shares were made on August 11, 2014.

On July 4, 2013, the BOD of the Company approved the declaration of regular cash dividends of ₱0.0368 per share to all common stockholders of record as at July 25, 2013. Payments were made on August 20, 2013.

On January 16, 2012, the BOD approved the declaration of dividends for preferred shares at 6% cumulative per annum amounting to ₱4.1 million or ₱0.0015 per share. Payments were made on January 26, 2012.

As at December 31, 2015 and 2014, unpaid cumulative dividends on preferred shares amounted to ₱3.7 million.

c. Other Equity Adjustments

This account represents the difference between the consideration received from the sale of the proprietary shares and the carrying value of the related interest. In 2014, the Parent Company sold proprietary shares equivalent to 0.3% interest in Rockwell Club.

	Amount
Balance at beginning of year	₱288,659
Acquisition by the non-controlling interests:	
Consideration received	2,932
Carrying value	(429)
	2,503
Balance at end of year	₱291,162

d. Treasury Shares

In May 2012, Rockwell Land acquired 126,620,146 common shares from Meralco, representing the foreign shareholders' entitlement from property dividend distribution made by Meralco, at ₱1.4637 per share (see Note 1).

21. Interest Income

This account consists of:

	2015	2014	2013
Interest income from:			
Amortization of unearned interest on trade receivables (see Note 8)	**₱933,273**	₱1,013,982	₱931,805
Cash and cash equivalents (see Note 7)	**49,970**	98,382	40,382
Interest and penalty charges	**2,998**	2,149	8,474
In-house financing	**2,088**	2,409	2,743
	₱988,329	₱1,116,922	₱983,404

22. Expenses

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

	2015	2014	2013
Included in:			
Cost of real estate (see Note 12)	**₱143,509**	₱127,257	₱136,225
General and administrative expenses (see Note 14)	**192,178**	180,234	128,981
	₱335,687	₱307,491	₱265,206

General and administrative expenses pertain to the following businesses:

	2015	2014	2013
Real estate	**₱1,022,626**	₱860,861	₱863,791
Cinema	**187,137**	164,054	177,090
Hotel	**185,194**	82,491	–
	₱1,394,957	₱1,107,406	₱1,040,881

Real Estate

	2015	2014	2013
Personnel (see Notes 23 and 24)	**₱323,272**	₱242,599	₱314,160
Taxes and licenses	**180,251**	172,936	158,828
Depreciation and amortization (see Note 14)	**147,184**	160,216	118,296
Marketing and promotions	**68,430**	32,204	25,833
Utilities (see Note 27)	**51,512**	52,813	41,296
Entertainment, amusement and recreation	**44,942**	61,270	34,686
Contracted services	**36,529**	29,745	27,668
Professional fees	**27,456**	20,631	40,590
Dues and subscriptions	**20,556**	8,448	18,911
Fuel and oil	**9,799**	10,837	12,015
Insurance	**9,620**	9,566	9,279
Security services	**9,575**	8,772	7,081
Transportation and travel	**3,958**	3,862	3,612
Provision for doubtful accounts (see Note 8)	**–**	–	70
Others	**89,542**	46,962	51,466
	₱1,022,626	₱860,861	₱863,791

Cinema

	2015	2014	2013
Producers' share	**₱87,645**	₱78,441	₱89,221
Utilities (see Note 27)	**23,596**	26,148	26,306
Depreciation and amortization (see Note 14)	**19,941**	10,626	10,685
Amusement tax	**14,871**	13,811	15,652
Snack bar	**13,719**	12,706	15,396
Contracted services	**11,643**	11,831	11,401
Advertising	**2,749**	2,506	2,451
Personnel (see Notes 23 and 24)	**2,518**	2,668	2,126
Others	**10,455**	5,317	3,852
	₱187,137	₱164,054	₱177,090

Hotel

	2015	2014
Rental expense	**₱56,766**	₱27,145
Supplies	**28,449**	1,380
Depreciation and amortization (see Note 14)	**25,053**	9,392
Personnel (see Notes 23 and 24)	**21,612**	18,956
Utilities	**15,758**	6,432
Accommodations	**11,717**	4,791
Contracted services	**5,144**	1,923
Dues and subscriptions	**4,149**	3,581
Professional fees	**4,031**	6,058
Security services	**3,040**	1,780
Others	**9,475**	1,053
	₱185,194	₱82,491

Selling expenses are comprised of:

	2015	2014	2013
Commissions and amortization of prepaid costs (see Notes 4 and 10)	**₱326,966**	₱189,590	₱218,752
Marketing and promotions	**56,930**	35,072	73,243
Personnel (see Notes 23 and 24)	**38,449**	69,450	58,619
Utilities (see Note 27)	**6,158**	7,452	8,287
Contracted services	**5,330**	6,707	2,629
Usufruct	**2,314**	8,391	3,301
Others	**24,784**	10,472	8,065
	₱460,931	₱327,134	₱372,896

Interest expense is comprised of:

	2015	2014	2013
Interest expense on loans (see Note 15)	**₱430,220**	₱546,342	₱298,116
Amortization of loan transaction costs (see Note 15)	**20,913**	46,871	32,267
Bank charges	**20,055**	10,635	14,840
	₱471,188	₱603,848	₱345,223

23. Personnel Expenses

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

	2015	2014	2013
Salaries and wages (see Note 22)	**₱341,455**	₱299,632	₱348,078
Pension costs (see Note 24)	**44,396**	34,041	26,827
	₱385,851	₱333,673	₱374,905

24. Pension Costs and Other Employee Benefits

a. Pension Costs

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

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

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

Net Pension Costs

	2015	2014	2013
Current service cost	**₱39,535**	₱29,971	₱27,435
Interest cost	**4,861**	4,070	(608)
Net pension cost	**₱44,396**	₱34,041	₱26,827

Pension Liability

	2015	2014
Present value of benefit obligation	**₱470,799**	₱383,076
Fair value of plan assets	**(283,303)**	(277,435)
Pension liability	**₱187,496**	₱105,641

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

	2015	2014
Defined benefit obligation at beginning of year	**₱383,076**	₱310,663
Current service cost	**39,535**	29,971
Interest cost	**17,706**	15,993
Actuarial loss (gain) due to:		
Experience adjustments	**63,084**	6,412
Change in assumptions	**(27,527)**	23,307
Benefits paid	**(5,075)**	(3,270)
Defined benefit obligation at end of year	**₱470,799**	₱383,076

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

	2015	2014
Fair values of plan assets at beginning of year	**₱277,435**	₱222,501
Interest income included in net interest cost	**12,845**	11,923
Actual contributions	**20,000**	24,000
Gain (losses) on return on plan assets	**(21,902)**	22,281
Benefits paid	**(5,075)**	(3,270)
Fair values of plan assets at end of year	**₱283,303**	₱277,435

The Company expects to contribute ₱60.0 million to its pension plan in 2016.

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

	2015	2014
Investments in:		
Government securities	**35.72%**	32.55%
Loans and debt instruments	**8.64%**	7.20%
Other securities	**55.64%**	60.25%
	100.00%	100.00%

The principal assumptions used as at December 31, 2015 and 2014 in determining pension cost obligation for the Company's plans are as follows:

	2015	2014
Discount rate	**4–5%**	4–5%
Future salary rate increases	**10.00%**	10.00%

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

As at December 31, 2015 and 2014, the carrying values of the plan approximate their fair values:

	2015	2014
Cash in banks:		
MBTC	**₱14,742**	₱9,341
BDO	**12,587**	1,549
Receivables - net of payables:		
MBTC	**214**	(29)
BDO	**649**	754
Investments held for trading:		
MBTC	**151,502**	153,068
BDO	**103,609**	112,752
	₱283,303	₱277,435

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

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

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

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

The Retirement Plan has investment in shares of stock of the Company amounting to ₱80.7 million and ₱20.2 million as at December 31, 2015 and 2014, respectively.

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

There are no outstanding balances arising from transactions between the Retirement Plan and the Company as at December 31, 2015 and 2014. Except as stated above, there were no other transactions entered into during the year by the Retirement Plan relating to the Company.

In 2015, the sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions were held constant:

	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation
Discount rate	+100	(₱427,982)
	-100	523,064
Future salary increases	+100	521,536
	-100	(428,227)
Turnover	+100	(423,628)
	-100	452,406

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

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

Year	**2015**	2014
Less than 1 year	**₱169,552**	₱374
More than 1 year to 5 years	**14,166**	162,164
More than 5 years to 10 years	**111,316**	45,739
More than 10 years to 15 years	**425,359**	185,823
More than 15 years to 20 years	**315,986**	191,511
More than 20 years	**2,463,070**	1,492,696

a. Other Employee Benefits

Other employee benefits consists of accumulated employee sick and vacation leave entitlement amounting to ₱4.6 million, ₱5.2 million and ₱10.6 million for the years ended December 31, 2015, 2014 and 2013, respectively (see Notes 22 and 23). The present value of the defined benefit obligation of other employee benefits amounted to ₱64.9 million and ₱50.1 million as at December 31, 2014 and 2013, respectively (see Notes 17 and 18).

In 2015, the sensitivity analysis below has been determined based on reasonably possible changes of salary increase rate on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions were held constant:

	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation (in thousands)
Future salary increases	+100	₱42,994
	-100	36,466

25. Income Taxes

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

	2015	2014	2013
Current income tax	**₱552,229**	₱377,964	₱371,294
Deferred income tax	**81,157**	235,427	210,862
	₱633,386	₱613,391	₱582,156

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

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

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

	2015	2014
Deferred tax liabilities:		
Unrealized gain on real estate	**₱737,901**	₱688,452
Fair value increment on the real estate inventories	**159,610**	159,610
Capitalized interest	**69,412**	72,529
Unrealized gain on available-for-sale investments	**577**	527
Unrealized foreign exchange gain	**469**	–
Overfunded pension costs	**–**	1,776
	967,969	922,894
Deferred tax assets:		
Share-based payment expense	**22,574**	22,574
Other employee benefits	**17,918**	16,883
NOLCO	**6,287**	2,677
Unamortized past service cost	**5,177**	7,966
Allowance for doubtful accounts and others	**4,645**	4,353
Unfunded pension costs	**3,581**	24,627
Deferred lease income	**2,163**	2,163
Unrealized foreign exchange loss	**–**	383
	62,345	81,626
	₱905,624	₱841,268

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

	2015	2014
Deferred tax assets - net	**₱6,287**	₱2,691
Deferred tax liabilities - net	**(911,911)**	(843,959)
	₱905,624	₱841,268

The details of the subsidiaries' deductible temporary differences, NOLCO and MCIT for which no deferred tax assets are recognized since management believes that there are no sufficient taxable profits against which the deferred tax assets can be utilized are as follows:

	2015	2014
Unfunded pension costs	**₱26,839**	₱26,320
Advances from members	**12,698**	–
MCIT	**1,497**	2,150
Allowance for doubtful accounts	**1,180**	4,977
NOLCO	**16**	10,751
	₱42,230	₱44,198

As at December 31, 2015, MCIT of a subsidiary which can be claimed as deduction from regular taxable income due as follows:

Year Paid	Expiry Year	Amount
2013	2016	₱1,540
2014	2017	275
2015	2018	1,497
		₱3,312

MCIT amounting to ₱0.15 million, ₱0.30 million and ₱0.18 million expired in 2015, 2014 and 2013, respectively.

As at December 31, 2015, NOLCO of certain subsidiaries can be carried forward and claimed as deduction against regular taxable income as follows:

Year Incurred	Expiry Date	Amount
2013	2016	₱308
2014	2017	3,468
2015	2018	1,136
		₱4,912

The reconciliation of the statutory income tax rate to effective income tax rate as shown in the consolidated statements of comprehensive income is summarized as follows:

	2014	2014	2013
Statutory income tax rate	**30.0%**	30.0%	30.0%
Additions to (deductions from) income tax resulting from:			
Share in net income of joint venture	**(1.4)**	(1.4)	(1.4)
Nondeductible expenses	**1.3**	1.1	0.7
Nontaxable income and others	**(0.8)**	(1.5)	.–
Effective income tax rate	**29.1%**	28.2%	29.3%

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

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

26. Registration with the Board of Investments

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

On June 20, 2013, the Parent Company incorporated Rockwell Hotels & Leisure Management Corp. (RHLMC) for the Parent Company's future hotel operations. Accordingly, the Company reclassified the costs related to the development of the Edades and The Grove Serviced Apartments that will be used for their hotel business, from investment properties and land and development cost accounts to property and equipment (see Note 14).

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

Commercial operations of Edades Serviced Apartments started on July 1, 2014. ITH incentive enjoyed by the Parent Company amounted to ₱4.5 million and ₱1.5 million in 2015 and 2014, respectively (see Note 25).

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

On June 24, 2015, request for status upgrade of said BOI registration from Non-pioneer to Pioneer status was made. The Company's request for status upgrade for its Edades Serviced Apartments, under BOI Certificate of Registration No 2013-121, was approved on November 4, 2015. Consequently, the ITH period was also amended from 4 years (February 2014-January 2016) to 6 years (February 2014-January 2020).

27. Related Party Transactions

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

The following table summarizes these significant transactions with related parties:

Related Parties	Relationship	Nature of Transaction	Period	Transaction Amount	Amounts Owed from (to) Related Parties)	Terms	Conditions
Rockwell - Meralco BPO	Joint venture	Advances (see Notes 10 and 17)	**2015**	**₱172,060**	**(₱251,555)**	90-day; noninterest-bearing	Unsecured
			2014	42,455	42,455		
			2013	39,098	80,902		
Advances to officers and employees		Advances (see Note 8)	**2015**	**65,102**	**27,724**	30-day; noninterest-bearing	Unsecured; no impairment
			2014	31,844	43,454		
			2013	49,910	20,127		
FPHC	Parent	Charges for construction of 8 Rockwell (see Note 17)	**2015**	-	**(18,155)**	On demand; noninterest-bearing	Unsecured
			2014	-	(18,155)		
			2013	18,155	(18,155)		

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

Terms and Conditions of Transactions with Related Parties

Purchases from related parties are made at normal market prices. Outstanding balances at year-end are unsecured, interest-free, settlement occurs in cash and collectible/payable on demand. There have been no guarantees provided for or received for any related party receivables or payables. For the years ended December 31, 2015, 2014 and 2013, the Company has not made any provision for doubtful accounts relating to amounts owed by related parties. This assessment is undertaken at each financial year through examination of the financial position of the related party and the market in which the related party operates.

Compensation of Key Management Personnel of the Company

	2015	2014	2013
Short-term employee benefits	**₱70,948**	₱68,500	₱63,984
Post-employment pension and other benefits	**18,612**	18,612	15,836
Total compensation attributable to key management personnel	**₱89,560**	₱87,112	₱79,820

28. Commitments and Contingencies

Operating Lease Commitments

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

Year	Amount (in thousands)
2016	₱30,168
2017	30,901
2018	31,916
2019	32,981
2020 and after	1,031,732
	₱1,157,698

Capital Commitments

a. The Company entered into a contract with Hilmarc's Construction Corporation in 2011 covering superstructure works related to "Edades" Project. The contract amounted to a fixed fee of ₱1.9 billion, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of the works. Superstructure works commenced in 2011 and is currently ongoing. As at December 31, 2015, ₱1.79 billion has been incurred and paid.

b. The Company entered into contract covering Superstructure works related to "Proscenium Substructure and Podium" with Megawide Construction Corporation. The contract sum awarded for the work amounted to ₱980.0 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Superstructure Works commenced in July 2014. Megawide has a deductive change order of ₱527.9 million. As at December 31, 2015, ₱256.0 million has been incurred and paid.

c. The Company entered into contract covering Superstructure works related to "Proscenium Phase 1B" with Megawide Construction Corporation. The contract sum awarded for the work amounted to ₱2.1 billion, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Superstructure Works commenced in October 2015. As of December 31, 2015, nil has been incurred and paid for accomplishment.

d. The Company entered into contract covering Superstructure works related to "Proscenium Phase 1A" with Phenix Garuda Construction and Development Corporation. The contract sum awarded for the work amounted to ₱2.396 billion, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Superstructure Works commenced in May 2015. As of December 31, 2015, ₱164 million has been incurred and paid.

e. The Company entered into contract covering Excavation works related to "Proscenium Phase 2" with IPM Construction and Development Corp. The contract sum awarded for the work amounted to ₱61.0 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Excavation Works commenced in August 2015. As at December 31, 2015, ₱15.3 million has been incurred and paid.

f. The Company entered into contract covering Substructure works related to "Mall Expansion" with Phenix Garuda Construction and Development Corporation. The contract sum awarded for the work amounted to ₱63.0 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. Superstructure Works commenced in April 2015. As at December 31, 2015, ₱61.7 million has been incurred and paid.

g. The Company entered into contract covering General Construction works related to "RBC Sheridan" with Phenix Garuda Construction and Development Corporation. The contract sum awarded for the work amounted to ₱900 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. General Construction Works commenced in October 2015. As of December 31, 2015, ₱166.20 million has been incurred and paid.

h. The Company entered into contract covering General Construction works related to "Santolan Town Plaza" with Omicron Construction. The contract sum awarded for the work amounted to ₱401.5 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. General Construction Works commenced in November 2015. As at December 31, 2015, nil has been incurred and paid.

i. The Company entered into contract covering Earthworks related to "32 Sanson" with Omicron Construction. The contract sum awarded for the work amounted to ₱55.4 million, inclusive of all pertinent local and national taxes, overhead and cost of labor and materials and all cost necessary for the proper execution of works. General Construction Works commenced in May 2015. As at December 31, 2015, ₱11.2 million has been incurred and paid.

Contingencies

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

29. Financial Risk Management Objectives and Policies

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

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

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

Cash Flow Interest Rate Risk

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

The Company's policy is to manage its interest cost using a mix of fixed and variable rate debts. As at December 31, 2015 and 2014, approximately 100% of the Company's borrowings are at a fixed rate of interest.

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

	2015				
	Within 1 Year	**1–2 Years**	**2–3 Years**	**More than 3 Years**	**Total**
Fixed Rate					
Interest-bearing loans and borrowings	**₱2,213,454**	**₱1,718,527**	**₱1,723,854**	**₱8,257,446**	**₱13,913,281**
Short-term investments	**1,816,653**	**–**	**–**	**–**	**1,816,653**

	2014				
	Within 1 Year	1–2 Years	2–3 Years	More than 3 Years	Total
Fixed Rate					
Interest-bearing loans and borrowings	₱1,708,624	₱1,713,454	₱6,470,527	₱5,229,300	₱15,121,905
Short-term investments	5,529,000	–	–	–	5,529,000

Interest on financial instruments is fixed until the maturity of the instrument. The other financial instruments of the Company that are not included in the above tables are noninterest-bearing and are therefore not subject to interest rate risk.

The Company has no floating rate loans as at December 31, 2015 and 2014.

Foreign Currency Risk

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

Foreign Currency-Denominated Asset

	2015		2014	
	US$	**Peso**	US$	Peso
Cash and cash equivalents	**US$776**	**₱36,497**	US$256	₱11,460

As at December 31, 2015 and 2014, the exchange rate was ₱47.06 to US$1.00 and ₱44.72 to US$1.00, respectively. Net foreign exchange gain amounted to ₱6.6 million, ₱2.9 million and ₱2.7 million in 2015, 2014 and 2013, respectively.

The following tables demonstrate the sensitivity to a reasonably possible change in the US$ exchange rate with respect to Peso, with all other variables held constant, of the Company's December 31, 2015 and 2014 income before income tax (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Company's equity other than those already affecting the income.

	2015	
	Increase/Decrease in US$ Rate (in %)	**Effect on Income Before Income Tax**
Foreign currency-denominated financial assets	**+5%**	**₱1.83 million**
	-5%	**(₱1.83 million)**

	2014	
	Increase/Decrease in US$ Rate (in %)	Effect on Income Before Income Tax
Foreign currency-denominated financial assets	+5%	₱0.58 million
	-5%	(₱0.58 million)

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

Credit Risk

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

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

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

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

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

	2015		
	Gross Maximum Exposure	**Net Exposure**	**Financial Effect of Collateral or Credit Enhancement**
Cash and cash equivalents*	**₱2,247,732**	**₱2,229,573**	**₱18,159**
Trade receivables from:			
Sale of condominium units	**8,722,114**	**88,698**	**8,633,416**
Lease	**122,129**	**–**	**122,129**
Advances to officers and employees	**27,724**	**–**	**27,724**
Other receivables**	**158,845**	**158,845**	**–**
Available-for-sale investments:			
Quoted	**12,500**	**12,500**	**–**
Unquoted	**3,308**	**3,308**	**–**
Refundable deposits***	**172,711**	**172,711**	**–**
Restricted cash	**98,255**	**98,255**	**–**
	₱11,565,318	**₱2,763,890**	**₱8,801,428**

	2014		
	Gross Maximum Exposure	Net Exposure	Financial Effect of Collateral or Credit Enhancement
Cash and cash equivalents*	₱5,995,231	₱5,978,092	₱17,139
Trade receivables from:			
Sale of condominium units	9,618,871	146,417	9,472,454
Lease	126,111	–	126,111
Advances to officers and employees	43,454	–	43,454
Other receivables**	98,465	98,465	–
Available-for-sale investments:			
Quoted	12,000	12,000	–
Unquoted	3,308	3,308	–
Refundable deposits***	147,519	147,519	–
	₱16,044,959	₱6,385,801	₱9,659,158

**Excluding cash on hand amounting to ₱1,479 and ₱475 as at December 31, 2015 and 2014, respectively.*
***Excluding other receivables, which are nonfinancial assets, amounting to ₱3,995 and ₱12,023 as at December 31, 2015 and 2014, respectively.*
****Presented as part of "Other current assets" account in the consolidated statements of financial position.*

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

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

	2015		
	A Rating	**B Rating**	**Total**
Cash and cash equivalents	**₱2,249,211**	**₱–**	**₱2,249,211**
Trade receivables from:			
Sale of condominium units	**6,239,045**	**2,393,296**	**8,632,341**
Lease	**60,454**	**54,247**	**114,701**
Advances to officers and employees	**27,724**	**–**	**27,724**
Other receivables	**162,840**	**–**	**162,840**
Available-for-sale investments:			
Quoted	**12,500**	**–**	**12,500**
Unquoted	**3,308**	**–**	**3,308**
Restricted Cash	**98,255**	**–**	**98,255**
Refundable deposits	**15,601**	**5,117**	**20,718**
	₱8,868,938	**₱2,452,660**	**₱11,321,598**

	2014		
	A Rating	B Rating	Total
Cash and cash equivalents	₱5,995,706	₱–	₱5,995,706
Trade receivables from:			
Sale of condominium units	6,520,155	2,952,299	9,472,454
Lease	81,841	38,135	119,976
Advances to officers and employees	43,454	–	43,454
Other receivables	100,790	–	100,790
Available-for-sale investments:			
Quoted	12,000	–	12,000
Unquoted	3,308	–	3,308
Refundable deposits	10,206	4,585	14,791
	₱12,767,460	₱2,995,019	₱15,762,479

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

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

As at December 31, 2015 and 2014, the analyses of the age of financial assets are as follows:

	2015						
	Neither Past Due nor Impaired	**Past Due but not Impaired**				**Impaired Financial Assets**	**Total**
		Less than 30 Days	**31 to 60 Days**	**61 to 90 Days**	**More than 90 Days**		
Cash and cash equivalents	**₱2,249,211**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,249,211**
Trade receivables from:							
Sale of condominium units	**8,632,341**	**14,325**	**6,817**	**6,069**	**62,562**	**–**	**8,722,114**
Lease	**114,701**	**5,702**	**1,683**	**43**	**–**	**–**	**122,129**
Advances to officers and employees	**27,724**	**–**	**–**	**–**	**–**	**–**	**27,724**
Other receivables	**162,840**	**–**	**–**	**–**	**–**	**2,611**	**165,451**
Available-for-sale investments:							
Quoted	**12,500**	**–**	**–**	**–**	**–**	**–**	**12,500**
Unquoted	**3,308**	**–**	**–**	**–**	**–**	**–**	**3,308**
Refundable deposits	**20,718**	**11,143**	**88,811**	**183**	**14,482**	**37,374**	**172,711**
Restricted cash	**98,255**	**–**	**–**	**–**	**–**	**–**	**98,255**
	₱11,321,598	**₱31,170**	**₱97,311**	**₱6,295**	**₱77,044**	**₱39,985**	**₱11,573,403**

	2014						
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired Financial Assets	Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	More than 90 Days		
Cash and cash equivalents	₱5,995,706	₱–	₱–	₱–	₱–	₱–	₱5,995,706
Trade receivables from:							
Sale of condominium units	9,472,454	10,789	33,238	1,621	100,769	–	9,618,871
Lease	119,976	3,605	1,211	768	551	–	126,111
Advances to officers and employees	43,454	–	–	–	–	–	43,454
Other receivables	100,790	–	–	–	–	5,181	105,971
Available-for-sale investments:							
Quoted	12,000	–	–	–	–	–	12,000
Unquoted	3,308	–	–	–	–	–	3,308
Refundable deposits	14,791	9,720	70	160	122,778	37,374	184,893
	₱15,762,479	₱24,114	₱34,519	₱2,549	₱224,098	₱42,555	₱16,090,314

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

Past due accounts which pertain to trade receivables from sale of condominium units and club shares are recoverable since the legal title and ownership of the condominium units and club shares will only be transferred to the customers upon full payment of the contract price. In case of cancellation, the condominium units and club shares become available for sale. The fair value of the condominium units amounted to ₱34.6 billion and ₱28.5 billion as at December 31, 2015 and 2014, respectively. The fair value of the club shares amounted to ₱6.6 million and ₱6.3 million as at December 31, 2015 and 2014, respectively.

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

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

Liquidity Risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. 16% and 11% of the Company's debt will mature in less than one year as at December 31, 2015 and 2014, respectively.

The liquidity risk of the Company arises from their financial liabilities. The tables below summarized the maturity profile of the Company's financial liabilities at December 31, 2015 and 2014 based on contractual undiscounted payments.

	2015				
	On Demand	**Due Within 3 Months**	**Due Between 3 and 12 Months**	**Due After 12 Months**	**Total**
Trade and other payables*	**₱–**	**₱552,004**	**₱2,885,474**	**₱–**	**₱3,437,478**
Interest-bearing loans and borrowings**	**–**	**912,000**	**1,301,454**	**11,699,827**	**13,913,281**
Installment payable	**–**	**–**	**–**	**655,799**	**655,799**
Retention payable***	**–**	**–**	**92,591**	**568,320**	**660,911**
Security deposits***	**–**	**141,757**	**40,789**	**120,097**	**302,643**
	₱–	**₱1,605,761**	**₱4,320,308**	**₱13,044,043**	**₱18,970,112**

	2014				
	On Demand	Due Within 3 Months	Due Between 3 and 12 Months	Due After 12 Months	Total
Trade and other payables*	₱–	₱956,942	₱4,483,573	₱–	₱5,440,515
Interest-bearing loans and borrowings*	–	593,273	1,115,351	13,413,281	15,121,905
Installment payable	–	–	799,755	655,799	1,455,554
Retention payable***	–	3,053	167,822	424,609	595,484
Security deposits***	–	71,141	253,263	47,877	372,281
	₱–	₱1,624,409	₱6,819,764	₱14,541,566	₱22,985,739

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

***Principal payments*

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

Maturity Profile of Financial Assets Held for Liquidity Purposes

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

	2015					
	On Demand	**Within 30 Days**	**31 to 60 Days**	**61 to 90 Days**	**Over 90 Days**	**Total**
Cash and cash equivalents	**₱461,877**	**₱1,735,001**	**₱52,333**	**₱–**	**₱–**	**₱2,249,211**
Trade receivables from:						
Sale of condominium units	**6,620,410**	**2,302,705**	**479,791**	**323,633**	**1,808,242**	**11,534,781**
Lease	**114,701**	**5,702**	**1,683**	**43**	**–**	**122,129**
Available-for-sale investments	**–**	**–**	**–**	**–**	**15,808**	**15,808**
	₱7,196,988	**₱4,043,408**	**₱533,807**	**₱323,676**	**₱1,824,050**	**₱13,921,929**

	2014					
	On Demand	Within 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Cash and cash equivalents	₱563,631	₱5,188,092	₱243,983	₱–	₱–	₱5,995,706
Trade receivables from:						
Sale of condominium units	9,340,714	103,007	190,328	260,641	2,066,570	11,961,260
Lease	119,976	3,605	1,211	768	551	126,111
Available-for-sale investments	–	–	–	–	15,308	15,308
	₱10,024,321	₱5,294,704	₱435,522	₱261,409	₱2,082,429	₱18,098,385

Capital Management Policy

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2015 and 2014.

The Company monitors its capital adequacy using the net debt-to-equity ratio, which is interest-bearing loans and borrowings less cash and cash equivalents divided by equity. The Company's policy is to limit the net debt-to-equity ratio to 1.0x.

The Company is required to maintain debt-to-equity ratio as set forth in the Fixed Rate Corporate Notes Facility Agreement and Bonds. The Agreement provides for a higher debt to equity ratio than the internal limit set by the Company (see Note 15).

	2015	2014
Interest-bearing loans and borrowings	**₱13,848,173**	₱15,035,884
Less cash and cash equivalents	**2,249,211**	5,995,706
Net	**11,598,962**	9,040,178
Equity	**14,179,645**	12,891,671
Net debt-to-equity ratio	**0.82**	0.70

30. Fair Value Measurement

Set out below is a comparison by class of carrying values and fair values of the Company's assets and liabilities that are carried in the consolidated financial statements as at December 31, 2015 and 2014.

	2015				
	Carrying Value	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Assets					
Loans and receivables -					
Sale of condominium units (including noncurrent portion)	**₱8,722,114**	**₱18,458,155**	**₱–**	**₱18,458,155**	**₱–**
Investment properties	**6,613,858**	**14,433,722**	**–**	**1,377,892**	**13,055,830**
Available-for-sale financial assets	**12,500**	**12,500**	**12,500**	**–**	**–**
	₱15,348,472	**₱32,904,377**	**₱12,500**	**₱19,836,047**	**₱13,055,830**
Liabilities					
Other financial liabilities -					
Interest-bearing loans and borrowings (including noncurrent portion)	**₱13,848,173**	**₱14,499,917**	₱–	₱–	₱14,499,917
Installment payable	**467,007**	**520,666**	–	–	520,666
Retention payable (including noncurrent portion)	**640,039**	**605,720**	–	–	605,720
Security deposits (including noncurrent portion)	**302,643**	**298,610**	–	–	298,610
	₱15,257,862	**₱15,924,913**	₱–	₱–	₱15,924,913

	2014				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets					
Loans and receivables -					
Trade receivables from -					
Sale of condominium units (including noncurrent portion)	₱9,618,871	₱18,635,612	₱–	₱18,635,612	₱–
Investment properties	6,147,124	12,665,000	–	1,867,000	10,798,000
Available-for-sale financial assets	12,000	12,000	12,000	–	–
	₱15,777,995	₱31,312,612	₱12,000	₱20,502,612	₱10,798,000
Liabilities					
Other financial liabilities -					
Interest-bearing loans and borrowings (including noncurrent portion)	₱15,035,884	₱18,133,499	₱–	₱–	₱18,133,499
Installment payable	1,177,543	1,455,554	–	–	1,455,554
Retention payable (including noncurrent portion)	571,158	552,887	–	–	552,887
Security deposits (including noncurrent portion)	279,086	363,900	–	–	363,900
	₱17,063,671	₱20,505,840	₱–	₱–	₱20,505,840

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

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

Trade Receivables from Sale of Condominium Units. The fair values of trade receivables from sale of condominium units were calculated by discounting the expected future cash flows at prevailing credit adjusted PDEx interest rates ranging from 2.7% to 5.5% as at December 31, 2015 and 2.4% to 7.7% as at December 31, 2014.

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

Interest-bearing Loans and Borrowings. The fair values of fixed rate loans were calculated by discounting the expected future cash flows at prevailing credit adjusted PDEx interest rates ranging from 2.7% to 5.2% as at December 31, 2015 and 2.4% to 4.7% as at December 31, 2014.

Installment Payable. The fair value of installment payable were calculated by discounting the expected cash flows at prevailing credit adjusted PDEx interest rates ranging from 2.7% to 5.1% as at December 31, 2015 and 2.4% to 4.1% as at December 31, 2014.

Retention Payable and Security Deposits. The fair values were calculated by discounting the expected future cash flows at prevailing credit adjusted PDEx interest rates ranging from 2.9% to 4.9% as at December 31, 2015 and 2.3% to 4.3% as at December 31, 2014.

For the years ended December 31, 2015 and 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

31. Basic/Diluted Earnings Per Share Computation

	2015	2014	2013
Net income attributable to the Parent Company	**₱1,643,731**	₱1,562,600	₱1,402,138
Dividends on preferred shares	**(1,650)**	(1,650)	(1,650)
Net income attributable to common shares (a)	**1,642,081**	1,560,950	1,400,488
Common shares at beginning of year	**6,116,762,198**	6,116,762,198	6,101,762,198
Weighted average of 15,000,000 stock options exercised in September 2013	**–**	–	5,000,000
Weighted average number of common shares – basic (b)	**6,116,762,198**	6,116,762,198	6,106,762,198
Dilutive potential common shares under the ESOP	**5,677,731**	9,306,853	26,297,085
Weighted average number of common shares – diluted (c)	**6,122,439,929**	6,126,069,051	6,133,059,283
Per share amounts:			
Basic (a/b)	**₱0.2685**	₱0.2552	₱0.2293
Diluted (a/c)	**₱0.2682**	₱0.2548	₱0.2284

32. Segment Information

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

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

The Company manages its operations under the following business segments:

- *Residential Development* is engaged in the development, selling, and property management of all residential projects of the Company. It also includes the operations of the Rockwell Club.

- *Commercial Development* is engaged in the sale, leasing and other related operations in the course of the management of commercial buildings or spaces used for retail and office leasing, including cinema operations. Commercial buildings in its portfolio include the Power Plant Mall in Makati City and Rockwell Business Center in Ortigas, Pasig. Other retail spaces are found at several of the high-rise condominiums developed by the Company.

- *Hotel segment* is engaged in leasing of serviced apartments and management of hotel and resort operations. Its hotel portfolio includes serviced apartments located in Edades Tower and Joya Lofts and Towers.

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

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

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

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

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

Business Segments

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

	2015			
	Residential Development	**Commercial Development**	**Hotel**	**Total**
Revenue	**₱6,515,111**	**₱2,147,116**	**₱260,002**	**₱8,922,229**
Costs and expenses	**(4,962,491)**	**(856,260)**	**(198,172)**	**(6,016,923)**
Share in net income of joint venture	**–**	**170,844**	**–**	**170,844**
Other income - net	**6,459**	**–**	**–**	**6,456**
EBITDA	**1,559,079**	**1,461,700**	**61,830**	**3,082,606**
Depreciation and amortization				**(335,687)**
Interest expense				**(471,188)**
Provision for income tax				**(633,386)**
Consolidated net income	**₱1,559,079**	**₱1,461,700**	**₱61,830**	**₱1,642,345**
Assets and Liabilities				
Segment assets	**₱22,221,512**	**₱1,638,054**	**₱224,331**	**₱24,083,897**
Investment properties	**800,615**	**5,813,243**	**–**	**6,613,858**
Investment in joint venture	**–**	**3,030,463**	**–**	**3,030,463**
Property and equipment	**1,261,420**	**259,322**	**780,890**	**2,301,632**
Total assets	**₱24,283,547**	**₱10,741,082**	**₱1,005,221**	**₱36,029,850**
Segment liabilities	**₱ 21,266,467**	**₱455,574**	**₱128,164**	**₱21,850,205**

	2014			
	Residential Development	Commercial Development	Hotel	Total
Revenue	₱7,407,888	₱1,355,327	₱89,572	₱8,852,787
Costs and expenses	(5,309,217)	(477,444)	(83,817)	(5,870,478)
Share in net income of joint venture	–	102,819	–	102,819
Other income - net	2,902	–	–	2,902
EBITDA	2,101,573	980,702	5,755	3,088,030
Depreciation and amortization				(307,491)
Interest expense				(603,848)
Provision for income tax				(613,391)
Consolidated net income	₱2,101,573	₱980,702	₱5,755	₱1,563,300
Assets and Liabilities				
Segment assets	₱26,977,210	₱1,176,752	₱87,837	₱28,241,799
Investment properties	800,614	5,346,510	–	6,147,124
Investment in joint venture	–	2,859,619	–	2,859,619
Property and equipment	1,118,567	99,545	770,057	1,988,169
Total assets	₱28,896,391	₱9,482,426	₱857,894	₱39,236,711
Segment liabilities	₱25,824,219	₱447,456	₱73,365	₱26,345,040

	2013			
	Residential Development	Commercial Development	Hotel	Total
Revenue	₱6,814,488	₱1,015,025	₱ –	₱7,829,513
Costs and expenses	(5,047,899)	(277,784)	(5,712)	(5,331,395)
Share in net income of joint venture	–	93,261	–	93,261
Other income - net	5,162	–	–	5,162
EBITDA	1,771,751	830,502	(5,712)	2,596,541
Depreciation and amortization				(265,206)
Interest expense				(345,223)
Provision for income tax				(582,156)
Consolidated net income	₱1,771,751	₱830,502	(₱5,712)	₱1,403,956
Assets and Liabilities				
Segment assets	₱24,893,245	₱583,514	₱ 7,883	₱25,484,642
Investment properties	1,600,380	3,333,820	–	4,934,200
Investment in joint venture	–	2,282,152	–	2,282,152
Property and equipment	1,585,188	127,855	10,102	1,723,145
Total assets	₱28,078,813	₱6,327,341	₱17,985	₱34,424,139
Segment liabilities	₱22,609,848	₱436,951	₱ 11,259	₱23,058,058

33. Supplemental Disclosure of Cash Flow Information

In 2014, the Company's non-cash investing activity pertains to Rockwell Primaries' acquisition of 60% interest to Rockwell Primaries South with unpaid purchase price of ₱421.2 million as at year-end (see Note 6).

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Seeing Through Prisms of Multi-Faceted Progress

Rockwell Land will never stop reimagining,
reinventing and redeveloping. Because, ultimately,
Rockwell Land is driven by how it envisions the world.
A world of pristine perfection.
A world of unparalleled elegance.
A world that Rockwell strives
for every single day.