COVER SHEET

SEC Registration Number

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Company Name

C	I	T	Y	L	A	N	D		D	E	V	E	L	O	P	M	E	N	T											
C	O	R	P	O	R	A	T	I	O	N		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S			

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

2	n	d		F	l	o	o	r	,		C	i	t	y	l	a	n	d												
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M	a	k	a	t	i		C	i	t	y																				

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	MSRD	Not Applicable

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
fmsd@cityland.net	893-6060	N/A

No. of Stockholders	Annual Meeting Month/Day	Calendar Year Month/Day
687	1st Tuesday of June	2015/12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
RUDY GO	cdc_rg@cityland.net	893-6060	

Contact Person's Address

2nd Floor Cityland Condominium 10, Tower 1, 156 H.V. dela Costa Street, Makati City

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17- Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **September 30, 2015**

2. SEC Identification Number **77823** 3. BIR Tax Identification No. **000-527-103**

4. **CITYLAND DEVELOPMENT CORPORATION**
   Exact name of issuer as specified in its charter

5. **Makati City, Philippines** 6. [ ] (SEC Use Only)
   Province, country or other jurisdiction of incorporation — Industry Classification Code

7. **2nd Floor Cityland Condominium 10 Tower 1, 156 H.V. Dela Costa Street, Makati City** **1226**
   Address of Principal Office — Postal Code

8. **(632)-893-60-60**
   Issuer's telephone number, including area code

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding
Unclassified Common Shares	**3,571,940,453**

11. Are any or all of these securities listed on a Stock Exchange.

    Yes [**x**] No [ ]

    If yes, state the name of such stock exchange and the classes of securities listed therein:

Stock Exchange	Title of Each Class
Philippine Stock Exchange	**Unclassified Common Shares**

12. Check whether the issuer:

    (a) Has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports):

        Yes [**x**] No [ ]

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

        Yes [**x**] No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The financial statements and accompanying notes are filed as part of this form (pages 8 to 66).

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cityland Development Corporation (CDC or the Company) is selling the following projects:

Grand Central Residences, a 40-storey office, commercial and residential condominium located at EDSA corner Sultan St., Mandaluyong City.

Pines Peak Tower I, a 27-storey residential condominium located at Union corner Pines St., central business district of Mandaluyong which is scheduled for completion in March 2016.

Makati Executive Tower IV, a 29-storey office, commercial and residential condominium located at Cityland Square, Senator Gil Puyat Avenue, Pio del Pilar Makati City.

Makati Executive Tower III, a 37-storey office, commercial and residential condominium located at Cityland Square, Senator Gil Puyat Avenue, Pio del Pilar Makati City.

Mandaluyong Executive Mansion III, a residential condominium located at Mandaluyong Executive Mansion Subdivision, G. Enriquez St., Brgy. Vergara, Mandaluyong City.

Also the Company's subsidiaries, City & Land Developers, Incorporated (CLDI) and Cityplans, Incorporated (CPI), are selling the following projects:

CLDI

North Residences, a 29-storey commercial and residential condominium located in EDSA (beside Waltermart) corner Lanutan, Brgy. Veterans Village, Quezon City which was launched in October 2014 which is estimated to be completed in September 2018.

Manila Residences Bocobo, a 34-storey office and residential condominium project located at Jorge Bocobo St., Ermita, Manila City.

Grand Emerald Tower, a 39-storey commercial, office and residential condominium located along Emerald corner Ruby and Garnet Streets, Ortigas Center, Pasig City.

CPI

Oxford Mansion (joint project of CPI and Cityland Inc.), an 8-storey commercial and residential condominium located along Evangelista St., New Santolan, Pasig City

Windsor Mansion (joint project of CPI and Cityland Inc.), an 8-storey commercial and residential condominium located at New Santolan, Pasig City.

CDC and its subsidiaries (the Group) has also a number of prime lots reserved for future projects. Its land bank is situated in strategic locations ideal for horizontal and vertical developments.

Internal sources come from sale of condominium units and real estate properties, collection of installment contract receivables, maturing short-term investments and other sources such as rental income, interest income and dividend income. External sources come from Securities and Exchange Commission registered short-term commercial papers (STCP).

The estimated development cost of ₱281.83 million as of September 30, 2015 representing the cost to complete the development of real estate projects sold will be sourced through:

a) Sales of condominium units and real estate properties
b) Collection of installment receivables
c) Maturing short-term investments
d) Issuance of short-term commercial papers

Financial Condition (September 30, 2015 vs. December 31, 2014)

The Group's balance sheet remained healthy with total assets of ₱8.416B as of the third quarter of 2015, higher than the previous year's level of ₱8.297B. Increase in assets scan be attributed to the increase in short term cash investments, installment contracts receivable and investment properties. Increase in short term cash investments was due to collection from sales of real estate properties and the shift of funds to longer period investments. In addition, CDC sold a raw land which increased the Group's cash account. The Group's resources were primarily utilized in financing the on-going condominium projects, namely, Grand Central Residences, Pines Peak Tower I and North Residences. In addition, the Group's resources were also used for the construction of building for lease, resulting to the increase in Investment properties by 15.94%.

On the liabilities side, total liabilities were reduced by 20.73% due to the partial settlement of accounts payable and accrued expenses, notes and contracts payable, income tax payable and deferred tax.

Total equity stood at ₱6.93B as of September 30, 2015 from ₱6.42B as of December 31, 2014 due to comprehensive income of ₱609.69M less cash dividends declared amounting to ₱96.44 million. The decrease in total liabilities strengthened the Group's solvency position with debt-equity ratio improving to 0.18:1 from the prior year's 0.24:1. Liquidity position likewise improved as acid test and current ratio registered 2.57:1 and 3.71:1 as of the third quarter of 2015 from 1.74:1 and 2.85:1 as of December 31, 2014.

Results of Operation (September 30, 2015 vs. September 30, 2014)

Net Income as of September 30, 2015 reached ₱610.25M from ₱271.23M, higher by 124.99% as compared with the same period last year. The significant increase in sales was due to the sale of a raw land and the continuous sales and increase in construction accomplishment of all the condominium projects.

Furthermore, revenues from real estate properties were also augmented by the revenue generated by another subsidiary, CLDI. The project of CLDI, North Residences is expected to boost future sales. This project contributed modestly to revenues as it reached a 13.63% completion rate as of in the third quarter of the year. Other sources of income are financial income and rent income. Financial income which is substantially composed of interest income from sale of real estate properties continued to contribute 9.84% of total revenues. As for leasing operations, the BPO building-Citynet 1, substantially increased the Group's rent income. On the other hand, other income increased due to adjustment of forfeited units at fair market value.

On the cost side, cost of real estate sales, operating expenses and provision for income tax increased as these move in tandem with sales. On the other hand, financial expenses decreased due to partial settlement of notes and full settlement of contracts payable.

Financial Ratios

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)	September 30, 2014 (Unaudited)
Earnings per share*	**₱0.22**	₱0.10	₱0.08
Return on equity* (%)	**12.89%**	6.69%	5.94%
Solvency ratio*	**0.56**	0.24	0.23
Interest rate coverage	**1,442.6**	96.09	86.00
Asset-to-liability	**5.67**	4.43	4.70
Asset-to-equity	**1.39**	1.50	1.48
Debt-to-equity	**0.18**	0.24	0.22
Current ratio	**3.71**	2.85	2.94
Acid-test ratio	**2.57**	1.74	1.83

*Annualized for the period of September 30, 2015 and Septembe 30, 2014

Manner of Calculations:

Earnings per share	=	$\frac{\text{Net income after tax}}{\text{Outstanding number of shares}}$
Return on equity	=	$\frac{\text{Net income after tax}}{\text{Total Equity}}$
Solvency ratio	=	$\frac{\text{Net income after tax + Depreciation expense}}{\text{Total liabilities}}$
Interest rate coverage ratio	=	$\frac{\text{Income before income tax + Depreciation expense + Interest expense}}{\text{Interest expense}}$
Asset-to-liability ratio	=	Total assets / Total liabilities
Asset-to-equity ratio	=	$\frac{\text{Total assets}}{\text{Total equity (net of net changes in fair value of available-for-sale financial assets and accumulated re-measurement on defined benefit plan)}}$
Debt-to-equity ratio	=	$\frac{\text{Notes and contracts payable}}{\text{Total equity (net of net changes in fair value of available-for-sale financial assets and accumulated re-measurement on defined benefit plan)}}$
Current ratio	=	Total current assets / Total current liabilities
Acid-test ratio	=	$\frac{\text{Cash and cash equivalents + Short-term cash investments + Current portion of installment contracts receivable + Current portion of other receivables}}{\text{Total current liabilities}}$

Any issuances, repurchases, and repayments of debt and equity securities

Debt securities
The Parent Company and CLDI issued SEC-Registered Short-Term Commercial Papers during the period with outstanding balance of ₱883.15 million and ₱84.35 million, respectively as of September 30, 2015.

Equity securities
There are no issuances, repurchases and repayments of equity securities during the third quarter of 2015.

Any Known Trends, Events or Uncertainties (material impact on liquidity)

There are no known trends, events and uncertainties that have material effect on liquidity.

Any unusual items affecting assets, liabilities, equity, net income or cash flows in the current interim financial statements

There are no unusual items affecting assets, liabilities, equity and net income or cash flows in the current interim financial statements.

Any significant changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior year financial years that have a material effect in the current interim period

There are no significant changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior year financial years that have a material effect in the current interim period.

Any material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period

There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

Effects of changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructuring, and discontinuing operations

There are no significant effects of changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructuring, and discontinuing operations.

Changes in contingent liabilities or contingent assets since the last balance sheet date

There are no contingent liabilities or contingent assets recorded since the last balance sheet date.

Any Known Trend or Events or Uncertainties (Material Impact on Net Sales or Revenues or Income from Continuing Operations)

There are no known trends, events or uncertainties that have a material effect on the net sales or revenues or income from continuing operations.

Any Significant Elements of Income or Loss that did not arise from Registrant's Continuing Operations

There is no significant element of income or loss that did not arise from registrant's continuing operations.

Causes for any Material Changes from Period to Period in One or More Line of the Registrant's Financial Statements

Financial Condition (September 30, 2015 vs December 31, 2014)

a) Decrease in Cash and Cash Equivalents was due to shift of placements to longer period investments and payment of contracts payable and construction costs.
b) Increase in Short-term Cash Investments was due to sales and collection of receivables and shift to longer period investments.
c) Increase in Installment Contracts Receivables was due to sales of real estate properties.
d) Net decrease in Other Receivables was due to collections of advances to customers.
e) Decrease in Real Estate Properties for Sale was due to sales of real estate properties.
f) Decrease in Real Estate Properties for Future Development was due to transfer of lot to real estate properties for sale.
g) Decrease in Other Current Assets was due to release of escrow deposit, while increase in Other Non- Current Assets was due to increase in unused input vat from purchased of lot and higher meralco electric meter deposits.
h) Decrease in Accounts Payable and Accrued Expenses was substantially due to payment of dividends payable, trade payable, accrued expenses, development cost and reversal of deposit for sale of North Residences.
i) Decrease in Notes and Contracts Payable was due to payment of contracts payable and partial settlement of notes payable.
j) Decrease in Income Tax Payable was due to payment and higher prepaid taxes.
k) Decrease in Pre-need and Other Reserves was due to maturities and termination of pension plans.
l) Decrease in Deferred Tax Liabilities was due to realization of deemed cost adjustment.
m) Increase in Retained Earnings was substantially due to net income.
n) Decrease in Net Changes in Fair Value of Available for Sale Investment was due to decrease in market value of AFS.
o) Increase in Treasury Stock was due to increase in market value of investments of CPI to CDC.
p) Increase in Non-Controlling Interest was due to net income of subsidiary.

Results of Operation (September 30, 2015 vs September 30, 2014)

a) Increase in Sale of Real Estate Properties was substantially due to sale of a lot by CDC.
b) Increase in Financial Income was due to increase in interest income from installment contracts receivable.
c) Increase in Rent Income was substantially due to rent received from business process outsourcing company.
d) Increase in Other Income was due to adjustment of fair market value of repossessed properties.
e) Increase in Cost of Real Estate Sales was due to the cost of lot sold.
f) Increase in Operating Expenses was substantially due to personnel expenses and professional fees.

g) Decrease in Financial Expenses was due to lower interest rates and lower balance of notes payable due to partial settlement.
h) Decrease in Other Expenses was due to lower expenses on forfeitures.
i) Increase in Provision for Income Tax was due to higher taxable income.
j) Increase in Net Income was due to higher revenues.

Any seasonal aspects that had a material effect on the financial condition and results of operation

There were no seasonal aspects that had material effect on the financial condition and results of operations.

Compliance to Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*

The Group's unaudited interim consolidated financial statements is in compliance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. The same accounting policies and methods of computation are followed as compared with the most recent audited annual consolidated financial statements. However, the unaudited interim consolidated financial statements as of September 30, 2015 do not include all of the information and disclosures required in the audited annual consolidated financial statements and therefore, should be read in conjunction with the annual consolidated financial statements as of and for the year ended December 31, 2014. There are no any events or transactions that are material to an understanding of the current interim period.

PART II – OTHER INFORMATION

Disclosures not made under SEC Form 17-C

There are no reports that were not made under SEC Form 17-C.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

By: **CITYLAND DEVELOPMENT CORPORATION**

Date: 11/13/2015
Josef C. Gohoc
President / Director

Date: 11/13/2015
Rudy Go
Senior Vice President / Compliance Officer

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	As of	
	September 30, 2015 Unaudited	December 31, 2014 Audited
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱618,027,577**	₱1,180,267,398
Short-term cash investments (Note 4)	**2,063,550,000**	1,184,120,555
Current portion of installment contracts receivable (Note 6)	**446,533,116**	344,192,414
Current portion of other receivables (Note 7)	**44,154,149**	53,112,330
Real estate properties for sale (Note 8)	**1,397,144,344**	1,723,182,182
Current portion of investments in trust fund (Note 5)	**1,686,723**	1,686,723
Other current assets (Note 12)	**10,409,297**	45,693,991
Total Current Assets	**4,581,505,206**	4,532,255,593
Noncurrent Assets		
Installment contracts receivable - net of current portion (Note 6)	**1,085,980,049**	1,032,056,058
Other receivables - net of current portion (Note 7)	**5,817,152**	4,633,133
Investments in trust fund (Note 5)	**37,827,089**	36,418,627
Real estate properties held for future development (Note 9)	**1,022,278,600**	1,247,443,845
Investment properties (Note 10)	**1,547,766,829**	1,334,939,913
Property and equipment (Note 11)	**15,974,917**	18,335,625
Retirement plan assets (Note 24)	**14,448,104**	14,448,104
Other noncurrent assets (Note 12)	**103,932,331**	76,957,101
Total Noncurrent Assets	**3,834,025,071**	3,765,232,406
TOTAL ASSETS	**₱8,415,530,277**	₱8,297,487,999
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of accounts payable and accrued expenses (Note 13)	**₱141,810,988**	₱222,721,353
Notes and contracts payable (Note 14)	**1,065,250,000**	1,327,800,000
Income tax payable	**25,390,551**	38,933,721
Current portion of pre-need and other reserves (Note 5)	**1,686,723**	1,686,723
Total Current Liabilities	**1,234,138,262**	1,591,141,797
Noncurrent Liabilities		
Accounts payable and accrued expenses - net of current portion (Note 13)	**42,326,186**	59,570,075
Pre-need and other reserves - net of current portion (Note 5)	**50,560,401**	53,318,856
Deferred income tax liabilities - net (Note 15)	**158,178,150**	169,586,821
Total Noncurrent Liabilities	**251,064,737**	282,475,752
TOTAL LIABILITIES	**1,485,202,999**	1,873,617,549

(Forward)

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	As of	
	September 30, 2015 Unaudited	December 31, 2014 Audited
Equity		
Attributable to Equity Holders of the Parent Company		
Capital stock - ₱1 par value (Note 16)		
Authorized - 4,000,000,000 shares		
Issued - 3,573,878,400 shares in September 30, 2015 held by 687 equity holders and 3,573,878,400 shares in December 31, 2014 held by 691 equity holders	**₱3,573,878,400**	₱3,573,878,400
Additional paid-in capital	**7,277,651**	7,277,651
Retained earnings (Note 16)	**2,486,875,605**	1,997,774,818
Net changes in fair values of available-for-sale financial assets (Note 12)	**1,298,764**	1,768,846
Accumulated re-measurement on defined benefit plan	**(14,011,632)**	(14,011,632)
Treasury stock – 1,937,947 shares	**(31,157,595)**	(31,150,762)
	6,024,161,193	5,535,537,321
Non-controlling Interests (Note 17)	**906,166,085**	888,333,129
Total Equity	**6,930,327,278**	6,423,870,450
TOTAL LIABILITIES AND EQUITY	**₱8,415,530,277**	₱8,297,487,999

See accompanying Notes to Consolidated Financial Statements.

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

			UNAUDITED	
	3rd Qtr 2015	3rd Qtr 2014	**For the 9-month ended September 30, 2015**	For the 9-month ended September 30, 2014
REVENUES				
Sale of real estate properties	₱386,401,456	₱234,930,810	**₱1,834,634,988**	₱828,392,321
Financial income (Note 21)	72,235,333	66,739,245	**214,931,961**	213,402,730
Rental income (Note 10)	19,767,093	35,739,584	**62,004,585**	60,668,821
Other income (Note 23)	20,698,932	10,579,954	**73,453,693**	22,903,933
	499,102,814	347,989,593	**2,185,025,227**	1,125,367,805
EXPENSES				
Cost of real estate sales (Note 8)	243,592,528	148,452,413	**1,084,896,938**	541,693,029
Operating expenses (Note 18)	75,135,291	65,308,557	**263,822,023**	211,745,052
Financial expenses (Note 22)	(1,228,630)	1,258,526	**1,330,958**	4,966,154
Other expenses (Note 23)	8,353,278	7,574,292	**21,090,564**	23,940,981
	325,852,467	222,593,788	**1,371,140,483**	782,345,216
INCOME BEFORE INCOME TAX	173,250,347	125,395,805	**813,884,744**	343,022,589
PROVISION FOR INCOME TAX (Note 25)	36,005,939	26,285,639	**203,633,029**	71,791,154
NET INCOME	₱137,244,408	₱99,110,166	**₱610,251,715**	₱271,231,435
Attributable to:				
Equity holders of the parent			**₱582,275,159**	₱240,413,726
Minority interests			**27,976,556**	30,817,709
			₱610,251,715	₱271,231,435
BASIC/DILUTED EARNINGS PER SHARE (Note 27)			**₱0.163**	₱0.067

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

			UNAUDITED	
	3rd Qtr 2015	3rd Qtr 2014	**For the 9-month ended September 2015**	For the 9-month ended September 2014
NET INCOME	₱137,244,408	₱99,110,166	**₱610,251,715**	₱271,231,435
Other comprehensive income (loss):				
Changes in fair value of available-for-sale financial assets	(1,261,279)	1,923,123	**(562,560)**	(78,194)
TOTAL COMPREHENSIVE INCOME	₱135,983,129	₱101,033,289	**₱609,689,155**	₱271,153,241
Attributable to:				
Equity holders of the parent			**₱581,805,077**	₱240,261,800
Minority interests			**27,884,078**	30,891,441
			₱609,689,155	₱271,153,241
BASIC/DILUTED EARNINGS PER SHARE (Note 27)			**₱0.163**	₱0.067

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED SEPTEMBER 30, 2015 AND 2014

	Capital Stock (Note 16)	Additional Paid-in Capital	Retained Earnings (Note 16)	Net Changes in Fair Values of Available-for-sale Financial Assets (Note 12)	Accumulated Re-measurement on Defined Benefit Plan	Treasury Stock	Total	Non-controlling Interests (Note 17)	Total
BALANCES AT JANUARY 1, 2015	**₱3,573,878,400**	**₱7,277,651**	**₱1,997,774,818**	**₱1,768,846**	**(₱14,011,632)**	**(₱31,150,762)**	**₱5,535,537,321**	**₱888,333,129**	**₱6,423,870,450**
Cash dividend	–	–	(96,442,392)	–	–	–	(96,442,392)	–	(96,442,392)
Net income	–	–	582,275,159	–	–	–	582,275,159	27,976,556	610,251,715
Dividends received by CPI from CDC	–	–	(56,244)	–			(56,243)		(56,244)
Other comprehensive loss	–	–	–	(470,082)	–	–	(470,082)	(92,478)	(562,560)
Dividends declared by CLDI	–	–	–	–	–	–	–	(10,228,009)	(10,228,009)
Dividends declared by CLDI to CPI	–	–	–	–	–	–	–	176,887	176,887
Transfer of deferred tax liability on deemed cost adjustment of property and equipment absorbed through depreciation	–	–	545,142	–	–	–	545,142	–	545,142
Transfer of deferred tax liability on deemed cost adjustment of properties realized through sale	–	–	2,779,122	–	–	–	2,779,122	–	2,779,122
Parent Company share of stock held by CPI	–	–	–	–	–	(6,833)	(6,833)	–	(6,833)
BALANCES AT SEPTEMBER 30, 2015	**₱3,573,878,400**	**₱7,277,651**	**₱2,486,875,605**	**₱1,298,764**	**(₱14,011,632)**	**(₱31,157,595)**	**₱6,024,161,194**	**₱906,166,085**	**₱6,930,327,278**

	Capital Stock (Note 16)	Additional Paid-in Capital	Retained Earnings	Net Changes in Fair Values of Available-for-sale Financial Assets	Accumulated Re-measurement on Defined Benefit Plan	Treasury Stock	Total	Non-controlling Interests	Total
BALANCES AT JANUARY 1, 2014	₱3,403,786,340	₱7,277,651	₱1,894,148,244	₱1,586,037	(₱18,831,090)	(₱31,130,586)	₱5,256,836,596	₱876,025,728	₱6,132,862,324
Cash dividends	–	–	(102,055,452)	–	–	–	(102,055,452)	(33,664,056)	(135,719,508)
Net income	–	–	240,413,726	–	–	–	240,413,726	30,945,995	271,359,721
Other comprehensive loss	–	–	–	(206,480)	–	–	(206,480)	–	(206,480)
Cash dividends	–	–	–	–	–	–	–	–	–
Stock dividends	170,092,060	–	(170,092,060)	–	–	–	–	–	–
Fractional shares	–	–	(360)	–	–	–	(360)	–	(360)
Dividends received by CPI from CDC	–	–	59,518	–	–	–	59,518	–	59,518
Transfer of deferred tax liability on deemed cost adjustment of property and equipment absorbed through depreciation	–	–	2,153,638	–	–	–	2,153,,638	–	2,153,638
Transfer of deferred tax liability on deemed cost adjustment of properties realized through sale	–	–	2,071,638	–		–	2,071,638	–	2,071,638
Parent Company share of stock held by CPI	–	–	–	–	–	(27,009)	(27,009)	–	(27,009)
BALANCES AT SEPTEMBER 30, 2014	**₱3,573,878,400**	**₱7,277,651**	**₱1,866,698,892**	**₱1,397,557**	**(₱18,831,090)**	**(₱31,157,595)**	**₱5,399,245,815**	**₱873,307,667**	**₱6,272,553,482**

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

			UNAUDTED	
	3rd Qtr 2015	3rd Qtr 2014	**As of Sept. 30 2015**	As of Sept. 30 2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	₱173,250,347	₱125,395,805	**₱813,884,744**	₱343,022,589
Adjustments for:				
Interest income	(135,235,506)	(66,737,332)	**(277,916,622)**	(213,382,483)
Depreciation and amortization	6,902,540	13,499,210	**18,254,477**	22,854,854
Trust fund (income) loss	(106,921)	(485,487)	**(852,305)**	(1,045,719)
Interest expense – net of amounts capitalized	(1,536,785)	1,141,502	**577,174**	4,304,615
Dividend income	(2,169)	(1,913)	**(17,681)**	(20,247)
Changes in operating assets and liabilities				
Decrease (increase) in:				
Real estate properties for sale	214,791,416	(1,850,152)	**759,518,816**	67,747,470
Installment contracts receivable	(102,003,480)	36,621,410	**(156,264,693)**	191,014,855
Real estate properties for future development	(109,749,774)	(141,396,999)	**(111,456,710)**	(302,778,540)
Other Receivables	1,519,291	1,842,692	**9,356,856**	(4,841,643)
Deposits and other assets	(28,098,538)	3,840,283	**8,309,462**	(13,537,169)
Pre-need reserves	(121,659)	(3,341,984)	**(547,367)**	(4,355,621)
Increase (decrease) in:				
Accounts payable and accrued expenses	(105,394,552)	26,743,240	**(115,778,789)**	27,764,517
Net cash from operation	(85,785,790)	4,729,725	**947,067,362**	116,747,478
Interest received	133,823,045	65,869,260	**276,333,928**	217,946,361
Income taxes paid	(36,367,037)	(24,536,162)	**(225,260,606)**	(187,805,666)
Net cash flows from (used in) operating activities	11,670,218	(36,603,373)	**998,140,684**	146,888,173
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from (purchase of) short-term cash investments	(430,200,000)	45,400,000	**(879,429,445)**	508,350,000
Net additions to investment properties	(108,037,465)	(33,995,349)	**(222,791,421)**	(122,868,757)
Contributions to trust funds	(25,580)	(33,085)	**(3,028,839)**	(2,363,391)
Withdrawals from trust funds		1,620,212	**2,066,037**	3,236,203
Additions to equipment		-	**(303,571)**	(4,604,466)
Dividends received	2,169	1,913	**17,681**	20,247
Net cash flows from (used in) investing activities	(538,260,876)	12,993,691	**(1,103,469,558)**	381,769,836
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of notes payable	(49,850,000)	(91,439,363)	**(247,800,000)**	(385,888,896)
Payment of contracts payable	-	–	**(112,500,000)**	–
Cash dividends and fractional shares paid	(96,480,965)	(136,395,953)	**(95,701,626)**	(135,653,581)
Interest paid	1,374,797	(1,250,943)	**(909,321)**	(5,730,310)
Net cash flows from (used in) financing activities	(144,956,168)	(229,086,259)	**(456,910,947)**	(527,272,787)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(671,546,826)	(179,489,195)	**(562,239,821)**	1,385,222
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,289,574,403	840,884,814	**1,180,267,398**	660,010,397
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	₱618,027,577	₱661,395,619	**₱618,027,577**	₱661,395,619

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Cityland Development Corporation (the Parent Company) was incorporated in the Philippines on January 31, 1978. It has two subsidiaries, Cityplans, Incorporated (CPI) and City & Land Developers, Incorporated (CLDI), a publicly listed company, all domiciled in the Philippines. The Parent Company's and CLDI's primary business purpose is to acquire, develop, improve, subdivide, cultivate, lease, sublease, sell, exchange, barter and/or dispose of agricultural, industrial, commercial, residential and other real properties, as well as to construct, improve, lease, sublease, sell and/or dispose of houses, buildings and other improvements thereon, and to manage and operate subdivisions and housing projects or otherwise engage in the financing and trading of real estate. CPI is engaged in the business of establishing, organizing, developing, maintaining, conducting, operating, marketing and selling pension plans. The Parent Company is 50.42% owned by Cityland, Inc. (CI), the ultimate parent company incorporated in the Philippines, which also prepares consolidated financial statements.

The Parent Company's and its subsidiaries' (the Group) registered office and principal place of business is 2nd and 3rd Floor, Cityland Condominium 10, Tower I, 156 H. V. de la Costa Street, Makati City.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The consolidated financial statements of the Group have been prepared using the historical cost basis, except for financial assets at fair value through profit or loss and available-for-sale financial assets that have been measured at fair values and repossessed real estate properties for sale which are carried at fair value less costs to sell. These consolidated financial statements are presented in Philippine peso (Peso), which is the Group's functional currency, and rounded to the nearest Peso except when otherwise indicated.

Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRS, Philippine Accounting Standards (PAS), and amendment to existing Philippine Interpretation based on International Financial Reporting Interpretation Committee (IFRIC) interpretations effective as of January 1, 2014:

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief. These amendments are not relevant to the Group.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  The amendments clarify the meaning of "currently has a legally enforceable right to offset" and the criterion for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. The amendments have no significant impact on the Group's financial position or performance.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The application of these amendments has no material impact on the disclosures in the consolidated financial statements.

- *PAS 39, Financial Instruments: Recognition and Measurement-Novation of Derivatives and Continuation of Hedge Accounting (Amendments*)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The Group has no derivatives during the current and in prior periods; thus, these amendments have no impact on the consolidated financial statements.

- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities, and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.

- *Annual Improvements to PFRSs (2010-2012 cycle)*
  In the 2010-2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no significant impact on the Group.

- *Annual Improvements to PFRSs (2011-2013 cycle)*
  In the 2011-2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards–First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact on the Group as it is not a first-time PFRS adopter.

Basis of Consolidation

The consolidated financial statements consist of the financial statements of the Parent Company and its subsidiaries as of the period presented. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

These subsidiaries, all incorporated and domiciled in the Philippines, and the percentage of ownership of the Parent Company in 2015 and 2014 are as follows:

	Percentage of Ownership	Nature of Activity
CPI	90.81	Pre-need pension plans
CLDI	49.73	Real estate

The registered office and principal place of business of CLDI is 3rd Floor, Cityland Condominium 10, Tower I, 156 H. V. de la Costa Street, Makati City. On the other hand, registered office address of CPI is at 3rd Floor, Cityland Condominium 10, Tower II, 154 H.V. de la Costa Street, Salcedo Village, Makati City.

A subsidiary is an entity that is controlled by the Parent Company. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group 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
- The ability to use its power over the investee to affect its returns

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Group 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
- The Parent Company's voting rights and potential voting rights

The Parent 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 Group obtains control over the subsidiary and ceases when the Group 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 Group gains control until the date the Group 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 of the Group 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 into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. In such circumstances, the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received shall be recognized directly in equity and attributed to the owners of the parent.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill, if any), 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

Non-controlling interests represent the interests in CPI and CLDI not held by the Parent Company, and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within the equity section of the consolidated balance sheet, separate from the Parent Company's equity.

Current versus Noncurrent Classification

The Group presents assets and liabilities in balance sheet based on current/noncurrent classification. An asset as current when it is:

- Expected to be realized or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

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 maturities of three months or less from dates of acquisition, and are subject to an insignificant risk of change in value.

Short-term Cash Investments

Short-term cash investments are investments with maturities of more than three months but not exceeding one year from dates of acquisition.

Financial Assets and Financial Liabilities

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet 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 settlement date accounting.

Initial recognition of financial instruments

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit or loss, includes directly attributable transaction cost.

Classification of financial instruments

Subsequent to initial recognition, the Group classifies its financial instruments in the following categories: financial assets and 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 classification depends on the purpose for which the instruments are acquired and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at each end of reporting period.

a. Financial Assets or Financial Liabilities at Fair Value through Profit or Loss

A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the near term or upon initial recognition it is designated by management as at fair value through profit or loss.

Financial assets or financial liabilities classified in this category are designated as at fair value through profit or loss by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets or liabilities are part of a group of financial assets or financial liabilities, or both financial assets and financial liabilities, which are managed and their performance is 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.

Financial assets or financial liabilities classified under this category are carried at fair value in the consolidated balance sheet. Changes in the fair value of such assets and liabilities are recognized in the consolidated statement of income.

The Group designated its investments in trust funds as financial assets at fair value through profit or loss. The Group's investments in trust funds directly relate to the Pre-need Reserves account.

b. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are carried at amortized cost in the consolidated balance sheet. Amortization is determined using the effective interest rate method.

The Group's loans and receivables consist of cash in banks and cash equivalents, short-term cash investments, installment contracts receivable, other receivables and refundable deposits.

c. Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities wherein the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at amortized cost in the consolidated balance sheet. Amortization is determined using the effective interest rate method.

The Group has no held-to-maturity investments as of September 30, 2015 and December 31, 2014.

d. Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are carried at fair value in the consolidated balance sheet. Changes in the fair value of such assets are accounted in the consolidated statement of comprehensive income and in equity.

The Group's available-for-sale financial assets consist of investments in quoted equity securities that are traded in liquid markets, held for the purpose of investing in liquid funds and not generally intended to be retained on a long-term basis.

e. Other Financial Liabilities

Other financial liabilities are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. They arise when the Group owes money, goods or services directly to a creditor with no intention of trading the payables. Other financial liabilities are carried at cost or amortized cost in the consolidated balance sheet. Amortization is determined using the effective interest rate method.

The Group's other financial liabilities consist of accounts payable and accrued expenses and notes and contracts payable.

Cash dividend distributions to stockholders are recognized as financial liabilities when the dividends are approved by the BOD.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet 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 asset and settle the liability simultaneously.

Fair Value Measurement

Determination of fair value

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 by the Group.

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

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

"Day 1" Difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where inputs are made of data which are not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

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

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

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

Financial liabilities

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

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

Impairment of Financial Assets

The Group assesses at each reporting period whether a financial asset or a group of financial assets is impaired.

Assets carried at amortized cost

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Objective evidence includes observable data that comes to the attention of the Group about loss events such as, but not limited to significant financial difficulty of the counterparty, a breach of contract, such as default or delinquency in interest or principal payments, probability that the borrower will enter bankruptcy or other financial reorganization. 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 the group of financial assets with similar credit risk and 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 recognized are not included in a collective assessment of impairment.

The impairment assessment is performed at each end of reporting period. For the purpose of collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past-due status and term.

If there is an 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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rates (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of loss, if any, is recognized in the consolidated statement of income.

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 by adjusting the allowance account. The amount of the reversal is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Group. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment losses account. If a future write off is later recovered, the recovery is recognized in the consolidated statement of income under "Other income" account. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date.

Assets carried at cost
If there is an objective evidence that an impairment loss of an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or 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
In the case of debt instruments classified as available-for-sale financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of "Financial income" in the consolidated statement of income. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

In case of equity investments classified as available-for-sale financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income - is removed from equity and recognized in the consolidated statement of income. Increases in fair value after impairment are recognized in the consolidated statement of comprehensive income and directly in the consolidated statement of changes in equity.

Real Estate Properties for Sale and Real Estate Properties Held for Future Development
Property acquired or being constructed for sale in the ordinary course of business and held for future development, rather than to be held for rental or capital appreciation, is classified as real estate properties for sale and real estate properties held for future development and are 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 costs to complete and the estimated costs necessary to make the sale. The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known.

Upon commencement of development, the real estate properties held for future development is transferred to real estate properties for sale.

Repossessed real estate properties for sale arising from sale cancelations and forfeitures are measured at fair value less estimated costs to make the sale. Any resulting gain or loss is credited or charged to "Other income" or "Other expenses", respectively, in the consolidated statement of income.

Investments in Trust Funds
The trust fund assets and liabilities are recognized in accordance with the provisions of the applicable PAS and PFRS and their interpretations.

Investments in trust funds are restricted to cover the Group's pre-need reserves. These are classified as current assets to the extent of the currently maturing pre-need reserves. The remaining portion is classified as noncurrent assets in the balance sheet.

Investment Properties
Investment properties which represent real estate properties for lease are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of existing investment properties at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of the property. The carrying values of revalued properties transferred to real estate properties for lease on January 1, 2004 were considered as the assets' deemed cost as of said date.

Subsequent to initial measurement, investment properties, except land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value. Buildings for lease are depreciated over their useful life of 25 years while machineries and equipment are depreciated over their useful life of 5 to 15 years using the straight-line method.

Investment properties are derecognized when either they have been disposed of or when the property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party, or ending of construction or development. 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.

Transfers between investment properties, 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.

Construction in progress is stated at cost. This includes costs of construction and other direct costs related to the investment property being constructed. Construction in progress is not depreciated until such time when the relevant assets are complete and ready for use. When such construction is completed and assets are ready for use, the cost of the said assets are transferred to specific classification under "Investment property" account.

Property and Equipment

Property and equipment, except for office premises, are stated at cost less accumulated depreciation and any impairment in value. Office premises are stated at appraised values (asset's deemed cost) as determined by independent firms of appraisers at the date of transition to PFRS, less accumulated depreciation and any impairment in value. Subsequent additions to office premises are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of property and equipment consists of the purchase price and any directly attributable cost of bringing the assets to their working condition and location for their intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance costs, are normally charged to the consolidated statement of income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation of an item of property and equipment begins when the asset becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

Depreciation is computed using the straight-line method over the estimated useful lives of the properties as follows:

	Years
Office premises:	
Building	25
Furniture, fixtures and office equipment	5-15
Transportation and other equipment	5

The assets' useful lives and depreciation method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment are sold or retired, the cost and related accumulated depreciation and any impairment in value are removed from the accounts, and any gains or losses from their disposal is included in the consolidated statement of income.

Impairment of Nonfinancial Assets

The carrying values of real estate properties held for future development, investment properties and property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are either written down to their recoverable amount or provided with valuation allowance. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value-in-use. Impairment losses, if any, are recognized in the consolidated statement of income.

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 costs of disposal, recent market transactions are taken into account.

The Group assesses at each reporting period whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. The Group considers external and internal sources of information in its assessment of the reversal of previously recognized impairment losses. 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income. After such a reversal, the depreciation is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Value-added Tax (VAT)

Revenue, expenses, assets and liabilities 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 taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of VAT recoverable from or payable to, the taxation authority is included as part of "Other current assets" or "Accounts payable and accrued expenses," respectively, in the consolidated balance sheet.

Pre-Need Reserves

CPI's pension plans are calculated on the basis of the methodology and assumptions set out in Pre-need Rule 31, as Amended, as follows:

- the amount of provision is the present value of the funding expected to be required to settle the obligation with due consideration of the different probabilities as follows:

On Currently-Being-Paid Plans

i. Provision for termination values applying the inactivity and surrender rate experience of CPI.
ii. For the portion of currently-being-paid plans that will reach full payment, applying the full payment experience of CPI, the liability is equivalent to the present value of future maturity benefits reduced by the present value of future trust fund contributions required per Product Model discounted at the approved hurdle rate per Product Model of the Group.

On Lapsed Plans within the Allowable Reinstatement Period

i. Provision for termination values applying the reinstatement experience of CPI. The trend of surrender rate experience is disclosed in the note to consolidated financial statements.

On Fully Paid Plans

i. For those due for payment within the next five years, the reserve is the present value of future maturity benefits discounted at the attainable rate, as determined and certified by the CPI's trustee using industry best practices and principles which shall be indicated in such certification;
ii. For those not yet due for payment within the next five years, the reserves is the present value of future maturity benefits discounted at the approved hurdle rate per Product Model of CPI.

- The rates of surrender, cancellation, reinstatement, utilization, and inflation considered the actual experience of CPI in the last three years.
- The computation of the foregoing assumptions has been validated by the internal qualified actuary of CPI.
- Based on the Group's experience, the probability of pre-termination on surrender of fully paid plans is below 5% and therefore considered insignificant. As such, no pre-termination rate was considered in determining the PNR of fully paid plans. The derecognition of liability shall be recorded at pre-termination date.

Other reserves
The Group set-up other provisions in accordance with PAS 37 to cover obligations such as insurance premium reserve, pension bonus and trust fund deficiency.

Capital Stock
Capital stock is measured at par value for all shares issued and outstanding. When the Parent Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Parent Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Retained Earnings
Retained earnings represent the cumulative balance of net income or loss, dividend distributions, effects of changes in accounting policy and other capital adjustments.

Unappropriated retained earnings represent that portion of retained earnings which is free and can be declared as dividends to stockholders. Appropriated retained earnings represent that portion of retained earnings which has been restricted and therefore is not available for any dividend declaration.

The retained earnings include deemed cost adjustments on real estate properties for sale, investment properties and property and equipment that arose when the Group transitioned to PFRS in 2005. The deemed cost adjustment will be realized through depreciation in profit or loss for depreciable assets (property and equipment and investment properties) and through sale for inventories (classified under real estate properties for sale) and land (classified under investment property). The deferred income tax liability on deemed cost adjustments on investment properties, property and equipment and inventories sold under Income Tax Holiday (ITH) projects is transferred to retained earnings upon realization while the deferred income tax liability on deemed cost adjustments on inventories sold under regular tax regime is transferred to consolidated statement of income upon sale.

Treasury Stock
Treasury stock is the Group's own equity instruments that has been issued and then reacquired but not yet cancelled. Treasury stock are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as additional paid-in capital.

Dividend Distributions
Cash dividends on common shares are deducted from retained earnings upon declaration by the Board of Directors (BOD).

Stock dividends on common shares are measured based on the total par value of declared stock dividend. Stock dividends are deducted from retained earnings when the BOD's declaration is ratified by the stockholders of the Group. Unissued stock dividend are recorded as stock dividends distributable and credited to capital stock upon issuance.

Dividends for the year that are declared after the end of the reporting period but before the approval for issuance of consolidated financial statements are dealt with as an event after the reporting period.

Revenue and Costs Recognition
Revenue is recognized to the extent that it is probable that the economic benefit will flow to the Group and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding VAT. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Sales of real estate properties
In accordance with Philippine Interpretations Committee, Q&A 2006-01, the percentage-of-completion (POC) method is used to recognize income from sales of condominium units and residential houses where the Group has material obligations under the sales contract to complete

the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue on sale 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.

Revenue from sale of completed residential lots and housing units, where a sufficient down payment has been received, the collectability of the sales price is reasonably assured, the refund period has expired, the receivables are not subordinated and the seller is not obliged to complete improvements, is accounted for under the full accrual method.

If the criteria of full accrual and POC method are not satisfied and when the license to sell and certificate of registration for a project are not yet issued by the Housing and Land Use Regulatory Board (HLURB), any cash received by the Group is recognized as deposits and included under "Accounts payable and accrued expenses" in the consolidated balance sheet until all the conditions for recognizing the sale are met.

Cost of real estate sales
Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of subdivision land and condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus estimated costs to complete the development of the property. The estimated expenditures for the development of sold real estate property, as determined by independent project engineers, are charged to "Cost of real estate sales" in the consolidated statement of income with a corresponding credit to accrued development costs account presented under "Accounts payable and accrued expenses" in the consolidated balance sheet.

The cost of inventory recognized in profit or loss on disposal (cost of real estate sales) 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 POC used for revenue recognition purposes.

Any changes in estimated development costs used in the determination of the amount of revenue and expenses are recognized in consolidated statement of income in the period in which the change is made.

Sale of undeveloped land
Revenue from sale of undeveloped land is recognized using the full accrual method. Under the full accrual method, revenue is recognized when the risks and rewards of ownership on the undeveloped land have passed to the buyer and the amount of revenue can be measured reliably.

Sales of pre-need plans
Premiums from sale of pre-need plans, included under "Other income" account in the consolidated statement of income are recognized as earned when collected.

Cost of sales of pre-need plans
Cost of contracts issued included under "Operating expenses" account in the consolidated statement of income, pertains to (a) the increase in pre-need reserves as at the current year as compared to the provision for the same period of the previous year. If there is a decrease in the pre-need reserves as a result of new information or new developments, the amount shall be deducted from the cost of contracts issued of the current period; (b) amount of trust funds contributed during the year; and (c) documentary stamp taxes and SEC registration fees

Interest income
Interest income from cash in banks, cash equivalents, short-term cash investments and installment contracts receivables is recognized as the interest accrues taking into account the effective yield on interest.

Dividend income
Dividend income is recognized when the Group's right to receive the payment is established.

Trust fund income
Trust fund income mainly pertains to rental income on investment properties under the trust fund account, as well as, trading gains and losses from buying and selling and changes in fair value of financial assets and financial liabilities categorized upon initial recognition as at fair value through profit or loss investments under the trust fund account.

Operating leases – Group as a lessor
Operating leases represent those leases under which substantially all the risks and rewards of ownership of the leased assets remain with the lessors. Rent income from operating leases is recognized as income when earned on a straight-line basis over the term of the lease agreement. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) There is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) and at the date of renewal or extension period for scenario (b).

Operating expenses
Operating expenses constitute costs of administering the business. These costs are expensed as incurred.

Financial expenses
Financial expenses consist of interest incurred on notes and contracts payable. Interest attributable to a qualifying asset is capitalized as part of the cost of the asset while others are expensed as incurred.

Interest costs are capitalized if they are directly attributable to the acquisition, development and construction of real estate projects as part of the cost of such projects. Capitalization of interest cost (1) commences when the activities to prepare the assets for their intended use are in progress and expenditures and interest costs are being incurred, (2) is suspended during extended periods in which active development is interrupted, and (3) ceases when substantially all the activities necessary to prepare the assets for their intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Other income and other expenses
Other income and other expenses pertain to the gain or loss, respectively, arising from forfeiture or cancellation of prior years' real estate sales.

Retirement Benefits Cost
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.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Re-measurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability 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 liability or asset is recognized as expense or income in consolidated statement of income.

Re-measurements 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 liability) are recognized immediately in consolidated statement of comprehensive income in the period in which they arise. Re-measurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. 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). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled after the end of the reporting period is recognized for services rendered by employees up to the end of the reporting period. Accumulating leave credits which are not expected to be settled wholly before 12 months from the reporting date are classified as noncurrent liabilities at its discounted amount.

Provisions and Contingencies
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the effective future cash flows at a pre-tax rate that reflects current market assessment 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.

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

Income Taxes
Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and the tax laws used to compute the amount are those that are enacted or substantively enacted at the end of reporting period.

Current income tax for current and prior periods shall, to the extent unpaid, be recognized as a liability under "Income tax payable" account in the consolidated balance sheet. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset under "Other current assets" account in the consolidated balance sheet.

Deferred income tax
Deferred income tax is recognized on all temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, including assets revaluations. Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized. Deferred income tax assets and deferred income tax liabilities are not recognized when it arises 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.

Deferred income tax liabilities are not provided on nontaxable temporary differences associated with investments in subsidiaries and affiliates.

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

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period 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 end of reporting period.

Deferred income tax relating to items recognized directly in equity is recognized in equity and those directly in comprehensive income such as re-measurement of defined benefit plan are recognized in the consolidated statement of comprehensive income and not in the consolidated statement of income.

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

Other Comprehensive Income

Other comprehensive income comprises items of income and expense that are not recognized in the consolidated statement of income in accordance with PFRS. Other comprehensive income of the Group includes gains and losses on fair value changes of available-for-sale financial assets, re-measurements 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 liability).

Earnings Per Share

Basic earnings per share is computed by dividing the net income for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares issued and outstanding after considering the retroactive effect, if any, of stock dividends declared during the year.

Diluted earnings per share is calculated by dividing the net income for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares and adjusted for the effects of all dilutive potential common shares, if any. In determining both the basic and diluted earnings per share, the effect of stock dividends, if any, is accounted for retrospectively.

Segment Reporting

The Group's 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. Financial information on business segments is presented in Note 29 to the consolidated financial statements. The Group's asset-producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

Events After the Reporting Period
Post year-end events that provide additional information about the Group's position at the end of reporting period (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.

Future Changes in Accounting Policies
The Group will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these changes in PFRS to have a significant impact on the consolidated financial statements. The relevant disclosures will be included in the notes to the consolidated financial statements when these become effective.

Standards Issued but not yet Effective

- PFRS 9, *Financial Instruments* – Classification and Measurement (2010 version)
  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

  PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

- Philippine Interpretation 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 interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the

International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Effective in 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group since it does not have defined benefit plan with contributions from employees or third parties.

- Annual Improvements to PFRSs (2010-2012 cycle)
  The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have material impact on the Group. They include:

  - 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; and
    - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

  - 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 July 1, 2014. 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 Group 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*
    The amendments are applied retrospectively and clarify that:

    - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are "similar."

- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

o PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*
The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

o PAS 24, *Related Party Disclosures – Key Management Personnel*
The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

o PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*
The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

- Joint arrangements, not just joint ventures, are outside the scope of PFRS 3;
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

o PFRS 13, *Fair Value Measurement – Portfolio Exception*
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

o PAS 40, *Investment Property*
The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property.

Effective in 2016

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)*
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. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the

Group given that the Group has not used a revenue-based method to depreciate its noncurrent assets.

- PAS 16, *Property, Plant and Equipment,* and PAS 41, *Agriculture – Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the 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). The 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. These amendments are not expected to have any impact to the Group as it does not have any bearer plants.

- PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements* (Amendments)
  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. These amendments will not have any impact on the consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures* – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
  These 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. These amendments are effective from annual periods beginning on or after January 1, 2016. These amendments will not have any impact on the consolidated financial statements.

- PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
  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. These amendments are not expected to have any impact to the Group.

- 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 Group is an existing PFRS preparer, this standard would not apply.

- Annual Improvements to PFRSs (2012-2014 cycle)
  The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group. They include:

  - 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 amendments.

  - PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
    This 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*
    This 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 in 2018

- PFRS 9, *Financial Instruments – Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)*
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by the BOA.

  Management is still assessing the impact of the adoption of PFRS 9 in the consolidated financial statements.

- 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.

  Management is still assessing the impact of the adoption of PFRS 9 in the consolidated financial statements.

Issued by the IASB but not yet adopted by the FRSC

- IFRS 15 *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 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, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes.

In the opinion of management, these consolidated financial statements reflect all adjustments necessary to present fairly the results for the period presented. Actual results could differ from such estimates.

Judgments

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

Determination of the Group's functional currency

The Group, based on the relevant economic substance of the underlying circumstances, has determined its functional currency to be Peso. It is the currency that influences the Group's sale of real estate properties and the cost of selling the same.

Consolidation of CLDI in which the Group holds less than a majority of voting right (de facto control)

The Group consolidates the accounts of CLDI since it considers that it controls CLDI even though it owns less than 50% of voting interest. The factors that the Group considers in making this determination include the size of its block of voting shares and the relative size and dispersion of holdings by other stockholders. The Group is the single largest shareholder of CLDI with 49.73% equity interest. The Parent Company, some of its stockholders and affiliates (whose stockholders also own equity ownership in the Parent Company) collectively own more than 50% of the equity of CLDI giving the Parent Company effective control over CLDI. In addition, majority of the members of its governing body or for which its key management personnel are the same as those of CLDI.

Revenue recognition

Selecting the appropriate revenue recognition method for particular real estate transaction requires certain judgments based on the following, among others:

- *Collectability of sales price*
  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 gives the buyer a stake in the property sufficient that risk of loss through default motivates the buyer to honor his obligation. Collectability is also assessed by considering factors such as the credit standing of the buyer, age, and location of the property.

  For sale of real estate properties, in determining whether the sales prices are collectible, the Group considers that initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay.

- *Stage of completion of the project*
  The Group commences the recognition of revenue from sale of uncompleted projects where the POC method is used when the POC, as determined by independent project engineers, ranges from 5% to 10%. It is the period when the Group considers that the construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished).

Classification of financial instruments
The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the Group's consolidated balance sheet.

The Group determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this designation at every end of reporting period.

Operating lease commitments – Group as lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all significant risks and rewards of ownership of the properties as the Group considered, among others, the length of the lease term as compared with the estimated life of the assets.

A number of the Group's operating lease contracts are accounted for as noncancellable operating leases and the rest are cancellable. In determining whether a lease contract is cancellable or not, the Group considers among others, the significance of the penalty, including the economic consequence to the lessee.

Distinction between investment properties and owner-occupied properties
The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used for administrative purposes.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use for administrative purposes. If these portions cannot be sold separately at the reporting date, the property is accounted for as investment property only if an insignificant portion is held for use for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Distinction between real estate properties for sale and investment properties
The Group determines whether a property is classified as for sale, for lease and for capital appreciation.

Real estate properties which the Group develops and intends to sell on or before completion of construction are classified as real estate properties for sale. Real estate properties which are not occupied substantially for use by, or in the operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation are classified as investment properties.

Distinction between real estate properties for sale and held for future development
The Group determines whether a property will be classified as real estate properties for sale or held for future development. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle (real estate properties for sale) or whether it will be retained as part of the Group's strategic landbanking activities for development or sale in the medium or long-term (real estate properties held for future development).

Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period, 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:

Revenue and cost recognition
The Group's revenue recognition and cost policies require management to make use of estimates and assumptions that may affect the reported amount of revenue and cost. The Group's revenue from real estate properties based on the POC is measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Estimation of POC of real estate projects
The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and cost. The Group estimates the POC of ongoing projects for purposes of accounting for the estimated costs of development as well as revenue to be recognized. Actual costs of development could differ from these estimates. Such estimates will be adjusted accordingly when the effects become reasonably determinable. The POC is based on the technical evaluation of the independent project engineers as well as management's monitoring of the costs, progress and improvements of the projects.

Determination of fair value of financial instruments
Financial assets and financial liabilities, on initial recognition, are accounted for at fair value. The fair values of financial assets and financial liabilities, on initial recognition, are normally the transaction prices. In the case of those financial assets and financial liabilities that have no active markets, fair values are determined using an appropriate valuation technique.

Estimation of allowance for impairment of receivables
The level of this allowance is evaluated by management based on past collection history and other factors, which include, but not limited to the length of the Group's relationship with customer, the customer's payment behavior and known market factors that affect the collectability of the accounts.

Impairment of available-for-sale financial assets
An impairment issue arises when there is an objective evidence of impairment, which involves significant judgment. In making this judgment, the Group evaluates the financial health of the issuer, among others. The Group treats available-for-sale equity 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 Group treats "significant" generally as 20% or more of cost and "prolonged" as greater than 12 months for quoted equity securities. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Determination of net realizable value of real estate properties for sale and held for future development
The Group's estimates of net realizable value of inventories are based on the most reliable evidence available at the time the estimates are made, or the amount that the inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made of net realizable value in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in net realizable value because of changes in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised net realizable value.

Estimation of useful lives of investment properties and property and equipment
The Group estimates the useful lives of investment properties and property and equipment based on the internal technical evaluation and experience with similar assets. Estimated lives of investment properties and property and equipment are reviewed periodically and updated if expectations differ from previous estimates due to wear and tear, technical and commercial obsolescence and other limits on the use of the assets.

Determination of the fair value of investment properties
The Company discloses the fair values of its investment properties in accordance with PAS 40, *Investment Properties,* the Company engaged independent valuation specialist to assess fair value as of December 31, 2014. The Company's investment properties consist of land and building pertaining to commercial properties. These are valued by reference to sales of similar or substitute properties and other related market data had the investment properties been transacted in the market. The significant unobservable inputs used in determining the fair value are the sales price per square meter of similar or substitute property, location, size, shape of lot and the highest and best use. Another method used in determining the fair value of land properties is based on the market data approach. The value of land is based on sales and listings of comparable property registered within the vicinity. This requires adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator by adjusting the difference between the subject property and those actual sales and listings regarded as comparables. The comparison is premised on the factors of location; size and shape of the lot; time element and others.

Impairment of investment properties and property and equipment
The Group determines whether its nonfinancial assets such as investment properties and property and equipment are impaired when impairment indicators exist such as significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. This requires an estimation of the value-in-use of the cash-generating units to which the assets belong. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose an appropriate discount rate in order to calculate the present value of those cash flows.

Estimation of retirement benefits cost
The cost of the defined benefit plan and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the PDEX PDST-R2 rates at various tenors, rates for intermediate durations were interpolated and the rates were then weighted by the expected benefits payments at those durations to arrive at the single weighted average discount rate.

Estimation of pre-need and other reserves
Pre-need reserve is set-up for all pre-need benefits guaranteed and payable by CPI as defined in the pre-need plan contracts. The determination of pre-need reserves is based on the actuarial formula, methods and assumptions allowed by applicable SEC and IC circulars.

Recognition of deferred income tax assets
The Group reviews the carrying amounts of deferred income tax assets at the end of each reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized.

4. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	September 30, 2015	December 31, 2014
Cash on hand and in banks	**₱9,566,152**	₱21,196,834
Cash equivalents	**608,461,425**	1,159,070,564
	₱618,027,577	₱1,180,267,398

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods up to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term investment rates.

Short-term cash investments amounting to ₱2,063.55 million and ₱1,184.12 million as of September 30, 2015 and December 31, 2014, respectively, are placed with banks with maturities of more than three months to one year from dates of acquisition and earn interest at the prevailing market rates.

5. Investments in Trust Fund and Pre-need and Other Reserves

Investments in trust fund
Pursuant to the provisions of the SEC Memorandum Circular No. 6, *Guidelines on the Management of the Trust Fund of Pre-Need Corporation* (SEC Circular No. 4), the SEC requires, among others, that companies engaged in the sale of pre-need plans and similar contracts to planholders set up a trust fund to guarantee the delivery of property or performance of service in

the future. Withdrawals from these trust funds are limited to, among others, payments of pension plan benefits, bank charges and investment expenses in the operation of the trust funds, termination value payable to plan holders, contributions to the trust funds of cancelled plans and final taxes on investment income of the trust funds.

In accordance with the SEC requirements, CPI has funds deposited with two local trustee banks with net assets aggregating to ₱39.51 million and ₱38.11 million as of September 30, 2015 and December 31, 2014, respectively, which are recorded under "Investments in trust funds" account in the consolidated balance sheets.

The details of investments in trust funds are as follows:

	September 30, 2015	December 31, 2014
Assets		
Cash and cash equivalents	**₱8,268,946**	₱4,730,869
Debt and listed equity securities	**25,013,909**	27,104,233
Investment properties	**6,162,000**	6,162,000
Others	**344,560**	400,895
	39,789,415	38,397,997
Liabilities	**(275,603)**	(292,647)
	39,513,812	38,105,350
Less noncurrent portion	**37,827,089**	36,418,627
	₱1,686,723	₱1,686,723

Pre-need and other reserves

Details of pre-need and other reserves are as follows:

	September 30, 2015	December 31, 2014
Transitory pre-need reserves	**₱31,278,599**	₱33,939,082
Reserve for trust fund deficiency	**19,756,197**	19,756,197
Pension bonus reserve	**936,968**	1,034,940
Insurance premium reserve	**275,360**	275,360
	52,247,124	55,005,579
Less noncurrent portion	**50,560,401**	53,318,856
	₱1,686,723	₱1,686,723

6. Installment Contracts Receivable

	September 30, 2015	December 31, 2014
Installment contracts receivable	**₱1,532,513,165**	₱1,376,248,472
Less noncurrent portion	**1,085,980,049**	1,032,056,058
	₱446,533,116	₱344,192,414

Installment contracts receivable arise from sales of real estate properties and are collectible in monthly installments for periods ranging from one to 10 years and bear monthly interest rates of 0.67% to 2.00% in 2015, 2014 and 2013 computed on the diminishing balance.

In 2013, CDC, CI and CLDI entered into a contract of guaranty under Retail Guaranty Line in the amount of ₱1.00 billion with Home Guaranty Corporation (HGC). The amount of installment contracts receivable enrolled and renewed by the Group amounted to ₱1,091.00 million and ₱1,473.10 million in 2014 and 2013, respectively. The Group paid a guarantee premium of 1.00%, based on outstanding principal balance of the receivables enrolled in 2014 and 2013

7. Other Receivables

Other receivables consist of:

	September 30, 2015	December 31, 2014
Advances to:		
Customers	**₱11,615,053**	₱25,878,639
Due from related parties (Note 26)	**3,182,346**	3,192,155
Contractors	**1,908,038**	3,021,154
Rent receivable	**18,416,844**	13,221,900
Accrued interest	**6,982,578**	5,399,884
Retention	**3,013,216**	1,893,296
Others	**4,853,226**	5,138,435
	49,971,301	57,745,463
Less noncurrent portion	**5,817,152**	4,633,133
	₱44,154,149	₱53,112,330

Advances to customers are receivables of the Group for the real estate property taxes of sold units whereas advances to contractors are advances made by the Group for the contractors' supply requirements.

Rent receivable arose from the investment properties rented-out under non-cancellable long-term operating lease contracts (see Note 10).

Other receivables include receivables from customers relating to registration of title and other expenses initially paid by the Group on behalf of the buyers and employees' advances.

8. Real Estate Properties for Sale

Real estate properties for sale consists of costs incurred in the development of condominium units and residential houses. Real estate properties for sale includes deemed cost adjustment amounting to ₱77.23 million and ₱86.50 million as of September 30, 2015 and December 31, 2014, respectively (see Note 15). The deemed cost adjustment arose when the Group transitioned to PFRS in 2005.

The movement of real estate properties for sale follows:

	September 30, 2015	December 31, 2014
Balances at beginning of year	**₱1,723,182,182**	₱1,432,346,524
Disposals (cost of real estate sales)	**(1,083,640,943)**	(713,944,519)
Transfer from real estate properties held for future development (Note 9)	**434,371,955**	241,594,252
Construction/development costs incurred	**341,369,839**	701,490,489
Borrowing costs capitalized	**6,743,805**	6,069,828
Other adjustments	**(24,882,494)**	55,625,608
	₱1,397,144,344	₱1,723,182,182

Real estate properties for sale account includes capitalized interest costs incurred during each year in connection with the development of the properties. The average capitalization rate used to determine the amount of interest costs eligible for capitalization is 1.23% and 1.07% in September 30, 2015 and December 31, 2014, respectively.

Other adjustments include realized deemed cost adjustment and the fair value less cost to sell of repossessed real estate properties for sale during the year.

9. Real Estate Properties Held for Future Development

Real estate properties held for future development includes land properties reserved by the Group for its future condominium projects.

Movements in real estate properties held for future development are as follows:

	September 30, 2015	December 31, 2014
Balance at beginning of year	**₱1,247,443,845**	₱1,096,213,374
Transfer to real estate properties for sale (Note 8)	**(434,371,955)**	(241,594,252)
Additions	**209,206,710**	392,824,723
Balance at end of year	**₱1,022,278,600**	₱1,247,443,845

CDC acquired a parcel of land for future development amounting to ₱198.88 million and ₱158.34 million 2015 and 2014, respectively. In 2014, CLDI acquired a parcel of land for future development amounting to ₱229.82 million.

10. Investment Properties

Investment properties represent real estate properties for lease which consist of:

	September 30, 2015				
	Land	**Building**	**Machinery and Equipment**	**Construction in Progress**	**Total**
Costs					
Balances at beginning of period	**₱1,002,268,727**	**₱345,763,189**	**₱15,730,535**	**₱49,309,986**	**₱1,413,072,437**
Additions	**–**	**–**	**–**	**219,396,823**	**219,396,823**
Disposal	**(2,352,267)**	**–**	**–**	**–**	**(2,352,267)**
Capitalized interest (Note 22)	**–**	**–**	**–**	**10,397,397**	**10,397,397**
Balances at end of period	**999,916,460**	**345,763,189**	**15,730,535**	**279,104,206**	**1,640,514,390**
Accumulated Depreciation					
Balances at beginning of period	**–**	**76,182,930**	**1,949,594**	**–**	**78,132,524**
Depreciation (Notes 18 and 20)	**–**	**12,840,606**	**1,774,431**	**–**	**14,615,037**
Balances at end of period	**–**	**89,023,536**	**3,724,025**	**–**	**92,747,561**
Net Book Values	**₱999,916,460**	**₱256,739,653**	**₱12,006,510**	**₱279,104,206**	**₱1,547,766,829**

	December 31, 2014				
	Land	Building	Machinery and Equipment	Construction in Progress	Total
Costs					
Balances at beginning of year	₱1,002,176,316	₱91,456,330	₱–	₱158,584,530	₱1,252,217,176
Additions	92,411	104,525,901	6,926,964	47,604,702	159,149,978
Capitalized interest	–	–	–	1,705,283	1,705,283
Transfer	–	149,780,958	8,803,571	(158,584,529)	–
Balances at end of year	1,002,268,727	345,763,189	15,730,535	49,309,986	1,413,072,437
Accumulated Depreciation					
Balances at beginning of year	–	61,485,328	–	–	61,485,328
Depreciation	–	14,697,602	1,949,594	–	16,647,196
Balances at end of year	–	76,182,930	1,949,594	–	78,132,524
Net Book Values	₱1,002,268,727	₱269,580,259	13,780,941	₱49,309,986	₱1,334,939,913

In 2013, the Parent Company started construction of CityNet1 which was completed in 2014. CityNet1 was registered with the Philippine Economic Zone Authority (PEZA) on March 3, 2014 with Registration No. EZ14-04. The Parent Company leases out this property to a business process outsourcing (BPO) company which is also a PEZA-registered entity. Also in 2014, the Parent Company started the construction of a CityNet Central which is still uncompleted as of September 30, 2015.

The net book values of land and building include deemed cost adjustment amounting to ₱219.83 million as of September 30, 2015 and December 31, 2014 (see Note 16). The deemed cost adjustment arose when the Group transitioned to PFRS in 2005.

The Parent Company entered into non-cancellable operating lease contracts with various third parties. One lease contract with a fast food outlet started in November 2011 with a term of 10 years. In 2014, the Parent Company entered into lease contracts with a BPO company with a term of six years and with a convenience store with a term of five years. The lease contracts include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions.

The future minimum lease payments for these lease agreements are as follows:

	September 30, 2015	December 31, 2014
Within one year	**₱57,703,420**	₱55,522,413
After one year but not more than five years	**199,846,443**	238,293,487
Later than five years	**7,552,221**	12,526,704
	₱265,102,084	₱306,342,604

Rent income from investment properties amounted to ₱62.00 million and ₱60.67 million in September 30, 2015 and September 30, 2014, respectively.

Other lease agreements with third parties are generally for a one year term renewable every year.

11. **Property and Equipment**

Property and equipment consists of:

	September 30, 2015			
	Office Premises	**Furniture, Fixtures and Office Equipment**	**Transportation and Other Equipment**	**Total**
At Cost				
Balances at beginning of period	**₱–**	**₱34,397,387**	**₱5,970,856**	**₱40,368,243**
Additions	**–**	**303,571**	**–**	**303,571**
Transfer from real estate properties for sale	**890,977**	**–**	**–**	**890,977**
Balances at end of period	**890,977**	**34,700,958**	**5,970,856**	**41,562,791**
Accumulated Depreciation	**–**	**–**	**–**	**–**
Balances at beginning of period	**–**	**29,907,282**	**4,841,251**	**34,748,533**
Depreciation (Notes 18 and 20)	**61,782**	**892,637**	**293,349**	**1,247,768**
Balances at end of period	**61,782**	**30,799,919**	**5,134,600**	**35,996,301**
Net Book Value	**829,195**	**3,901,039**	**836,256**	**5,566,490**
At Deemed Cost				
Balances at beginning and end of period	**253,365,628**	**–**	**–**	**253,365,628**
Accumulated Depreciation				
Balances at beginning of period	**240,649,713**	**–**	**–**	**240,649,713**
Depreciation (Notes 18 and 20)	**2,307,488**	**–**	**–**	**2,307,488**
Balances at end of period	**242,957,201**	**–**	**–**	**242,957,201**
Net Deemed Cost	**10,408,427**	**–**	**–**	**10,408,427**
Total	**₱11,237,622**	**₱3,901,039**	**₱836,256**	**₱15,974,917**

	December 31, 2014			
	Office Premises	Furniture, Fixtures and Office Equipment	Transportation and Other Equipment	Total
At Cost				
Balances at beginning of year	**₱–**	₱30,424,174	₱5,715,606	₱36,139,780
Additions	–	3,973,213	631,250	4,604,463
Disposal	–	–	(376,000)	(376,000)
Balances at end of year	–	34,397,387	5,970,856	40,368,243
Accumulated Depreciation				
Balances at beginning of year	–	28,998,846	4,743,036	33,741,882
Depreciation	–	908,436	474,215	1,382,651
Disposal	–	–	(376,000)	(376,000)
Balances at end of year	–	29,907,282	4,841,251	34,748,533
Net Book Value	**₱–**	₱4,490,105	₱1,129,605	₱5,619,710
At Deemed Cost				
Balances at beginning and end of year	₱253,365,628	**₱–**	**₱–**	₱253,365,628
Accumulated Depreciation				
Balances at beginning of year	229,096,647	–	–	229,096,647
Depreciation	11,553,066	–	–	11,553,066
Balances at end of year	240,649,713	–	–	240,649,713
Net Deemed Cost	12,715,915	–	–	12,715,915
Total	₱12,715,915	₱4,490,105	₱1,129,605	₱18,335,625

For the office premises, the Group elected to apply the optional exemption under PFRS 1, *First-Time Adoption of PFRS*, to use the revalued amount as deemed cost as at January 1, 2005, the date of transition to PFRS. As of September 30, 2015 and December 31, 2014, the balances at pre-PFRS cost of the office premises are as follows:

	September 30, 2015	December 31, 2014
Office premises	**₱55,775,746**	₱55,775,746
Less accumulated depreciation	**53,565,209**	53,074,862
	₱2,210,537	₱2,700,884

The cost of fully depreciated property and equipment still in use as of September 30, 2015 and December 31, 2014 amounted to ₱32.45 million.

12. Other Assets

Other current assets consist of:

	September 30, 2015	December 31, 2014
Deposits and others	**₱10,409,297**	₱1,892,558
Escrow deposit	–	43,801,433
	₱10,409,297	₱45,693,991

In 2014, CLDI entered into an Escrow Agreement with the HLURB and a local bank as escrow bank for the temporary license to sell issued for the CLDI's project, North Residences. Cash proceeds as of December 31, 2014 amounting to ₱43.80 million were deposited to the escrow bank and recognized as deposits under "Accounts payable and accrued expenses" in the 2014 consolidated balance sheet (see Note 13).

The escrow deposit was released to CLDI on January 14, 2015 upon written notice from the HLURB allowing such release in view of the CLDI's compliance with all the requirements of the HLURB for the issuance of license to sell and certificate of registration for North Residences.

Other noncurrent assets consist of:

	September 30, 2015	December 31, 2014
Unused input VAT	**₱83,143,342**	₱59,390,834
Available-for-sale financial assets	**1,516,140**	1,728,888
Deposits and others	**19,272,849**	15,837,379
	₱103,932,331	₱76,957,101

Unused input VAT arose from the purchase of lots. The purchased lots were recorded as part of "Real estate properties held for future development" account (see Note 9).

Available-for-sale financial assets consist of investments in quoted equity securities. The fair values of available-for-sale financial assets were determined based on published prices in an active market.

The movement in "Net changes in fair values of available-for-sale financial assets" account presented in the equity section of the consolidated balance sheets is as follows:

	September 30, 2015	December 31, 2014
Balances at beginning of year	**₱1,768,846**	₱1,586,037
Mark-to-market gain attributable to equity holders of the Parent Company	**(470,082)**	182,809
Balances at end of year	**₱1,298,764**	₱1,768,846

Deposits and others represent payments made by the Group to various utility companies for the installation of electric meter for condominium units still unsold.

13. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	September 30, 2015	December 31, 2014
Trade payables	**₱69,689,548**	₱106,092,177
Deposits (Note 12)	**27,735,161**	80,442,430
Accrued expenses:		
Personnel costs	**16,500,298**	17,655,673
Directors' fee	**19,471,783**	14,497,697
Development costs	**6,789,444**	32,808,908
Interest payable	**1,227,455**	1,559,602
Taxes, premiums, others	**14,424,549**	2,313,073
Dividends payable	**8,807,705**	8,066,939
Withholding taxes payable	**3,356,500**	6,810,303
Reservation fees	**3,161,512**	2,645,323
Deferred rent income	**6,767,225**	2,771,526
VAT payable	**860,538**	1,229,992
Others	**5,345,456**	5,397,785
	184,137,174	282,291,428
Less noncurrent portion	**42,326,186**	59,570,075
	₱141,810,988	₱222,721,353

Trade payables consist of payables to contractors and other counterparties, whereas deposits consist of collections from sale of North Residences which were reclassified in September 2015 to receivables and other pertinent accounts to recognize sale of units, rental deposits and collected deposits for water and electric meters of the sold units. Accrued development costs represent the corresponding accrued expenses for the sold real estate projects of the Group. Other payables consist of payable to related parties and employees.

14. Notes and Contracts Payable

The details of notes and contracts payable are as follows:

	September 30, 2015	December 31, 2014
Notes payable:		
Short-term commercial papers (STCP) with varying maturities and annual interest rates ranging from 1.06% to 1.56% in September 30, 2015 and 0.69% to 1.56% in December 31, 2014	**₱967,500,000**	₱1,215,300,000
Contracts payable	**97,750,000**	112,500,000
	₱1,065,250,000	₱1,327,800,000

On various dates in 2014 and 2013, the SEC authorized the Parent Company and CLDI to issue a total ₱1,600.00 million worth of STCP registered with the SEC in both years in accordance with the provision of the Securities Regulation Code and its implementing rules and regulations, the Code of Corporate Governance and other applicable laws and orders. On September 22, 2015 the SEC authorized CLDI to issue ₱100.00 million worth of STCP registered with the SEC. Outstanding STCP issued by the Group as of September 30, 2015 and December 31, 2014 aggregated to ₱967.5 million and ₱1,215.30 million, respectively.

In 2013, the Parent Company and CLDI entered into a contract of guaranty under a Revolving Cash Guaranty Line with HGC in the amount of ₱1,400.00 million. The guaranty covers the unpaid principal due on the outstanding STCP and unpaid interest thereon of 10.00% per annum. The guaranty premium paid was 0.90% per annum based on enrolled commercial papers in 2014 and 2013.

Contracts payable amounting to ₱97.50 million represent liabilities arising from contracts entered into by CDC in August 2015 to purchase land for future development (Note 9). The said liability is non-interest bearing and will be fully settled in December 2015.

Contracts payable amounting to ₱112.50 million from the December 2014 balance representing liability arising from contracts entered into by CLDI in September 2014 to purchase land for future development (Note 9) was fully settled on February 27, 2015.

15. Deferred Income Tax Liabilities

The components of the net deferred income tax liabilities are as follows:

	September 30, 2015	December 31, 2014
Deferred income tax liabilities:		
Deemed cost adjustment in properties	**₱84,566,250**	₱94,900,995
Realized gain on real estate transactions	**70,479,529**	72,782,423
Retirement plan assets	**5,346,363**	4,172,182
Unearned rent revenue	**4,203,667**	3,966,570
Capitalized interest	**6,349,599**	3,928,620
	170,945,408	179,750,790
Deferred income tax assets on accrued expenses and others	**12,767,258**	10,163,969
Net deferred income tax liabilities	**₱158,178,150**	₱169,586,821

16. **Equity**

a. The following table summarizes the reconciliation of the authorized, issued and outstanding shares of capital stock as of September 30, 2015 and December 31, 2014:

	September 30, 2015		December 31, 2014	
	Shares	**Amount**	Shares	Amount
Authorized - ₱1 par value				
Balance at beginning of year	**4,000,000,000**	**₱4,000,000,000**	4,000,000,000	₱4,000,000,000
Issued, beginning of year	**3,573,878,400**	**₱3,573,878,400**	3,403,786,340	₱3,403,786,340
Treasury stock	**(4,021,067)**	**(4,021,067)**	(4,021,067)	(4,021,067)
Outstanding	**3,569,857,333**	**3,569,857,333**	3,399,765,273	3,399,765,273
Stock dividends	**–**	**–**	170,092,060	170,092,060
	3,569,857,333	**3,569,857,333**	3,569,857,333	3,569,857,333
Treasury stock	**4,021,067**	**4,021,067**	4,021,067	4,021,067
Issued, ending of year	**3,573,878,400**	**₱3,573,878,400**	3,573,878,400	₱3,573,878,400

Treasury stock includes 2,083,120 shares in September 30, 2015 and December 31, 2014 held by CPI.

The Parent Company registered 10,000,000 shares with SEC on June 15, 1978 with an initial offer price of ₱10.00. On July 27, 2012, the SEC approved the Amended Articles of Incorporation on the application for increase in authorized capital stock from ₱3,000.00 million to ₱4,000.00 million with a par value of ₱1.00 each.

b. Dividends declared and issued/paid by the Parent Company in 2015, 2014, 2013, and 2012 are as follows:

Dividends	Date Approved	Per Share	Stockholders of Record Date	Date Issued/Paid
Cash	May 28, 2015	₱0.027	June 26, 2015	July 22, 2015
	May 30, 2014	0.03	June 24, 2014	July 18, 2014
	June 4, 2013	0.03	June 19, 2013	July 15, 2013
	May 18, 2012	0.03	June 15, 2012	July 11, 2012
Stock	April 21, 2014	5%	July 3, 2014	July 30, 2014
	April 25, 2013	5%	July 4, 2013	July 30, 2013
	August 15, 2012	10%	August 27, 2012	September 20, 2012

Fractional shares of stock dividends were paid in cash based on the par value.

c. As of September 30, 2015 and December 31, 2014, the retained earnings attributable to equity holders of the Parent Company and the non-controlling interest include the remaining balance of net deemed cost adjustment which arose when the Group transitioned to PFRS in 2005 amounting to ₱206.92 million and ₱221.44 million, respectively. The deemed cost adjustment has yet to be realized through additional depreciation in profit or loss in case of depreciable assets (classified under property and equipment) and building (classified under investment properties) and through sales in case of inventory (classified under real estate properties for sale) and land (classified under investment properties).

17. Material Partly-owned Subsidiary

Proportion of equity interest held by non-controlling interests as of September 30, 2015 and December 31, 2014:

CLDI	50.27%
CPI	9.19%

18. Operating Expenses

Operating expenses consist of:

	September 30, 2015	September 30, 2014
Personnel expenses (Note 19)	**₱121,152,511**	₱81,693,723
Professional fees	**35,960,014**	17,993,612
Taxes and licenses	**29,079,247**	33,155,327
Depreciation (Note 20)	**18,170,293**	22,854,854
Light, power and water	**10,113,513**	3,145,623
Insurance	**9,085,292**	9,223,147
Outside services	**8,617,880**	6,883,600
Advertising and promotions	**6,248,471**	5,690,680
Membership and association dues	**4,968,053**	5,349,541
Repairs and maintenance	**3,794,754**	3,980,062
Rent	**3,694,247**	2,846,921
Brokers' commission	**3,091,840**	9,141,689
Postage, telephone and telegraph	**1,695,396**	1,145,741
Stationery and office supplies	**1,034,802**	1,140,685
Others	**7,115,710**	7,499,847
	₱263,822,023	₱211,745,052

19. Personnel Expenses

Personnel expenses consist of:

	September 30, 2015	September 30, 2014
Bonuses and other employee benefits	**₱59,414,422**	₱29,110,,546
Salaries and wages	**50,616,240**	35,413,252
Commissions	**11,121,849**	11,121,849
	₱121,152,511	₱81,693,723

20. Depreciation

Depreciation consists of:

	September 30, 2015	September 30, 2014
Investment properties (Note 10)	**₱14,615,037**	₱12,643,974
Property and equipment (Note 11)	**3,555,256**	10,,210,880
	₱18,170,293	₱22,854,854

21. Financial Income

Financial income consists of:

	September 30, 2015	September 30, 2014
Interest income from:		
Installment contracts receivable relating to sales of real estate	**₱169,825,383**	₱182,895,513
Cash equivalents and short-term cash investments	**43,868,431**	28,573,649
Cash in banks	**77,934**	49,032
Others	**1,142,532**	1,864,290
Dividend income	**17,681**	20,246
	₱214,931,961	₱213,402,730

22. Financial Expense

Financial expense consists of:

	September 30, 2015	September 30, 2014
Interest expense on notes payable	**₱9,953,797**	₱10,031,246
Capitalized interest (Notes 8 and 10)	**(9,817,888)**	(5,854,135)
	135,909	4,177,111
Others	**441,265**	127,504
Finance charges	**753,784**	661,539
	₱1,330,958	₱4,966,154

23. Other income/expenses

Other income
Other income amounting to ₱73.45 million and ₱22.90 million in September 30, 2015 and September 30, 2014, respectively, pertains to trust fund income, penalties for customers' late payments, sale of scraps and forfeiture of reservations/downpayments received on sales which were not consummated.

Other expenses
Other expenses pertain to reversal of gross profit recognized in prior years due to forfeiture/cancellation of sales.

24. Retirement Benefits Cost

The Group, jointly with affiliated companies, has a funded, noncontributory defined benefit retirement plan, administered by trustee covering all of its permanent employees.

25. Income Taxes

Provision for income tax consists of:

	September 30, 2015	September 30, 2014
Current	**₱202,687,068**	₱86,113,409
Final tax on interest income	**9,030,368**	5,724,536
Deferred	**(8,084,407)**	(20,046,791)
	₱203,633,029	₱71,791,154

26. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

The Group discloses the nature of the related party relationship and information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the consolidated financial statements, including, as a minimum, the amount of outstanding balances and its terms and conditions including whether they are secured, and the nature of the consideration to be provided in settlement.

The Group, in the normal course of business, has transactions and account balances with related parties consisting mainly of the following:

	Amount of transactions		Outstanding Balances				
			Receivable		Payable		
Nature of Transaction	**September 30, 2015**	December 31, 2014	**September 30, 2015 (Note 7)**	December 31, 2014 (Note 7)	**September 30, 2015**	December 31, 2014	Terms and Conditions
Ultimate parent (CI)							
Sharing of expenses charged by the Company	**281,807.86**	₱1,821,302	**₱3,182,346**	₱3,192,155	**–**	₱411	30-day, unsecured, non-interest bearing; to be settled in cash
Subsidiaries (CLDI & CPI)							
Sharing of expenses charged to the Company	**(95,545.25)**	(388,445)	**–**	–	**–**	–	30-day, unsecured, non-interest bearing; to be received or settled in cash; no impairment
Total			**₱3,182,346**	₱3,192,155	**–**	₱411	

Parent Company's transactions with CLDI and CPI are eliminated in the consolidated balance sheets and statements of income.

a. The Parent Company also has an existing management contract with CI, wherein the latter provides management services to the Parent Company. The agreement is for a period of five years renewable automatically for another five years unless either party notifies the other party six months prior to expiration. The management fee is based on a certain percentage of the net income as mutually agreed upon by both parties. The management fees for 2015, 2014 and 2013 were waived by CI. There are no conditions attached to the waiver of these management fees.

b. The Group, jointly with affiliated companies under common control, has a trust fund for the retirement plan of their employees. The trust fund is being maintained by a trustee bank.

c. The Group has no standard arrangements with regards to the remuneration of its directors. Moreover, the Group has no standard arrangement with regards to the remuneration of its existing officers aside from the compensation received or any other arrangements in the employment contracts and compensatory plan. The Group does not have any arrangements for stock warrants or options offered to its employees.

27. Basic/Diluted Earnings Per Share

Basic/diluted earnings per share amounts were computed as follows:

	September 30, 2015	September 30, 2014
a. Net income attributable to equity holders of the parent	**₱582,275,159**	₱240,413,726
b. Weighted average number of outstanding shares	**3,571,940,453**	3,571,940,453*
c. Basic/diluted earnings per share (a/b)	**₱0.163**	₱0.067

**After 5% declaration of stock dividend in 2014.*

28. Financial Instruments

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, short-term cash investments, notes payable and contracts payable. The main purpose of these financial instruments is to finance the Group's operations. The Group's other financial instruments consist of financial assets at fair value through profit or loss and available-for-sale financial assets, which are held for investing purposes. The Group has various other financial instruments such as installment contracts receivables, other receivables and accounts payable and accrued expenses which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are market risk (i.e., cash flow interest rate risk and equity risk), credit risk and liquidity risk. The BOD reviews and approves policies for managing these risks and they are summarized as follows:

Market risk

Cash flow interest rate risk

The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's short-term notes payables, all with repriced interest rates. The Group's policy in addressing volatility in interest rates includes maximizing the use of operating cash flows to be able to fulfill principal and interest obligations even in periods of rising interest rates.

A sensitivity analysis to a reasonable change in the interest rates (with all other variables held constant) of 1.12% higher or lower, would increase or decrease the Group's income before income tax of ₱10.81 million.

Equity risk
Equity risk is the risk that the fair values of investments in equity securities will decrease as a result of changes in the market values of individual shares of stock. The Group is exposed to equity risk because of investments held by the Group classified as available-for-sale financial assets included under "Other assets" in the consolidated balance sheets. The Group employs the service of a third-party stock broker to manage its investments in shares of stock.

A sensitivity analysis of the Group's equity to a reasonably possible change in equity price based on forecasted and average movements of equity prices of ₱0.14, higher or lower, would increase or decrease the equity by ₱212,260.

Credit risk
The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis with the objective that the Group's exposure to bad debts is not significant. The Group's policy is to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. There are no significant concentrations of credit risk within the Group.

The tables below show the Group's exposure to credit risk for the components of the consolidated balance sheets. The exposure as of September 30, 2015 is shown at gross, before taking the effect of mitigation through the use of collateral agreements, and at net, after taking the effect of mitigation through the use of collateral agreements.

	Gross maximum exposure	Fair value of collaterals/credit enhancements	Net exposure	Financial effect of collateral/credit enhancements
Financial assets at fair value through profit or loss:				
Investments in trust funds	**₱39,513,812**	**₱–**	**₱39,513,812**	**₱–**
Loans and receivables:				
Cash and cash equivalents, excluding cash on hand	**617,797,077**	**–**	**617,797,077**	**–**
Short-term cash investments	**2,063,550,000**	**–**	**2,063,550,000**	**–**
Installment contracts receivable	**1,532,513,165**	**3,541,371,084**	**–**	**1,532,513,165**
Refundable deposits	**19,029,434**	**–**	**19,029,434**	**–**
Other receivables*:				
Rent receivable	**18,416,844**	**–**	**18,416,844**	**–**
Advances to customers	**8,291,518**	**–**	**8,291,518**	**–**
Accrued interest	**6,982,578**	**–**	**6,982,578**	**–**
Retention	**3,013,216**	**–**	**3,013,216**	**–**
Others	**11,359,107**	**–**	**11,359,107**	**–**
Available for sale financial assets	**1,516,140**	**–**	**1,516,140**	**–**
Total credit risk exposure	**₱4,321,982,891**	**₱3,541,371,084**	**₱2,789,469,726**	**₱1,532,513,165**

**Excluding nonfinancial assets amounting to ₱1,908,038*

The following table summarizes the aging analysis and credit quality of the receivables as of September 30, 2015:

			Past due But Not Impaired				
	Current	> One year	< 30 days	31 - 60 days	61- 90 days	Over 90 days	Total
Installment contracts receivable	₱430,717,404	₱1,085,980,049	₱4,650,739	₱2,655,928	₱1,323,703	₱7,185,342	₱1,532,513,165
Refundable deposits	–	19,029,434	–	–	–	–	19,029,434
Other receivables*:							
Rent receivable	18,416,844	–	–	–	–	–	18,416,844
Advances to customers	1,579,425	–	6,712,093				8,291,518
Accrued interest	6,982,578	–	–	–	–	–	6,982,578
Retention	2,439,916	571,208	2,092	–	–	–	3,013,216
Others	7,825,502	3,337,906	195,699	–	–	–	11,359,107
	₱467,961,669	₱1,108,918,597	₱11,560,623	₱2,655,928	₱1,323,703	₱7,185,342	₱1,599,605,862

**Excluding nonfinancial assets amounting to ₱1,908,038*

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The table below shows the credit quality by class of asset for loan-related balance sheet lines, based on the Group's credit rating system as of September 30, 2015:

	Neither past due nor impaired			
	High Grade*	Medium Grade**	Past Due but not Impaired	Total
Financial asset at fair value through profit or loss - Investments in trust fund	₱39,513,812	₱–	₱–	₱39,513,812
Loans and receivables:				
Cash and cash equivalents, excluding cash on hand	617,797,077	–	–	617,797,077
Short-term cash investments	2,063,550,000	–	–	2,063,550,000
Installment contracts receivable	1,516,697,453	–	15,815,712	1,532,513,165
Refundable deposits	19,029,434	–	–	19,029,434
Other receivables***:				
Rent receivable	18,416,844	–	–	18,416,844
Advances to customers	1,579,425	–	6,712,093	8,291,518
Accrued interest	6,982,578	–	–	6,982,578
Retention	3,013,216	–	–	3,013,216
Others	9,229,724	1,933,684	195,699	11,359,107
Available for sale financial assets	1,516,140	–	–	1,516,140
Total	₱4,297,325,703	₱1,933,684	₱22,723,504	₱4,321,982,891

* *High Grade - financial assets with reputable counterparties and which management believes to be reasonably assured to be recoverable.*

** *Medium Grade - financial assets for which there is low risk on default of counterparties.*

*** *Excluding nonfinancial assets amounting to ₱1,908,038*

The main considerations for impairment assessment include whether any payments are overdue or if there are any known difficulties in the cash flows of the counterparties. The Group assesses impairment into two areas: individually assessed allowances and collectively assessed allowances.

The Group determines allowance for each significant receivable on an individual basis. Among the items that the Group considers in assessing impairment is the inability to collect from the counterparty based on the contractual terms of the receivables. The Group also considers the fair value of the real estate collateralized in computing the impairment of the receivables. Receivables included in the specific assessment are those receivables under the installment contracts receivable accounts.

Because the Group holds the title to the real estate properties with outstanding installment contracts receivable balance and can repossess such real estate properties upon default of the customer in paying the outstanding balance, the Group does not provide for allowance for impairment of its installment contracts receivable.

For collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is not yet objective evidence of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect collectability.

Liquidity risk
The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

The table below summarizes the maturity analysis of the Group's financial liabilities as of September 30, 2015:

	Up to One Year	Above One Year	Total
Accounts payable and accrued expenses*	**₱137,593,950**	**₱42,326,186**	**₱179,920,136**
Notes payable**	**979,397,348**	**–**	**979,397,348**
Contracts Payable	**97,750,000**	**–**	**97,750,000**
	₱1,214,741,298	**₱42,326,186**	**₱1,257,067,484**

** Excludes statutory liabilities amounting to ₱4,217,038*
*** Includes interest expense amounting to ₱11,897,348*

Fair Values

The following tables provide fair value hierarchy of the Group's financial assets, financial liabilities and investment properties, other than those with carrying amounts which are reasonable approximations of fair values:

Date of Valuation: September 30, 2015

	Fair value		
	Level 1	**Level 2**	**Level 3**
Assets measured at fair value			
Available-for-sale financial assets	**₱1,516,140**	**₱–**	**₱–**
Repossessed inventories	**–**	**165,930,892**	**–**
Investment properties			**6,162,000**
Assets for which fair values are disclosed			
Investment properties*	**–**	**–**	**2,381,192,050**

**Last valuation date is December 31, 2014.*

The following method and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value.

Cash and cash equivalents, short-term cash investments, installment contracts receivable, other receivables, accounts payable and accrued expenses and notes and contracts payable
Due to the short-term nature of the transactions, the fair values of cash and cash equivalents, short-term cash investments, other receivables, accounts payable and accrued expenses and notes and contracts payable approximate their carrying amounts. The fair value of installment contracts receivable approximate its carrying amount as it carries interest rates that approximate the interest rate for comparable instruments in the market.

Financial assets at FVPL and available-for-sale financial assets
Financial assets at FVPL and available-for-sale financial assets are stated at fair value based on quoted market prices.

Repossessed real estate properties for sale
The fair value of repossessed real estate properties for sale is based on the Group's current selling price per area/slot of the property.

Investment properties

The fair value of investment properties is determined using sales comparison and market data approach. Sales comparison approach considers the sales of similar or substitute properties and other related market data had the investment properties been transacted in the market. While market data approach considers the sales and listings and other market data of comparable properties registered within the vicinity of the property being valued. The significant unobservable inputs used in determining the fair value are the sales price per square meter of similar or substitute property, location, size, shape of lot and the highest and best use. The fair value of the investment properties as of December 31, 2014 and 2013 approximates and represents the highest and best use of the said properties.

29. Business Segments

The Group derives its revenues primarily from the sale and lease of real estate properties and marketing of pension plans.

Segment revenues:

	September 30, 2015		September 30, 2014	
Sales of real estate	**₱2,004,460,421**	**91.74%**	₱1,011,287,834	89.86%
Rent income	**62,004,585**	**2.84%**	60,668,821	5.39%
Others	**118,560,271**	**5.42%**	53,411,150	4.75%
	₱2,185,025,277	**100.00%**	₱1,125,367,805	100.00%

Except for expenses directly relating to the leasing and pension plan operations, operating expenses pertain primarily to the real estate sales.

30. Contingencies

The Group is contingently liable for certain lawsuits or claims filed by third parties which are either pending decisions by the courts or are under negotiation, the outcomes of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements.

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Financial Ratios

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)	September 30, 2014 (Unaudited)
Earnings per share*	**₱0.22**	₱0.10	₱0.08
Return on equity* (%)	**12.89%**	6.69%	5.94%
Solvency ratio	**.56**	0.24	0.23
Interest rate coverage	**1,442.6**	96.09	86.00
Asset-to-liability	**5.67**	4.43	4.70
Asset-to-equity	**1.39**	1.50	1.48
Debt-to-equity	**0.18**	0.24	0.22
Current ratio	**3.71**	2.85	2.94
Acid-test ratio	**2.57**	1.74	1.83

*Annualized for the period of September 30, 2015 and September 30, 2014.

Manner of Calculations:

Earnings per share = Net income after tax / Outstanding number of shares

Return on equity = Net income after tax / Total Equity

Solvency ratio = Net income after tax + Depreciation expense / Total liabilities

Interest rate coverage ratio = Income before income tax + Depreciation expense + Interest expense / Interest expense

Asset-to-liability ratio = Total assets / Total liabilities

Asset-to-equity ratio = Total assets / Total equity (net of net changes in fair value of available-for-sale financial assets and accumulated re-measurement on defined benefit plan)

Debt-to-equity ratio = Notes and contracts payable / Total equity (net of net changes in fair value of available-for-sale financial assets and accumulated re-measurement on defined benefit plan)

Current ratio = Total current assets / Total current liabilities

Acid-test ratio = (Cash and cash equivalents + Short-term cash investments + Current portion of installment contracts receivable + Current portion of other receivables) / Total current liabilities

CITYLAND DEVELOPMENT CORPORATION

SCHEDULE OF GROSS AND NET PROCEEDS OF SHORT-TERM COMMERCIAL PAPERS ISSUED

As of September 30, 2015

SEC-MSRD Order No. 58, Series of 2014 dated November 10, 2014

A. As stated in the Final Prospectus (December 2014 to November 2015)

Gross Proceeds		**Php**	**1,400,000,000**
Less: Expenses			
Documentary Stamps Tax	(7,000,000)		
Registration Fees	(921,625)		
Legal and Accounting Fees	(30,000)		
Printing Costs	(30,000)		
Publication Fees	(29,000)		(8,010,625)
Net Proceeds		**Php**	**1,391,989,375**
Use of Proceeds			
Project-related Costs			550,000,000
Payment of Maturing Notes			828,129,375
Interest Expense			13,860,000
Total		**Php**	**1,391,989,375**

B. Use of Proceeds (December 2014 to September 2015)

Gross Proceeds		**Php**	**883,150,000**
Less: Expenses			
Documentary Stamps Tax	(4,190,903)		
Registration Fees	(921,625)		
Printing Costs	(51,750)		
Legal and Accounting Fees	(30,000)		
Publication Fees	(29,792)		(5,224,070)
Total Net Proceeds		**Php**	**877,925,930**
Use of Proceeds			
Project-related Costs	(250,054,121)		
Payment of Maturing Notes	(621,818,766)		
Interest Expense	(6,053,043)		(877,925,930)
Balance of Proceeds as of September 30, 2015		**Php**	**--**

C. Outstanding Short-Term Commercial Papers as of September 30, 2015 **Php** **883,150,000**

CITY & LAND DEVELOPERS, INCORPORATED

SCHEDULE OF GROSS AND NET PROCEEDS OF SHORT-TERM COMMERCIAL PAPERS ISSUED

As of September 30, 2015

SEC-MSRD Order No. 46, Series of 2014 dated September 22, 2014

A. As stated in the Final Prospectus (September 2014 to August 2015)

Gross Proceeds		**Php**	**200,000,000**
Less: Expenses			
Documentary Stamps Tax	(1,000,000)		
Registration Fees	(202,000)		
Legal and Accounting Fees	(30,000)		
Publication Fees	(30,000)		
Printing Costs	(10,000)		(1,272,000)
Net Proceeds		**Php**	**198,728,000**
Use of Proceeds			
Project-related Costs			116,548,000
Payment of Maturing Notes			80,000,000
Interest Expense			2,180,000
Total		**Php**	**198,728,000**

B. Use of Proceeds (September 2014 to August 2015)

Gross Proceeds		**Php**	**69,600,000**
Less: Expenses			
Documentary Stamps Tax	(279,661)		
Registration Fees	(202,000)		
Legal and Accounting Fees	(30,000)		
Publication Fees	(30,000)		
Printing Costs	(7,200)		(548,861)
Net Proceeds		**Php**	**69,051,139**
Use of Proceeds			
Project-related Costs	(60,426,470)		
Payment of Maturing Notes	(8,200,255)		
Interest Expense	(424,414)		(69,051,139)
Balance of Proceeds as of September 30, 2015		**Php**	**--**

C. Outstanding Short-Term Commercial Papers as of September 30, 2015 **Php** **64,450,000**

SEC-MSRD Order No. 53, Series of 2015 dated September 22, 2015

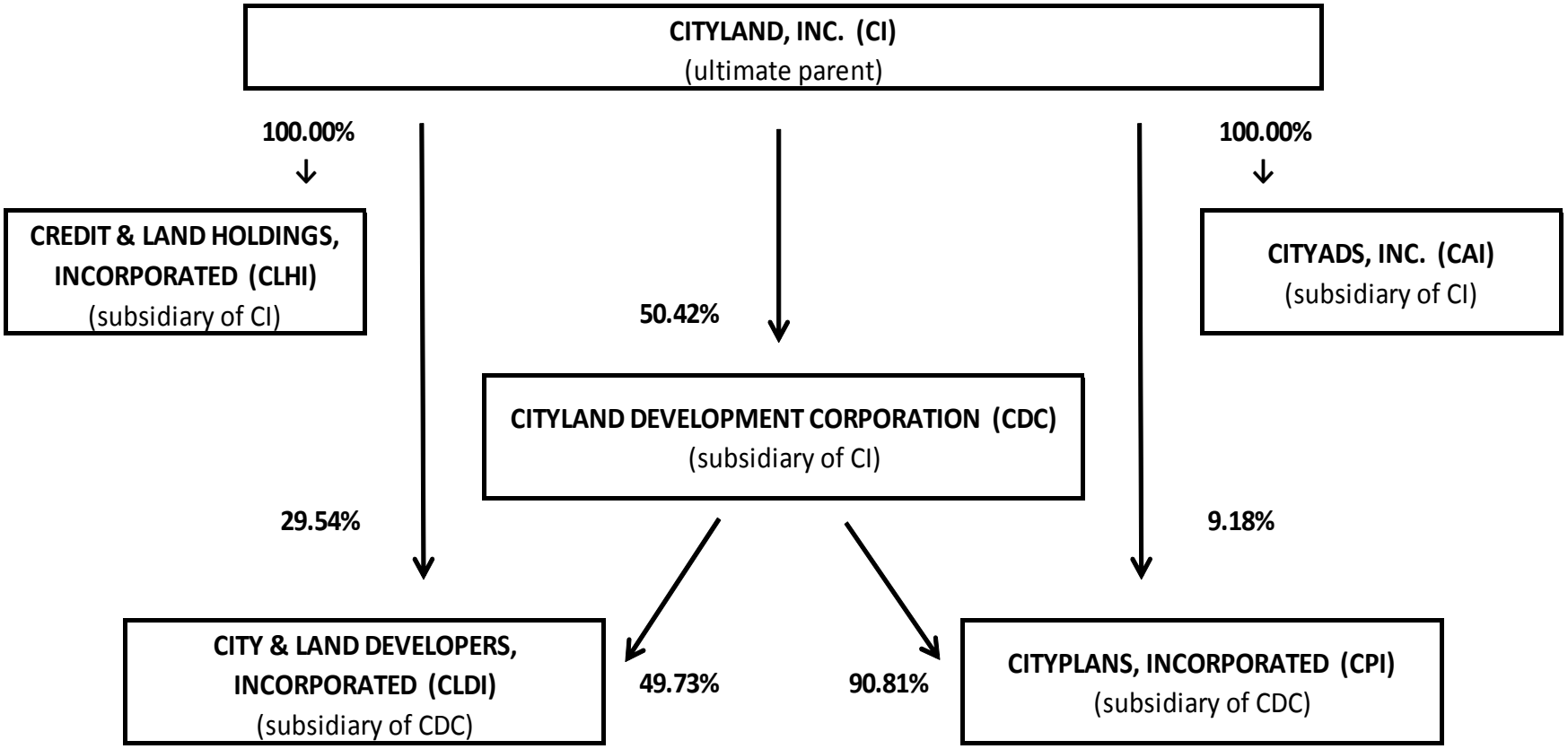
A. As stated in the Final Prospectus (September 2015 to August 2016)

Gross Proceeds		**Php**	**100,000,000**
Less: Expenses			
Documentary Stamps Tax	(500,000)		
Registration Fees	(101,000)		
Legal and Accounting Fees	(30,000)		
Publication Fees	(30,000)		
Printing Costs	(5,000)		(666,000)
Net Proceeds		**Php**	**99,334,000**
Use of Proceeds			
Project-related Costs			73,124,000
Payment of Maturing Notes			25,000,000
Interest Expense			1,210,000
Total		**Php**	**99,334,000**

B. Use of Proceeds (September 2015)

Gross Proceeds		**Php**	**19,900,000**
Less: Expenses			
Registration Fees	(101,000)		
Legal and Accounting Fees	(30,000)		
Publication Fees	(30,000)		
Documentary Stamps Tax	(22,453)		
Printing Costs	(850)		(184,303)
Net Proceeds		**Php**	**19,715,697**
Use of Proceeds			
Project-related Costs	--		
Payment of Maturing Notes	--		
Interest Expense	--		--
Balance of Proceeds as of September 30, 2015		**Php**	**19,715,697**

C. Outstanding Short-Term Commercial Papers as of September 30, 2015 **Php** **19,900,000**

CITYLAND DEVELOPMENT CORPORATION

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP