

COVER SHEET

SEC Registration Number

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COMPANY NAME

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I	N	C	O	R	P	O	R	A	T	E	D																						

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

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Form Type

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Department requiring the report

M	S	R	D
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Secondary License Type, If Applicable

N	/	A	
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COMPANY INFORMATION

Company's Email Address

fmsd@cityland.net

Company's Telephone Number

893-6060

Mobile Number

N/A

No. of Stockholders

770

(as of June 30, 2017)

Annual Meeting (Month / Day)

2nd Tuesday of June

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Rudy Go

Email Address

cdc_rg@cityland.net

Telephone Number/s

893-6060

Mobile Number

N/A

CONTACT PERSON'S ADDRESS

3rd Floor Cityland Condominium 10, Tower II, 154 H.V. dela Costa Street, Makati City

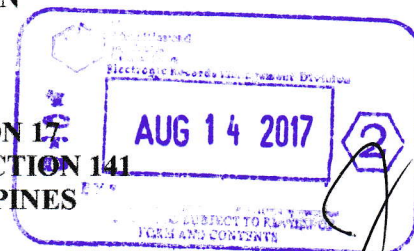
NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies

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 **June 30, 2017**
2. SEC Identification Number **152661**
3. BIR Tax Identification No. **000-444-840**
4. Exact name of issuer as specified in its charter
CITY & LAND DEVELOPERS, INCORPORATED
5. **Makati City, Philippines**
Province, country or other jurisdiction
of incorporation
6. (SEC Use Only)
Industry Classification Code
7. **3/F Cityland Condominium 10 Tower I,**
156 H.V. Dela Costa Street, Makati City
Address of Principal Office
- 1226**
Postal Code
8. **632-893-6060**
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	1,236,830,960

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

Yes ☒ 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 Code and SRC Rule 17 thereunder or Sections 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 ☒ No ☐

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

Yes ☒ 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 53).

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

According to the National Economic and Development Authority (NEDA), the Philippine economy grew by 6.4% in the first quarter of 2017 and is expected to perform well in succeeding quarters of the year and beyond. Robust exports and the growth in agriculture were the main drivers of the economy, while the impact on the economy of Marawi siege in Mindanao is perceived to be short-lived and will not have a lasting effect. Over the past few years, construction in the Philippines has been flourishing amid a climate of political stability and upbeat business sentiment, spurred by growth in overseas foreign worker remittances, investment into business process outsourcing (BPO), rising number of tourists arrivals, and government spending on infrastructure.

The Philippine real estate is seen to continuously soar in 2017 as the government is committed to undertake critical infrastructure projects. The heavy and worsening traffic in the metropolis has also encouraged employees to live near their offices thereby increasing the demand for condominium units. In addition, rising investments, steady interest rates and manageable inflation rate created a positive environment for the real estate industry. With the current development and favorable business climate, Cityland Group of Companies (the Group) believes that the property sector is headed to post further gains in the following years.

City & Land Developers, Incorporated (the Company) is selling the following projects:

One Taft Residences, a 40-storey mixed residential, office and commercial condominium which is located at 1939 Taft Avenue, Malate, Manila was launched last October 2016 and is estimated to be completed in September 2022.

North Residences, a 29-storey commercial and residential condominium located in EDSA (beside Waltermart) corner Lanutan, Brgy. Veterans Village, Quezon City was launched in October 2014 and 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.

The Pacific Regency, a 38-storey commercial, office and residential condominium located at Pablo Ocampo Sr. Ave. (formerly Vito Cruz Street) in front of Rizal Memorial Sports Complex in Manila.

The Company also has 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 (SEC) registered commercial papers.

Financial Condition (June 30, 2017 vs. December 31, 2016)

The Company's balance sheet remained solid as total assets reached ₱2.41 billion as of June 30, 2017, slightly higher compared with the 2016 year-end balance of ₱2.24 billion. The increase in assets can be attributed to increase in real estate properties for sale. The cash position enabled the Company to declare on June 9, 2017 cash dividends amounting to ₱0.013 per share equivalent to ₱16.08 million. Equity stood at ₱1.83 billion as of the first semester of 2017, slightly higher by 0.98% from the 2016 year-end balance of ₱1.81 billion due to comprehensive income of ₱33.81 million less cash dividends declared of ₱16.08 million.

As a result of the foregoing, the Company has a higher current and acid test ratio of 3.91:1 and 2.43:1 as of the first semester of 2017, as compared to 5.05:1 and 2.96:1 as of December 31, 2016. Asset-to-liability and debt-to-equity registered to 4.18:1 and 0.14:1 from the previous year of 5.26:1 and 0.08:1, respectively.

Results of Operation (June 30, 2017 vs. June 30, 2016)

Total sales of real estate properties reached ₱145.67 million as of the second quarter of 2017 as compared to ₱91.67 million as of the same period last year. The Company's on-going condominium project, North Residences, contributed 86.95% in total sales while the remaining units of Grand Emerald Tower, Manila Residences Bocobo, Mega Plaza and Vito Cruz II contributed an aggregate of 13.05% of total revenues from sale of real estate properties. Future revenues are expected to increase due to the sale of One Taft Residences, which will be realized upon reaching the preliminary construction activities.

Other sources of income are financial income, rent income and other income. Financial income which is substantially composed of interest income from sale of real estate properties and interest from investments in banks contributed 16.37% of total revenues. Likewise, rent income and other income continued to contribute modestly to total revenues.

On the cost side, cost of real estate sales increased by ₱43.20 million, as this account moves in tandem with sales, while operating expenses increased by ₱18.45 million resulting from higher personnel expenses, taxes and licenses, and advertising and promotion. Decrease in provision for income tax was due to lower taxable income.

Altogether, net income after tax stood at ₱33.71 million from ₱36.97 million as of the same period last year and translated to earnings per share and return on equity of ₱0.05 and 3.68%, respectively.

Financial Ratios

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)	June 30, 2016 (Unaudited)
Current	3.91	5.05	11.51
Asset-to-equity	1.31	1.23	1.07
Debt-to-equity	0.14	0.08	0.03
Asset-to-liability	4.18	5.26	15.64
Solvency*	0.12	0.15	0.61
Interest rate coverage	39.91	132.46	127.14
Acid-test ratio	2.43	2.96	8.23
Return on equity (%)*	3.68%	3.60%	4.14%
Earnings per share*	₱0.05	₱0.05	₱0.06

*Annualized for the period of June 30, 2017 and June 30, 2016

Manner of calculation:

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

Items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidents

There are no unusual items affecting assets, liabilities, equity, net income or cash flows.

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

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

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

Debt securities

The Company issued SEC-Registered commercial papers during the period. The outstanding balance is ₱252.55 million as of June 30, 2017.

Equity securities

There are no issuances, repurchases and repayments of equity securities during the second quarter of 2017.

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 interim financial statements.

Effect 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 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.

Any changes in contingent liabilities or contingent assets since the last annual balance sheet date

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

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

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

Internal and External Sources of Liquidity

Internal sources come from sales of condominium and real estate properties, collection of installment contracts receivables and maturing short-term investments.

Any Material Commitments for Capital Expenditures and Expected Sources of Funds of such Expenditures

The estimated development cost of ₱130.17 million as of June 30, 2017 representing the accrued payable of real estate properties sold will be sourced through:

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

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

There are no known trends or events or uncertainties that have a material impact on 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 are no significant elements 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 Registrants Financial Statements

Financial Condition (June 30, 2017 vs. December 31, 2016)

- a) Decrease in Cash and Cash Equivalents was substantially due to shift of funds to Short-term Cash Investments.
- b) Increase in Short-term Cash Investments was substantially due to shift of funds from shorter period investments, increase in the volume of sales and increase in collection of installment contract receivables.
- c) Decrease in Installment Contract Receivables was due to collection.
- d) Decrease in Other Receivables was due to collection from customers of receivables pertaining to real estate taxes.
- e) Increase in Real Estate Properties for Sale was due to construction costs incurred for the on-going project.

- f) Increase in Available-for-Sale Financial Assets was due to increase in market value of shares of stock.
- g) Increase in Real Estate Properties Held for Future Development was due to capitalized cost.
- h) Increase in Deferred Income Tax Assets was due to increase in realized gain on sale of real estate transactions.
- i) Decrease in Other Assets was due to utilization of input VAT.
- j) Increase in Accounts Payable and Accrued Expenses was due to deposits from the sale of One Taft Residences and declaration of cash dividends.
- k) Increase in Notes Payable was due to proceeds from issuance of short-term notes payable.
- l) Decrease in Income Tax Payable was due to utilization of prepaid expenses and decrease in taxable income.
- m) Increase in Net Changes in Fair Value of Investments was due to increase in market value of shares of stock.
- n) Increase in Retained Earnings was due to net income recognized as of June 30, 2017.

Results of Operation (June 30, 2017 vs. June 30, 2016)

- a) Increase in Sales of Real Estate Properties was due to increase in sale of condominium units and higher completion rate of North Residences.
- b) Increase in Financial Income was due to increase in interest income from short-term cash investments.
- c) Decrease in Rent Income was due to decrease in units available for lease.
- d) Decrease in Other Income was due to the decrease in the number of units of repossessed real estate properties for sale.
- e) Increase in Cost of Real Estate Sales was due to cost incurred on the Company's project – North Residences.
- f) Increase in Operating Expenses was primarily due to higher personnel expenses, taxes and licenses, and advertising and promotion
- g) Increase in Financial Expenses was due to payment of matured notes payable.
- h) Decrease in Other Expenses was due to decrease of forfeiture/cancellation of prior years' sales.
- i) Decrease in Provision for Income Tax was due to lower taxable income.
- j) Decrease in Net Income was due to higher expenses.

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

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

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

The Company's unaudited interim 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 annual audited financial statements. However, the unaudited interim financial statements as of June 30, 2017 do not include all of the information and disclosures required in the annual audited financial statements and therefore, should be read in conjunction with the annual financial statements as of and for the year ended December 31, 2016. There are no any events or transactions that are material to an understanding of the current interim period.

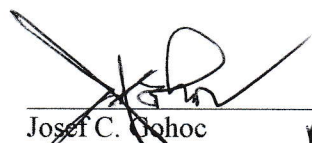
PART II – OTHER INFORMATION**Disclosures not made under SEC Form 17-C**

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: **CITY & LAND DEVELOPERS, INCORPORATED**



Josef C. Gohoc
President / Director

Date: August 11, 2017



Rudy Go
Senior Vice President / Compliance Officer

Date: August 11, 2017

CITY & LAND DEVELOPERS, INCORPORATED

BALANCE SHEETS

	Unaudited June 30, 2017	Audited December 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	P345,315,340	P351,425,108
Short-term cash investments (Note 4)	737,500,000	571,500,000
Current portion of installment contracts receivable (Note 5)	15,180,966	2,932,267
Current portion of other receivables (Notes 6 and 14)	4,528,771	7,316,236
Real estate properties for sale (Note 8)	675,337,011	656,180,696
Prepaid Income Tax	864,876	—
Other current asset (Note 11)	89,514	1,438,891
Total Current Assets	1,778,816,478	1,590,793,198
Noncurrent Assets		
Installment contracts receivable - net of current portion (Note 5)	166,208,426	192,663,449
Other receivables - net of current portion (Note 6)	7,847,592	6,981,557
Available-for-sale financial assets (Note 7)	1,151,800	1,053,657
Real estate properties held for future development (Note 8)	234,474,698	232,723,654
Investment properties (Note 9)	181,139,332	181,139,332
Deferred income tax assets - net (Note 10)	9,406,605	3,860,457
Other noncurrent assets (Note 11)	28,649,410	30,763,045
Total Noncurrent Assets	628,877,863	649,185,151
TOTAL ASSETS	P2,407,694,341	P2,239,978,349
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of accounts payable and accrued expenses (Note 12)	P202,026,921	P172,268,760
Notes payable (Note 13)	252,550,000	139,050,000
Income tax payable	—	3,777,692
Total Current Liabilities	454,576,921	315,096,452
Noncurrent Liabilities		
Accounts payable and accrued expenses - net of current portion (Note 12)	114,637,201	104,134,297
Retirement benefits liability (Note 21)	6,432,116	6,432,116
Total Noncurrent Liabilities	121,069,317	110,566,413
TOTAL LIABILITIES	P575,646,238	P425,662,865

(Forward)

CITY & LAND DEVELOPERS, INCORPORATED

BALANCE SHEETS

	Unaudited June 30, 2017	Audited December 31, 2016
Equity		
Capital stock - ₱1 par value (Note 15)		
Authorized - 1,435,000,000 shares as of June 30, 2017 and December 31, 2016		
Issued - 1,236,830,960 shares held by 770 equity holders as of June 30, 2017 and 777 as of December 31, 2016	₱1,236,830,960	₱1,236,830,960
Retained earnings (Note 15)	601,149,221	583,514,745
Additional paid-in capital	105,136	105,136
Net changes in fair values of available-for-sale financial assets (Note 7)	881,887	783,744
Accumulated re-measurement on defined benefit plan	(6,919,101)	(6,919,101)
TOTAL EQUITY	1,832,048,103	1,814,315,484
TOTAL LIABILITIES AND EQUITY	₱2,407,694,341	₱2,239,978,349

See accompanying Notes to Financial Statements.

CITY & LAND DEVELOPERS, INCORPORATED

STATEMENTS OF INCOME

	UNAUDITED			
	2 nd Qtr 2017	2 nd Qtr 2016	For the 6-month ending June 30, 2017	For the 6-month ending June 30, 2016
REVENUES				
Sales of real estate properties	₱83,428,455	₱62,447,686	₱145,668,855	₱91,667,786
Financial income (Note 16)	15,266,096	14,032,642	29,834,138	29,082,510
Rent income (Note 9)	723,217	820,586	1,689,166	1,802,339
Other income (Note 17)	1,071,859	4,901,287	5,049,998	7,635,598
	100,489,627	82,202,201	182,242,157	130,188,233
EXPENSES				
Cost of real estate sales	56,176,072	38,072,021	98,314,716	55,118,231
Operating expenses (Note 18)	17,719,693	10,552,203	44,943,981	26,490,848
Financial expenses (Note 20)	553,840	188,801	1,018,265	414,791
Other expenses (Note 17)	72,061	2,510,790	1,584,952	2,510,790
	74,521,666	51,323,815	145,861,914	84,534,660
INCOME BEFORE INCOME TAX	25,967,961	30,878,386	36,380,243	45,653,573
PROVISION FOR INCOME TAX (Note 22)	2,778,079	6,691,207	2,666,975	8,684,453
NET INCOME	₱23,189,882	₱24,187,179	₱33,713,268	₱36,969,120
BASIC/DILUTED EARNINGS PER SHARE (Note 23)			₱0.03	₱0.03

See accompanying Notes to Financial Statements.

CITY & LAND DEVELOPERS, INCORPORATED
STATEMENTS OF COMPREHENSIVE INCOME

UNAUDITED				
	2 nd Qtr 2017	2 nd Qtr 2016	For the 6-month ending June 30, 2017	For the 6-month ending June 30, 2016
NET INCOME	₱23,189,882	₱24,187,179	₱33,713,268	₱36,969,120
OTHER COMPREHENSIVE INCOME				
Changes in fair value of available-for-sale financial assets (Note 7)	662	61,636	98,143	89,565
TOTAL COMPREHENSIVE INCOME	₱23,190,544	₱24,248,815	₱33,811,411	₱37,058,685
BASIC/DILUTED EARNINGS PER SHARE (Note 23)			₱0.03	₱0.03

See accompanying Notes to Financial Statements.

CITY & LAND DEVELOPERS, INCORPORATED
STATEMENTS OF CHANGES IN EQUITY

	Capital stock (Note 15)	Additional Paid in Capital	Retained earnings (Note 15)	Net changes in Fair Values of Available-for-sale Financial Assets (Note 5)	Accumulated re-measurement on defined benefit plan	Total
BALANCES AT JANUARY 1, 2017	P1,236,830,960	P105,136	P583,514,745	P783,744	(P6,919,101)	P1,814,315,484
Net income	—	—	33,713,268	—	—	33,713,268
Cash dividends	—	—	(16,078,792)	—	—	(16,078,792)
Other comprehensive income	—	—	—	98,143	—	98,143
Total comprehensive income	—	—	17,634,476	98,143	—	17,732,619
BALANCES AT JUNE 30, 2017	P1,236,830,960	P105,136	P601,149,221	P881,887	(P6,919,101)	P1,832,048,103

	Capital stock (Note 15)	Additional Paid in Capital	Retained earnings (Note 15)	Net changes in Fair Values of Available-for-sale Financial Assets (Note 5)	Accumulated re-measurement on defined benefit plan	Total
BALANCES AT JANUARY 1, 2016	P1,177,934,550	P105,136	P598,256,102	P810,588	(P5,668,151)	P1,771,438,225
Net income	—	—	36,969,120	—	—	36,969,120
Cash dividends	—	—	(21,202,819)	—	—	(21,202,819)
Other comprehensive income	—	—	—	89,565	—	89,565
Total comprehensive income	—	—	15,766,301	89,565	—	15,855,866
BALANCES AT JUNE 30, 2016	P1,177,934,550	P105,136	P614,022,403	P900,153	(P5,668,151)	P1,787,294,091

CITY & LAND DEVELOPERS, INCORPORATED
STATEMENTS OF CASH FLOWS

UNAUDITED				
	2 nd Qtr 2017	2 nd Qtr 2016	As of June 30, 2017	As of June 30, 2016
CASH FLOW FROM OPERATING ACTIVITIES				
Income before income tax	P25,967,961	P30,878,386	P36,380,243	P45,653,573
Adjustments for:				
Interest income (Note 16)	(15,260,962)	(14,027,512)	(29,827,039)	(29,075,415)
Interest expense (Note 20)	536,140	160,451	934,865	361,941
Dividend income (Note 16)	(5,134)	(5,130)	(7,099)	(7,095)
Changes in operating assets and liabilities				
Decrease (increase) in:				
Installment contracts receivable	8,566,936	12,704,719	14,206,324	33,606,376
Real estate properties for sale	(1,233,847)	(45,662,205)	(19,156,315)	(70,704,113)
Deposits and other assets	28,143	31,537	3,463,012	575,554
Real estate properties for future development (Note 8)	(1,290,996)	(7,378,761)	(1,751,044)	(7,726,650)
Other receivables	1,338,346	2,846,692	2,081,073	(926,195)
Increase (decrease) in accounts payable and accrued expenses	21,670,400	2,004,963	23,923,505	(3,159,999)
Cash generated from operations	(40,316,987)	(18,446,860)	30,247,525	(31,402,023)
Interest received	14,642,084	14,512,907	29,667,396	30,788,299
Income taxes paid	(8,533,156)	(7,463,094)	(12,855,691)	(10,019,368)
Net cash flows from (used in) operating activities	46,425,915	(11,397,047)	47,059,230	(10,633,092)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from (purchase of) short-term cash investment	(594,000,000)	335,500,000	(166,000,000)	594,500,000
Dividends received	5,134	5,130	7,099	7,095
Net cash from (used in) investing activities	(593,994,866)	335,505,130	(165,992,901)	594,507,095
CASH FLOWS FROM FINANCING ACTIVITIES				
Availment of short-term notes	219,250,000	60,400,000	510,350,000	133,000,000
Payment of short-term notes	(199,050,000)	(93,150,000)	(396,850,000)	(173,200,000)
Interest paid	(360,708)	(236,159)	(676,097)	(451,896)
Net cash flows used in financing activities	19,839,292	(32,986,159)	112,823,903	(40,651,896)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(527,729,659)	291,121,924	(6,109,768)	543,222,107
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	873,044,999	324,103,564	351,425,108	72,003,381
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	P345,315,340	P615,225,488	P345,315,340	P615,225,488

CITY & LAND DEVELOPERS, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

City & Land Developers, Incorporated (the Company) was incorporated in the Philippines on June 28, 1988. Its primary purpose is to establish an effective institutional medium for acquiring and developing suitable land sites for residential, office, commercial, institutional and industrial uses primarily, but not exclusively, in accordance with the subdivision, condominium, and cooperative concepts of land-utilization and land-ownership. The Company's registered office and principal place of business is 3/F Cityland Condominium 10, Tower I, 156 H. V. de la Costa Street, Makati City.

The Company is 49.73% owned by Cityland Development Corporation (CDC), a publicly listed company incorporated and domiciled in the Philippines. The Company's ultimate parent is Cityland, Inc. (CI), a company incorporated and domiciled in the Philippines, which prepares consolidated financial statements and that of its subsidiaries.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The financial statements of the Company have been prepared using the historical cost basis, except for available-for-sale financial assets that have been measured at fair values. The financial statements are presented in Philippine peso (Peso), which is the Company's functional currency, and rounded to the nearest Peso except when otherwise indicated.

Statement of Compliance

The 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 that the Company has adopted the following new accounting pronouncements starting January 1, 2016. Adoption of these pronouncements did not have a significant impact on the Company's financial position or performance.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures*, *Investment Entities: Applying the Consolidation Exception*

These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method.

These amendments are not applicable to the Company since none of the entities within the Company is an investment entity nor does the Company have investment entity associates or joint ventures.

- Amendments to PFRS 11, *Joint Arrangements, Accounting for Acquisitions of Interests in Joint Operations*

The amendments to PFRS 11 require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3), to 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.

These amendments do not have any impact on the Company as there has been no interest acquired in a joint operation during the period

- 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 income 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.

Since the Company is an existing PFRS preparer, this standard would not apply.

- Amendments to PAS 1, *Presentation of Financial Statements, Disclosure Initiative*

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

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

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

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

These amendments are applied prospectively and do not have any impact to the Company, given that the Company has not used a revenue-based method to depreciate or amortize its property, plant and equipment and intangible assets.

- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*

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 applied retrospectively and do not have any impact on the Company as the Company does not have any bearer plants.

- Amendments to PAS 27, *Separate Financial Statements, Equity Method in Separate Financial Statements*

The amendments 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.

These amendments do not have any impact on the Company's financial statements.

- Annual Improvements to PFRSs 2012 - 2014 Cycle
 - Amendment to 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.

- Amendment to 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 for continuing involvement 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.

- Amendment to 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.

- Amendment to PAS 19, *Employee Benefits, Discount Rate: Regional Market Issue*

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.

- Amendment to 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).

Current versus Noncurrent Classification

The Company presents assets and liabilities in the balance sheet based on current/noncurrent classification.

An asset as current when it is:

- Expected to be realized or intended to be 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 Company classifies all other liabilities as noncurrent.

Deferred income 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.

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 Company.

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

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

All assets and liabilities for which fair value is measured or disclosed in the 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 financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial Assets and Financial Liabilities

Date of recognition

The Company recognizes a financial asset or a financial liability in the 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 costs.

Classification of financial instruments

Subsequent to initial recognition, the Company 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 the 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 any of 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 balance sheet. Changes in the fair value of such assets and liabilities are recognized in the statement of income.

The Company has no financial assets and financial liabilities at fair value through profit or loss as of June 30, 2017 and December 31, 2016.

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 Company 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 balance sheet. Amortization is determined using the effective interest method.

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

c. Held-to-maturity Investments

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

The Company has no held-to-maturity investments as of June 30, 2017 and December 31, 2016.

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 balance sheet. Changes in the fair value of such assets are accounted in the statement of comprehensive income and in equity.

The Company'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 Company 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 balance sheet. Amortization is determined using the effective interest method.

The Company'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 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. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

"Day 1" difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the 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 statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the “Day 1” 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 Company 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 Company 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 Company has transferred its right to receive cash flows from a financial asset and has neither transferred nor retained substantially all the risks and rewards of the financial asset nor transferred control of the financial asset, the asset is recognized to the extent of the Company’s continuing involvement in the financial 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 financial asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, 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 statement of income.

Impairment of Financial Assets

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

Assets carried at amortized cost

The Company 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 Company 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. Financially 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 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 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 Company. 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 statement of income under "Other income" account. Any subsequent reversal of an impairment loss is recognized in the 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" account in the 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 statement of income, the impairment loss is reversed through the statement of income.

In case of equity investments classified as available-for-sale financial asset, 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 statement of income - is removed from equity and recognized in the statement of income. Increases in fair value after impairment are recognized in the statement of comprehensive income and directly in the 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 directly attributable to the acquisition, development and construction of real estate projects
- 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 Company 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.

Upon repossession, real estate properties for sale arising from sale cancellations 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 statement of income.

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 property 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 investment properties 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 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 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 costs of the said assets are transferred to specific classification under “Investment properties” account.

Impairment of Nonfinancial Assets

The carrying values of real estate properties held for future development, and investment properties 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 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 Company assesses at each reporting period whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. The Company 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 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 balance sheet.

Capital Stock

Capital stock is measured at par value for all shares issued and outstanding. When the 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 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 the changes in accounting policy and other capital adjustments.

The retained earnings include deemed cost adjustment on land recorded under “Investment properties” that arose when the Company transitioned to PFRS in 2005. The deemed cost adjustment will be realized through sale. The deferred income tax liability on the deemed cost adjustment is transferred to statement of income upon sale.

Dividend Distributions

Cash dividends on common shares are deducted from retained earnings upon declaration by the 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 Company. Unissued stock dividends 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 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 Company and the amount of revenue can be reliably measured. For sales of real estate properties, the Company assesses whether it is probable that the economic benefits will flow to the Company when the sales prices are collectible. Revenue is measured at the fair value of the consideration received excluding VAT. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Sales of real estate properties

Revenue from sales of completed real estate properties and undeveloped land is accounted for using the full accrual method. Under the full accrual method, revenue is recognized when the risks and rewards of ownership on the properties have been passed to the buyer and the amount of revenue can be measured reliably.

In accordance with Philippine Interpretations Committee Q&A 2006-01, *Revenue Recognition for Sales of Property Units under Pre-completion Contracts*, the percentage-of-completion (POC) method is used to recognize income from sales of real estate properties when the Company has material obligations under the sales contract to complete the project after the property is sold. The Company starts recognizing revenue under the POC method when 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.

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 Company is recorded as part of “Customers’ deposits” account which is included under “Accounts payable and accrued expenses” in the 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 real estate properties sold before completion is determined using the POC used for revenue recognition applied on the acquisition cost of the land plus the total estimated development costs of the property.

The cost of inventory recognized in profit or loss on disposal (cost of real estate sales) is determined with reference to the specific and allocated costs incurred on the sold property taking into account the POC. The cost of real estate sales also include the estimated development costs to complete the real estate property, as determined by independent project engineers, and taking into account the POC. The accrued development costs account is presented under “Accounts payable and accrued expenses” in the balance sheet.

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

Interest income

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

Dividend income

Dividend income is recognized when the Company’s right to receive the payment is established.

Operating leases – Company 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.

Retirement benefits cost comprises 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 the statement of income. 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 the 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 the statement of comprehensive income in the period in which they arise. Re-measurements are not reclassified to the statement of income 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 Company, nor can they be paid directly to the Company. 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 Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability when they are earned by the employees. The undiscounted liability for leave expected to be settled within 12 months 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 can be utilized anytime when needed or converted to cash upon employee separation (i.e., resignation or retirement) are presented at its discounted amount as "Accounts payable and accrued expenses - noncurrent portion" account in the balance sheet.

Provisions and Contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects 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 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 provisions due to the passage of time is recognized as an interest expense.

Contingent liabilities are not recognized in the 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 financial statements but disclosed in the notes to financial statements 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 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 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 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. 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.

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 income 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 statement of comprehensive income and not in the 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 statement of income in accordance with PFRS. Other comprehensive income of the Company 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 by the weighted average number of ordinary shares issued and outstanding after considering the retrospective effect, if any, of stock dividends declared during the year.

Diluted earnings per share is calculated by dividing the net income for the year 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 Company'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 25 in the financial statements. The Company'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 Company's position at the end of reporting period (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

Standards Issued but not yet Effective

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

Effective beginning January 1, 2017

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

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

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

The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

Application of these amendments will result in additional disclosures in the 2017 financial statements of the Company.

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

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

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

These amendments are not expected to have any impact on the Company.

Effective beginning on or after January 1, 2018

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

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

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

These amendments are not expected to have any impact on the Company.

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

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The amendments are not applicable to the Company.

- PFRS 15, *Revenue from Contracts with Customers*

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

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

The Company is currently assessing the impact of adopting this standard.

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The

standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

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

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

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

These amendments are not expected to have any impact on the Company.

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

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

The Company is currently assessing the impact of this standard.

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

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses

and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

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

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

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

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

Deferred effectivity

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

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

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

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

Judgments

In the process of applying the Company'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 financial statements:

Revenue recognition

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

- *Buyer's continuing commitment to the sales agreement*
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 sufficient stake in the property 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 Company considers that the initial payments from the buyer of about 10% would demonstrate the buyer's commitment to pay.

- *Stage of completion of the project*
The Company 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, which is at 10% more or less. It is the period when the Company 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).

Distinction between investment properties and owner-occupied properties

The Company determines whether a property qualifies as investment property. In making its judgment, the Company 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 the 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 administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Company considers each property separately in making its judgment.

Investment properties amounted to ₱181.14 million as of June 30, 2017 and December 31, 2016 (see Note 9).

Distinction between real estate properties for sale and investment properties

The Company determines whether a property is classified as for sale, for lease or for capital appreciation.

Real estate properties which the Company develops and intends to sell on or before completion of construction are classified as real estate properties for sale. Real estate properties for sale amounted to ₱675.34 million and ₱656.18 million as of June 30, 2017 and December 31, 2016, respectively (see Note 8). Real estate properties which are not occupied substantially for use by, or in the operations of the Company, 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. Investment properties amounted to ₱181.14 million as of June 30, 2017 and December 31, 2016 (see Note 9).

Distinction between real estate properties for sale and held for future development

The Company determines whether a property will be classified as real estate properties for sale or held for future development. In making this judgment, the Company 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 Company's strategic land banking activities for development or sale in the medium or long-term (real estate properties held for future development). Real estate properties for sale amounted to ₱675.34 million and ₱656.18 million as of June 30, 2017 and December 31, 2016, respectively (see Note 8). Real estate properties held for future development amounted to ₱234.47 million and ₱232.72 million as of June 30, 2017 and December 31, 2016, respectively (see Note 8).

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 Company'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 Company'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 Company 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. The revenue from sales of real estate properties amounted to ₱145.67 million and ₱91.67 million as of June 30, 2017 and June 30, 2016, respectively. The cost of real estate sales amounted to ₱98.31 million and ₱55.12 million as of June 30, 2017 and June 30, 2016, respectively.

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 are not limited to the length of the Company's relationship with the customer, the customer's payment behavior and known market factors that affect the collectability of the accounts. As of June 30, 2017 and December 31, 2016, installment contracts receivable and other receivables aggregated to ₱193.77 million and ₱209.89 million, respectively. There was no impairment of receivables as of June 30, 2017 and December 31, 2016 (see Notes 5 and 6).

Determination of net realizable value of real estate properties for sale and held for future development

The Company's estimates of the net realizable value of real estate properties for sale and held for future development are based on the most reliable evidence available at the time the estimates are made, or the amount that the real estate properties for sale and held for future development 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 the real estate properties for sale and held for future development 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. The Company's real estate properties for sale amounted to ₱675.34 million and ₱656.18 million as of June 30, 2017 and December 31, 2016, respectively (see Note 8). Real estate properties held for future development amounted to ₱234.47 million and ₱232.72 million as of June 30, 2017 and December 31, 2016, respectively (see Note 8).

Determination of the fair value of investment properties

The Company discloses the fair values of its investment properties in accordance with PAS 40, *Investment Property*. The Company engaged SEC-accredited independent valuation specialists to assess fair value as of December 31, 2016 and 2015. 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 (see Note 24).

Impairment of investment properties

The Company determines whether its non financial assets such as investment properties 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. When an impairment indicator is noted, the Company makes an estimation of the value-in-use of the cash-generating units to which the assets belong. Estimating the value-in-use requires the Company 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. No impairment indicator was noted as of June 30, 2017 and December 31, 2016. Net book values of investment properties as of June 30, 2017 and December 31, 2016 amounted to ₱181.14 million (see Note 9).

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 which involves making various assumptions that may differ from actual developments in the future. These assumptions 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.

The mortality rate is based on publicly available mortality table in the Philippines. Future salary increases are based on expected future inflation rates.

Recognition of deferred income tax assets

The Company 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 and Short-term Cash Investments

Cash and cash equivalents consist of:

	June 30, 2017	December 31, 2016
Cash on hand and in banks	₱3,815,340	₱6,425,108
Cash equivalents	341,500,000	345,000,000
	₱345,315,340	₱351,425,108

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

Short-term cash investments amounting to ₱737.50 million and ₱571.50 million as of June 30, 2017 and December 31, 2016, respectively, are placed with banks with maturities of more than three months to one year from the dates of acquisition and earn interest at the prevailing market rates.

5. Installment Contracts Receivable

	June 30, 2017	December 31, 2016
Installment contracts receivable	₱181,389,392	₱195,595,716
Less noncurrent portion	166,208,426	192,663,449
	₱15,180,966	₱2,932,267

Installment contracts receivable arise from sale 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 2017 and 2016 computed on the diminishing balance.

The Company, CDC and CI entered into a contract of guaranty under Retail Guaranty Line in the amount of ₱2.00 billion in 2015 with Home Guaranty Corporation (HGC). The amount of installment contracts receivable enrolled and renewed by the Company totaled to ₱153.00 million and ₱232.00 million in 2016 and 2015, respectively. The Company paid a guarantee premium of 1.00% based on the outstanding principal balance of the installment contract receivable enrolled in 2016 and 2015.

6. Other Receivables

Other receivables consist of:

	June 30, 2017	December 31, 2016
Advances to:		
Contractors	₱5,946,263	₱5,967,773
Customers	1,835,097	4,229,749
Accrued interest	2,447,231	2,287,588
Retention	969,797	632,400

(Forward)

	June 30, 2017	December 31, 2016
Due from related parties (Note 14)	P77,090	P—
Others	1,100,885	1,180,283
	12,376,363	14,297,793
Less noncurrent portion	7,847,592	6,981,557
	P4,528,771	P7,316,236

Advances to customers are receivables of the Company for the real estate property taxes of sold condominium units initially paid by the Company whereas advances to contractors are advances made by the Company for the contractors' supply requirements. Other receivables include receivables from customers relating to registration of title and other expenses initially paid by the Company on behalf of the buyers and employees' advances.

7. Available-for-sale Financial Assets

Available-for-sale financial assets consist of investments in quoted equity securities amounting to P1.15 million and P1.05 million as of June 30, 2017 and December 31, 2016, respectively. The fair values of available-for-sale financial assets were determined based on published prices in the active market.

The movements in "Net changes in fair values of available-for-sale financial assets" presented in the equity section of the balance sheets are as follows:

	June 30, 2017	December 31, 2016
Balances at beginning of year	P783,744	P810,588
Changes in fair value	98,143	(26,844)
Balances at end of year	P881,887	P783,744

8. Real Estate Properties for Sale and Real Estate Properties Held for Future Development

Real estate properties for sale

Real estate properties for sale consists of cost incurred in the development of condominium units and residential houses for sale.

The movements of real estate properties for sale are as follows:

	June 30, 2017	December 31, 2016
Balances at beginning of year	P656,180,696	P256,360,304
Construction/development costs incurred	119,037,384	392,333,208
Disposals (recognized as cost of real estate sales)	(98,314,716)	(156,502,821)
Transfer from real estate properties held for future development	—	155,996,523
Borrowing costs capitalized	413,267	365,514
Other adjustments	(1,979,620)	7,627,968
Balances at end of year	P675,337,011	P656,180,696

Real estate properties for sale account includes capitalized borrowing costs incurred during each year in connection with the development of the properties (see Note 20). The average capitalization rates used to determine the amount of borrowing costs eligible for capitalization were 1.25% and 1.24% in June 30, 2017 and December 31, 2016, respectively.

Other adjustments include the effect of stating repossessed real estate properties during the year at fair value less cost to sell.

Real estate properties held for future development

Real estate properties held for future development include land properties reserved by the Company for its future condominium projects.

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

	June 30, 2017	December 31, 2016
Balances at beginning of year	₱232,723,654	₱372,199,346
Additions	1,751,044	16,520,831
Transfer to real estate properties for sale	–	(155,996,523)
Balances at end of year	₱234,474,698	₱232,723,654

9. Investment Properties

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

	June 30, 2017	December 31, 2016
Land - at cost		
Balances at beginning of year	₱181,139,332	₱180,692,904
Additions during the year	–	446,428
Balances at end of year	₱181,139,332	₱181,139,332

The net book value of land include deemed cost adjustment amounting to ₱16.90 million as of June 30, 2017 and December 31, 2016. The deemed cost adjustment arose when the Company transitioned to PFRS in 2005.

Investment properties are rented out at different rates generally for a one-year term renewable every year. Rent income from real estate properties for lease amounted to ₱1.69 million and ₱1.80 million as of June 30, 2017 and June 30, 2016, respectively.

10. Deferred Income Tax Assets - net

Deferred income tax assets – net consists of the following:

	June 30, 2017	December 31, 2016
Deferred income tax assets:		
Difference between tax basis and book basis of accounting real estate transactions	₱10,207,006	₱4,121,543
Accumulated excess contributions over retirement benefits cost	1,929,635	1,929,635
Accrued expenses	1,884,940	2,442,543
Unamortized past service cost	734,135	734,135
	14,755,716	9,227,856
Deferred income tax liabilities:		
Deemed cost adjustment in real estate properties	5,068,019	5,068,019
Capitalized interest	281,092	299,380
	5,349,111	5,367,399
Net deferred income tax assets	₱9,406,605	₱3,860,457

11. Other Assets

Other current assets consist of prepaid expenses amounting to ₱0.09 million and ₱1.44 million as of June 30, 2017 and December 31, 2016, respectively.

Other noncurrent assets consist of:

	June 30, 2017	December 31, 2016
Unused input VAT	₱26,785,714	₱26,785,714
Utility deposits and others	1,863,696	3,977,331
	₱28,649,410	₱30,763,045

The unused input VAT arose from the purchase of parcels of land in previous years which were recorded as part of “Real estate properties held for future development” account (see Note 8).

12. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	June 30, 2017	December 31, 2016
Trade payables	₱18,901,371	₱20,721,863
Accrued expenses:		
Development costs	130,166,589	159,955,642
Sick leave (Note 19)	6,283,132	6,354,874
Taxes, premiums and others	4,062,320	608,908
Interest	456,501	197,733
Directors’ fee	–	1,786,936
Customers’ deposits (Note 14)	133,646,635	77,922,378
Dividends payable	18,398,536	2,202,311
Withholding taxes payable	1,131,144	2,559,926
Due to related parties (Note 14)	464,962	2,610,764
Others	3,152,932	1,481,722
	316,664,122	276,403,057
Less noncurrent portion	114,637,201	104,134,297
	₱202,026,921	₱172,268,760

Trade payables consist of payables to suppliers, contractors and other counterparties. Customers’ deposits consist collection from the pre-selling of One Taft Residences condominium units, rental deposits and collected deposits for water and electric meters of the sold units. Accrued expenses represent various accruals of the Company for its expenses and real estate projects. Accrued development costs represent the corresponding accrued expenses for the completed and sold condominium units of the Company. Other payables consist of customers’ reservation and employees’ payable.

13. Notes Payable

Notes payable amounting to ₱252.55 million and ₱139.05 million as of June 30, 2017 and December 31, 2016, respectively, pertain to commercial papers with varying maturities and average interest rates ranging from 1.06% to 1.25% and 1.06% to 1.28%, respectively.

On September 15, 2016, the SEC approved the Company’s application for shelf-registration of ₱300.00 million worth of commercial papers and authorized the issuance of first tranche of

₱100.00 million commercial papers. On November 14, 2016, the SEC also approved the subsequent tranche amounting to ₱200.00 million worth of commercial papers.

On September 22, 2015, the SEC authorized the Company to issue ₱100.00 million worth of commercial papers registered with the SEC 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.

14. 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 Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company 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 Company, in the normal course of business, has transactions and account balances with related parties consisting mainly of the following:

- a. The Company has various shared expenses with other affiliates pertaining to general and administrative expenses such as salaries, transportation, association dues, professional fees and rent. Outstanding balances are recorded as due from/to related parties under “Other receivables” and “Other payables” account in the balance sheet.
- b. In 2016, the Company received deposits for the sale of condominium units under pre-completion contracts to CPI amounting to ₱19.42 million. CPI paid ₱19.27 million customers’ deposit presented under “Accounts payable and accrued expenses” account in the 2016 balance sheet.

Refer to succeeding pages for the transactions and account balances with related parties.

Nature of Transaction	Outstanding Balances						Term and Conditions
	Amount of transactions		Receivable (Note 6)		Payable (Note 12)		
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016	
Ultimate parent (CI)							
Sharing of expenses charged by (to) the Company	P124,656	(P53,264)	P–	P–	P–	P124,656	30-day, unsecured, non-interest bearing; to be settled in cash
Parent Company (CDC)							
Sharing of expenses charged by (to) the Company	2,021,146	(4,057,637)	–	–	464,962	2,486,108	30-day, unsecured, non-interest bearing; to be received or settled in cash
Affiliate (CPI)							
Sharing of expenses charged by (to) the Company	77,090	–	77,090	–	–	–	30-day, unsecured, non-interest bearing; to be received or settled in cash
Deposits for the sale of real estate property under pre-completion contracts	–	19,271,038	–	–	19,271,038	19,271,038	
Total			P77,090	P–	P19,736,000	P21,881,802	

15. Equity

Capital stock consists as of June 30, 2017 and December 31, 2016 are as follows:

	Shares		Amount	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Authorized common stock - P1 par value				
Balance at beginning of year	1,435,000,000	1,200,000,000	P1,435,000,000	P1,200,000,000
Increase in authorized shares	—	235,000,000	—	235,000,000
End of year	1,435,000,000	1,435,000,000	P1,435,000,000	1,435,000,000
Issued and outstanding				
Beginning of year	1,236,830,960	1,177,934,550	P1,236,830,960	1,177,934,550
Stock dividends	—	58,896,410	—	58,896,410
End of year	1,236,830,960	1,236,830,960	P1,236,830,960	P1,236,830,960

At the special meeting of the BOD held on May 16, 2016, the following matters were passed and unanimously approved:

- Declaration of 5% stock dividends from the unappropriated retained earnings as of December 31, 2015 which will come from an increase in authorized capital stock. Record date of stock dividend shall be fixed by the SEC after clearance and approval;
- To increase its authorized capital stock from 1,200,000,000 shares to 1,435,000,000 shares with par value of P1.00 per share;
- To cause the amendment of the Articles of Incorporation to increase the authorized capital stock to 1,435,000,000 shares with par value of P1.00 per share.

The ratification of the above matters was held during the annual stockholders' meeting last June 14, 2016 and approved by the SEC on August 15, 2016.

On October 7, 2016, the SEC resolved to authorize the issuance of 58,896,728 common shares with par value of P1.00 to cover the 5% stock dividends declared by the Company's BOD on May 16, 2016 and ratified by the stockholders representing at least two-thirds of the outstanding capital stock on June 14, 2016.

Dividends declared and issued/paid by the Company in 2017, 2016 and 2015 follow:

Dividends	Date Approved	Stockholders' Approval Date	Per Share	Stockholders of Record Date	Date Issued/Paid
Cash	June 9, 2017		P0.013	June 27, 2017	July 7, 2017
	June 10, 2016		0.018	June 30, 2016	July 26, 2016
	June 4, 2015		0.019	July 3, 2015	July 29, 2015
Stock	May 3, 2017	June 13, 2017	5.0%	July 13, 2017	August 8, 2017
	May 16, 2016	June 14, 2016	5.0%	October 26, 2016	November 23, 2016
	May 11, 2015	June 9, 2015	10.0%	July 9, 2015	August 4, 2015

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

The stock dividends will be taken from the unissued capital stock and shall be declared from the unappropriated retained earnings of the company as of December 31, 2016. Fractional shares will be paid in cash out of retained earnings based on the par value.

As of June 30, 2017 and December 31, 2016, the unappropriated retained earnings include the impact of the remaining balance of deemed cost adjustment of investment properties amounting to P11.82 million, net of related deferred tax of P5.07 million, which arose when the Company

transitioned to PFRS in 2005. This amount has yet to be realized through sales. The balance of unappropriated retained earnings is restricted for the payment of dividends to the extent of the balance of the deemed cost adjustment.

16. Financial Income

	June 30, 2017	June 30, 2016
Interest income from:		
Sale of real estate properties	₱17,950,116	₱19,850,436
Cash and cash equivalents and short-term cash investments	11,876,923	9,201,299
Other interest income	-	23,680
	29,827,039	29,075,415
Dividend income	7,099	7,095
	₱29,834,138	₱29,082,510

17. Other Income/Other Expenses

Other income amounting to ₱5.05 million and ₱7.64 million as of June 30, 2017 and June 30, 2016, respectively, pertains to penalties for customers' late payments and sale of scraps, forfeiture of reservations and down payments received on sales which were not consummated.

Other expenses amounting to ₱1.58 million and ₱2.51 million as of June 30, 2017 and June 30, 2016, respectively pertain to reversal of gross profit recognized in prior years due to forfeiture/cancellation of sales.

18. Operating Expenses

	June 30, 2017	June 30, 2016
Personnel (see Note 19)	₱26,419,192	₱9,859,472
Taxes and licenses	9,358,173	7,953,628
Advertising and promotion	1,854,911	1,311,339
Professional fees	1,688,427	2,126,139
Insurance expense (Note 5)	1,035,637	1,669,903
Outside services	807,045	543,166
Rent Expense	557,595	220,926
Repairs and maintenance	538,284	412,954
Brokers' commission	519,030	294,460
Membership and association dues	456,039	600,698
Postage, telephone and telegraph	278,941	107,857
Transportation	92,819	47,879
Power, light and water	83,759	53,705
Office supplies	73,012	104,659
Others	1,181,117	1,184,063
	₱44,943,981	₱26,490,848

19. Personnel Expenses

	June 30, 2017	June 30, 2016
Salaries and wages	₱8,914,756	₱3,273,126
Commissions	7,590,389	2,224,305
Other employee benefits	9,914,047	4,362,041
	₱26,419,192	₱9,859,472

20. Financial Expense

	June 30, 2017	June 30, 2016
Interest expense on notes payable	₱934,865	₱361,941
Finance charges	83,400	52,850
	₱1,018,265	₱414,791

21. Retirement Plan

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

22. Income Taxes

Provision for income tax consists of:

	June 30, 2017	June 30, 2016
Current	₱5,837,739	₱6,036,833
Deferred	(5,546,148)	807,361
Final tax on interest income	2,375,384	1,840,259
	₱2,666,975	₱8,684,453

Registration with the Board of Investments (BOI)

The Company is entitled to ITH for a period of three to four years from various dates indicated in the registration or actual start of commercial operations, whichever is earlier. The ITH is limited only to revenue generated from the registered project. Revenues from units with selling price exceeding ₱3.00 million shall not be covered by the ITH.

The Company has registered the following New Developer of Low-Cost Mass Housing Projects with BOI under the Omnibus Investment Code of 1987 (Executive Order No. 226):

Project	Registration No.	Income Tax Holiday Period
North Residences	2014-111	September 2014 to August 2017
One Taft Residences	2014-112	January 2016 to December 2018

23. Basic/Diluted Earnings Per Share

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

	June 30, 2017	June 30, 2016
a. Net income	₱33,713,268	₱36,969,120
b. Weighted average number of shares	1,236,830,960	1,236,830,960*
c. Basic/diluted earnings per share (a/b)	₱0.03	₱0.03

*After 5% declaration of stock dividends in October 26, 2016

24. Financial Instruments

Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of notes payable, cash and cash equivalents, and short-term cash investments. The main purpose of these financial instruments is to finance the Company's operations. The Company's other financial instruments, which include available-for-sale investments, are held for investing purposes. The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

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

The main risks arising from the Company's financial instruments are cash flow interest rate risks, credit risk, equity price risk and liquidity risk. The Board of Directors is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Company and they are summarized as follows:

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's notes payable, with repriced interest rates.

The Company'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 1.07% higher or lower, would increase or decrease the Company's income before income tax of ₱163,652

Credit risk

The Company trades only with recognized and creditworthy third parties. It is the Company's policy that all customers that 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 result that the Company's exposure to bad debts is not significant.

The table below shows the Company exposure to credit risk for the components of the balance sheet. The exposure as of June 30, 2017 is shown at gross, before taking the effect of mitigation through the use of and 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 collaterals/credit enhancements
Loans and receivables:				
Cash and cash equivalents*	₱345,299,340	₱—	₱345,299,340	₱—
Short-term cash investments	737,500,000	—	737,500,000	—
Installment contracts receivable	181,389,392	655,706,903	—	181,389,392
Refundable deposits	1,099,290	—	1,099,290	—
Other receivables:				
Advances to customers	1,835,097	—	1,835,097	—
Accrued interest	2,447,231	—	2,447,231	—
Retention	969,797	—	969,797	—
Others**	1,177,975	—	1,177,975	—
Total credit risk exposure	₱1,271,718,122	₱655,706,903	₱1,090,328,730	₱181,389,392

* Excluding cash on hand amounting to ₱16,000.

** Excluding advances to contractors amounting to ₱5,946,263.

The following table summarizes the aging analysis of receivables and the credit quality of the receivables as of June 30, 2017:

	Current	> One Year	Past Due But Not Impaired				Total
			< 30days	31 - 60 days	61 - 90 days	> 90 days	
Installment contracts receivable	P14,712,633	P166,208,426	P340,545	P53,534	P12,323	P61,931	P181,389,392
Refundable deposits	—	1,099,290	—	—	—	—	1,099,290
Other receivables:							
Customers	1,100,302	—	—	—	170,932	563,863	1,835,097
Accrued interest	2,447,231	—	—	—	—	—	2,447,231
Retention	20,000	949,797	—	—	—	—	969,797
Others*	566,003	611,972	—	—	—	—	1,177,975
	P18,846,169	P168,869,485	P340,545	P53,534	P183,255	P625,794	P188,918,782

* Excluding advances to contractors amounting to P5,946,263.

The table below shows the credit quality by class of asset for loan-related balance sheet lines as of June 30, 2017 based on the Company's credit rating system.

	Neither past due nor impaired		Past due But Not Impaired	Total
	High Grade*	Medium Grade**		
Loans and receivables:				
Cash and cash equivalents, excluding cash on hand	P345,299,340	P—	P—	P345,299,340
Short-term cash investments	737,500,000	—	—	737,500,000
Installment contracts receivable	180,921,059	—	468,333	181,389,392
Refundable deposits	1,099,290	—	—	1,099,290
Other receivables:				
Advances to customers	1,100,302	—	734,795	1,835,097
Accrued interest	2,447,231	—	—	2,447,231
Retention	969,797	—	—	969,797
Others***	585,247	592,728	—	1,177,975
	P1,269,922,266	P592,728	P1,203,128	P1,271,718,122

* 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 advances to contractors amounting to P5,946,263.

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 Company assesses impairment into two areas: individually assessed allowances and collectively assessed allowances.

The Company determines allowance for each significant receivable on an individual basis. Among the factors that the Company considers in assessing impairment is the inability to collect from the counterparty based on the contractual terms of the receivables. The Company 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.

For collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is no 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.

Equity Price Risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the market value of individual stock. The Company is exposed to equity securities price risk because of investments held by the Company, which are classified on the balance sheets as available-for-sale investments.

A sensitivity analysis to a reasonable change in the equity price (with all other variables held constant) of 0.03 higher or lower, would increase or decrease the equity by P40,083.

Liquidity risk

Liquidity is defined as the risk that the Company could not be able to settle or meet its obligations on time or at a reasonable price. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of Securities and Exchange Commission (SEC)-registered commercial papers.

The table below summarizes the maturity analysis of the Company's financial liabilities as of June 30, 2017:

	Up to One Year	Above One Year	Total
Accounts payable and accrued expenses *	P199,204,864	P114,637,201	P313,842,065
Notes payable**	255,695,763	–	255,695,763
	P454,900,627	P114,637,201	P569,537,828

* Excluding statutory liabilities amounting to P2,822,057.

** Including interest expense to maturity amounting to P3,145,763.

Fair Values

The following tables provide fair value hierarchy of the Company's financial assets, repossessed real estate properties for sale and investment properties, other than those with carrying amounts are reasonable approximations of fair values:

	Date of Valuation	Level 1	Fair value Level 2	Level 3
Assets measured at fair value				
Available-for-sale financial assets	June 30, 2017	P1,151,800	P—	P—
Asset for which fair values are disclosed				
Investment properties	December 31, 2016	—	—	383,842,000

The following method and assumptions were used to estimate the fair value of each class of financial instruments, repossessed inventories and investment properties 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 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 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.

Available-for-sale financial assets

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 Company's current selling price per area/slot of the property.

Investment properties

The fair value of investment properties is determined using sales comparison. 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. 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. The fair value of the investment properties as of December 31, 2016 and 2015 approximates and represents the highest and best use of the said properties.

25. Business Segments

The Company derives its revenues primarily from the sale and lease of real estate properties. The Company does not have any major customers and all sales and leases of real estate properties are made to external customers.

Segment Revenues and Expenses:

	June 30, 2017		June 30, 2016	
Sales of real estate	P163,618,971	89.78%	P111,518,221	85.66%
Rental income	1,689,166	0.93%	1,802,339	1.38%
Others	16,934,020	9.29%	16,867,673	12.96%
	P182,242,157	100.00%	P130,188,233	100.00%

The Company's real estate projects, investments, and properties under lease are primarily located in Metro Manila.

CITY & LAND DEVELOPERS, INCORPORATED
**SUPPLEMENTARY SCHEDULE OF
FINANCIAL SOUNDNESS INDICATORS**
Financial Ratios

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)	June 30, 2016 (Unaudited)
Current	3.91	5.05	11.51
Asset-to-equity	1.31	1.23	1.07
Debt-to-equity	0.14	0.08	0.03
Asset-to-liability	4.18	5.26	15.64
Solvency*	0.12	0.15	0.61
Interest rate coverage	39.91	132.46	127.14
Acid-test ratio	2.43	2.96	8.23
Return on equity (%)*	3.68%	3.60%	4.14%
Earnings per share*	₱0.05	₱0.05	₱0.06

* Annualized for the period of June 30, 2017 and June 30, 2016

Manner of calculation:

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

CITY & LAND DEVELOPERS, INCORPORATED**SCHEDULE OF GROSS AND NET PROCEEDS OF COMMERCIAL PAPERS ISSUED****As of June 30, 2017****SEC-MSRD Order No. 12, Series of 2016 dated September 15, 2016****A. As stated in the Final Prospectus (October 2016 to September 2017)**

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			74,581,840
Payment of Maturing Notes			23,552,160
Interest Expense			1,200,000
Total		Php	99,334,000

B. Use of Proceeds (October 2016 to June 2017)

Gross Proceeds		Php	71,000,000
Less: Expenses			
Documentary Stamps Tax	263,163		
Registration Fees	101,000		
Legal and Accounting Fees	30,000		
Publication Fees	30,000		
Printing Costs	6,000		430,163
Net Proceeds		Php	70,569,837
Less: Use of Proceeds			
Project-related Costs	53,045,989		
Payment of Maturing Notes	17,213,586		
Interest Expense	310,262		70,569,837
Balance of Proceeds as of June 30, 2017		Php	-

C. Outstanding Commercial Papers as of June 30, 2017**Php 71,000,000**

SEC-MSRD Order No. 12, Series of 2016 dated November 14, 2016**A. As stated in the Final Prospectus (November 2016 to October 2017)**

Gross Proceeds		Php 200,000,000
Less: Expenses		
Documentary Stamps Tax	1,000,000	
Registration Fees	202,000	
Printing Costs	10,000	1,212,000
Net Proceeds		Php 198,788,000
Use of Proceeds		
Project-related Costs		149,255,000
Payment of Maturing Notes		47,133,000
Interest Expense		2,400,000
Total		Php 198,788,000

B. Use of Proceeds (November 2016 to June 2017)

Gross Proceeds		Php 181,550,000
Less: Expenses		
Documentary Stamps Tax	495,673	
Registration Fees	202,000	
Printing Costs	8,400	706,073
Net Proceeds		Php 180,843,927
Less: Use of Proceeds		
Project-related Costs	146,308,739	
Payment of Maturing Notes	34,050,000	
Interest Expense	485,188	180,843,927
Balance of Proceeds as of June 30, 2017		Php -

C. Outstanding Commercial Papers as of June 30, 2017

Php 181,550,000

CITY & LAND DEVELOPERS, INCORPORATED

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

