COVER SHEET

SEC Registration Number

1	5	2	6	6	1					

Company Name

CITY & LAND DEVELOPERS,
INCORPORATED

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting Month/Day	Calendar Year Month/Day
784	2nd Tuesday of June	2015/12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Rudy Go	cdc_rg@cityland.net	893-6060	n/a

Contact Person's Address

3rd Floor Cityland Condominium 10, Tower 1, 156 H.V. dela Costa Street, Makati City

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17- Q

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

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

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 1,**
#156 H.V. Dela Costa St., 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	**1,070,849,945**

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

Yes [**x**] No [ ]

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

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

12. Check whether the issuer:

(a)Has filed all reports required to be filed by Section 17 of the 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 [**x**] No [ ]

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

Yes [**x**] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The financial statements and accompanying notes are filed as part of this form (pages 6 to 48).

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

In October 2014, City & Land Developers, Incorporated (the Company) launched a new project - North Residences, a 29-storey commercial and residential condominium located in EDSA, (beside Waltermart) corner Lanutan, Brgy. Veterans Village, Quezon City and estimated to be completed in September 2018.

At present, the Company is selling the remaining units of Grand Emerald Tower, a 34-storey commercial, office and residential condominium located along Emerald Avenue corner Ruby and Garnet Streets, Ortigas Center, Pasig City and Manila Residences Bocobo, a 34-storey office, commercial and residential condominium located in Jorge Bocobo St., Ermita, Manila City.

Internal sources of liquidity come from sales of condominiums and real estate projects, collection of installment receivables, maturing short-term investments while external sources come from Securities of Exchange Commission (SEC)-registered short-term commercial papers (STCPs).

Towards the end of the last quarter of 2014, the Company purchased a lot at Malvar St., Malate Manila. At present, the Company has three prime lots, the other two lots are located along Roxas Boulevard and at 1939 Taft Avenue, Malate Manila.

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

Total assets amounted to ₱1.95B as of the first semester of 2015, as compared with the previous year's ending balance of ₱2.00B. The decrease in assets was substantially due to collections of installment contracts receivable. Other assets likewise decreased due to the release of license to sell of North Residences in January 2015, wherein deposits under escrow account where reclassed to cash account. The Company funds were primarily utilized for operations and development of the new project increasing real estate properties account. Excess funds were placed in short-term cash investments. The Company projects that sale of North Residences will eventually generate additional funds and increase the Company's installment contracts receivable. On the liabilities side, payment of contracts payable and income tax payable decreased the accounts by 68.28% and 77.59%, respectively.

Total equity stood at ₱1.76B as of June 30, 2015 from ₱1.72B as of December 31, 2014 due to total comprehensive income of ₱36.06M.

As a result of the foregoing, the Company's liquidity position registered a high acid test and current ratio of 5.28:1 and 7.07:1 as of the first semester of 2015 as compared to 3.64:1 and 4.80:1 as of December 31, 2014. The decrease in total liabilities of 31.55% strengthened the Company's solvency position with debt-equity ratio improving from 0.09:1 as of December 31, 2014 to 0.03:1 as of June 30, 2015.

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

Sales of real estate properties reached ₱48.16M as of June 30, 2015 from the previous year's ₱222.52M. The Company sold the remaining units of Grand Emerald Tower and Manila Residences Bocobo which were almost 100% sold and accounted for 100% of total revenues. With the launching of North Residences on the fourth quarter last year, future revenues are expected to increase simultaneously with the increase in construction accomplishment of the project. Financial income which is substantially composed of interest income from sale of real estate properties decreased by 14.87% due to lower level of receivables.

On the other hand, other income increased by 352.28% due to increase in forfeited units at fair market value.

On the cost side, lower sales decreased cost of real estate sales and operating expenses, while low interest rates decreased financial expenses by 41.93%.

Altogether, net income after tax stood at ₱36.05M from ₱48.75M and translated to earnings per share and return on equity of ₱0.07 and 4.10% as compared with last year's ₱0.09 and 5.81%.

Financial Ratios

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)	June 30, 2014 (Unaudited)
Current ratio	**7.07**	4.80	5.85
Asset-to-equity	**1.11**	1.16	1.17
Debt-to-equity	**0.03**	0.09	0.06
Asset-to-liability	**10.13**	7.12	7.01
Solvency	**0.37**	0.33	0.35
Interest rate coverage	**149.53**	133.57	112.98
Acid-test ratio	**5.28**	3.64	5.49
Return on equity (%)	**4.10%**	5.44%	5.81%
Earnings per share	**₱0.07**	₱0.09	₱0.09

*Annualized for the period of June 30, 2015 and June 30, 2014

Manner of calculation:

Current ratio	=	Total current assets / Total current liabilities
Asset-to-equity ratio	=	Total assets / Total equity (net of net changes in fair value of available-for-sale financial assets and accumulated re-measurement on defined benefit plan)
Debt-to-equity ratio	=	Notes and contracts payable / Total equity (net of net changes in fair value of available-for-sale financial assets and accumulated re-measurement on defined benefit plan)
Asset-to-liability ratio	=	Total assets / Total liabilities
Solvency ratio	=	Net income after tax + Depreciation expense / Total liabilities
Interest rate coverage ratio	=	Income before income tax + Depreciation expense + Interest expense / Interest expense
Acid-test ratio	=	Cash and cash equivalents + Short-term cash investments + Current portion of installment contracts receivable + Current portion of other receivables / Total current liabilities
Return on equity ratio	=	Net income after tax / Total Equity
Earnings per share	=	Net income after tax / Outstanding number of 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 STCPs during the period. The outstanding balance is ₱47.75 million as of June 30, 2015.

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

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

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

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 changes in the 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 projects, collection of installment receivables and maturing short-term investments. External sources come from STCPs.

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

The estimated development cost of ₱89.63 million as of June 30, 2015 representing the accrued payable of real estate projects sold will be sourced through:

a. Sales of condominium and real estate projects
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 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, 2015 vs. December 31, 2014)

1. Decrease in Cash and Cash Equivalents was due to payment of contracts payable and construction costs of the new project.
2. Increase in Short-term Cash Investments was due to additional placement to increase interest earnings.
3. Increase in Available-for-sale Financial Assets was due to increase in market value of shares of stock.
4. Decrease in Installment Contracts Receivables was due to collection.
5. Decrease in Other Receivables was due to collection of receivables from payment of real estate taxes.
6. Increase in Real Estate Properties for Sale was due to construction costs incurred for the on-going project.
7. Increase in Real Estate Properties Held for Future Development was due to capitalized cost.
8. Decrease in Other Assets was due to release of escrow account deposited in local bank.
9. Increase in Accounts Payable and Accrued Expenses was primarily due to increase in deposits received from clients.
10. Decrease in Notes and Contracts Payable was due to settlement of contracts payable.
11. Decrease in Income Tax Payable was due to payment.
12. Decrease in Deferred Income Tax Liabilities was due to realized gain on sale of real estate transactions.
13. Increase in Net Changes in Fair Values of Available-for-sale Financial Assets was due to increase in market value of stocks.
14. Increase in Retained Earnings was due to net income.

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

1. The Company uses the percentage of completion method wherein realization of revenue on sales is based on construction accomplishment. For the first half of 2015, the construction of its new project is still at its early stage; as a consequence, the percentage of completion is still low which is the reason of the decrease in sale of real estate properties compared with the same period last year. In addition, the Company also sold a prime lot last year which increased the sale in 2014.
2. Decrease in Financial Income was substantially due to lower level of installment contracts receivable.
3. Decrease in Rent Income was due to decrease in units available for lease.
4. Increase in Other Income was due to increase in repossessed real estate properties for sale at fair market value.
5. Decrease in Cost of Real Estate Sales was due to sale of a lot in 2014 and low percentage of completion of the new project.
6. Decrease in Operating Expenses was primarily due to lower taxes and licenses, professional fees and insurance expenses.
7. Decrease in Financial Expenses was due to decrease in interest rates.
8. Increase in Other Expenses was due to forfeiture/cancellation of prior years' sales.
9. Decrease in Provision for Income Tax was due to lower taxable revenues.
10. Decrease in Net Income was due to lower revenues.

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 financial statements. However, the financial statements as of June 30, 2015 do not include all of the December 31, 2014 information and disclosures required in the annual financial statements and therefore, should be read in conjunction with the annual financial statements as of and for the year ended December 31, 2014. There are no any events or transactions that are material to an understanding of the current interim period.

PART II – OTHER INFORMATION

Disclosures not made under SEC Form 17-C

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

SIGNATURES

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

By: **CITY & LAND DEVELOPERS, INCORPORATED**

Date: Aug. 13, 2015

Josef C. Gohoc
President / Director

Date: Aug. 13, 2015

Rudy Go
Senior Vice-President / Compliance Officer

CITY & LAND DEVELOPERS, INCORPORATED
BALANCE SHEETS

	Unaudited June 30, 2015	Audited December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱461,812,245**	₱465,011,067
Short-term cash investments (Note 4)	**387,000,000**	372,000,000
Current portion of installment contracts receivable (Note 6)	**50,784,406**	79,732,759
Current portion of other receivables (Notes 7 and 14)	**7,471,367**	11,275,358
Real estate properties for sale (Note 8)	**307,439,275**	250,921,503
Other current asset (Note 10)	**134,459**	43,801,433
Total Current Assets	**1,214,641,752**	1,222,742,120
Noncurrent Assets		
Installment contracts receivable - net of current portion (Note 6)	**148,552,018**	191,156,361
Available-for-sale financial assets (Note 5)	**1,219,766**	1,204,985
Other receivables - net of current portion (Note 7)	**448,550**	414,299
Real estate properties held for future development (Note 8)	**365,196,742**	363,636,361
Investment properties (Note 9)	**178,340,637**	180,644,796
Other noncurrent assets (Note 10)	**41,994,466**	43,312,337
Total Noncurrent Assets	**735,752,179**	780,369,139
TOTAL ASSETS	**₱1,950,393,931**	₱2,003,111,259
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of accounts payable and accrued expenses (Note 11)	**₱119,901,941**	₱85,745,893
Notes and contracts payable (Note 12)	**47,750,000**	150,550,000
Income tax payable	**4,107,425**	18,325,868
Total Current Liabilities	**171,759,366**	254,621,761
Noncurrent Liabilities		
Accounts payable and accrued expenses - net of current portion (Note 11)	**3,358,114**	8,253,715
Retirement benefits liability	**4,890,875**	4,890,875
Deferred income tax liabilities - net (Note 13)	**12,607,055**	13,629,228
Total Noncurrent Liabilities	**20,856,044**	26,773,818
TOTAL LIABILITIES	**192,615,410**	281,395,579

(Forward)

	Unaudited June 30, 2015	Audited December 31, 2014
Equity		
Capital stock - ₱1 par value (Note 15)		
Authorized - 1,200,000,000 shares		
Issued – 1,070,849,945 shares held by 784 equity holders in June 30, 2015 and December 31, 2014	**₱1,070,849,945**	₱1,070,849,945
Additional paid-in capital	**105,136**	105,136
Retained earnings (Note 15)	**690,809,710**	654,761,650
Net changes in fair values of available-for-sale financial assets (Note 5)	**949,853**	935,072
Accumulated re-measurement on defined benefit plan	**(4,936,123)**	(4,936,123)
TOTAL EQUITY	**1,757,778,521**	1,721,715,680
TOTAL LIABILITIES AND EQUITY	**₱1,950,393,931**	₱2,003,111,259

See accompanying Notes to Financial Statements.

CITY & LAND DEVELOPERS, INCORPORATED

STATEMENTS OF INCOME

	2nd Qtr 2015	2nd Qtr 2014	**UNAUDITED For the 6-month ending June 30, 2015**	Unaudited For the 6-month ending June 30, 2014
REVENUES				
Sales of real estate properties	₱38,354,768	₱32,901,070	**₱48,157,130**	₱222,519,184
Financial income (Note 16)	17,527,822	20,099,872	**36,683,735**	43,092,966
Rent income (Note 9)	1,002,570	1,267,640	**2,155,925**	2,523,299
Other income (Note 17)	1,055,943	1,137,163	**14,880,961**	2,637,232
	57,941,103	55,405,745	**101,877,751**	270,772,681
EXPENSES				
Cost of real estate sales (Note 8)	15,060,026	13,112,132	**18,529,621**	165,124,451
Operating expenses (Note 18)	9,372,676	6,522,033	**30,798,641**	39,373,095
Financial expenses (Note 20)	238,009	197,213	**372,106**	640,803
Other expenses (Note 17)	5,130,898	2,804,126	**5,477,357**	3,972,365
	29,801,609	22,635,504	**55,177,725**	209,110,714
INCOME BEFORE INCOME TAX	28,139,494	32,770,241	**46,700,026**	61,661,967
PROVISION FOR INCOME TAX (Note 22)	6,357,367	7,169,854	**10,651,966**	12,908,166
NET INCOME	₱21,782,127	₱25,600,387	**₱36,048,060**	₱48,753,801
BASIC/DILUTED EARNINGS PER SHARE (Note 23)			**₱0.03**	₱0.05

See accompanying Notes to Financial Statements.

CITY & LAND DEVELOPERS, INCORPORATED

STATEMENT OF COMPREHENSIVE INCOME

	2nd Qtr 2015	2nd Qtr 2014	**UNAUDITED For the 6-month ending June 30, 2015**	Unaudited For the 6-month ending June 30, 2014
NET INCOME	₱21,782,127	₱25,600,387	**₱36,048,060**	₱48,753,801
OTHER COMPREHENSIVE INCOME (LOSS)				
Changes in fair value of available-for-sale financial assets (Note 5)	(82,137)	76,985	**14,781**	211,325
TOTAL COMPREHENSIVE INCOME	₱21,699,990	₱25,677,372	**₱36,062,841**	₱48,965,126
BASIC/DILUTED EARNINGS PER SHARE			**₱0.03**	₱0.05

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, 2015	**₱1,070,849,945**	**₱105,136**	**₱654,761,650**	**₱935,075**	**(₱4,936,123)**	**₱1,721,715,680**
Net income	–	–	36,048,060	–	–	36,048,060
Other comprehensive income	–	–	–	14,781	–	14,781
BALANCES AT JUNE 30, 2015	**₱1,070,849,945**	**₱105,136**	**₱690,809,710**	**₱949,853**	**(₱4,936,123)**	**₱1,757,778,521**

	Capital stock	Additional paid-in capital	Retained earnings	Net changes in Fair Values of Available-for-sale Financial Assets	Accumulated re-measurement on defined benefit plan	Total
BALANCES AT JANUARY 1, 2014	**₱973,500,247**	**₱105,136**	**₱726,633,729**	**₱635,793**	**(₱2,267,688)**	**₱1,698,607,217**
Cash dividends	–	–	(68,145,017)	–	–	(68,145,017)
Net income	–	–	48,753,801	–	–	48,753,801
Other comprehensive income	–	–	211,325	–	–	211,325
BALANCES AT JUNE 30, 2014	**₱973,500,247**	**₱105,136**	**₱707,453,838**	**₱635,793**	**(₱2,267,688)**	**₱1,679,427,326**

& LAND DEVELOPERS, INCORPORATED

STATEMENTS OF CASH FLOWS

	2nd Qtr 2015	2nd Qtr 2014	**Unaudited As of June 30, 2015**	Unaudited As of June 30, 2014
CASH FLOW FROM OPERATING ACTIVITIES				
Income before income tax	₱28,139,493	₱32,770,241	**₱46,700,026**	₱61,661,967
Adjustments for:				
Interest income (Note 16)	(17,522,692)	(20,094,746)	**(36,676,967)**	(43,086,202)
Interest expense – net of amounts capitalized (Note 20)	180,308	126,252	**314,406**	550,672
Amortization of prepaid asset	5,600	–	**11,200**	–
Dividend income (Note 16)	(5,130)	(5,126)	**(6,768)**	(6,764)
Changes in operating assets and liabilities				
Decrease (increase) in:				
Installment contracts receivable	11,182,777	51,242,617	**71,552,696**	109,266,228
Other receivables	4,431,809	(10,071,033)	**3,594,110**	(10,379,726)
Real estate properties for sale	(4,207,282)	11,076,677	**(56,517,772)**	158,818,045
Real estate properties for future development (Note 8)	(475,490)	(641,564)	**(1,560,381)**	(3,207,466)
Deposits and other assets	1,703,709	3,462	**44,973,646**	8,791
Increase (decrease) in accounts payable and accrued expenses	9,111,381	(34,660,973)	**28,989,944**	1,987,709
Cash from operations	32,544,483	29,745,807	**101,374,140**	275,613,254
Interest received	17,668,018	19,798,462	**36,852,597**	43,701,336
Income taxes paid	(22,847,616)	(57,589,020)	**(25,892,583)**	(70,786,103)
Net cash flows from (used in) operating activities	27,364,885	(8,044,751)	**112,334,154**	248,528,487
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from (purchase of) short-term cash investment	74,500,000	(182,700,000)	**(15,000,000)**	(73,500,000)
Sale of investment properties	2,352,266	–	**2,352,266**	–
Additions to investment properties	–	–	**(48,107)**	–
Dividends received	5,130	5,126	**6,768**	6,764
Net cash from (used in) investing activities	76,857,397	(182,694,874)	**(12,689,073)**	(73,493,236)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of contracts payable	–	–	**(112,500,000)**	–
Net proceeds from (payments of) notes payable	(17,950,000)	17,700,000	**9,700,000**	(107,149,205)
Interest paid	(159,277)	(215,389)	**(297,574)**	(831,599)
Cash dividends and fractional shares paid	–	1,803	**253,671**	334,773
Net cash flows from (used in) financing activities	(18,109,277)	17,486,414	**(102,843,903)**	(107,646,031)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	86,113,005	(173,253,211)	**(3,198,822)**	67,389,220
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	375,699,240	484,972,255	**465,011,067**	244,329,824
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	₱461,812,245	₱311,719,044	**₱461,812,245**	₱311,719,044

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 3rd Floor, 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 which are carried at fair value and repossessed real estate properties for sale which are carried at fair value less costs to sell. 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 and Disclosures

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

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

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

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The application of these amendments does not significantly affect the disclosures in the Company's financial statements.

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

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

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

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

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.

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 cost.

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 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, 2015 and December 31, 2014.

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 rate method.

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

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

d. Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are carried at fair value in the 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 rate 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 Board of Directors.

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 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.

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.

"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.

When 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. 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, 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.

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

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.

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 dividend are recorded as stock dividends distributable and credited to capital stock upon issuance.

Dividends for the year that are declared after the end of the reporting period but before the approval for issuance of 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. 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

In accordance with Philippine Interpretations Committee, Q&A 2006-01, the percentage-of-completion (POC) method is used to recognize income from sales of condominium units and residential houses where the Company has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue on sale is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

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

If the criteria of full accrual and POC method are not satisfied and when the license to sell and certificate of registration for a project are not yet issued by the Housing and Land Use Regulatory Board (HLURB), any cash received by the Company is recognized as deposits and 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 subdivision land and condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus estimated costs to complete the development of the

property. The estimated expenditures for the development of sold real estate property, as determined by independent project engineers, are charged to "Cost of real estate sales" in the statement of income with a corresponding credit to accrued development costs account presented under "Accounts payable and accrued expenses" in the balance sheet.

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

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

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

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.

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

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

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in 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 statement of comprehensive income in the period in which they arise. Re-measurements are not reclassified to statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. 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 accrued to the employees. The undiscounted liability for leave expected to be settled after the end of the reporting period is recognized for services rendered by employees up to the end of the reporting period. Accumulating leave credits which are not expected to be settled wholly before twelve months from the reporting date are classified as noncurrent liabilities at its discounted amount.

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. Contingent assets are 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 profit 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 the 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.

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.

Future Changes in Accounting Policies

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

Standards Issued but not yet Effective

- PFRS 9, *Financial Instruments* – Classification and Measurement (2010 version)
  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not

invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

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

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Effective in 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after January 5, 2014. This amendment is not relevant to the Company.

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

  - PFRS 2, *Share-based Payment – Definition of Vesting Condition*
    This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

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

- PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Company shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:

  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are "similar."
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

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

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

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

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

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

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

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

Effective in 2016

- PAS 16, *Property, Plant and Equipment, and PAS 38, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)*
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its noncurrent assets.

- PAS 16, *Property, Plant and Equipment,* and PAS 41, *Agriculture – Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company as it does not have any bearer plants.

- PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures, and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Company's financial statements.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures* – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized

when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016. These amendments will not have any impact on the Company's financial statements.

- PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company.

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

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

  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*
    The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

  - PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts*
    PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be

done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits – regional market issue regarding discount rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective in 2018

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

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

  Management is still assessing the impact of the adoption of PFRS 9 in the Company's financial statements.

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

Management is still assessing the impact of the adoption of PFRS 9 in the Company's financial statements.

Issued by the IASB but not yet adopted by the FRSC

- IFRS 15 *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the 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:

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

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

- *Collectability of sales price*
  Collectability of the sales price is demonstrated by the buyer's commitment to pay, which in turn, is supported by substantial initial and continuing investments that gives the buyer a stake in the property sufficient that risk of loss through default motivates the buyer to honor his obligation. Collectability is also assessed by considering factors such as the credit standing of the buyer, age, and location of the property.

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

- *Stage of completion of the project*
  The 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, ranges from

5% to 10%. 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).

Classification of financial instruments
The Company classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the Company's balance sheet (see Note 24).

The Company determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

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

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

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 property but also to the other assets used for administrative purposes.

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

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

Real estate properties which the Company develops and intends to sell before or on completion of construction are classified as real estate properties for sale. Real estate properties which are not occupied substantially for use by, or in the operations of, the 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.

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 landbanking activities for development or sale in the medium or long-term (real estate properties held for future development).

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Revenue and cost recognition

The 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's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and cost. 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.

Determination of fair value of financial instruments

Financial assets and financial liabilities, on initial recognition, are accounted for at fair value. The fair values of financial assets and financial liabilities, on initial recognition, are normally the transaction prices. In the case of those financial assets and financial liabilities that have no active markets, fair values are determined using an appropriate valuation technique. The fair values of the Company's financial assets and financial liabilities are disclosed in Note 24.

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.

Impairment of available-for-sale financial assets

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

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

Determining the fair value of investment properties
The Company discloses the fair values of its investment properties in accordance with PAS 40, *Investment Properties,* the Company engaged independent valuation specialist to assess fair value as of December 31, 2014 and 2013. The Company's investment properties consist of land and building pertaining to commercial properties. These are valued by reference to sales of similar or substitute properties and other related market data had the investment properties been transacted in the market. The significant unobservable inputs used in determining the fair value are the sales price per square meter of similar or substitute property, location, size, shape of lot and the highest and best use. Another method used in determining the fair value of land properties is based on the market data approach. The value of land is based on sales and listings of comparable property registered within the vicinity. This requires adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator by adjusting the difference between the subject property and those actual sales and listings regarded as comparables. The comparison is premised on the factors of location; size and shape of the lot; time element and others.

Impairment of investment properties
The Company determines whether its 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, 2015 and December 31, 2014.

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

In determining the appropriate discount rate, management considers the PDEX PDST-R2 government bond adjusted to zero-coupon rates using the reinvestment method, with term consistent with the obligation of the plan.

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, 2015	December 31, 2014
Cash on hand and in banks	**₱3,312,245**	₱2,511,067
Cash equivalents	**458,500,000**	462,500,000
	₱461,812,245	₱465,011,067

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 ₱387.00 million and ₱372.00 million as of June 30, 2015 and December 31, 2014, 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. Available-for-sale Financial Assets

Available-for-sale financial assets consist of investments in quoted equity securities amounting to ₱1.22 million and ₱1.20 million as of June 30, 2015 and December 31, 2014, 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, 2015	December 31, 2014
Balances at beginning of year	**₱935,072**	₱635,793
Changes in fair value	**14,781**	299,279
Balances at end of year	**₱949,853**	₱935,072

6. Installment Contracts Receivable

	June 30, 2015	December 31, 2014
Installment contracts receivable	**₱199,336,424**	₱270,889,120
Less noncurrent portion	**148,552,018**	191,156,361
	₱50,784,406	₱79,732,759

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 2015, 2014 and 2013 computed on the diminishing balance.

The Company, CDC and CI entered into a contract of guaranty under Retail Guaranty Line in the amount of ₱1.00 billion in 2013 with Home Guaranty Corporation (HGC). The amount of installment contracts receivable enrolled and renewed by the Company totaled ₱268.00 million and ₱539.23 million in 2014 and 2013, respectively. The Company paid a guarantee premium of 1.00% based on the outstanding principal balance of the installment contract receivable enrolled in 2014 and 2013.

7. Other Receivables

Other receivables consist of:

	June 30, 2015	December 31, 2014
Advances to customers	**₱2,298,450**	₱5,998,515
Due from related parties (Note 14)	**2,973,005**	2,413,470
Accrued interest	**1,679,164**	1,854,794
Retention	**30,000**	40,000
Others	**939,298**	1,382,878
	7,919,917	11,689,657
Less noncurrent portion	**448,550**	414,299
	₱7,471,367	₱11,275,358

Advances to customers are receivables of the Company for the real estate property taxes of sold units. Other receivables include receivables from customers relating to registration of title and other registration expenses initially paid by the Company and employees' advances.

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, 2015	December 31, 2014
Balances at beginning of year	**₱250,921,503**	₱92,563,453
Construction/development costs incurred	**66,056,391**	35,481,353
Disposals (recognized as cost of real estate sales)	**(18,529,621)**	(134,893,626)
Borrowing costs capitalized (Note 12)	**20,233**	7,883
Transfer from real estate properties held for future development	**–**	241,594,252
Other adjustments	**8,970,769**	16,168,188
Balances at end of year	**₱307,439,275**	₱250,921,503

Real estate properties for sale account includes capitalized interest costs incurred in connection with the development of the properties. The average capitalization rates used to determine the amount eligible for capitalization were 1.23% and 1.07% in June 30, 2015 and December 31, 2014, respectively. Other adjustments include the fair value less cost to sell of repossessed real estate properties for sale during the year.

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, 2015	December 31, 2014
Balances at beginning of year	**₱363,636,361**	₱370,747,003
Additions (Note 12)	**1,560,381**	234,483,610
Transfer to real estate properties for sale	–	(241,594,252)
Balances at end of year	**₱365,196,742**	₱363,636,361

In 2014, the Company acquired a parcel of land amounting to ₱229.82 million for future development.

9. Investment Properties

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

	June 30, 2015	December 31, 2014
Land - at cost		
Balances at beginning of year	**₱180,644,796**	₱180,603,685
Additions during the year	**48,107**	41,111
Sale during the year	**(2,352,266)**	–
Balances at end of year	**₱178,340,637**	₱180,644,796

The net book value of land includes deemed cost adjustment amounting to ₱16.89 million as of June 30, 2015 and December 31, 2014. 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 ₱2.16 million and ₱2.52 million in June 30, 2015 and June 30, 2014, respectively.

10. Other Assets

Other current assets consist of prepayments and escrow deposit amounting to ₱0.13 million and ₱43.80 million as of June 30, 2015 and December 31, 2014, respectively. In 2014, the Company entered into an Escrow Agreement with the Housing and Land Use Regulatory Board and a local bank as escrow bank for the temporary license to sell issued for the Company's project, North Residences. Cash proceeds as of December 31, 2014 amounting to ₱43.80 million were deposited to the escrow bank and recognized as deposits under "Accounts payable and accrued expenses" in the 2014 balance sheet (see Note 11).

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

Other noncurrent assets consist of:

	June 30, 2015	December 31, 2014
Unused input VAT	**₱40,433,705**	₱40,433,705
Utility deposits and others	**1,560,761**	2,878,632
	₱41,994,466	₱43,312,337

Unused input VAT amounting to ₱40.43 million as of June 30, 2015 and December 31, 2014 arose from the purchase of a lot. The lot was recorded as part of "Real estate properties held for future development" account (see Note 8).

11. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	June 30, 2015	December 31, 2014
Deposits (Note 10)	**₱90,307,455**	₱55,388,631
Trade payables	**17,361,747**	21,720,310
Accrued expenses:		
Personnel cost	**4,491,897**	4,611,001
Directors' fee (Note 21)	**991,713**	4,021,271
Taxes, premiums, others	**2,671,599**	359,242
Development costs	**502,782**	775,901
Interest	**71,644**	54,812
Withholding taxes payable	**2,130,622**	1,914,603
VAT payable	**377,658**	–
Dividends payable	**2,125,824**	1,872,153
Others	**2,227,114**	3,281,684
	123,260,055	93,999,608
Less noncurrent portion	**3,358,114**	8,253,715
	₱119,901,941	₱85,745,893

Trade payables consist of payables to contractors and other counterparties, whereas deposits consist of collection from sale of North Residences, 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 sold and completed real estate projects of the Company. Other payables consist of customers' reservation, payable to related parties and employees' payable.

12. Notes and Contracts Payable

The details of notes and contracts payable are as follows:

	June 30, 2015	December 31, 2014
Notes payable:		
Short-term commercial papers (STCP) with varying maturities and annual interest rates ranging from 1.06% to 1.56% in June 30, 2015 and 0.69% to 1.25% in December 31, 2014	**₱47,750,000**	₱38,050,000
Contracts payable	**–**	112,500,000
	₱47,750,000	₱150,550,000

On September 22, 2014 and September 2, 2013, the SEC authorized the Company to issue ₱200.00 million worth of STCP registered with the SEC in both years, in accordance with the provision of the Securities Regulation Code and its implementing rules and regulations, the Code of Corporate Governance and other applicable laws and orders.

Outstanding STCP issued by the Company as of June 30, 2015 and December 31, 2014 aggregated to ₱47.75 million and ₱38.05 million, respectively.

In 2014 and 2013, the Company entered into a contract of guaranty under a Revolving Cash Guaranty Line with HGC in the amount of ₱200.00 million coverage on the Company's STCP. The guaranty covers the unpaid principal due on the outstanding STCP and unpaid interest thereon of 10% per annum. The guaranty premium paid was 0.90% per annum based on enrolled commercial papers in 2014 and 2013.

Contracts payable amounting to ₱112.50 million represent liabilities arising from contracts entered into by the Company in September 2014 to purchase land for future development (see Note 8). The said liability is noninterest bearing and was fully settled on February 27, 2015.

13. Deferred Income Tax Liabilities - net

Deferred income tax liabilities – net consists of the following:

	June 30, 2015	December 31, 2014
Deferred income tax assets:		
Unrealized gross profit of North Residences	**₱10,616,529**	₱8,836,940
Accrued expenses	**1,645,083**	2,589,681
Retirement benefits liability	**1,467,263**	1,467,263
Unamortized past service cost	**382,408**	382,408
	14,111,283	13,276,292
Deferred income tax liabilities:		
Realized gain on real estate transactions	**21,440,795**	21,630,573
Deemed cost adjustment in real estate properties (Note 9)	**5,068,019**	5,068,019
Capitalized interest	**209,524**	206,928
	26,718,338	26,905,520
Net deferred income tax liabilities	**₱12,607,055**	₱13,629,228

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 Company's 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 related parties under "Other receivables" account in the balance sheet.

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

	Amount of transactions		Outstanding Balances				
			Receivable (Note 7)		Payable		
Nature of Transaction	**June 30, 2015**	December 31, 2014	**June 30, 2015**	December 31, 2014	**June 30, 2015**	December 31, 2014	Term and Conditions
Ultimate parent (CI)							
Sharing of expenses charged by (to) the Company	**(1,352,609)**	(4,505,476)	–	1,352,609	–	-	30-day, unsecured, non-interest bearing; to be settled in cash
Parent Company (CDC)							
Sharing of expenses charged by (to) the Company	**1,317,977**	735,204	**2,973,005**	1,037,651	**953,387**	-	30-day, unsecured, non-interest bearing; to be received or settled in cash
Affiliate (CPI)							
Sharing of expenses charged by (to) the Company	**(23,210)**	91,833	–	23,210	–	-	30-day, unsecured, non-interest bearing; to be received or settled in cash
Total			**2,973,005**	2,413,470	**953,387**	-	

15. **Equity**

Capital stock as of June 30, 2015 and December 31, 2014 is as follows:

	Shares		Amount	
	June 30, 2015	December 31, 2014	**June 30, 2015**	December 31, 2014
Common stock - ₱1 par value				
Authorized	**1,200,000,000**	1,200,000,000	**₱1,200,000,000**	₱1,200,000,000
Issued and outstanding				
Beginning of year	**1,070,849,945**	973,500,247	**1,070,849,945**	973,500,247
Stock dividends	**–**	97,349,698	**–**	97,349,698
End of year	**1,070,849,945**	1,070,849,945	**₱1,070,849,945**	₱1,070,849,945

The Company registered 175,000,000 shares with SEC on April 21, 1989 with an initial offer price of ₱1.00.

As of June 30, 2015 and December 31, 2014, the Company has 1,070,849,945 shares held by 784 equity holders.

Dividends declared and issued/paid by the Company in 2015, 2014 and 2013 follow:

Dividends	Date Approved	Per Share	Stockholders of Record Date	Date Issued/Paid
Cash	June 4, 2015	₱0.019	July 3, 2015	July 29, 2015
	June 5, 2014	0.070	June 30, 2014	July 24, 2014
	June 11, 2013	0.110	June 26, 2013	July 22, 2013
Stock	June 9, 2015	10.0%	July 9, 2015	August 4, 2015
	April 28, 2014	10.0%	July 10, 2014	August 5, 2014
	April 29, 2013	20.0%	July 11, 2013	August 6, 2013

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

As of June 30, 2015 and December 31, 2014, the unappropriated retained earnings include the impact of the remaining balance of deemed cost adjustment of investment properties amounting to ₱11.83 million, net of related deferred tax of ₱5.07 million, which arose when the Company transitioned to PFRS in 2005 (see Note 9). 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

Financial income consists of:

	June 30, 2015	June 30, 2014
Interest income from:		
Installment contracts receivable	**₱28,262,553**	₱36,558,995
Cash and cash equivalents and short-term cash investments	**8,311,726**	6,427,953
Others	**102,688**	99,254
	36,676,967	43,086,202
Dividend income	**6,768**	6,764
	₱36,683,735	₱43,092,966

17. Other Income/Expenses

Other income includes penalties for customers' late payments and sale of scraps, forfeiture of reservations and down payments received on sales which were not consummated while other expenses pertain to reversal of gross profit recognized in prior years due to forfeiture/cancellation of sales.

18. Operating Expenses

Operating expenses consist of:

	June 30, 2015	June 30, 2014
Personnel (see Note 19)	**₱11,982,967**	₱11,621,689
Taxes and licenses	**9,973,782**	12,901,661
Professional fees	**2,669,593**	7,837,716
Insurance expense	**1,499,682**	2,554,796
Advertising and promotion	**1,328,062**	914,420
Membership dues	**774,501**	949,359
Outside services	**511,011**	385,318
Repairs and maintenance	**494,885**	792,166
Brokers' commission	**274,550**	229,324
Rent	**251,494**	269,368
Postage, telephone and telegraph	**142,276**	127,018
Power, light and water	**77,071**	93,818
Transportation	**51,162**	54,641
Office supplies	**32,114**	97,914
Others	**735,491**	543,887
	₱30,798,641	₱39,373,095

19. Personnel Expenses

Personnel expenses consist of:

	June 30, 2015	June 30, 2014
Other employee benefits	**₱4,652,503**	₱4,696,231
Salaries and wages	**4,202,580**	3,825,550
Commissions	**3,127,884**	3,099,908
	₱11,982,967	₱11,621,689

20. Financial Expense

Financial expense consists of:

	June 30, 2015	June 30, 2014
Interest expense on notes payable	**₱317,623**	₱545,727
Less capitalized interest	**20,232**	–
	297,391	545,727
Finance charges	**57,700**	90,131
Others	**17,015**	4,945
	₱372,106	₱640,803

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, 2015	June 30, 2014
Current	**₱10,011,795**	₱16,241,671
Deferred	**(1,022,174)**	(4,619,095)
Final tax on interest income	**1,662,345**	1,285,590
	₱10,651,966	₱12,908,166

Registration with the Board of Investments (BOI)
The Company has been duly registered with the BOI as New Developer of Low-Cost Mass Housing Project on a Non-Pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No. 226) for the project North Residences with Certificate of Registration No. 2014-111 dated July 25, 2014. The Company is entitled to Income Tax Holiday (ITH) for a period of three years from September 2014 to August 2017.

The Company is also entitled to ITH for a period of four years from January 2009 to December 2012 for its project Manila Residences Bocobo with Certificate of Registration No. 2008-249 dated August 26, 2008.

The ITH is limited only to revenue generated from the registered project. Revenue from selling price exceeding ₱3.00 million shall not be covered by ITH.

23. Basic/Diluted Earnings Per Share

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

	June 30, 2015	June 30, 2014
a. Net income	**₱36,048,060**	₱48,753,801
b. Weighted average number of outstanding shares	**1,070,849,945**	1,070,849,945
c. Basic/Diluted Earnings per share (a/b)	**₱0.03**	₱0.05

The Company has no dilutive common shares as of June 30, 2015 and June 30, 2014. Thus, the basic and diluted earnings per share are the same as of those dates.

24. Financial Instruments

Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of notes and contracts 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 BOD 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 1.12% higher or lower, would increase or decrease the Company's income before income tax of ₱535,421.

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, 2015 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*	**₱461,801,245**	**₱–**	**₱461,801,245**	**₱–**
Short-term cash investments	**387,000,000**	**–**	**387,000,000**	**–**
Installment contracts receivable	**199,336,424**	**627,024,109**	**–**	**199,336,424**
Refundable deposits	**1,557,258**	**–**	**1,557,258**	**–**
Other receivables:				
Accrued interest	**1,679,164**	**–**	**1,679,164**	**–**
Retention	**30,000**	**–**	**30,000**	**–**
Advances to customers	**2,298,450**	**–**	**2,298,450**	**–**
Others**	**3,881,084**	**–**	**3,881,084**	**–**
Available-for-sale financial assets	**1,219,766**	**–**	**1,219,766**	**–**
Total credit risk exposure	**₱1,058,803,391**	**₱627,024,109**	**₱859,466,967**	**₱199,336,424**

** Excluding cash on hand amounting to ₱11,000.*
*** Excluding nonfinancial assets amounting to ₱31,219.*

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

			Past Due But Not Impaired				
	Current	**> One Year**	**< 30days**	**31 - 60 days**	**61 – 90 days**	**> 90 days**	**Total**
Installment contracts receivable	**₱48,588,145**	**₱148,552,018**	**₱290,580**	**₱427,174**	**₱124,510**	**₱1,353,997**	**₱199,336,424**
Refundable deposits	–	**1,557,258**	–	–	–	–	**1,557,258**
Other receivables:							
Accrued interest	**1,679,164**	–	–	–	–	–	**1,679,164**
Customers	**882,715**	–	–	**733**	**181,878**	**1,233,124**	**2,298,450**
Retention	–	**30,000**	–	–	–	–	**30,000**
Others*	**3,465,333**	**387,331**	**28,420**	–	–	–	**3,881,084**
	₱54,615,357	**₱150,526,607**	**₱319,000**	**₱427,907**	**₱306,388**	**₱2,587,121**	**₱208,782,380**

** Excluding nonfinancial assets amounting to ₱31,219.*

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

	Neither past due nor impaired			
	High Grade*	**Medium Grade****	**Past due But Not Impaired**	**Total**
Loans and receivables:				
Cash and cash equivalents, excluding cash on hand	**₱461,801,245**	**₱–**	**₱–**	**₱461,801,245**
Short-term cash investments	**387,000,000**	–	–	**387,000,000**
Installment contracts receivable	**197,140,163**	–	**2,196,261**	**199,336,424**
Refundable deposits	**1,557,258**	–	–	**1,557,258**
Other receivables:				
Advances to customers	**882,715**	–	**1,415,735**	**2,298,450**
Accrued interest	**1,679,164**	–	–	**1,679,164**
Retention	**30,000**	–	–	**30,000**
Others***	**3,812,666**	**39,998**	**28,420**	**3,881,084**
Available-for-sale investment	**1,219,766**	–	–	**1,219,766**
	₱1,055,122,977	**₱39,998**	**₱3,640,416**	**₱1,058,803,391**

* *High Grade - financial assets with reputable counterparties and which management believes to be reasonably assured to be recoverable.*
** *Medium Grade - financial assets for which there is low risk on default of counterparties.*
*** *Excluding nonfinancial assets amounting to ₱31,219.*

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 0.002 higher or lower, would increase or decrease the equity by ₱2,434.

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 STCPs.

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

	Up to One Year	**Above One Year**	**Total**
Accounts payable and accrued expenses *	**₱117,393,661**	**₱3,358,114**	**₱120,751,775**
Notes payable**	**48,335,463**	**–**	**48,335,463**
	₱165,729,124	**₱3,358,114**	**₱169,087,238**

** Excluding statutory liabilities amounting to ₱2,508,280.*
*** Including interest expense to maturity amounting to ₱585,463.*

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	Fair value		
		Level 1	Level 2	Level 3
Assets measured at fair value				
Available-for-sale financial assets	June 30, 2015	**₱1,219,766**	**₱–**	**₱–**
Repossessed real estate properties for sale	June 30, 2015	**–**	**33,398,964**	**–**
Asset for which fair values are disclosed				
Investment properties	December 31, 2014	**–**	**–**	**324,862,000**

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

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, 2014 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:

	June 30, 2015		June 30, 2014	
Sales of real estate properties	**₱76,419,683**	**77.25%**	₱259,078,179	95.68%
Rental income	**2,155,925**	**2.18%**	2,523,299	0.93%
Others	**23,302,143**	**20.57%**	9,171,203	3.39%
	₱101,877,751	**100.00%**	₱270,772,681	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, 2015 (Unaudited)	December 31, 2014 (Audited)	June 30, 2014 (Unaudited)
Current	**7.07**	4.80	5.85
Asset-to-equity	**1.11**	1.16	1.17
Debt-to-equity	**0.03**	0.09	0.06
Asset-to-liability	**10.13**	7.12	7.01
Solvency	**0.37**	0.33	0.35
Interest rate coverage	**149.53**	133.57	112.98
Acid-test ratio	**5.28**	3.64	5.49
Return on equity (%)	**4.10%**	5.44%	5.81%
Earnings per share	**₱0.07**	₱0.09	₱0.09

Manner of calculation:

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

CITY & LAND DEVELOPERS, INCORPORATED

SCHEDULE OF GROSS AND NET PROCEEDS OF SHORT-TERM COMMERCIAL PAPERS ISSUED
As of June 30, 2015

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

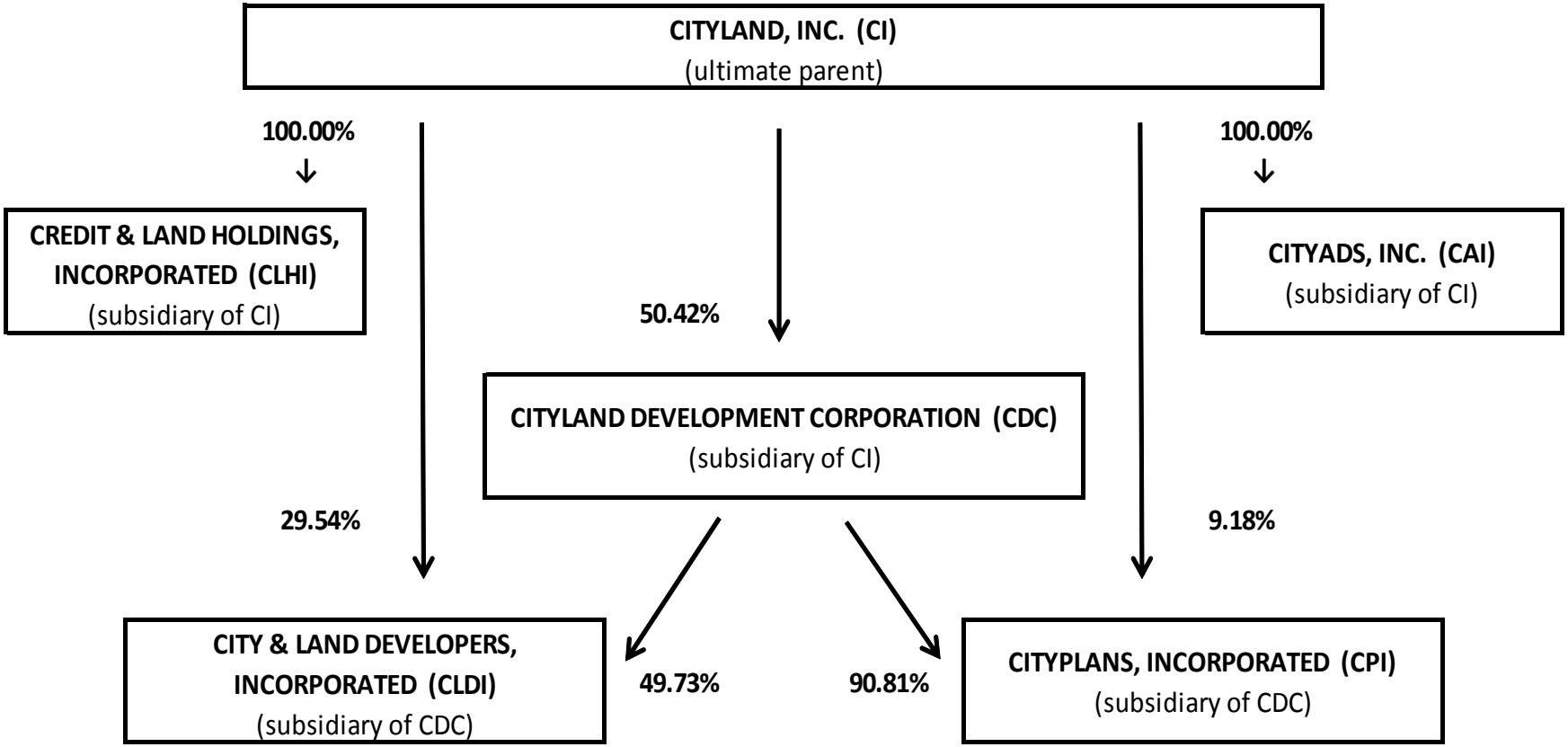
A. As stated in the Final Prospectus (September 2014 to August 2015)

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

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

Gross Proceeds		**Php**	**47,750,000**
Less: Expenses			
Documentary Stamps Tax	(207,463)		
Registration Fees	(202,000)		
Legal and Accounting Fees	(30,000)		
Publication Fees	(30,000)		
Printing costs	(5,200)		(474,663)
Net Proceeds		**Php**	**47,275,337**
Use of Proceeds			
Project-related Costs	(31,328,007)		
Payment of maturing notes	--		
Interest expense	(319,000)		(31,647,007)
Balance of Proceeds as of June 30, 2015		**Php**	**15,628,330**

C. Outstanding Short-Term Comercial Papers as of June 30, 2015
(SEC-MSRD Order No. 46, Series of 2014 dated September 22, 2014) **Php** **47,750,000**

CITY & LAND DEVELOPERS, INCORPORATED

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP