



November 12, 2013

PHILIPPINE STOCK EXCHANGE

Listing and Disclosure Department
Exchange Road, Ortigas Center, Pasig City

Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Subject: Vista Land & Lifescapes, Inc.: **SEC 17Q- September 30, 2013**

Gentlemen:

Please find SEC Form 17Q for the nine months ended September 30, 2013 filed with the Securities and Exchange Commission today.

Very truly yours,

A handwritten signature in black ink, appearing to read 'B. Edang', is written over the typed name.

BRIAN N. EDANG
Officer-in-Charge

COVER SHEET

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S.E.C. Registration Number										

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I	N	C	.																					

(Company's Full Name)

L	A	S		P	I	N	A	S		B	U	S	I	N	E	S	S		C	E	N	T	E	R
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P	I	N	A	S		C	I	T	Y															

(Business Address : No. Street/City/Province)

Brian N. Edang
Contact Person

226-3552 ext. 0088
Company Telephone Number

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Calendar Year					

17-Q
FORM TYPE

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<i>Month</i>	<i>Day</i>				
Annual Meeting					

Secondary License Type, If Applicable

Dept. Requiring this Doc.		

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings			
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Domestic	Foreign		

To be accomplished by SEC Personnel concerned

File Number									

_____ LCU

Document I.D.									

_____ Cashier

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE
SECURITIES REGULATION CODE AND SRC RULE 17(2)(B) THEREUNDER**

1. For the quarter ended **September 30, 2013**

2. SEC Identification Number **CS-200703145**

3. BIR Tax Identification No. **006-652-678**

4. **Vista Land & Lifescapes, Inc.**
Exact name of the registrant as specified in its charter

5. **Metro Manila, Philippines**
Province, country or other jurisdiction of incorporation

6. Industry Classification Code (SEC Use Only)

7. **Las Piñas Business Center, National Road, Talon, Las Piñas City** **1746**
Address of Principal Office **Postal Code**

8. **(632)-8065758**
Registrant's telephone number, including area code

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

10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common stock (as of 09/30/2013)	8,538,740,614
VLL Homebuilder Bonds (as of 09/30/2013)	Up to P2,500,000,000.00

11. Are any of the registrant's securities listed on the Philippine Stock Exchange?

Yes No

12. Check whether the registrant:

(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 Section 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period of the registrant was required to file such reports.)

Yes No

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

Yes No

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Vista Land & Lifescapes, Inc.
Consolidated Statements of Financial Position
 As of September 30, 2013 and December 31, 2012
 (In Million Pesos)

	Unaudited 09/30/2013	Audited 12/31/2012 (As Restated)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5 and 19)	4,998	1,959
Short-term cash investments (Notes 6 and 19)	1,089	915
Receivables (Notes 7 and 19)	18,987	14,978
Due from related parties (Notes 17 and 19)	450	186
Real estate inventories (Note 8)	15,128	14,752
Other current assets (Note 9)	2,014	1,697
Total Current Assets	42,666	34,487
Noncurrent Assets		
Noncurrent receivables (Notes 7 and 19)	10,980	9,964
Available-for-sale financial assets (Notes 6 and 19)	41	41
Long-term cash investments (Notes 6 and 19)	4,942	4,659
Investment properties (Note 10)	4,545	4,063
Land and improvements (Note 8)	19,347	18,782
Investment in associate	25	—
Property and equipment	256	278
Interests in joint ventures (Note 11)	1,571	1,582
Deferred tax assets – net	—	5
Other noncurrent assets (Note 9)	503	471
Total Noncurrent Assets	42,210	39,845
Total Assets	84,876	74,332
LIABILITIES AND EQUITY		
Liabilities		
Current Liabilities		
Accounts and other payables (Notes 12 and 19)	7,621	5,931
Customers' advances and deposits (Note 13)	4,840	3,260
Income tax payable	29	45
Notes payable (Notes 16 and 19)	729	6,165
Bank loans (Notes 14 and 19)	529	2,317
Loans payable (Notes 14 and 19)	1,068	868
Liabilities for purchased land (Notes 15 and 19)	923	328
Total Current Liabilities	15,739	18,914
Noncurrent Liabilities		
Bank loans (Notes 14 and 19)	8,484	1,693
Loans payable (Notes 14 and 19)	1,984	1,932
Liabilities for purchased land (Notes 15 and 19)	919	1,587
Notes payable (Notes 16 and 19)	8,523	4,748
Pension liabilities	729	187
Deferred tax liabilities - net	1,595	1,636
Total Noncurrent Liabilities	22,234	11,783
Total Liabilities	37,973	30,697
Stockholders' Equity		
Capital stock (Note 18)	8,572	8,539
Additional paid in capital	19,455	19,329
Retained earnings	19,192	16,280
Other comprehensive income	(316)	(3)
Treasury shares (Note 18)	—	(510)
Total Stockholders' Equity	46,903	43,635
Total Liabilities & Stockholders' Equity	84,876	74,332



Vista Land & Lifescapes, Inc.
 Consolidated Statements of Income
 For the nine months ended September 30, 2013 and 2012
 (In Million Pesos)

	Unaudited Jul-Sep Q3-2013	Unaudited Jan-Sep 2013	Unaudited Jul-Sep Q3-2012	Unaudited Jan-Sep 2012
REVENUE AND OTHER INCOME				
Real estate	5,128	14,827	4,078	12,154
Interest income	241	698	227	663
Unrealized foreign exchange gain	–	–	–	17
Miscellaneous - net	30	391	232	374
	5,399	15,916	4,537	13,208
COST AND EXPENSES				
Real estate	2,487	7,233	1,959	5,973
Operating expenses	1,175	3,493	1,030	2,888
Interest and financing charges	453	1,223	419	949
Unrealized foreign exchange loss	4	38	–	–
	4,119	11,987	3,408	9,810
INCOME BEFORE INCOME TAX	1,280	3,929	1,129	3,398
PROVISION FOR (BENEFIT FROM)				
INCOME TAX	58	142	70	164
NET INCOME	1,222	3,787	1,059	3,234
Net income attributable to:				
Equity holders of Vista Land & Lifescapes, Inc.	1,222	3,787	1,059	3,234
Minority interest	–	–	–	–
	1,222	3,787	1,059	3,234
Weighted average common shares	8,538	8,538	8,460	8,460
Basic/Diluted earnings per share	Php0.14	Php0.44	Php0.13	Php0.38



Vista Land & Lifescapes, Inc.
 Consolidated Statements of Comprehensive Income
 For the nine months ended September 30, 2013 and 2012
 (In Million Pesos)

	Unaudited Jul-Sep Q3-2013	Unaudited Jan-Sep 2013	Unaudited Jul-Sep Q3-2012	Unaudited Jan-Sep 2012
NET INCOME	1,222	3,787	1,059	3,234
OTHER COMPREHENSIVE INCOME				
Actuarial gains (losses) on pension liabilities	–	(448)	–	7
Income tax effect	–	134	–	(2)
TOTAL COMPREHENSIVE INCOME	1,222	3,473	1,059	3,239
Total comprehensive income attributable to:				
Equity holders of Vista Land & Lifescapes, Inc.	1,222	3,473	1,059	3,239
Minority interest	–	–	–	–
	1,222	3,473	1,059	3,239
Weighted average common shares	8,538	8,538	8,460	8,460
Basic/Diluted earnings per share	Php0.14	Php0.41	Php0.13	Php0.38



Vista Land & Lifescapes, Inc.
 Consolidated Statements of Changes in Equity
 For the nine months ended September 30, 2013 and 2012
 (In Million Pesos)

	<u>Unaudited</u> <u>09/30/2013</u>	<u>Unaudited</u> <u>09/30/2012</u>
CAPITAL STOCK		
Common – P1 par value		
Authorized – 4,000,000 shares in February 28, 2007		
12,000,000,000 shares in May 23, 2007 and		
11,000,000,000 shares in November 24, 2010		
Issued – 1,000,000 shares as of February 28, 2007		
and 8,538,740,614 shares as of September 30, 2011	8,539	8,539
Preferred – P0.10 par value		
Authorized – P10,000,000,000 shares in November 24, 2010		
Issued – P3,300,000,000 shares in September 30, 2013 (Note 18)	33	–
Balance at end of period	8,572	8,539
ADDITIONAL PAID-IN CAPITAL		
Balance at beginning of period	19,329	19,329
Sale of treasury shares	126	–
Balance at end of period	19,455	19,329
RETAINED EARNINGS		
Balance at beginning of period	16,280	12,954
Dividends declared	(875)	(1,049)
Net income	3,787	3,234
Balance at end of period	19,192	15,139
OTHER COMPREHENSIVE INCOME		
Balance at beginning of period	(3)	(7)
Actuarial gains (losses) on pension liabilities for the period	(313)	4
Balance at end of period	(316)	(3)
TREASURY SHARES (Note 18)	–	(510)
	46,903	42,494



Vista Land & Lifescapes, Inc.
 Consolidated Statements of Cash Flows
 For the nine months ended September 30, 2013 and 2012
 (In Million Pesos)

	Unaudited Jul-Sep Q3-2013	Unaudited Jan-Sep 2013	Unaudited Jul-Sep Q3-2012	Unaudited Jan-Sep 2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	1,280	3,929	1,129	3,398
Adjustments for:				
Interest and other financing charges	453	1,223	419	949
Depreciation and amortization	56	173	42	106
Interest income	(241)	(698)	(227)	(663)
Unrealized foreign exchange loss (gain)	(14)	38	(6)	(17)
Operating income before changes in operating assets and liabilities	1,534	4,665	1,357	3,773
<i>Decrease (increase) in:</i>				
Receivables	(1,584)	(5,087)	(1,181)	(3,645)
Real estate inventories	104	(50)	183	1,453
Other current assets	(298)	(317)	(170)	(552)
<i>Increase(decrease) in:</i>				
Accounts and other payables	323	1,115	(351)	(449)
Due to related parties	(764)	(264)	43	(8)
Customers' advances and deposits	673	1,580	303	509
Pension liabilities	453	604	(26)	(15)
Cash provided by operations	441	2,246	158	1,066
Interest received	311	760	303	753
Interest paid	(661)	(1,467)	(713)	(1,432)
Income tax paid	(129)	(569)	(87)	(152)
Net cash provided by (used in) operating activities	(38)	970	(339)	235
CASH FLOWS FROM INVESTING ACTIVITIES				
Disposal of (additions to) land and improvements	200	(1,019)	(325)	(1,797)
Increase (decrease) in short-term and long-term cash investments	(137)	(174)	43	36
Decrease (increase) in investment in associate	(25)	(25)	665	665
Net contributions to joint venture partners	17	11	84	21
Additions of property and equipment	(38)	(91)	(96)	(211)
Additions to investment properties	(283)	(480)	(1,084)	(1,403)
Increase in other noncurrent assets	(45)	(94)	(45)	(97)
Net cash used in investing activities	(311)	(1,872)	(758)	(2,786)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from bank loans and loans payable	1,086	5,255	474	131
Net proceeds from (payments of) notes payable	(1,702)	(1,982)	(42)	3,812
Proceeds from sale (acquisition) of treasury stock	-	636	(64)	(388)
Payment of dividends declared	(1)	(1)	(332)	(332)
Proceeds from issuance of preferred shares	-	33	-	-
Net cash provided by (used in) financing activities	(617)	3,941	36	3,223
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(966)	3,039	(1,061)	672
EFFECT OF CHANGE IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	(11)	-	5	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,975	1,959	3,781	2,053
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4,998	4,998	2,725	2,725

Vista Land & Lifescapes, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

1. Corporate Information

Vista Land & Lifescapes, Inc. (the Parent Company) was incorporated in the Republic of the Philippines and registered with the Securities and Exchange Commission (SEC) on February 28, 2007. The Parent Company's registered office address and principal place of business is at Las Piñas Business Center, National Road, Talon, Las Piñas City.

The Parent Company is the holding company of the Vista Group (the Group) which is engaged in the development of residential subdivisions and construction of housing and condominium units. The Group has five (5) wholly-owned subsidiaries, namely: Brittany Corporation (Brittany), Crown Asia Properties, Inc. (CAPI), Vista Residences, Inc. (VRI), Camella Homes, Inc. (CHI) and Communities Philippines, Inc. (CPI). The Group offers a range of products from socialized and affordable housing to middle income and high-end subdivision house and lots and condominium projects.

2. Basis of Preparation and Summary of Significant Accounting Policies

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis. The consolidated financial statements are presented in Philippine Peso (₱) which is the functional and presentation currency of the Parent Company, and all amounts are rounded to the nearest Philippine Peso unless otherwise indicated.

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (the Group) as of September 30, 2013 and December 31, 2012 and for each of the nine months ended September 30, 2013 and 2012.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not wholly-owned and are presented separately in the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of financial position, separately from the Parent Company's equity.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest

- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

The Group's consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries:

	Percentage of Ownership	
	2013	2012
Brittany	100.00%	100.00%
CAPI	100.00	100.00
VRI	100.00	100.00
CHI	100.00	100.00
Household Development Corp. (HDC)	100.00	100.00
Mandalay Resources Corp.	100.00	100.00
C&P International Limited	100.00	100.00
CPI	100.00	100.00
Communities Batangas, Inc.	100.00	100.00
Communities Bulacan, Inc.	100.00	100.00
Communities Cagayan, Inc.	100.00	100.00
Communities Cebu, Inc.	100.00	100.00
Communities Davao, Inc.	100.00	100.00
Communities General Santos, Inc.	100.00	100.00
Communities Iloilo, Inc.	100.00	100.00
Communities Isabela, Inc.	100.00	100.00
Communities Leyte, Inc.	100.00	100.00
Communities Naga, Inc.	100.00	100.00
Communities Negros Occidental, Inc.	100.00	100.00
Communities Pampanga, Inc.	100.00	100.00
Communities Pangasinan, Inc.	100.00	100.00
Communities Tarlac, Inc.	100.00	100.00
Communities Zamboanga, Inc.	100.00	100.00
Communities Ilocos, Inc.	100.00	100.00
Communities Bohol, Inc.	100.00	100.00
Communities Quezon, Inc.	100.00	100.00
Communities Palawan, Inc.	100.00	100.00
VLL International, Inc. (VLLI)	100.00	-

With the exception of C&P International Limited and VLLI, which is located in Cayman Islands, the rest of the subsidiaries are all domiciled in the Philippines.

Changes in Accounting Policies

The accounting policies adopted in the preparation of the Group's unaudited interim condensed consolidated financial statements are consistent with those of the previous financial years except for the adoption of the following new and amended PFRS and Philippine Interpretations which became effective beginning January 1, 2013. Except as otherwise stated, the adoption of these new and amended Standards and Philippine Interpretations did not have any impact on the unaudited interim condensed consolidated financial statements.

PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income*

The amendments to PAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or “recycled”) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. With the adoption of the amendment, actuarial gains (losses) on pension liabilities is presented as items not to be reclassified to profit or loss in subsequent periods. There are no items to be recycled to profit or loss at a future point in time.

PAS 19, *Employee Benefits (Amendment)* (effective for annual periods beginning on or after January 1, 2013)

For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

Prior to adoption of the Revised PAS 19, the Group recognized actuarial gains and losses immediately to profit or loss while past service cost, if any, is recognized immediately to profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service cost is amortized on a straight-line basis over the vesting period. Upon adoption of the PAS 19 Revised, the Group changed its accounting policy to recognize all actuarial gains and losses in other comprehensive income and all past service costs in profit or loss in the period they occur. Moving forward, the Group will retain the recognized actuarial gains and losses in other comprehensive income and will not transfer this to other items of equity.

The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee’s entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact on the Group’s financial position and financial performance.

The changes in accounting policies have been applied retrospectively.

PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after January 1, 2013)

These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information.

This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

- a) The gross amounts of those recognized financial assets and recognized financial liabilities;
- b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
- c) The net amounts presented in the statement of financial position;
- d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
 - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
 - ii. Amounts related to financial collateral (including cash collateral); and
- e) The net amount after deducting the amounts in (c) from the amounts in (d) above.

As the Group is not setting off financial instruments in accordance with PAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

FRS 10, *Consolidated Financial Statements* (effective for annual periods beginning on or after January 1, 2013)

PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, which addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, Consolidation - *Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. As subsidiaries are wholly owned, the adoption of PFRS 10 had no impact on the financial statements of the Group.

PFRS 11, *Joint Arrangements* (effective for annual periods beginning on or after January 1, 2013)

PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The adoption of PFRS 11 has no impact on the Group's financial position and performance as the Group already accounts its jointly controlled entity using the equity method.

PFRS 12, *Disclosures of Interests with Other Entities* (effective for annual periods beginning on or after January 1, 2013)

This standard includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period require that they are provided. Accordingly, the Group has not made such disclosures.

PFRS 13, *Fair Value Measurement* (effective for annual periods beginning on or after January 1, 2013)

PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

Revised PAS 27, *Separate Financial Statements* (effective for annual periods beginning on or after January 1, 2013)

As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 does not have a significant impact on the separate financial statements of the entities in the Group.

Revised PAS 28, *Investment in Associates and Joint Ventures* (effective for annual periods beginning on or after January 1, 2013)

As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* (effective for annual periods beginning on or after January 1, 2013)

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. This new interpretation is not relevant to the Group.

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 nine months or less from dates of placement and that are subject to an insignificant risk of changes in value.

Short-term and Long-term Cash Investments

Short-term cash investments consist of money market placements made for varying periods of more than three (3) months and up to nine (9) months while long-term cash investments consist of money market placements made for varying periods of more than one (1) year. These investments earn interest at the respective short-term and long-term investment rates.

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date, which is the date when the Group commits to purchase or sell the asset.

Initial recognition of financial instruments

All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and liabilities at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities include transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) financial assets, AFS financial assets, and loans and receivables.

The Group classifies its financial liabilities as financial liabilities at FVPL or other financial liabilities.

The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. The financial assets of the Group are of the nature of loans and receivable and AFS financial assets, while its financial liabilities are of the nature of other financial liabilities. Management determines the classification at initial

recognition and re-evaluates such designation, where allowed and appropriate, at every reporting date.

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

Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on its quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

“Day 1” difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in profit or loss under “Interest income” and “Interest and other financing charges” accounts unless it qualifies for recognition as some other type of asset or liability. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference amount.

Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held-for-trading, designated as AFS or as financial assets at FVPL. Receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, loans and receivables are subsequently measured at cost or at amortized cost using the effective interest rate method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization, if any, is included in profit or loss. The losses arising from impairment of receivables are recognized in profit or loss. These financial assets are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

This accounting policy applies primarily to the Group’s cash and cash equivalents, short-term investments, long-term cash investments and receivables except for receivable from contractors and receivable from brokers.

AFS financial assets

AFS financial assets are nonderivative financial assets that are designated as such or do not qualify to be classified or designated as financial assets at FVPL, HTM investments or loans

and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported in OCI.

When the investment is disposed of, the cumulative gain or loss previously recognized in OCI is recognized as miscellaneous income in profit or loss. Where the Group holds more than one investment in the same security these are deemed to be disposed of on a first-in first-out basis. Interest earned on holding AFS financial assets are reported as interest income using the effective interest rate. Dividends earned on holding AFS financial assets are recognized in profit or loss as part of miscellaneous income when the right to receive payment has been established. The losses arising from impairment of such investments are recognized as provisions for impairment losses in profit or loss.

When the fair value of AFS equity financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any impairment losses.

As of September 30, 2013 and December 31, 2012, AFS financial assets comprise of unquoted equity securities.

Other financial liabilities

Other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process. Any effects of restatement of foreign currency-denominated liabilities are recognized in profit or loss.

The financial liabilities measured at cost are accounts and other payables and payable to related parties and other liabilities. The financial liabilities measured at amortized cost are bank loans, loans payable, liabilities for purchased land, long-term notes and notes payable.

Derecognition of Financial Assets and Financial Liabilities

Financial asset

A financial asset (or, where applicable, a part of a group of financial assets) is derecognized where: (a) the rights to receive cash flows from the assets have expired; (b) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third-party under a “pass-through” arrangement; or (c) the Group has transferred its right to receive cash flows from the asset and either: (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained the risks and rewards of the asset but has transferred control of the asset.

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

Financial liability

A financial liability is derecognized when the obligation under the liability is discharged or 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 profit or loss.

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

For loans and receivables carried at amortized cost, the Group first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset, together with the other assets that are not individually significant and were thus not individually assessed for impairment, is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as selling price of the lots and residential houses, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an

impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS financial assets carried at fair value

In case of equity investments classified as AFS financial assets, impairment indicators would include a significant or prolonged decline in the fair value of the investments below their corresponding 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 OCI is removed from OCI and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit and loss. Increases in fair value after impairment are recognized directly in OCI.

AFS financial assets carried at cost

If there is an objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Offsetting Financial Instruments

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

Real Estate Inventories

Real estate inventories consist of subdivision land, residential houses and lots and condominium units for sale and development. These are properties acquired or being constructed for sale in the ordinary course of business rather than to be held for rental or capital appreciation. These are held as inventory and are measured at the lower of cost and net realizable value (NRV).

Cost includes:

- Acquisition cost of subdivision land
- Amounts paid to contractors for construction and development of subdivision land and residential and condominium units
- Capitalized borrowing costs, planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Nonrefundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less costs to complete and the estimated costs of sale. The carrying amount of inventories is reduced through the use of allowance account and the amount of loss is charged to profit or loss.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs. The total costs are allocated pro-rata based on the relative size of the property sold.

Model house accessories

Model house accessories are measured at the lower of cost and net realizable value (NRV).

Land and Improvements

Land and improvements consists of properties for future developments and are carried at the lower of cost or NRV. NRV is the estimated selling price in the ordinary course of business, less cost to complete and costs of sale. Costs include cost incurred for development and improvements of the properties. Upon start of development, the related cost of the land is transferred to real estate inventories.

Prepaid Expenses

Prepaid expenses are carried at cost less the amortized portion. These typically comprise prepayments for marketing fees, taxes and licenses, rentals and insurance.

Creditable Withholding Tax

This pertains to the tax withheld at source by the Group's customer and is creditable against the income tax liability of the Group.

Construction materials

Construction materials are valued at the lower of cost or NRV. Cost is determined using the moving average method. NRV is the replacement cost.

Value-Added Tax (VAT)

The input value-added tax pertains to the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services.

Output VAT pertains to the 12% tax due on the local sale of goods or services by the Group.

If at the end of any taxable month, the output VAT exceeds the input VAT, the outstanding balance is included under "Accounts and other payables" account. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding months and included under "Other current asset" account.

Investment in an Associate

The investment in an associate is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

An investment in an associate is accounted for using the equity method from the day it becomes an associate. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is instead included as income in the determination of the share in the earnings of the investees.

Under the equity method, the investment in an associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the associate, less any impairment in values. The profit or loss reflects the share of the results of the operations of the investee companies reflected as "Equity in net income (loss) of an associate" under "Miscellaneous-net" in the Consolidated Statements of Income. The Group's share of post-acquisition movements in the investee's equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Group and the investee company are eliminated to the extent of the interest in the investee company and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The reporting date of the investee company and the Group is identical and its accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Beginning January 1, 2010, upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

The Group has a reciprocal holding in Starmalls, Inc. (Starmalls) (formerly Polar Property Holdings, Inc.). The Group takes up its share on its associate's profit excluding the equity income arising on the reciprocal holding. An adjustment is also made to reduce the Group's equity balance and its investment in an associate by its effective percentage of ownership on its own shares. As of August 2012, the Group disposed of its ownership in Starmalls.

Investment Properties

Investment properties comprise completed property and property under construction or re-development that are held to earn rentals or for capital appreciation or both. Investment properties, except for 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.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Construction-in-progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time as the relevant assets are completed and put into operational use. Construction-in-progress are carried at cost and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, regardless of utilization. The estimated useful lives and the depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of investment properties.

The estimated useful lives of buildings is 20 years.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the year of retirement or disposal.

Transfers are made to investment property 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 property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of the property for measurement or for disclosure purposes.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance are normally charged against operations in the period in which the costs are incurred.

Depreciation and amortization of property and equipment commences once the property and equipment are available for use and computed using the straight-line basis over the estimated useful life of property and equipment as follows:

	<u>Years</u>
Building and building improvements	20
Transportation equipment	2 to 5
Office furniture, fixtures and equipment	2 to 5
Construction equipment	2 to 5
Other fixed assets	1 to 5

Building improvements are amortized on a straight-line basis over the term of the lease or the estimated useful life of the asset, whichever is shorter.

The useful lives and depreciation and amortization method are reviewed annually to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

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

Interests in Joint Ventures

The Group has interests in joint ventures that are classified into: jointly controlled operations and jointly controlled entity.

Jointly controlled operations

A jointly controlled operation involves the use of assets and other resources of the Group and other venturers rather than the establishment of a corporation, partnership or other entity.

The Group accounts for the assets it controls and the liabilities it incurs, the expenses it incurs and the share of net income that it earns from the sale of real estate inventories by the joint venture.

Jointly controlled entity

A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which the venture has an interest. A jointly controlled entity controls the assets of the joint venture, incurs liabilities and expenses and earns income. Each venture is entitled to a share of the results of the jointly controlled entity. The Group accounts for its share in the jointly controlled entity under the equity method.

Systems Development Costs

Costs associated with developing or maintaining computer software programs are recognized as expense as incurred. Costs that are directly associated with identifiable and unique

software controlled by the Group and will generate economic benefits exceeding costs beyond one year, are recognized as intangible assets to be measured at cost less accumulated amortization and provision for impairment losses, if any.

System development costs recognized as assets are amortized using the straight-line method over their useful lives, but not exceeding a period of three years. Where an indication of impairment exists, the carrying amount of computer system development costs is assessed and written down immediately to its recoverable amount.

Impairment of Nonfinancial Assets

This accounting policy relates to property and equipment, investment properties, investment in an associate, interests in joint ventures, model house accessories and systems development costs.

The Group assesses as at reporting date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. 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 and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase in the other comprehensive income. After such reversal, the depreciation and amortization charge 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.

The following criteria are also applied in assessing impairment of specific assets:

Investment in an associate

After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the investee companies. The Group determines at each reporting date whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount and the carrying value of the investee company and recognizes the difference in profit or loss.

Equity

When the shares are sold at premium, the difference between the proceeds at the par value is credited to "Additional paid-in capital" account. Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital

is not sufficient, the excess is charged against retained earnings. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

The retained earnings account is restricted to payments of dividends to the extent of the cost of treasury shares. As of September 30, 2013, the Group has sold all of its existing treasury shares (Note 18).

Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Real estate revenue

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

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee, Q&A 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, 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 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.

Any excess of collections over the recognized receivables are included in the "Customers' advances and deposits" account in the liabilities section of the consolidated statement of financial position.

When a sale of real estate does not meet the requirements for revenue recognition, the sale is accounted for under the deposit method. Under this method, revenue is not recognized, and the receivable from the buyer is not recorded. The real estate inventories continue to be reported on the consolidated statement of financial position as "Real estate inventories" and the related liability as deposits under "Customers' advances and deposits".

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 its full

development costs, which include estimated costs for future development works, as determined by the Group's in-house technical staff.

Rental income

Rental income from investment property is accounted for on a straight-line basis over the lease term.

Interest income

Interest is recognized using the effective interest method, i.e, the rate, that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividend and miscellaneous income

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

Pension Cost

Pension cost is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Pension cost includes current service cost, interest cost, expected return on any plan assets, actuarial gains and losses and the effect of any curtailments or settlements.

The net pension liability recognized in the consolidated statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs that shall be recognized in later periods. The defined benefit obligation is calculated by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined using risk-free interest rate of government bonds that have terms to maturity approximating to the terms of the related pension liability or applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

The actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are immediately charged to or credited to profit or loss.

Past service cost, if any, is recognized immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service cost is amortized on a straight-line basis over the vesting period.

Short-term employee benefits are expensed as incurred.

Income Tax

Current tax

Current 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 by the reporting date.

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from MCIT and NOLCO can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in 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 reporting date.

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

Commissions

The Group recognizes commissions when services are rendered by the broker. The commission expense is accrued upon receipt of down payment from the buyer comprising a substantial portion of the contract price and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets (included in "Real estate inventories" account in the consolidated statement of financial position). All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment.

Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

Operating Expenses

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

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and 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; a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- (b) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- (c) there is a 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 any of the scenarios above, and at the date of renewal or extension period for the second scenario.

Group as a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of income on a straight-line basis over the lease term. Indirect costs incurred in negotiating an operating lease are added to the carrying value of the leased asset and recognized over the lease term on the same bases as the lease income. Minimum lease payments are recognized on a straight-line basis while the variable rent is recognized as an expense based on the terms of the lease contract.

Group as a lessor

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

Foreign Currency Transactions

Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the period.

Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the year attributable to common stockholders by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares. The calculation of diluted EPS does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

As of September 30, 2013 and December 31, 2012, the Group has no potential dilutive common shares.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 4 to the consolidated financial statements.

Contingencies

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

Events After the Reporting Date

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

3. Significant Accounting Judgments and Estimates

The preparation of accompanying consolidated financial statements in compliance with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

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

Revenue and cost recognition

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

- Buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment; and
- Stage of completion of the project.

Collectability of the sales price

For real estate sales, in determining whether the sales prices are collectible, the Group considers that initial and continuing investments by the buyer of about 5% would demonstrate the buyer's commitment to pay.

Distinction between real estate inventories and land and improvements

The Group determines whether a property will be classified as Real estate inventories or Land and improvements. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle (Real estate inventories) or whether it will be retained as part of the Group's strategic landbanking activities for development or sale in

the medium or long-term (Land and improvements). Land and improvements that are to be developed in the subsequent year are classified as part of the current assets.

Operating lease commitments - the Group as lessee

The Group has entered into contract of lease for some of the office space it occupies. The Group has determined that all significant risks and benefits of ownership on these properties will be retained by the lessor. In determining significant risks and benefits of ownership, the Group considered, among others, the significance of the lease term as compared with the estimated useful life of the related asset. The Group accordingly accounted for these as operating leases.

Operating lease commitments - Group as lessor

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

Classification of property as investment property or real estate inventories

The Group determines whether a property is classified as investment property or inventory property as follows:

- Investment property comprises land and buildings (principally offices, commercial and retail property) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.
- Inventory comprises property that is held for sale in the ordinary course of business. Principally, this is residential and commercial property that the Group develops and intends to sell before or on completion of construction.

Distinction between investment properties and land and improvement

The Group determines a property as investment property if such is not intended for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. Land and improvement comprises property that is retained as part of the Group's strategic landbanking activities for development or sale in the medium or long-term.

Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

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

Impairment of AFS financial assets carried at cost

The Group follows the guidance of PAS 39 in determining when an asset is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates,

among other factors, the duration and extent to which the fair value of an investment is less than its cost; the financial health of and near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Contingencies

The Group is currently involved in various legal proceedings. The estimate of probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material effect on the Group's financial position (Note 20).

Management's Use of Estimates

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

Revenue and cost recognition

The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue from real estate is recognized based on the percentage of completion measured principally on the basis of the actual costs incurred to date over the estimated total costs of the project.

Estimating allowance for impairment losses on receivables

The Group maintains allowances for impairment losses based on the results of the individual and collective assessments under PAS 39. For both individual and collective assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. The estimated cash flows considers the management's estimate of proceeds from the disposal of the collateral less cost to repair, cost to sell and return of deposit due to the defaulting party. The cost to repair and cost to sell are based on historical experience. The methodology and assumptions used for the individual and collective assessments are based on management's judgments and estimates made for the year. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

The balance of the Group's receivables, net of allowance for impairment loss, amounted to ₱ 29,967 million and ₱24,942 million as of September 30, 2013 and December 31, 2012 (Note 7).

Evaluation of net realizable value of real estate inventories and land and improvements

Real estate inventories and land and improvements are valued at the lower of cost or NRV. This requires the Group to make an estimate of the real estate for sale inventories and land and improvements' estimated selling price in the ordinary course of business, cost of completion and costs necessary to make a sale to determine the NRV. The Group adjusts the cost of its real estate inventories and land and improvements to NRV based on its assessment of the recoverability of these assets. In determining the recoverability of these assets, management considers whether these assets are damaged, if their selling prices have declined and management's plan in discontinuing the real estate projects. Estimated selling price is derived from publicly available market data and historical experience, while estimated selling costs are basically commission expense based on historical experience. Management would also obtain the services of an independent appraiser to determine the fair value of undeveloped land based on the latest selling prices of the properties of the same characteristics of the land and improvements.

Real estate inventories amounted to ₱15,128 million and ₱14,752 million as of September 30, 2013 and December 31, 2012, respectively (Note 8). Land and improvements amounted to ₱19,347 million and ₱18,782 million as of September 30, 2013 and December 31, 2012, respectively (Note 8).

Evaluation of impairment

The Group reviews investment in an associate, interest in joint ventures, investment properties, property and equipment and system development costs for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

The Group estimates the recoverable amount as the higher of the fair value less cost to sell and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect investment in an associate, interests in joint venture, investment properties, property and equipment and system development cost.

The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Based on management assessment as of September 30, 2013 and December 31, 2012, no indicators of impairment exist for interests in joint ventures, investment properties, property and equipment, and systems development costs.

The aggregate carrying values of investment properties, interests in joint venture, property and equipment and system development costs amounted to ₱6,413 million and ₱5,975 million as of September 30, 2013 and December 31, 2012, respectively (Notes 10 and 11).

Estimating useful lives of property and equipment, investment properties and systems development costs

The Group estimates the useful lives of property and equipment, investment properties and systems development cost based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment, investment properties and system development cost are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these property and equipment. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned above.

Recognizing deferred tax assets

The Group reviews the carrying amounts of deferred income taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized. The Group looks at its projected performance in assessing the sufficiency of future taxable income.

Estimating pension obligation and other retirement benefits

The determination of the Group's pension liabilities is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rates, expected returns on plan assets and rates of salary increase. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect retirement obligations.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation. Certain financial assets and liabilities were initially recorded at its fair value by using the discounted cash flow methodology. See Note 33 to the consolidated financial statements for the related balances.

4. Segment Information

For management purposes, the Group's operating segments are organized and managed separately according to the nature of the products provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group has three reportable operating segments as follows:

Horizontal Projects

This segment pertains to the housing market segment of the Group. It caters on the development and sale of residential lots and units.

Vertical Projects

This segment caters on the development and sale of residential high-rise condominium projects across the Philippines. Vertical home projects involve dealing with longer gestation periods and has requirements that are different from those of horizontal homes.

Others

This segment pertains to activities from holding companies and others.

In 2011, the Group's management changed the presentation of its reportable segments by presenting the balances pertaining to the parent company and intermediate holding companies separately from Horizontal Projects. Accordingly, the segment information presented in prior year was restated to conform with the current year presentation.

The Group's management believes that this presentation would be more useful to the users of the consolidated financial statements.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment operating income or loss before income tax and earnings before income tax, depreciation and amortization (EBITDA). Segment operating income or loss before income tax is based on the same accounting policies as consolidated operating income or loss. The Group has no intersegment revenues. No operating segments have been aggregated to form the above reportable operating business segments. The chief operating decision-maker (CODM) has been identified as the chief executive officer. The CODM reviews the Group's internal reports in order to assess performance of the Group.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The amount of segment assets and liabilities are based on the measurement principles that are similar with those used in measuring the assets and liabilities in the consolidated statement of financial position which is in accordance with PFRS.

The financial information about the operations of these operating segments for the three month period ended September 30, 2013 is summarized below (amounts in millions):

	Horizontal	Vertical	Total
Real estate revenue	₱ 12,381	₱ 2,446	₱ 14,827
Cost and operating expenses	8,819	1,907	10,726
Segment income before income tax	3,562	539	4,101
Interest income	678	20	698
Miscellaneous income	266	87	353
Interest and other financing charges	(1,160)	(63)	(1,223)
Income before income tax	3,346	583	3,929
Provision for income tax	142	–	142
Net income	₱ 3,204	₱ 583	₱ 3,787

The financial information about the segment assets and liabilities of these operating segments as of September 30, 2013 is summarized below (amounts in millions):

	Horizontal	Vertical	Total
Other Information			
Segment assets	₱ 74,076	₱ 10,309	₱ 84,385
AFS financial assets	41	–	41
Due from related parties	(1,538)	1,988	450
Total Assets	₱ 72,579	₱ 12,297	₱ 84,876
Segment liabilities	₱ 33,682	₱ 2,696	₱ 36,378
Payable to related parties	(4,868)	4,868	–
Deferred tax liabilities	1,333	262	1,595
Total Liabilities	₱ 30,147	₱ 7,826	₱ 37,973
Depreciation and amortization	144	29	173

The Group has no revenue from transactions with a single external customer amounting to 10% or more of the Group's revenue.

5. Cash and Cash Equivalents

This account consists of:

Cash on hand and in banks	4,503
Cash equivalents	495
	4,998

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to nine months depending on the immediate cash requirements of the Group and earn interest as follows:

	Sep 30, 2013	2012
Philippine Peso	0.25% to 5.00%	0.25% to 5.00%
US Dollar	0.25% to 1.00%	0.25% to 1.00%

6. Investments

Short-term cash investments

Short-term cash investments consist of money market placements with maturities of more than nine months up to one year and earn annual interest at the respective short-term investment rates, as follows:

	Sep 30, 2013	2012
	₱1,089	₱915
Philippine Peso	5.00%	5.00%
US Dollar	1.75% to 4.00%	1.75% to 4.00%

Long-term cash investments

Long-term cash investments consist of money market placements made for varying periods of more than one (1) year up to three (3) years. These investments earn interest at the respective long-term investment rates, as follows:

	Sep 30, 2013	2012
	₱4,942	4,659
US Dollar	3.75% to 4.00%	3.75% to 4.00%

The investments are used as collateral to secure the bank loans of the Parent Company (Note 14). The fair values of the aggregate amount of investments used as collateral amounted to ₱1,741 million and ₱3,715 million as of September 30, 2013 and December 31, 2012, respectively.

Available-for-sale financial assets

This account pertains to unlisted preferred shares in a public utility company which the Group will continue to carry as part of the infrastructure that it provides for its real estate development projects and other operations. These are carried at cost less impairment, if any. These amounted to ₱41 million as of September 30, 2013 and December 31, 2012.

In September 30, 2013 and 2012, there were no AFS writedown transferred to the profit or loss.

7. Receivables

This account consists of:

Installment Contracts Receivables:	
Short-term	16,113
Long-term	10,009
	26,122
Receivables from Contractors suppliers, brokers and others	4,168
	30,290
Less: allowance for impairment losses	(323)
Total Receivables, net	29,967
Less: current portion	18,987
	10,980

Installment contracts receivable

Installment contracts receivable consist of accounts collectible in equal monthly installments with various terms up to a maximum of fifteen years. These are carried at amortized cost. The corresponding titles to the subdivision or condominium units sold under this arrangement are transferred to the buyers only upon full payment of the contract price. The installment contracts receivable are interest-bearing except for those with installment terms within two years. Annual interest rates on installment contracts receivables range from 16.00% to 19.00%.

Accounts receivables

The accounts receivables at amortized cost are non-interest bearing and collectible within one year. This consists of the following:

Receivable from contractors

Receivable from contractors are recouped from settlement of progress billings which occur within one year from the date the receivables arose.

Receivable from buyers

Receivables from buyers represent the share of the joint venture partners from the proceeds of real estate sale. The arrangement is covered by a marketing agreement that is separate and distinct from land development agreements (LDAs). These sales do not form part of the Group's revenue. Collections from buyers are remitted to the joint venture partners net of any marketing fees agreed by the venturers.

Receivable from brokers

Receivable from brokers are recouped from progress billing settlement.

Others

Other receivables consist mainly of receivables from various individuals and private entities and other nontrade receivables. These are due and demandable.

Receivables amounting ₱323 million as of September 30, 2013 and December 31, 2012, respectively, are provided fully with impairment allowance.

The impairment losses pertain to individually impaired accounts. These are presented at gross amounts before directly deducting impairment allowance. No impairment losses resulted from performing collective impairment test.

The following presents the breakdown of installment contracts receivable and receivables from contractors, suppliers, brokers and others by maturity dates:

Due within 1 yr	
Installment receivable	16,113
Receivables from contractors suppliers, brokers and others	3,165
	<hr/>
	19,278
Less: allowance for impairment losses	(291)
	<hr/>
	18,987
Due over 1 yr	
Installment receivable	10,009
Receivables from contractors suppliers, brokers and others	1,003
	<hr/>
	11,012
Less: allowance for impairment losses	(32)
	<hr/>
	10,980
	<hr/>
Total Receivables, net	29,967
	<hr/> <hr/>

8. Real Estate Inventories and Land and Improvements

These accounts consist of:

Subdivision land available for sale	18,202
Less: reserve for land development	(7,517)
	<hr/>
	10,685
Residential house and condominium units for sale and development	4,443
	<hr/>
Total subdivision land and residential units for sale and developments	15,128
Land and improvements	19,347
	<hr/>
Total	34,475
	<hr/> <hr/>

The real estate inventories are carried at cost. There is no allowance to recognize amounts of inventories that are lower than cost.

Subdivision land for sale and development represents real estate subdivision projects in which the Group has been granted license to sell by the Housing and Land Use Regulatory Board of the Philippines and raw land inventories.

As of September 30, 2013 and December 31, 2012, subdivision land for sale and development of Brittany and CAPI with an aggregate carrying value of ₱492.51 million, were mortgaged to secure the bank loans of the Parent Company (Note 14).

Real estate inventories recognized as cost of sales amounted to ₱7,233 million and ₱5,973 million in September 30, 2013 and 2012, respectively, and are included as cost of real estate sales in the consolidated statements of income. Cost of real estate sales includes acquisition cost of subdivision land, amount paid to contractors, development costs, capitalized borrowing costs and other costs attributable to bringing the real estate inventories to its intended condition.

Development costs represent approximately 75% to 85% of the cost of sales.

The Group recorded no provision for impairment and no reversal was recognized in September 30, 2013 and 2012.

Borrowing cost capitalized in September 30, 2013 and December 31, 2012 amounted to ₱56 million and ₱220 million, respectively.

There are no real estate inventories used as collateral or pledged as security to secure liabilities.

Land and improvements consists of properties for future development and carried at cost or NRV.

The Group recorded no provision for impairment in September 30, 2013 and December 31, 2012.

The land and improvements are not used to secure the borrowings of the Group.

9. **Other assets**

Other current assets

This account consists of prepaid expenses, creditable withholding taxes, input value-added tax (VAT), construction materials and others and deposits for real estate purchases. Prepaid expenses mainly include prepayments for marketing fees, taxes and licenses, rentals and insurance.

The Group will be able to apply the creditable withholding taxes against income tax payable.

The input VAT is applied against value-added output tax. The remaining balance is recoverable in future periods.

Deposits for real estate purchases substantially represent the Group's payments to real estate property owners for the acquisition of certain real estate properties. Although the terms of the agreements provided that the deeds of absolute sale for the subject properties are to be executed only upon fulfillment by both parties of certain undertakings and conditions, including the payment by the Group of the full contract prices of the real estate properties, the Group already has physical possession of the original transfer certificates of title of the said properties.

Other noncurrent assets

This account consists of deposits, model house accessories at cost and systems development costs – net of accumulated amortization.

Deposits include deposits to utility companies which will either be recouped against future billings or refunded upon completion of the real estate projects. Such deposits are necessary for the construction and development of real estate projects of the Group.

The cost of model house accessories amounted to ₱189 million and ₱166 million as of September 30, 2013 and December 31, 2012, respectively.

Amortization of system development costs amounted to ₱50 million is included in the "Depreciation and amortization" account under "Operating expenses" in profit or loss.

10. Investment Properties

The investment properties consist mainly of land and commercial center that are held to earn rental.

Rental income included earned from investment properties amounted to ₱36 million in September 30, 2013.

There are no investment properties and other investments as of September 30, 2013 and December 31, 2012 that are pledged as security to liabilities.

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase or construct or develop investment properties or for repairs, maintenance and enhancements.

In 2012, real estate inventories with book value amounting ₱595.05 million and property and equipment with book value amounting ₱10.40 million were reclassified to investment properties as these are intended to be developed for commercial and retail purposes and to be subsequently leased out to third parties. There were no reclassifications made as of September 30, 2013.

Building and building improvements and construction in progress approximates their fair values as these are newly constructed fixed assets.

The percentage of completion of various constructions in progress ranges from 80% to 90% in September 30, 2013 and December 31, 2012. These constructions in progress are due to be completed on various dates starting April 2012 up to May 2013.

11. Interests in Joint Ventures

Interests in Jointly Controlled Operations

Interests in jointly controlled operations pertain to deposits, cash advances and other charges in connection with the land development agreements (LDA) entered into by the Group with individuals, corporate entities and related parties for the development of real estate projects. The LDA provides, among others, the following: a) the Group will undertake the improvement, subdivision and development of the real estate project within a certain period as prescribed by the LDA, subject to certain conditions to be fulfilled by the real estate property owner; and b) the parties shall divide among themselves all saleable inventory of the real estate project in accordance with the ratio mutually agreed.

Interests in Jointly Controlled Entity

During 2012, the Group invested ₱24.95 million representing 50.92% interest in Lumina Homes, Inc., a jointly controlled entity.

The Group has not incurred any contingent liabilities in relation to its interests in the jointly controlled entity, nor does the jointly controlled entity has any contingent liabilities for which the Group is contingently liable.

Also, the Group has not entered into any capital commitments in relation to its interest in the jointly controlled entity nor does the jointly controlled entity has any capital commitment for which the Group is committed.

12. Accounts and Other Payables

This account consists of:

Accounts payable	2,657
Dividends payable	884
Retention payable	868
Accrued expenses	792
Deferred VAT payable	637
Commission payable	547
Others	1,236
Total	7,621

Accounts payable - contractor pertains to contractors' billings for services related to the development of various projects of the Group. These are expected to be settled within a year after the reporting date. Deposits and advances to contractors are recognized from the settlement amounts due to contractors. These are applied within one year from the date the deposits and advances were made.

Accrued expenses consist mainly of accruals for project cost estimate, interest, light and power, marketing costs, professional fees, postal and communication, supplies, repairs and maintenance, transportation and travel, security, and insurance.

Accounts payable, accrued expenses, retentions payable and commission payable are noninterest-bearing and are expected to be settled within a year after the reporting date.

Accounts payable supplier represents construction materials, marketing collaterals, office supplies and property and equipment ordered and delivered but not yet due. Retentions payable pertains to 10% retention from the contractors' progress billings which will be later released after the completion of contractors' project. The 10% retention serves as a security from the contractor should there be defects in the project.

Deferred output tax pertains to the VAT charged to the buyers on installment upon contracting but which were not yet collected as of reporting date. Further, upon collection on the installment receivables, the equivalent output tax is being included in the current VAT payable on the month where such collection is made.

Commissions payable pertain to fees paid to brokers for services rendered.

Accounts payable - buyer pertain to refunds related to the cancellation of contract to sell agreement in which a reasonable refund is required by the Maceda Law and excess of payments for accounts settled by bank financing.

Others include amounts pertaining to other non-trade liabilities such as salaries related premiums, withholding taxes, VAT payable and dividends payable.

13. Customers' Advances and Deposits

This account consists of customers' reservation fees, downpayments and excess of collections over the recognized receivables based on percentage of completion.

The Group requires buyers of residential houses and lots to pay a minimum percentage of the total selling price before the two parties enter into a sale transaction. In relation to this, the customers' advances and deposits represent payment from buyers which have not reached the minimum required percentage. When the level of required payment is reached

by the buyer, a sale is recognized and these deposits and downpayments will be applied against the related installment contracts receivable.

The excess of collections over the recognized receivables is applied against the percentage of completion in the succeeding years.

14. Bank Loans and Loans Payable

Bank loans

Bank loans pertain to the borrowings of the Group from various local financial institutions. Further analysis is provided below:

	Bank Loans	Loans Payable
Parent company	8,967	–
Subsidiaries	46	3,052
	9,013	3,052
Less current portion	529	1,068
	8,484	1,984

On June 28, 2013, the Parent Company obtained ₱1,000.00 million peso-denominated bank loan which bear annual fixed interest rate of 5.90%. This will mature in June 2018. The principal balance of the loan will be paid in 12 equal quarterly installment starting June 2015.

On June 8, 2013, the Parent Company obtained ₱5,000.00 million peso-denominated bank loan which bear annual fixed interest rate of 5.75%. This will mature in June 2018. The principal balance of the loan will be paid in 20 equal quarterly installment.

On various dates in 2012 and 2011, the Parent Company obtained ₱2,020.00 million and ₱1,500.00 million peso-denominated bank loans from a local bank which bear annual fixed interest rate of 5.30% and 5.50% and secured by a holdout on the US dollar deposits amounting US\$50.50 million and US\$37.50 million, respectively (Note 6). This will mature in June 2013. On June 10, 2013, the Company paid the ₱2,020.00 million bank loan.

The Parent Company obtained a peso-denominated bank loan from a local bank amounting ₱270.00 million which bears annual fixed interest rate of 6.00% and will mature on June 15, 2012. The loan is secured by a real estate mortgage over certain properties of CAPI with a carrying value amounting to ₱450.00 million. On June 15, 2012, the Parent Company paid the bank loans amounting ₱270.00 million.

On July 30, 2010, the Parent Company obtained a peso-denominated bank loan from a local bank amounting ₱207.34 million which bear annual fixed interest rate of 8.39% and will mature on July 30, 2013. The loan is secured by real estate mortgage of certain properties of Brittany and CAPI with an aggregate carrying value amounting ₱207.90 million in September 30, 2013 and December 31, 2012 (Note 8). As of September 30, 2013 and December 31, 2012, the balance of the loan is nil and ₱90.18 million, respectively.

On November 2, 2010, the Parent Company obtained a peso-denominated bank loan from a local bank amounting ₱199.23 million which bear annual fixed interest rate of 7.83% and will mature on October 31, 2013. The loan is secured by real estate mortgage of certain properties of Brittany and CAPI with a book value amounting ₱284.61 million (Note 8).

On December 9, 2010, the Parent Company obtained a peso-denominated bank loan from a local bank amounting ₱1,600.00 million which bear annual fixed interest rate of 6.50% and will mature on December 6, 2015. The loan is secured by a hold-out on the US dollar deposits amounting US\$40.00 million (Note 6).

The bank loans of the Parent Company and certain subsidiaries provide for certain restrictions and requirements with respect to, among others, payment of dividends, incurrence of additional liabilities, investment and guaranties, mergers or consolidations or other material changes in their ownership, corporate set-up or management, acquisition of treasury stock, disposition and mortgage of assets and maintenance of financial ratios at certain levels. These restrictions and requirements were complied with by the Group as of September 30, 2013 and December 31, 2012.

Loans Payable

Loans payable pertain to the remaining balance of “Installment contracts receivable” of Subsidiaries that were sold on a with recourse basis. These loans bear annual fixed interest rates ranging from 7.00% to 12.00% in 2013 and 2012, payable on equal monthly installments over a maximum period of 3 to 15 years. The installment contracts receivables serve as the collateral for the loans payable. This will mature on various dates beginning May 2012 up to December 2027.

15. Liabilities for Purchased Land

Liabilities for purchased land are payables to various real estate property sellers. Under the terms of the agreements executed by the Group covering the purchase of certain real estate properties, the titles of the subject properties shall be transferred to the Group only upon full payment of the real estate loans.

16. Notes Payable

Homebuilder Bonds

On November 16, 2012, the Parent Company was authorized to offer and issue to the public Homebuilder bonds (the Bonds) of up to ₱2.5 billion with an initial offering of ₱500.40 million for funding general corporate purposes.

The first tranche will be issued in equal monthly installments of up to ₱13.9 million over a period of thirty-six (36) months, commencing on November 16, 2012 at a fixed interest rates of 5.00% per annum and shall mature three (3) years from the initial issue date. For the nine months ended September 30, 2013 and year ended December 31, 2012, total bonds issued by the Parent Company amounted to ₱99 million and ₱28 million, respectively. The carrying value of the bonds as of September 30, 2013 and December 31, 2012 amounted to ₱100 million and ₱18 million, respectively.

Other pertinent provisions of the bonds follow:

Redemption at the option of the issuer

At any time prior to November 16, 2015, the Parent Company may redeem the bonds if the bondholder selects the application of payment for the purchase of Vista Land property provided that: (i) early application of payment is only available to eligible bondholders allowed by law to purchase the selected Vista Land property; (ii) the bondholder expresses his intention to apply the payment for the purchase of a Vista Land property through written notice to the Parent Company; and (iii) the Parent Company approves the early application of payment. However, the bondholder can avail itself of this early application of payment only if: (i) such bondholder is able to fully pay or obtain firm bank or in-house financing; and (ii) the property of the bondholder’s choice is from what the Parent Company makes available to the bondholder to choose from.

Extension option

The bondholder may opt to extend the maturity of the bonds held and subscribe additional bonds for another twenty four (24) months, for and at the same monthly subscription payment, with the following terms:

- The first tranche of the bonds will have a maximum aggregate principal amount of ₱834.00 million, including any and all additional subscriptions;
- All subscriptions held by bondholders who exercised the extension option shall mature on the fifth (5th) anniversary of the initial issue date;
- Upon exercise of the extension option at least six (6) months prior to the initial maturity date, all subscriptions held shall bear interest on principal amount at a fixed rate of 6.75% per annum, applied prospectively from the initial maturity date to the extended maturity date; and
- Interest will not be compounded and shall be payable on the relevant maturity date or on the early redemption date, as may be applicable, less the amount of any applicable withholding taxes.

Corporate Note Facility

On April 20, 2012, the Parent Company secured a Corporate Note Facility of up to ₱4.5 billion from financial institutions to fund the Group's on-going real estate development projects, to refinance or replace existing borrowings and for general corporate purposes. The Corporate Notes shall bear fixed interest rate based on applicable bench mark rate on drawdown date plus a certain spread and will mature five (5) years from drawdown date. The principal balance of the loan will be paid in 17 equal quarterly installment starting April 2013.

On April 24, 2012, the Parent Company issued Corporate Notes that bear fixed interest rate of 7.27% and shall mature on April 25, 2017. On June 26, 2012, the Parent Company exercised the over-subscription option and issued additional corporate notes amounting ₱300.00 million. The carrying value of the Corporate Notes amounted to ₱2,857 million and ₱4,730 million as of September 30, 2013 and December 31, 2012, respectively.

Covenant

The Corporate Note Facility provides for the Parent Company to observe certain covenants including, among others, incurrence of additional debt; dividend restrictions; maintenance of financial ratios; granting of loans; and certain other covenants. These were complied with by the Group as of September 30, 2013 and December 31, 2012.

US\$ 150.34 million Notes

On September 30, 2010, the Parent Company issued US\$100.00 million notes (the Notes) with a term of five years from the issue date. The interest rate is 8.25% per annum payable semi-annually in arrears on March 30 and September 30 of each year commencing on March 30, 2011.

On March 30, 2011, an additional note, with the same terms and conditions with the above notes, were issued by the Parent Company amounting US\$75.00 million.

On June 19, 2012, the Company retired US\$22.00 million out of the US\$100.00 million notes.

The Notes are unconditionally and irrevocably guaranteed by the subsidiaries of the Parent Company. Other pertinent provisions of the Notes follow:

Redemption at the option of noteholders

The Parent Company will, at the option of any noteholder, redeem such Note on September 30, 2013 at its principal amount. As of September 30, 2013, notes amounting to US\$2.66 million were redeemed.

Redemption at the option of the issuer

At any time prior to September 30, 2013, the Parent Company may redeem up to 35% of the aggregate principal amount of the Notes originally issued at a redemption price equal to 108.25% of the principal amount, plus accrued and unpaid interest, if any, to the date of redemption with the net cash proceeds of an equity offering; provided that: (i) at least 65% of the aggregate principal amount of Notes originally issued remains outstanding immediately after the occurrence of such redemption and (ii) the redemption occurs within 60 days of the date of the closing of such equity offering. The Notes contains an equity clawback option. However, no derivative asset was recognized on the prepayment option since the possibility of an equity offering by the Group is remote.

Covenants

On May 8, 2013, the Company solicited consent from its existing bondholders to amend certain terms and conditions of the Notes. As of May 29, 2013, 97.6% of outstanding amount voted in favor to such amendment.

The Notes provide for the Parent Company and Subsidiaries to observe certain covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers, acquisitions and disposals; and certain other covenants. These were complied with by the Group as of September 30, 2013 and December 31, 2012.

17. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence (referred to herein as “affiliates”). Related parties may be individuals or corporate entities.

The Group in their regular conduct of business has entered into transactions with affiliates and other related parties principally consisting of advances and reimbursement of expenses and purchase and sale of real estate properties. The Group’s policy is to settle its intercompany receivables and payables on a net basis.

As of September 30, 2013 and December 31, 2012, the Group has not made any provision for impairment loss relations to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

18. Equity

Capital Stock

The details of the Parent Company’s capital stock follow:

	Sep 30, 2013	Dec 31, 2012	Dec 31, 2011
<i>Common</i>			
Authorized shares	11,900,000,000	11,900,000,000	11,000,000,000
Par value per share	₱1.00	₱1.00	₱1.00
Issued shares	8,538,740,614	8,538,740,614	8,538,740,614
Treasury shares	-	133,910,000	39,643,000

	Sep 30, 2013	Dec 31, 2012	Dec 31, 2011
<i>Preferred</i>			
Authorized shares	10,000,000,000	10,000,000,000	10,000,000,000
Par value per share	₱0.01	₱0.01	₱0.10
Issued shares	3,300,000,000	-	-

On September 30, 2013, the Company issued in favor of Fine Properties, Inc. (“Fine Properties”), Three Billion Three Hundred Million (3,300,000,000) new Preferred Shares out of the unissued portion of its authorized capital stock at the issue price of P0.01 per share, or an aggregate issue price of P33 million. The subscription price on the aforesaid Preferred Shares was fully paid by Fine Properties in cash on the same date.

On October 5, 2012, the Parent Company’s Board of Directors (BOD) approved the amendment of the Articles of Incorporation decreasing the par value of the Parent Company’s preferred shares from ₱0.10 per share with an aggregate par value of ₱1.00 billion to ₱0.01 per share with an aggregate par value of ₱100.00 million, and the corresponding increase in the number and amount of the Parent Company’s authorized common shares from 11.00 billion common shares with aggregate par value of ₱11.00 billion to 11.90 billion common shares with aggregate par value of ₱11.90 billion. Thus, as amended, the authorized capital stock of the Parent Company shall be ₱12.00 billion divided into 11.90 billion common shares with par value of ₱1.00 per share and 10 billion preferred shares with par value of ₱0.01 per share.

The BOD also approved the revision of certain features of the same preferred shares, more specifically: (i) the maximum amount of dividend that may be declared and paid on the preferred shares will be reduced from 10% per annum to 5% per annum or the 1-year PDST-R1 rate, whichever is lower; and (ii) the preferred shares shall no longer be entitled to cumulative dividends.

The amended Articles of Incorporation was duly approved by the Securities and Exchange Commission (SEC) on November 27, 2012.

On November 24, 2010, the SEC approved the amendments to the Parent Company’s Articles of Incorporation embodying the reclassification of the unissued common shares to new preferred shares.

The new preferred shares are voting, cumulative, non-participating, non-convertible and non-redeemable. The BOD may determine the dividend rate which shall in no case be more than 10% per annum.

On August 13, 2010, the BOD approved the reclassification of 1.0 billion unissued common shares with a par value of ₱1.00 per share into 10.0 billion new preferred shares with a par value of ₱0.10 per share and the amendment of the Parent Company’s Articles of Incorporation to reflect the reclassification of the unissued common shares into new preferred shares. On September 27, 2010, the Parent Company’s stockholders ratified the reclassification.

On July 26, 2007, the Parent Company launched its follow-on offer where a total of 8,538,740,614 common shares were offered at an offering price of ₱6.85 per share. The registration statement was approved on June 25, 2007. The Parent Company has 1,045 and 1,074 existing certified shareholders as of December 31, 2012 and 2011, respectively.

Treasury Shares

On January 3, 2013, the Group sold, as authorized by the BOD, all of its existing 133,910,000 treasury shares at ₱4.75 per share or ₱636.07 million. The cost of the treasury

shares and the related additional paid-in capital recognized amounted to ₱509.61 million and ₱126.47 million, respectively.

As of December 31, 2012, treasury stocks acquired represent 133,910,000 common shares that amounted to ₱509.61 million.

On June 15, 2011, the BOD of the Parent Company approved the buyback of its common shares up to the extent of the total purchase price of ₱1.5 billion subject to the prevailing market price at the time of the buyback over a 24-month period but subject to periodic review by the management.

The movements in the Parent Company's outstanding number of common shares follow:

	Sep 30, 2013	Dec 31, 2012	Dec 31, 2011
At January 1	8,405	8,499	8,539
Treasury shares acquired	-	(94)	(40)
Treasury shares sold	134	-	-
	8,539	8,405	8,499

Retained Earnings

On September 11, 2013, the BOD approved the declaration of a regular cash dividend amounting to ₱871.00 million or ₱0.102 per share, payable to all stockholders of record as of September 26, 2013. The said dividends are payable on October 22, 2013.

On June 15, 2012, the BOD approved the declaration of a special cash dividend amounting to ₱336.90 million or ₱0.04 per share, payable to all stockholders of record as of July 2, 2012. The said dividends are payable on July 26, 2012. Subsequently, on September 17, 2012, the BOD approved the declaration and payment of cash dividends from the unrestricted retained earnings of the Parent Company amounting to ₱705.16 million or ₱0.084 per share payable to stockholders of record at the close of business on October 2, 2012. The said dividends are payable on October 26, 2012.

On May 17, 2011, the BOD approved the declaration and payment of cash dividends from the unrestricted retained earnings of the Parent Company amounting to ₱298.86 million or ₱0.035 per share payable to stockholders of record at the close of business on June 1, 2011. The said dividends are payable on June 28, 2011. Subsequently, on September 13, 2011, the BOD approved the declaration and payment of cash dividends from the unrestricted retained earnings of the Parent Company amounting ₱594.96 million or ₱0.07 per share payable to stockholders of record at the close of business on September 28, 2011. The said dividends are payable on October 24, 2011.

On September 15, 2010, the BOD approved the declaration and payment of cash dividends from the unrestricted retained earnings of the Parent Company amounting to ₱461.09 million or ₱0.054 per share payable to stockholders of record at the close of business on September 30, 2010. The said dividends are payable on October 26, 2010.

Capital Management

The primary objective of the Group's capital management policy is to ensure that debt and equity capital are mobilized efficiently to support business objectives and maximize shareholder value. The Group establishes the appropriate capital structure for each business line that properly reflects its premier credit rating and allows it the financial flexibility, while providing it sufficient cushion to absorb cyclical industry risks.

The Group considers debt as a stable source of funding. The Group lengthened the maturity profile of its debt portfolio and makes it a point to spread out its debt maturities by not having a significant percentage of its total debt maturing in a single year.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both a gross debt and net debt basis. As of December 31, 2012 and 2011, the Group had the following ratios:

	Sep 30, 2013	Dec 31, 2012
Current ratio	271%	182%
Debt-to-equity ratio	81%	70%
Asset-to-equity ratio	181%	170%

The Group is not subject to externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the nine months ended September 30, 2013 year ended December 31, 2012.

The Group considers as capital the equity attributable to equity holders of the Group.

The following table shows the component of the Parent Company's equity which it manages as capital as of September 30, 2013 and December 31, 2012:

	Sep 30, 2013	Dec 31, 2012
Total paid-up capital	₱28,027	₱27,868
Retained earnings	19,192	16,280
Other comprehensive income	(316)	(3)
Treasury shares	-	(510)
	₱46,903	₱43,635

Financial risk assessment

The Group's financial condition and operating results would not be materially affected by the current changes in liquidity, credit, interest, currency and market conditions.

Credit risks continue to be managed through defined credit policies and continuing monitoring of exposure to credit risks. The Group's base of counterparties remains diverse. As such, it is not exposed to large concentration of credit risk.

Exposure to changes in interest rates is reduced by regularly availing of short-term loans as it relates to its sold installment contracts receivables in order to cushion the impact of potential increase in loan interest rates.

Exposure to foreign currency holdings are as follows:

	Sep 30, 2013	Dec 31, 2012
Cash and cash equivalents	US\$5	US\$6
Short-term cash investments	20	20
Long-term cash investments	114	114
Notes payable - net	151	150

Liquidity risk is addressed with long-term funding already locked in, while funds are placed on a short term placement.

19. Financial Assets and Liabilities

The following table sets forth the carrying values and fair values of the Group's financial assets and liabilities recognized as September 30, 2013 and December 31, 2012 (in million pesos):

	Sep 30, 2012		Dec 31, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Loans and receivable				
Cash and cash equivalents	₱4,998	₱4,998	₱1,959	₱1,959
Short-term cash investments	1,089	1,089	915	915
Installment contract receivables	26,122	24,223	21,462	21,545
Other receivables	4,159	4,159	3,731	3,731
Due from related parties	450	450	186	186
Long-term cash investments	4,942	4,977	4,659	4,692
	41,760	41,896	32,912	33,028
AFS financial assets	41	41	41	41
Total Financial Assets	₱41,801	₱41,937	₱32,953	₱33,069

Financial Liabilities

Other financial liabilities

Bank loans	₱9,013	₱9,781	₱4,010	₱4,352
Loans payable	3,052	3,315	2,800	3,042
Liabilities for purchased land	1,842	1,789	1,915	1,860
Accounts and other payables	7,015	7,015	5,428	5,428
Notes payable	9,252	11,229	10,913	13,688
Total Financial Liabilities	₱ 30,174	₱ 33,129	₱25,066	₱28,370

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

Cash and cash equivalents and short-term cash investments: Due to the short-term nature of the account, the fair value of cash and cash equivalents and short-term cash investments approximate the carrying amounts in the consolidated statements of financial position.

Installment contracts receivables: Estimated fair value of installment contracts receivables is based on the discounted value of future cash flows using the prevailing interest rates for similar types of receivables as of the reporting date using the remaining terms of maturity. The discount rate used ranged from 1.86% to 4.00% in 2013 and 2012.

Other receivables: due to the short-term nature of the account, the fair value of other receivables approximates the carrying amounts.

Long-term cash investments: The fair values are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rate used ranges from 3.75% to 4.00% in 2013 and 2012.

AFS financial assets: for AFS investment in unquoted equity securities, these are carried and presented at cost since fair value is not reasonably determine due to the unpredictable nature of future cash flows and without any other suitable methods of arriving at a reliable fair value.

The AFS financial assets carried at cost are preferred shares of a utility company issued to the Group as a consequence of its subscription to the electricity services of the said utility company needed for the Group's residential units. The said preferred shares have no active

market and the Group does not intend to dispose these because these are directly related to the continuity of its business.

Payable to related parties: due to the short-term nature of the account, carrying amounts approximate their fair values.

Accounts and other payables: fair values of accounts and other payables approximate their carrying amounts in the consolidated statement of financial position due to the short-term nature of the transactions.

Bank loans, loans payable, notes payable and liabilities for purchased land: estimated fair values of bank loans and liabilities for purchased land are based on the discounted value of future cash flows using the applicable rates for similar types of loans. Interest rates used in discounting cash flows ranges from 5.30% to 12.00% in 2013 and 2012 using the remaining terms to maturity.

The Group uses the following three-level hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1:* quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2:* other valuation techniques involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3:* other valuation techniques involving inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group has no financial instruments measured at fair value as of September 30, 2013 and December 31, 2012.

Financial Risk Management Objectives and Policies

Financial risk

The Group's principal financial liabilities comprise of bank loans, loans payable, notes payable, accounts and other payables and liabilities for purchased land. The main purpose of the Group's financial liabilities is to raise financing for the Group's operations. The Group has various financial assets such as installment contracts receivables, cash and cash equivalents and short-term and long-term cash investments, which arise directly from its operations. The main risks arising from the use of financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

The BOD reviews and approves with policies for managing each of these risks. The Group monitors market price risk arising from all financial instruments and regularly report financial management activities and the results of these activities to the BOD.

The Group's risk management policies are summarized below. The exposure to risk and how they arise, as well as the Group's objectives, policies and processes for managing the risk and the methods used to measure the risk did not change from prior years.

Cash flow interest rate risk

The Group's exposure to market risk for changes in interest rates, relates primarily to its financial assets and liabilities that are interest-bearing.

The Group's policy is to manage its interest cost by entering into fixed rate debts. The Group also regularly enters into short-term loans as it relates to its sold installment contracts receivables in order to cushion the impact of potential increase in loan interest rates.

The table below shows the financial assets and liabilities that are interest-bearing (in million):

	Sep 30, 2013		Dec 31, 2012	
	Effective Interest		Effective Interest	
	Rate	Amount	Rate	Amount
Financial Assets				
<i>Fixed Rate</i>				
Cash and cash equivalents (excluding cash on hand)	1.00% - 4.06%	₱4,970	1.00% - 4.06%	₱1,933
Short-term cash investments	1.75% - 4.00%	1,089	1.75% - 4.00%	915
Long-term cash investments	1.75% - 4.00%	4,942	1.75% - 4.00%	4,659
Installment contracts receivable	7.50% - 19.0%	26,122	7.50% - 19.0%	21,462
Total		₱37,123		₱28,969
Financial Liabilities				
<i>Fixed rate</i>				
Notes payable	8.25%	₱9,252	8.25%	₱10,913
Bank loans	5.50% to 8.40%	9,013	5.50% to 8.40%	4,010
Loans payable	9.50% to 13.0%	3,052	9.50% to 13.0%	2,800
Liabilities for purchased land	8.25%	1,842	8.25%	1,915
Total		₱ 23,159		₱19,638

As of September 30, 2013 and December 31, 2012, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

Foreign exchange risk

The Group's foreign exchange risk results primarily from movements of the Philippine peso against the United States Dollar (USD). Approximately 17.56% and 20.46% of the debt of the Group as of September 30, 2013 and December 31, 2012, respectively, are denominated in USD. The Group's foreign currency-denominated debt comprises of the Bonds in 2013 and 2012. Below are the carrying values and the amounts in US\$ of these foreign currency denominated financial assets and liabilities.

	Sep 30, 2013		Dec 31, 2012	
	Peso	US\$	Peso	US\$
Cash and cash equivalents	229	5	241	6
Short-term cash investments	871	20	821	20
Long-term cash investments	4,942	114	4,659	114
Notes payable	6,546	150	6,165	150

In translating the foreign currency- denominated monetary assets in peso amounts, the Philippine Peso - US dollar exchange rates as of September 30, 2013 and December 31, 2012 used were ₱43.54 and ₱41.05 to US\$1.00, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate until its next annual reporting date, with all other variables held constant, of the Group's September 30, 2013 profit before tax (due to changes in the fair value of monetary assets and liabilities) as of September 30, 2013.

	Increase/decrease in US Dollar rate	Effect on profit before tax (in million)
Cash and cash equivalents	+1	₱5

	-1	(5)
Short-term cash investments	+1	20
	-1	(20)
Long-term cash investments	+1	114
	-1	(114)
Note payable	+1	(150)
	-1	150

The assumed movement in basis points for foreign exchange sensitivity analysis is based on the currently observable market environment, showing no material movements as in prior years.

There are no items affecting equity except for those having impact on profit or loss.

Credit risk

The Group transacts only with recognized and creditworthy third parties. The Group's receivables are monitored on an ongoing basis resulting to manageable exposure to bad debts. Real estate buyers are subject to standard credit check procedures, which are calibrated based on the payment scheme offered. The Group's respective credit management units conduct a comprehensive credit investigation and evaluation of each buyer to establish creditworthiness.

Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts. In addition, the credit risk for installment contracts receivables is mitigated as the Group has the right to cancel the sales contract without need for any court action and take possession of the subject house in case of refusal by the buyer to pay on time the due installment contracts receivable. This risk is further mitigated because the corresponding title to the subdivision units sold under this arrangement is transferred to the buyers only upon full payment of the contract price and the requirement for remedial procedures is minimal given the profile of buyers.

With respect to credit risk arising from the other financial assets of the Group, which are comprised of cash and cash equivalents, short-term and long-term cash investments and AFS financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group manages its cash by maintaining cash accounts with banks which have demonstrated financial soundness for several years. The Group's investments in AFS are incidental to its housing projects and are considered by the Group to be of high quality because these are investments with the biggest electric utility company in the country.

Liquidity Risk

The Group monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash deemed sufficient to finance its cash requirements. Operating expenses and working capital requirements are sufficiently funded through cash collections. The Group's loan maturity profile is regularly reviewed to ensure availability of funding through adequate credit facilities with banks and other financial institutions.

The extent and nature of exposures to liquidity risk and how they arise as well as the Group's objectives, policies and processes for managing the risk and the methods used to measure the risk are the same for September 30, 2013 and December 31, 2012.

20. Commitments and Contingencies

The Group has entered into several contracts with contractors for the development of its real estate properties. These contracts are due to be completed on various dates starting January 2013 up to May 2015.

The progress billings are settled within one year from date of billings. These are unsecured obligations and carried at cost.

The Group has various contingent liabilities from legal cases arising from the ordinary course of business which are either pending decision by the courts or are currently being contested by the Group, the outcome of which are not presently determinable.

In the opinion of the management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect in the Group's financial position and results of operations.

There were no material updates on the contingencies disclosed in Note 36 of the December 31, 2012 audited financial statements.

21. Subsequent Events

On October 7, 2013, VLLI issued US \$100 million notes (the Notes) with a term of five years from the issue date. The interest rate is 6.75% per annum payable semi-annually in arrears on March 27 and September 27 of each year commencing on March 27, 2014. The Notes are guaranteed by the Parent Company and its subsidiaries.

Financial Soundness Indicator

Below are the financial ratios that are relevant to the Group for the period ended September 30, 2013 and 2012.

		09/30/13	12/31/12
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	2.71	1.82
Long-term debt-to-equity ratio	$\frac{\text{Long-term debt}}{\text{Equity}}$	0.40	0.19
Debt ratio	$\frac{\text{Total liabilities}}{\text{Total assets}}$	0.45	0.41
		09/30/13	09/30/12
EBITDA to total interest expense	$\frac{\text{EBITDA}}{\text{Interest expense}}$	4.39	4.67
Price Earnings Ratio	$\frac{\text{Closing price}^*}{\text{Earnings per share}}$	12.02	12.43

**Closing price at September 30, 2013 and September 28, 2012*

HOMEBUILDER BONDS
Schedule and Use of Proceeds
As of September 30, 2013

	SUBSCRIPTION		
	PER PROSPECTUS	ACTUAL	COLLECTED as of September 30, 2013
Estimated proceeds from the sale of the Bonds	Php500,400,000.00	Php500,400,000.00	Php129,650,000.00
Less: Estimated expenses			
SEC Registration			
SEC Registration Fee	1,187,500.00	1,199,425.00	1,199,425.00
SEC Legal Research Fee	11,875.00	-	-
Underwriting and Other Professional Fees			
Financial Advisory, Issue Management and Underwriting Fee	12,510,000.00	11,749,005.37	11,749,005.37
Legal Fee - Underwriter	1,275,000.00	1,380,938.00	1,380,938.00
Legal Fee - Issuer	2,000,000.00	1,325,962.20	1,325,962.20
Marketing/Printing/Photocopying	750,000.00	422,735.94	446,294.64
Costs and out-of-pocket expenses			
Trustee and Custodian Fees	720,000.00	720,000.00	720,000.00
Registry and Calculating Agency Fees	4,920,000.00	4,920,000.00	4,920,000.00
Collecting and Paying Agent Fees	1,500,000.00	1,500,000.00	1,500,000.00
Technology Fee	400,000.00	400,000.00	400,000.00
Documentary Stamp Tax	2,502,000.00	2,502,000.00	648,250.00
Audit Fee	3,696,000.00	5,082,000.00	5,082,000.00
Others (trademark application)	-	2,700.00	2,700.00
	<u>31,472,375.00</u>	<u>31,204,766.51</u>	<u>29,374,575.21</u>
Net proceeds to Vista Land & Lifescapes, Inc.	<u>Php468,927,625.00</u>	<u>Php469,195,233.49</u>	<u>Php100,275,424.79</u>
Balance of proceeds as of September 30, 2013			Php100,275,424.79

Vista Land sold P500 million of the Bonds and collected P129.6 million as of September 30, 2013. After issue-related expenses, actual net collection amounted to P100.3 million. The net collection was deposited in the bank and is part of the Cash and cash equivalents balance in the balance sheet as of September 30, 2013.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations covering 9-months of 2013 vs. 9-months of 2012

Revenues

Real Estate

The Company recorded revenue from real estate sales of ₱14,827 million for the 9-months of 2013, an increase of 22% from ₱12,154 million in same period last year. This was primarily attributable to the increase in the overall completion rate of sold inventories of its business units particularly that of Communities Philippines, Vista Residences and Crown Asia during the 9-months of 2013 compared to the 9-months of 2012. The Company uses the percentage-of-completion method of revenue recognition where revenue is recognized in reference to the stages of development of the properties.

- Communities Philippines posted real estate revenue of ₱6,713 million for the 9-months of 2013, an increase of 69% from ₱23,963 million for the 9-months of 2012. This was primarily attributable to the increase in the overall completion rate of its sold inventories in the 9-months of 2013 compared to the 9-months of 2012. Communities Philippines is the business unit of Vista Land that offers residential properties outside the Mega Manila area.
- Real estate revenue of Vista Residences increased by 38% to ₱820 million for the 9-months of 2013 from ₱595 million for the same period last year. This was primarily attributable to the increase in the overall completion rate of its sold inventories in the 9-months of 2013 compared to the 9-months of 2012. Vista Residences is the business unit of Vista Land that develops and sells vertical projects across the Philippines.
- Real estate revenue of Crown Asia increased by 18% to ₱1,846 million for the 9-months of 2013 from ₱1,558 million in the 9-months of 2012. This was primarily attributable to the increase in the overall completion rate of its sold inventories in the 9-months of 2013 compared to the 9-months of 2012. Crown Asia is Vista Land's business unit for the upper-middle income segment of the market.
- Real estate revenue of Camella Homes increased by 1% to ₱4,231 million for the 9-months of 2013 from ₱4,169 million for the 9-months of 2012. This was primarily attributable to the increase in the overall completion rate of sold inventories in the 9-months of 2013 compared with 9-months of 2012. Camella Homes caters to the mid to low-end segment of the market.
- Real estate revenue of Brittany decreased by 35% to ₱1,218 million for the 9-months of 2013 from ₱1,869 million for the same period last year. This was primarily attributable to the decrease in the level of sold inventories under development in the 9-months of 2013 compared to the 9-months of 2012. Brittany caters to the high-end segment of the market

Interest income

Interest income increased by 5% to ₱698 million for the 9-months of 2013 from ₱663 for the 9-months of 2012 due to higher level of cash and cash investments as well as from collection of interest from installment receivables.

Miscellaneous

Miscellaneous revenue increased by 5% to ₱391 million from ₱374 million for the 9-months of 2013 for the 9-months of 2012 due to the forfeitures from cancellations and rental income recorded for the period.

Costs and Expenses

Cost and expenses increased by 22% from ₱9,810 million for the 9-months of 2012 to ₱11,987 million in the 9-months of 2013. The 22% increase in the account was primarily attributable to the following:

- Cost of real estate sales increased by 21% from ₱5,973 million for the 9-months of 2012 to ₱7,233 million for the 9-months of 2013. This was primarily due to the increase in the overall recorded sales of Vista Land's business units.
- Operating expenses increased by 21% to ₱3,493 million for the 9-months of 2013 from ₱2,888 million for the 9-months of 2012. This was primarily due to the following:
 - an increase in advertising and promotions to ₱989 million for the 9-months of 2013 from ₱728 million for the 9-months of 2012 resulting from increased marketing activities implemented during the period;
 - an increase in the salaries, wages and employee benefits to ₱500 million for the 9-months of 2013 from ₱430 million for the 9-months of 2012 resulting from increase in manpower of the Group;
 - an increase in commission expense to ₱770 million for the 9-months of 2013 from ₱715 million for the 9-months of 2012 resulting from increased sales during the period
- Interest and financing charges increased by 29% from ₱949 million for the 9-months of 2012 to ₱1,223 million for the 9-months of 2013 due to a higher interest bearing liabilities for the period.
- Unrealized foreign exchange loss was ₱38 million for the 9-months of 2012 due to the depreciation of the reporting currency for the period.

Provision for Income Tax

Provision for income tax was decreased by 13% to ₱142 million for the 9-months of 2013 and from ₱164 million in the 9-months of 2012. The decrease was due primarily to lower taxable income reported during the period.

Net Income

As a result of the foregoing, the Company's net income increased by 17% to ₱3,787 million for the 9-months of 2013 from ₱3,234 million for the 9-months of 2012.

For the 9-months of 2013, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

There are no significant elements of income or loss that arise from the Company's continuing operations.

Financial Condition as of September 30, 2013 vs. December 31, 2012

Total assets as of September 30, 2013 were ₱84,876 million compared to ₱74,332 million as of December 31, 2012, or a 14% increase. This was due to the net effect of the following:

- Cash and cash equivalents increased by ₱3,039 million from ₱1,959 million as of December 31, 2012 to ₱4,998 million as of September 30, 2013 due primarily to proceeds from bank loans availed during the period.
- Short-term and long-term cash investments increased by 8% million from ₱5,574 million as of December 31, 2012 to ₱6,031 million as of September 30, 2013 due to foreign currency adjustment during the period.
- Receivables increased by 20% from ₱24,942 million as of December 31, 2012 to ₱29,967 million as of September 30, 2013 due to the revenue recognized for the period.
- Due from related parties increased by ₱265 from ₱186 million as of December 31, 2012 to ₱450 million as of September 30, 2013 due primarily to additions made during the period.
- Investment properties increased by 12% from ₱4,063 million as of December 31, 2012 to ₱4,545 million as of September 30, 2013 due primarily to additions made during the period.
- Property and equipment decreased by 8% from ₱278 million as of December 31, 2012 to ₱256 million as of September 30, 2013 due primarily to depreciation during the period.
- Other assets increased by 16% from ₱2,168 million as of December 31, 2012 to ₱2,517 million as of September 30, 2013 due primarily to increase in prepayments.

Total liabilities as of September 30, 2013 were ₱37,973 million compared to ₱30,697 million as of December 31, 2012, or an increase of 24%. This was due to the net effect of the following:

- Accounts and other payables increased by 28% from ₱5,931 million as of December 31, 2012 to ₱7,621 million as of September 30, 2013 primarily due to accruals made during the period.
- Customers' advances and deposits increased by 48% from ₱3,260 million as of December 31, 2012 to ₱4,840 million as of September 30, 2013 due to higher sales for the period.
- Income tax payable decreased by 35% from ₱45 million as of December 31, 2012 to ₱29 million as of September 30, 2013 due to payments made during the period.
- Bank loans, loans payable and notes payable increased by 20% from ₱17,723 million as of December 31, 2012 to ₱21,317 million as of September 30, 2013 due primarily to availment of loans during the period.
- Pension liabilities increased by ₱542 million from ₱187 million as of December 31, 2012 to ₱729 million as of September 30, 2013 due to actuarial adjustments made during the period.

Total stockholder's equity increased by 7% to ₱46,903 million as of September 30, 2013 from ₱43,635 million as of December 31, 2012 due to the issuance of preferred shares and net profit realized for the period.

Considered as the top five key performance indicators of the Company as shown below:

Key Performance Indicators	09/30/2013	12/31/2012
Current ratio ^(a)	2.71:1	1.82:1
Debt-to-equity ratio ^(b)	0.81:1	0.70:1

	09/30/2013	09/30/2012
Interest expense/Income before Interest expense ^(c)	24.0%	22.0%
Return on assets ^(d)	4.5%	4.4%
Return on equity ^(e)	8.1%	7.7%

Notes

- (a) *Current Ratio: This ratio is obtained by dividing the Current Assets of the Company by its Current liabilities. This ratio is used as a test of the Company's liquidity.*
- (b) *Debt-to-equity ratio: This ratio is obtained by dividing the Company's Total Liabilities by its Total Equity. The ratio reveals the proportion of debt and equity a company is using to finance its business. It also measures a company's borrowing capacity.*
- (c) *Interest expense/Income before interest expense: This ratio is obtained by dividing interest expense for the period by its income before interest expense. This ratio shows whether a company is earning enough profits before interest to pay its interest cost comfortably*
- (d) *Return on assets: This ratio is obtained by dividing the Company's net income by its total assets. This measures the Company's earnings in relation to all of the resources it had at its disposal.*
- (e) *Return on equity: This ratio is obtained by dividing the Company's net income by its total equity. This measures the rate of return on the ownership interest of the Company's stockholders.*

Because there are various calculation methods for the performance indicators above, the Company's presentation of such may not be comparable to similarly titled measures used by other companies.

Current ratio as of September 30, 2013 improved compared to that of December 31, 2012 due to the increase in cash and cash equivalent and decrease in current liabilities for the period.

Debt to equity ratio as of September 30, 2013 increased from that of December 31, 2012 due to the higher debt levels resulting from availments of bank loans during the period.

Interest expense as a percentage of income before interest expense for the nine months ended September 30, 2013 increased compared to that of the prior period primarily due to increase of interest bearing liabilities for the period.

Return on assets is slightly higher for the nine months ended September 30, 2013 due to higher income recorded compared to that of the prior period.

Return on equity slightly higher for the nine months ended September 30, 2013 due to higher income recorded compared to that of the prior period.

Material Changes to the Company's Statement of Financial Position as of September 30, 2013 compared to December 31, 2012 (increase/decrease of 5% or more)

Cash and cash equivalents increased by 155%million from ₱1,959 million as of December 31, 2012 to ₱4,998 million as of September 30, 2013 due primarily to proceeds from bank loans availed during the period.

Short-term and long-term cash investments increased by 8% million from ₱5,574 million as of December 31, 2012 to ₱6,031 million as of September 30, 2013 due to foreign currency adjustment during the period.

Receivables increased by 20% from ₱24,942 million as of December 31, 2012 to ₱29,967 million as of September 30, 2013 due to the revenue recognized for the period.

Due from related parties increased by ₱265 from ₱186 million as of December 31, 2012 to ₱450 million as of September 30, 2013 due primarily to additions made during the period.

Investment properties increased by 12% from ₱4,063 million as of December 31, 2012 to ₱4,545 million as of September 30, 2013 due primarily to additions made during the period.

Property and equipment decreased by 8% from ₱278 million as of December 31, 2012 to ₱256 million as of September 30, 2013 due primarily to depreciation during the period.

Other assets increased by 16% from ₱2,168 million as of December 31, 2012 to ₱2,517 million as of September 30, 2013 due primarily to increase in prepayments.

Accounts and other payables increased by 28% from ₱5,931 million as of December 31, 2012 to ₱7,621 million as of September 30, 2013 primarily due to accruals made during the period.

Customers' advances and deposits increased by 48% from ₱3,260 million as of December 31, 2012 to ₱4,840 million as of September 30, 2013 due to higher sales for the period.

Income tax payable decreased by 35% from ₱45 million as of December 31, 2012 to ₱29 million as of September 30, 2013 due to payments made during the period.

Bank loans, loans payable and notes payable increased by 20% from ₱17,723 million as of December 31, 2012 to ₱21,317 million as of September 30, 2013 due primarily to availment of loans during the period.

Pension liabilities increased by 290% million from ₱187 million as of December 31, 2012 to ₱729 million as of September 30, 2013 due to actuarial adjustments made during the period.

Material Changes to the Company's Statement of Income for the 9-months of 2013 compared to the 9-months of 2013 (increase/decrease of 5% or more)

Revenue from real estate sales increased by 22% to ₱14,827 for the 9-months of 2013 from ₱12,154 million for the 9-months of 2012 primarily attributable to the increase in the overall completion rate of sold inventories of its business units particularly of that of Communities Philippines, Vista Residences and Crown Asia during the 9-months of 2013 compared to the 9-months of 2012.

Interest income increased by 5% to ₱698 million for the 9-months of 2013 from ₱663 for the 9-months of 2012 due to higher level of cash and cash investments as well as from collection of interest from installment receivables.

Miscellaneous revenue increased by 5% to ₱391 million from ₱374 million for the 9-months of 2013 for the 9-months of 2012 due to the forfeitures from cancellations and rental income recorded for the period.

Cost of real estate sales increased by 21% from ₱5,973 million for the 9-months of 2012 to ₱7,233 million for the 9-months of 2013. This was primarily due to the increase in the overall recorded sales of Vista Land's business units.

Operating expenses increased by 21% to ₱3,493 million for the 9-months of 2013 from ₱2,888 million for the 9-months of 2012 primarily due to the increase in advertising and promotions, salaries, wages and employee benefits and commission expense.

Interest and financing charges increased by 29% from ₱949 million for the 9-months of 2012 to ₱1,223 million for the 9-months of 2013 due to a higher interest bearing liabilities for the period.

Unrealized foreign exchange loss was ₱38 million for the 9-months of 2012 due to the depreciation of the reporting currency for the period.

Provision for income tax was decreased by 13% to ₱142 million for the 9-months of 2013 and from ₱164 million in the 9-months of 2012. The decrease was due primarily to lower taxable income reported during the period.

There are no other material changes in the Company's financial position (changes of 5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would impact or change reported financial information and condition on the Company. The Subsidiaries are contingently liable for guarantees arising in the ordinary course of business, including surety bonds, letters of guarantee for performance and bonds for all its real estate projects.

The Company is contingently liable with respect to certain lawsuits and other claims which are being contested by the subsidiaries and their legal counsels. Management and their legal counsels believe that the final resolution of these claims will not have a material effect on the consolidated financial statements.

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Company's liquidity in any material way. The Company sourced its capital requirements through a mix of internally generated cash, sale of liquid assets like installment contracts receivables, pre-selling and joint venture undertakings. The Company does not expect any material cash requirements beyond the normal course of the business. The Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

There are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation except for those items disclosed in the 9-months of 2013 Financial Statements.

There are no material off-balance sheet transactions, arrangements, obligation (including contingent obligations), or other relationships of the Company with unconsolidated entities or other persons created during the reporting period except those disclosed in the 9-months of 2013 Financial Statements.

There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonably expected to have a material impact on the continuing operations of the Company.

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

There are no explanatory comments on the seasonality of the operations. There are no material events subsequent to the end of the fiscal period that have not been reflected in the financial statements.

There are no material amounts affecting assets, liabilities, equity, net income or cash flows that are unusual in nature; neither are there changes in estimates of amounts reported in a prior period of the current financial year.

COMMITMENTS AND CONTINGENCIES

The Parent Company's subsidiaries are contingently liable for guarantees arising in the ordinary course of business, including surety bonds, letters of guarantee for performance and bonds for its entire real estate project.

PART II - OTHER INFORMATION

Item 3. 9-months of 2013 Developments

- A. New Projects or Investments in another line of business or corporation.

None

- B. Composition of Board of Directors

Manuel B. Villar, Jr.	Chairman of the Board
Manuel Paolo A. Villar	Director, President & CEO
Cynthia J. Javarez	Director, Controller/Interim CFO
Marcelino C. Mendoza	Director
Maribeth C. Tolentino	Director
Ruben O. Fruto	Independent Director
Marilou O. Adea	Independent Director
Gemma M. Santos	Corporate Secretary

- C. Performance of the corporation or result/progress of operations.

Please see unaudited Financial Statements and Management's Discussion and Analysis.

- D. Declaration of Dividends.

₱0.102 per share Regular Cash Dividend

Declaration Date: September 11, 2013

Record date: September 26, 2013

Payment date: October 22, 2013

₱0.0839 per share Regular Cash Dividend

Declaration Date: September 17, 2012

Record date: October 02, 2012

Payment date: October 26, 2012

₱0.04 per share Special Cash Dividend

Declaration Date: June 15, 2012

Record date: July 02, 2012

Payment date: July 26, 2012

₱0.07 per share Regular Cash Dividend

Declaration Date: September 13, 2011

Record date: September 28, 2011

Payment date: October 24, 2011

₱0.035 per share Special Cash Dividend

Declaration Date: May 17, 2011

Record date: June 01, 2011

Payment date: June 28, 2011

₱0.054 per share Regular Cash Dividend

Declaration Date: September 15, 2010

Record date: September 30, 2010

Payment date: October 26, 2010

- E.** Contracts of merger, consolidation or joint venture; contract of management, licensing, marketing, distributorship, technical assistance or similar agreements.

None

- F.** Offering of rights, granting of Stock Options and corresponding plans thereof.

None.

- G.** Acquisition of additional mining claims or other capital assets or patents, formula, real estate.

Not Applicable.

- H.** Other information, material events or happenings that may have affected or may affect market price of security.

None.

- I.** Transferring of assets, except in normal course of business.

None.

Item 4. Other Notes as of 9-months of 2013 Operations and Financials.

- J.** Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that is unusual because of their nature, size, or incidents.

None.

- K.** Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period.

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

- L.** New financing through loans/ issuances, repurchases and repayments of debt and equity securities.

See Notes to Financial Statements and Management Discussion and Analysis.

- M.** Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

See Notes to Financial Statements and Management Discussion and Analysis.

- N.** The 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, restructurings, and discontinuing operations.

None

- O.** Changes in contingent liabilities or contingent assets since the last annual statement of financial position date.

None

- P.** Existence of material contingencies and other material events or transactions during the interim period

None.

- Q.** Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

None

- R.** Material off-balance sheet transactions, arrangements, obligations (including contingent obligations) , and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

None.

- S.** Material commitments for capital expenditures, general purpose and expected sources of funds.

The movement of capital expenditures being contracted arose from the regular land development and construction requirements which are well within the regular cash flow budget coming from internally generated funds.

- T.** Known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/revenues/income from continuing operations.

As of September 30, 2013, no known trends, events or uncertainties that are reasonably expected to have impact on sales/revenues/income from continuing operations except for those being disclosed in the 9-months of 2013 financial statements.

- U.** Significant elements of income or loss that did not arise from continuing operations.

None.

- V.** Causes for any material change/s from period to period in one or more line items of the financial statements.

None.

- W.** Seasonal aspects that had material effect on the financial condition or results of operations.

None.

- X.** Disclosures not made under SEC Form 17-C.

None.

SIGNATURES

Pursuant to the requirements of Section 17 of the SRC and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized.

Vista Land & Lifescapes, Inc.
Issuer

By:


Cynthia J. Javarez
Controller

Date: November 12, 2013