



November 12, 2014

PHILIPPINE STOCK EXCHANGE

3rd Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Ave., Makati City
Attention: Ms. Janet A. Encarnacion
Head, Disclosures Department

PHILIPPINE DEALING AND EXCHANGE CORPORATION

37th Floor, Tower 1, The Enterprise Center
6766 Ayala Ave. cor Paseo de Roxas, Makati City
Attention: Ms. Vina Vanessa S. Salonga
Head, Issuer Compliance and Disclosure Department

Subject: Vista Land & Lifescapes, Inc.: **SEC 17Q – September 30, 2014**

Gentlemen:

Please find SEC Form 17Q for the nine months ended September 30, 2014 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										

V	I	S	T	A		L	A	N	D		&		L	I	F	E	S	C	A	P	E	S	,		
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(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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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			
<table border="1" style="width: 100%;"> <tr><td> </td></tr> </table> Domestic		<table border="1" style="width: 100%;"> <tr><td> </td></tr> </table> Foreign	

 To be accomplished by SEC Personnel concerned

File Number									

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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, 2014**
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. **Philippines**
Province, country or other jurisdiction of incorporation
6. Industry Classification Code (SEC Use Only)
7. **3rd Level Starmall Las Piñas C.V. Starr Avenue, Philamlife Village, Pamplona, Las Piñas City** **1746**
Address of Principal Office Postal Code
8. **(632) 874-5758 / (632) 872-6947 / (632) 226-3552**
Registrant's telephone number, including area code
9. **Las Piñas Business Center, National Road, Talon, Las Piñas City**
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 09/30/2014)	8,538,740,614
VLL Homebuilder Bonds (as of 09/30/2014)	Up to P2,500,000,000.00
VLL Retail Bonds (as of 09/30/2014)	Up to P5,000,000,000.00

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, 2014 and December 31, 2013
 (In Million Pesos)

	Unaudited 09/30/2014	Audited 12/31/2013
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5 and 22)	14,513	4,533
Short-term cash investments (Notes 6, 15 and 22)	6,066	1,057
Receivables (Notes 7 and 22)	20,528	18,448
Held-to-maturity (HTM) investments (Notes 6, and 22)	-	343
Due from related parties (Notes 21 and 22)	225	200
Real estate inventories (Note 8)	14,550	15,473
Other current assets (Note 9)	2,396	1,736
Total Current Assets	58,278	41,790
Noncurrent Assets		
Noncurrent receivables (Notes 7 and 22)	6,853	7,866
Long-term cash investments (Notes 6 and 22)	-	5,039
Available-for-sale (AFS) financial assets (Notes 6 and 22)	3,199	1,365
Held-to-maturity (HTM) investments (Notes 6, 15 and 22)	6,286	2,563
Land and improvements (Note 10)	23,111	18,569
Investment properties (Note 11)	5,380	4,691
Property and equipment	320	307
Investments and advances in project development costs (Note 12)	2,222	1,794
Deferred tax assets – net	39	39
Other noncurrent assets (Note 9)	546	507
Total Noncurrent Assets	47,956	42,740
Total Assets	106,234	84,530
LIABILITIES AND EQUITY		
Liabilities		
Current Liabilities		
Accounts and other payables (Notes 13 and 22)	7,426	6,381
Customers' advances and deposits (Note 14)	2,175	1,695
Income tax payable	26	34
Bank loans (Notes 15 and 22)	1,717	1,414
Loans payable (Notes 15 and 22)	876	527
Notes payable (Notes 16 and 22)	2,079	730
Total Current Liabilities	14,299	10,781
Noncurrent Liabilities		
Bank loans (Notes 15 and 22)	7,596	7,047
Loans payable (Notes 15 and 22)	1,640	2,622
Notes payable (Notes 16 and 22)	26,859	12,825
Pension liabilities	225	185
Deferred tax liabilities – net	1,795	1,506
Other noncurrent liabilities (Note 17)	2,060	1,038
Total Noncurrent Liabilities	40,175	25,223
Total Liabilities	54,474	36,004
Stockholders' Equity		
Capital stock (Note 18)	8,572	8,572
Additional paid in capital	19,455	19,455
Retained earnings (Note 18)	23,704	20,471
Other comprehensive income	29	28
Total Stockholders' Equity	51,760	48,526
Total Liabilities & Stockholders' Equity	106,234	84,530



Vista Land & Lifescapes, Inc.
 Consolidated Statements of Income
 For the nine months ended September 30, 2014 and 2013
 (In Million Pesos)

	Unaudited Jul-Sep Q3-2014	Unaudited Jan-Sep 2014	Unaudited Jul-Sep Q3-2013	Unaudited Jan-Sep 2013
REVENUE AND OTHER INCOME				
Real estate	5,651	16,681	5,128	14,827
Interest income	241	959	241	698
Miscellaneous income (Note 19)	147	449	30	391
	6,039	18,089	5,399	15,916
COST AND EXPENSES				
Costs of real estate (Note 20)	2,809	8,248	2,487	7,233
Operating expenses (Notes 20 and 23)	1,369	3,846	1,175	3,493
Interest and other financing charges	446	1,466	453	1,223
Unrealized foreign exchange loss (gain)	(97)	(21)	4	38
	4,527	13,539	4,119	11,987
INCOME BEFORE INCOME TAX	1,512	4,550	1,280	3,929
PROVISION FOR INCOME TAX	99	305	58	142
NET INCOME	1,413	4,245	1,222	3,787
Net income attributable to:				
Equity holders of Vista Land & Lifescapes, Inc.	1,413	4,245	1,222	3,787
Minority interest	-	-	-	-
	1,413	4,245	1,222	3,787
Weighted average common shares	8,539	8,539	8,538	8,538
Basic/Diluted earnings per share	Php 0.165	Php 0.497	Php 0.143	Php 0.444



Vista Land & Lifescapes, Inc.
 Consolidated Statements of Comprehensive Income
 For the nine months ended September 30, 2014 and 2013
 (In Million Pesos)

	Unaudited Jul-Sep Q3-2014	Unaudited Jan-Sep 2014	Unaudited Jul-Sep Q3-2013	Unaudited Jan-Sep 2013
NET INCOME	1,413	4,245	1,222	3,787
OTHER COMPREHENSIVE INCOME				
Actuarial gains (losses) on pension liabilities and	(20)	1	314	-
Income tax effect	-	-	-	-
TOTAL COMPREHENSIVE INCOME	1,393	4,246	1,536	3,787
Total comprehensive income attributable to:				
Equity holders of Vista Land & Lifescapes, Inc.	1,393	4,246	1,536	3,787
Minority interest	-	-	-	-
	1,393	4,246	1,536	3,787
Weighted average common shares	8,539	8,539	8,538	8,538
Basic/Diluted earnings per share	Php0.163	Php 0.497	Php0.180	Php 0.444



Vista Land & Lifescapes, Inc.
 Consolidated Statements of Changes in Equity
 For the nine months ended September 30, 2014 and 2013
 (In Million Pesos)

	Unaudited 09/30/2014	Unaudited 09/30/2013
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		
11,900,000,000 shares in October 5, 2012		
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 October 5, 2012		
Issued – P3,300,000,000 shares in March 31, 2013 (Note 18)	33	33
Balance at end of period	8,572	8,572
ADDITIONAL PAID-IN CAPITAL		
Balance at beginning of period	19,455	19,329
Sale of treasury shares	–	126
Balance at end of period	19,455	19,455
RETAINED EARNINGS		
Balance at beginning of period	20,471	16,280
Dividends declared	(1,012)	(875)
Net income	4,245	3,787
Balance at end of period	23,704	19,192
OTHER COMPREHENSIVE INCOME		
Balance at beginning of period	28	(3)
Actuarial gains (losses) on pension liabilities for the period	1	(313)
Balance at end of period	29	(316)
	51,760	46,903



Vista Land & Lifescapes, Inc.
 Consolidated Statements of Cash Flows
 For the nine months ended September 30, 2014 and 2013
 (In Million Pesos)

	Unaudited Jul-Sep Q3-2014	Unaudited Jan-Sep 2014	Unaudited Jul-Sep Q3-2013	Unaudited Jan-Sep 2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	1,512	4,550	1,280	3,929
Adjustments for:				
Interest and other financing charges	446	1,466	453	1,223
Depreciation and amortization	66	187	56	173
Interest income	(241)	(959)	(241)	(698)
Unrealized foreign exchange loss	(97)	(21)	4	38
Operating income before changes in operating assets and liabilities	1,686	5,223	1,552	4,665
<i>Decrease (increase) in:</i>				
Receivables	(1,201)	(1,093)	(1,582)	(5,087)
Real estate inventories	1,074	1,432	475	(50)
Other current assets	12	(281)	(244)	(317)
<i>Increase(decrease) in:</i>				
Accounts and other payables	(748)	(369)	283	1,115
Customers' advances and deposits	(32)	480	672	1,580
Due to related parties	407	(25)	(764)	(264)
Other noncurrent liabilities	591	1,023	-	-
Pension liabilities	40	40	452	604
Cash provided by operations	1,829	6,430	844	2,246
Interest received	290	985	309	760
Interest paid	(326)	(1,566)	(662)	(1,467)
Income tax paid	(162)	(404)	(138)	(569)
Net cash provided by operating activities	1,631	5,445	353	970
CASH FLOWS FROM INVESTING ACTIVITIES				
Net collection from (contribution to) joint venture partners	(414)	(428)	16	11
Additions to land and improvements	(1,063)	(4,541)	(161)	(1,019)
Acquisition of AFS financial assets and HTM investments	(339)	(5,216)	-	-
Disposal (acquisitions) of short-term and long-term cash investments	2,872	30	(137)	(174)
Additions of property and equipment	(51)	(152)	(35)	(91)
Additions to investment properties	(261)	(712)	(282)	(480)
Increase in other noncurrent assets	(21)	(63)	(33)	(94)
Net cash provided by (used in) investing activities	723	(11,082)	(657)	(1,872)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from (payments of) bank loans and loans payable	844	219	(428)	5,255
Net proceeds from (payments of) notes payable	6,075	15,405	(246)	(1,982)
Proceeds from sale of treasury shares	-	-	-	636
Payment of dividends declared	29	(7)	(1)	(1)
Proceeds from issuance of preferred shares	-	-	-	33
Net cash provided by (used in) financing activities	6,948	15,617	(675)	3,941
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,302	9,980	(979)	3,039
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,211	4,533	5,977	1,959
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14,513	14,513	4,998	4,998

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 six (6) wholly-owned subsidiaries, namely: Brittany Corporation (Brittany), Crown Asia Properties, Inc. (CAPI), Vista Residences, Inc. (VRI), Camella Homes, Inc. (CHI), Communities Philippines, Inc. (CPI) and VLL International, Inc. (VII). 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, except for the available-for-sale (AFS) financial assets which have been measured at fair value. 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 at September 30, 2014 and December 31, 2013 and for the nine months ended September 30, 2014 and 2013.

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 Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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 wholly owned subsidiaries:

Brittany
 CAPI
 VRI
 CHI
 Household Development Corp. (HDC)
 Mandalay Resources Corp.
 C&P International Limited
 CPI
 Communities Batangas, Inc.
 Communities Bulacan, Inc.
 Communities Cagayan, Inc.
 Communities Cebu, Inc.
 Communities Davao, Inc.
 Communities General Santos, Inc.
 Communities Iloilo, Inc.
 Communities Isabela, Inc.
 Communities Leyte, Inc.
 Communities Naga, Inc.
 Communities Negros, Inc.
 Communities Pampanga, Inc.
 Communities Pangasinan, Inc.
 Communities Tarlac, Inc.
 Communities Zamboanga, Inc.
 Communities Ilocos, Inc.
 Communities Bohol, Inc.
 Communities Quezon, Inc.
 Communities Palawan, Inc.
 Communities Panay, Inc. *
 VLL International, Inc.**
**incorporated in 2013*

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

The functional currency of C&P International Limited and VLL International, Inc. is the US\$ Dollar. As of reporting date, the assets and liabilities of foreign subsidiaries, with functional currencies other than the functional currency of the Parent Company, are translated into the presentation currency of the Group using the closing foreign exchange rate prevailing at the reporting date, and their respective income and expenses at the weighted average rates for the year. The exchange differences arising on the translation are recognized in OCI relating. On the disposal of a foreign operation, the component of OCI relating to that particular foreign operation shall be recognized in profit or loss in the consolidated statement of comprehensive income.

Changes in Accounting Policies

The accounting policies adopted in the preparation of the Group's 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 consolidated financial statements.

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

On January 1, 2013, the Company adopted the Revised PAS 19.

For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in other comprehensive income (OCI) 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 using the corridor approach, 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 Revised PAS 19, the Group changed its accounting policy to recognize all actuarial gains and losses in OCI 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 OCI and will not be reclassified to profit or loss in a subsequent period but permanently remains in 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.

The adoption did not have any significant impact on the statement of cash flows or the basic and diluted earnings per share.

Change of presentation

Upon adoption of the Revised PAS 19, the presentation of the statement of comprehensive income was updated to reflect these changes. Net interest cost is now known as interest income/expense (previously under compensation and benefits under operating expenses). This presentation better reflects the nature of net interest cost since it corresponds to the compounding effect of the long term net defined benefit liability.

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, *Financial Instruments: Presentation*. 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 consolidated statement of financial position;
- c) The net amounts presented in the consolidated 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 did not have an impact on the Group.

PFRS 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 consolidated 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 had 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, *Investment in Associates and Joint Ventures*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured

entities. A number of new disclosures are also required. The adoption of PFRS 12 affects disclosures only and had no impact on the Group's financial position or performance.

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 adoption of PFRS 13 did not have significant impact on the Group's 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 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. The amendment affects presentation only and the Group's financial statements showed the grouping in the consolidated statement of comprehensive income.

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 and PFRS 12, 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 did 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, and PFRS 12, 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. The revisions had no significant impact on the consolidated financial statements of the Group.

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.

Future Changes in Accounting Policies

The Group has not applied the following new and amended PFRS and Philippine Interpretations which are not yet effective for the year ended December 31, 2013. Except as otherwise indicated, the following new and amended PFRS and Philippine Interpretations will not have significant impact to the consolidated financial statements of the Group:

Effective 2014

PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)* (effective for annual periods beginning on or after January 1, 2014)

These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted,

provided PFRS 13 is also applied. The amendments will affect disclosures only and will have no impact on the Group's financial position or performance.

Philippine Interpretation IFRIC 21, *Levies* (effective for annual periods beginning on or after January 1, 2014)

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The Group does not expect that IFRIC 21 will have material financial impact in the consolidated financial statements.

Amendments to PFRS 10, PFRS 12 and PAS 27, *Investment Entities* (effective for annual periods beginning on or after January 1, 2014)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The Group does not expect that these amendments will have material financial impact in the consolidated financial statements.

PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)* (effective for annual periods beginning on or after January 1, 2014)

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The Group does not expect that these amendments will have material financial impact in future financial statements.

PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after January 1, 2014)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments will affect presentation only and will have no impact on the Group's financial position or performance.

Effective 2015

PFRS 9, *Financial Instruments: Classification and Measurement* (effective for annual periods beginning on or after January 1, 2015)

PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement

requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

The Group will assess the impact of PFRS 9 in its consolidated financial statements upon completion of all phases of PFRS 9.

Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate

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

The adoption of this interpretation may significantly affect the determination of the Group's revenue from real estate sales and the corresponding costs, and the related trade receivables, deferred tax liabilities and retained earnings accounts. The Group is in the process of quantifying the impact of adoption of this interpretation.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) 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) investments, 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, AFS financial assets and HTM 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 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 (EIR). 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 cash investments, long-term cash investments and receivables except for receivable from contractors and receivable from brokers.

HTM investments

HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which management has the positive intention and ability to hold to maturity. Where the Group sells or reclassifies other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified at fair value as AFS financial assets. After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest method, less allowance for impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included as part of interest income in the statement of comprehensive income. Gains and losses are recognized in profit or loss in the statement of comprehensive income when the HTM investments are derecognized. Any impairment losses are charged to current operations.

As of September 30, 2014, the Group has investments in HTM.

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 gain or loss on disposal 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 EIR. 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, 2014 and December 31, 2013, AFS financial assets comprise of unquoted and quoted equity (mutual bond fund) 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 EIR. Gains and losses are recognized in profit or loss when the liabilities are derecognized (redemption is a form of derecognition), 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.

Financial assets 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 on a financial asset carried at amortized cost (i.e., loans and receivables or HTM investments) 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 discounted at the assets original EIR (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. Financial assets carried at amortized costs, 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. Reversals of impairment losses in respect of equity instruments classified as AFS financial assets are not recognized in the profit or 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 NRV.

Land and Improvements

Land and improvements consists of properties for future developments and are carried at the lower of cost or NRV. 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 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.

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.

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 (EUL) of the assets, regardless of utilization. The EUL 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 EUL of buildings and building improvements 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 EUL of property and equipment as follows:

	Years
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 EUL 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.

Investments in Project Development Costs

Investments in project development costs pertain to costs incurred on various on-going projects under the land development agreements (LDAs) entered into by the Group with individuals, corporate entities and related parties for the development of real estate projects.

Investment in a Joint Venture

Joint venture 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, investments in project development costs and a Joint Venture, 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 OCI. 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.

Retained earnings represent accumulated earnings of the Group less dividends declared. It includes the accumulated equity in undistributed earnings of consolidated subsidiaries which are not available for dividends until declared by the subsidiaries (Note 18).

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.

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 (POC) 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.

Income from Forfeited Reservations and Collections

Income from forfeited reservation and collections is recognized when the deposits from potential buyers are deemed nonrefundable due to prescription of the period for entering into a contracted sale. Such income is also recognized, subject to the provisions of Republic Act 6552, *Realty Installment Buyer Act*, upon prescription of the period for the payment of required amortizations from defaulting buyers.

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.

Unearned discount is recognized as income over the terms of the financial assets at amortized cost (i.e., loans and receivables or HTM investments) using the effective interest method and is shown as deduction for the financial assets.

Dividend and miscellaneous income

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

Pension Cost

Defined benefit plan

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

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

Defined benefit costs comprise the following:

- (a) service cost;
- (b) net interest on the net defined benefit liability or asset; and
- (c) remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

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

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 liabilities shall be recognized for all taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures when the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in foreseeable future. Otherwise, no deferred tax liability is set up.

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.

Deferred tax assets shall be recognized for deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences 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 relating to items recognized outside profit or loss is recognized outside profit or loss in the consolidated statement of comprehensive income. Deferred tax items recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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 profit or loss in the statement of comprehensive 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 Translation

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.

The functional currency of C&P International Limited and VLL International, Inc. is the US\$ Dollar. As of reporting date, the assets and liabilities of foreign subsidiaries, with functional currencies other than the functional currency of the Parent Company, are translated into the presentation currency of the Group using the closing foreign exchange rate prevailing at the reporting date, and their respective income and expenses at the weighted average rates for the year. The exchange differences arising on the translation are recognized in OCI relating. On the disposal of a foreign operation, the component of OCI relating to that particular foreign operation shall be recognized in profit or loss in the consolidated statement of comprehensive income.

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, 2014 and December 31, 2013, the Group has no potential dilutive common shares (Note 18).

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.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risk specific to the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized only when the reimbursement is virtually certain. The expense relating to any provision is presented in statement of comprehensive income net of any reimbursement.

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.

Classification of financial instruments

The Group exercises judgment in classifying a financial instrument, or its component parts, on the initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of the financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position.

In addition, the Group classifies financial assets by evaluating, among other, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination of whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Group classifies certain quoted nonderivative financial assets with fixed or determinable payments and fixed maturities as HTM investments. This classification required significant judgment. In making this judgment, the group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than in certain specific circumstances, the Group will be required to reclassify the entire portfolio as AFS financial assets. Consequently, the investment would therefore be measured at fair value and not at amortized cost.

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 EUL 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 EUL 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.

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 24).

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 POC measured principally on the basis of the actual costs incurred to date over the estimated total costs of the project.

Determining fair values of financial assets and liabilities

Fair value determinations for financial assets and liabilities are based generally on listed market prices or broker or dealer quotations. If prices are not readily determinable or if liquidating the positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realized

under current market condition, assuming an orderly liquidation over a reasonable period of time.

Impairment of financial assets

(i) *AFS equity securities*

The Group determines that AFS equity securities are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. The Group treats 'significant' generally as 20% or more of the original cost of investment, and 'prolonged', greater than six (6) months. In making this judgment, the Group evaluates among other factors, the normal volatility in share price of similar equity securities.

In addition, in the case of unquoted equity securities, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, dismal industry and sector performance, adverse changes in technology, and negative operational and financing cash flows.

The carrying values of AFS financial assets amounted to ₱3,199 million and ₱1,365 million as of September 30, 2014 and December 31, 2013, respectively (Note 6).

(ii) *Loans and receivables*

The Group reviews its receivables on a periodic basis to assess impairment of receivables at an individual and collective level. In assessing for impairment, the Group determines whether there is any objective evidence indicating that there is a measurable decrease in the estimated future cash flows of its loans and receivables. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or industry-wide or local economic conditions that correlate with defaults on receivables. These factors include, but are not limited to age of balances, financial status of counterparties, payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies individually significant accounts that are to be provided with allowance.

For the purpose of a collective evaluation of impairment, loans are grouped on the basis of such credit risk characteristics as type of borrower, collateral type, past-due status and term.

The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for impairment would increase recorded expenses and decrease net income.

Loans and receivables, net of allowance for impairment losses, amounted to ₱27,381 million and ₱26,314 million as of September 30, 2014 and December 31, 2013, respectively (Note 7). The allowance for impairment on loans and receivables amounted to ₱325 million as of September 30, 2014 and December 31, 2013 (Note 7).

(iii) *HTM investments*

The Group assesses at end of each reporting period whether there is any objective evidence that its HTM investments is impaired. Objective evidence that a financial asset is impaired includes observable data that comes to the attention of the holder of the assets about the following loss events:

- a. significant financial difficulty of the issuer or the obligor;
- b. a breach of contract, such as a default or delinquency in interest or principal payments;
- c. the lender, for the economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

- d. it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- e. the disappearance of an active market for that financial asset because of the financial difficulties; or
- f. observable data indication that there is a measurable decrease in the estimated future cash flows ranging from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

HTM investments as of September 30, 2014 and December 31, 2013 amounted to ₱6,286 million and ₱2,906 million, respectively (Note 6).

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 EIR. 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.

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 ₱14,550 million and ₱15,473 million as of September 30, 2014 and December 31, 2013, respectively (Note 8). Land and improvements amounted to ₱23,111 million and ₱18,569 million as of September 30, 2014 and December 31, 2013, respectively (Note 10).

Evaluation of impairment

The Group reviews investment in an associate, investments in project development costs, 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, investments in project

development costs, 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, 2014 and December 31, 2013, no indicators of impairment exist for investments in project development costs and a joint venture, investment properties, property and equipment, and systems development costs.

The aggregate carrying values of investment properties, property and equipment, investments in project development costs and system development costs amounted to ₱7,952 million and ₱6,823 million as of September 30, 2014 and December 31, 2013, respectively (Notes 9 and 12).

Estimating useful lives of investment properties, property and equipment 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 EUL 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 include among others, discount rates 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.

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.

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 statements 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, 2014 is summarized below (amounts in millions):

	Horizontal	Vertical	Total
Real estate revenue	₱ 13,633	₱ 3,048	₱ 16,681
Cost and operating expenses	9,719	2,375	12,094
Segment income before income tax	3,914	673	4,587
Interest income	937	22	959
Miscellaneous income	363	86	449
Interest and other financing charges	(1,332)	(113)	(1,445)
Income before income tax	3,882	668	4,550
Provision for income tax	285	20	305
Net income	₱ 3,597	₱ 648	₱ 4,245

The financial information about the segment assets and liabilities of these operating segments as of September 30, 2014 is summarized below (amounts in millions):

	Horizontal	Vertical	Total
Other Information			
Segment assets	₱ 83,343	₱ 13,142	₱ 96,485
AFS financial assets	3,199	-	3,199
HTM investments	6,286	-	6,286
Due from related parties	(3,301)	3,526	225
Deferred tax assets	39	-	39
Total Assets	₱ 89,566	₱ 16,668	₱ 106,234
Segment liabilities	₱ 48,426	₱ 4,253	₱ 52,679
Payable to related parties	(7,283)	7,283	-
Deferred tax liabilities	1,475	320	1,795
Total Liabilities	₱ 42,618	₱ 11,856	₱ 54,474
Depreciation and amortization	159	28	187

No operating segments have been aggregated to form the above reportable segments.

Capital expenditure consists of construction costs, land acquisition and land development costs.

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	₱ 10,787
Cash equivalents	3,726
	₱ 14,513

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 three (3) months depending on the immediate cash requirements of the Group and earn interest as follows:

	Sep 30, 2014	Dec 31, 2013
Philippine Peso	0.25% to 1.25%	0.25% to 5.00%
US Dollar	0.25% to 1.25%	0.25% to 1.00%

None of the cash and cash equivalents are used to secure the obligations of the Group.

6. Investments

Short-term cash investments

Short-term cash investments consist of money market placements with maturities of more than three (3) months up to one (1) year and earn annual interest at the respective short-term investment rates, as follows:

	Sep 30, 2014	Dec 31, 2013
	₱ 6,066	₱1,057
Philippine Peso	3.50% to 5.00%	5.00%
US Dollar	0.50% to 3.75%	1.75% to 4.00%

These investments are not used to secure any obligations of the Group.

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, 2014	Dec 31, 2013
	₱ -	₱5,039
US Dollar	-	3.75% to 4.00%

The investments are used as collateral to secure the bank loans of the Parent Company aggregating ₱1,600 million as of December 31, 2013. The fair value of the aggregate amount of investments used as collateral amounted to ₱1,795 million. On May 16, 2014, the Parent company fully paid the bank loan.

Available-for-sale financial assets

This account consists of equity securities as follow:

	Sep 30, 2014	Dec 31, 2013
Quoted	₱3,158	₱1,324
Unquoted	41	41
	₱3,199	₱1,365

Quoted equity securities

This account consists of investment in mutual bond fund. The year on year movement in the market values thereof are shown as part of “Changes in fair value of AFS financial assets” in the consolidated statement of comprehensive income.

As of September 30, 2014 and December 31, 2013, there has been no disposal of AFS financial assets that resulted to a gain or loss. Accordingly, no transfer from the cumulative unrealized gains to the profit or loss occurred in the said periods.

Unquoted equity securities

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, 2014 and December 31, 2013. There were no AFS financial assets writedown transferred to the profit or loss as of September 30, 2014 and December 31, 2013.

HTM investments

This account consists of the Group’s investments in various US dollar-denominated securities with interest rates ranging from 1.63% to 9.50%. Interest income from HTM investments amounted to ₱127 million and ₱16 million in September 30, 2014 and December 31, 2013, respectively.

HTM investments amounting to \$37.5 million are used to secure the bank loan of the parent company amounting to ₱1,500 million as of September 30, 2014. The fair value of the investment used as collateral amounts to ₱1,683 million (Note 15).

As of September 30, 2014 and December 31, 2013, there was no impairment losses recognized for these investments.

7. Receivables

This account consists of:

	₱ 23,057
Installment contracts receivable	
Accrued interest receivable	92
Accounts receivable	
Contractors	1,852
Buyers	721
Brokers	162
Others	1,822
	<hr/> 27,706
Less allowance for impairment losses	(325)
	<hr/> 27,381
Less noncurrent portion	6,853
	<hr/> <hr/> ₱ 20,528

Installment contracts receivable

Installment contracts receivable consist of accounts collectible in equal monthly installments with various terms up to a maximum of fifteen (15) 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 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 parties.

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 to ₱325 million as of September 30, 2014 and December 31, 2013, respectively, are provided fully with impairment allowance.

The impairment losses above 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.

In 2014 and 2013, the Group entered into various purchase agreements with financial institutions whereby the Group sold its installment contracts receivables on a with recourse basis. The purchase agreements provide substitution of contracts that became in default. The Group still retains the sold receivables in the installment contracts receivables account and records the proceeds from these sales as loans payable (Note 15). Receivables with a recourse basis are used as collateral to secure the corresponding loans payables obtained.

In 2013 and 2012, the Group entered into agreement with various financial institutions whereby the Group sold their installment contracts receivables on a without recourse basis at discount rate of 10.00% to 12.00%. The Group has no continuing involvement over the sold receivables.

8. Real Estate Inventories

These accounts consist of:

Subdivision land available for sale	₱ 17,675
Less: reserve for land development	(7,147)
	<u>10,528</u>
Residential house and condominium units for sale and development	4,022
Total subdivision land and residential units for sale and Developments	14,550
Land and improvements (Note 10)	23,111
Total	<u>₱ 37,661</u>

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.

Real estate inventories recognized as cost are included as cost of real estate sales in the consolidated statements of comprehensive 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.

There was no provision for impairment and reversal recognized as of September 30, 2014 and December 31, 2013.

Borrowing cost capitalized in September 30, 2014 and December 31, 2013 amounted to ₱509 million and ₱586 million, respectively.

Except as stated, there are no other real estate inventories used as collateral or pledged as security to secure liabilities.

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.

Prepaid expenses mainly include prepayments for marketing fees, taxes and licenses, rentals and insurance.

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 ₱224 million and ₱218 million as of September 30, 2014 and December 31, 2013, respectively. In 2013, model house accessories amounting ₱0.6 million was written off due to damages caused by Typhoon Yolanda.

Amortization of system development costs amounted to ₱25 million and ₱59 million in September 30, 2014 and December 31, 2013, respectively, are included in the "Depreciation and amortization" account under "Operating expenses" in profit or loss.

10. Land and Improvements

This account consists of properties for future development and carried at cost or NRV.

The Group recorded no provision for impairment in 2014 and 2013.

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

11. Investment Properties

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

Rental income earned from investment properties amounted to ₱86 million and ₱61 million in September 30, 2014 and December 31, 2013, respectively (Note 19).

There are no investment properties and other investments as of September 30, 2014 and December 31, 2013 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 2013, real estate inventories with book value amounting ₱163 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. These are under development as of September 30, 2014 and December 31, 2013.

12. Investments and Advances in Project Development Costs

Investments in Project Development Cost

Investments in project development costs pertain to deposits, cash advances and other charges in connection with the 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 and Advances in Joint Venture

In 2012, the Group invested ₱25 million representing 50.9% interest in Lumina Homes, Inc., the venture.

The Group has not incurred any contingent liabilities nor entered into any capital in relation to its interest in a joint venture.

13. Accounts and Other Payables

This account consists of:

Accounts payable	₱ 2,221
Accrued expenses	1,514
Retention payable	724
Liabilities for purchased land	1,017
Commission payable	489
Deferred VAT payable	309
Others	1,152
Total	₱ 7,426

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.

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.

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.

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, accrued expenses, retentions payable and commissions 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. These are expected to be settled within a year after the recognition period.

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. The majority of this pertains to withholding taxes and VAT payable.

14. Customers' Advances and Deposits

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

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 POC in the succeeding years.

15. 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	₱ 7,289	₱—
Subsidiaries	2,024	2,516
	9,313	2,516
Less current portion	1,717	576
	₱ 7,596	₱ 1,640

In September 2014, the parent company obtained a peso denominated loan from a local bank amounting to ₱1,500 million which bear fixed annual interest rate of 4.25% and will mature in September 2015. The loan is secured by a hold-out in the HTM investments amounting to US\$ 37.5 million (Note 6).

In April 30, 2014, CAPI and VRI obtained ₱1,500 million and ₱500 peso-denominated bank loans, respectively, from a local bank which bear annual fixed interest rate of 5.50%. The loans will mature in April 30, 2019. The principal balance of the loans will be paid in seventeen (17) equal quarterly installments.

In June 2013, the Parent Company obtained ₱1,000 million and ₱6,000 million peso-denominated bank loans from local banks which bear annual fixed interest rate of 5.90% and 5.75%, respectively. The loans will mature in June 2018. The principal balance of the loans will be paid in twelve (12) and twenty (20) equal quarterly installments, respectively.

On April 17, 2013 the Parent Company entered into a bilateral loan agreement with local banks. A portion of the corporate notes was terminated and bank loans with principal amount of ₱1.6 billion was issued during the year which bear fixed annual interest rate of 7.27% and will mature on April 17, 2017.

On various dates in 2012, the Parent Company obtained ₱2,020 million peso-denominated bank loans from a local bank which bear fixed annual interest rate of 5.30% and secured by a holdout on the US dollar deposits amounting US\$50.5 million in 2012 (Note 6). The loan was fully paid in 2013.

On December 9, 2010, the Parent Company obtained a peso-denominated bank loan from a local bank amounting ₱1,600 million which bear fixed annual 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 million (Note 6). The loan was fully paid on May 16, 2014.

On November 2, 2010, the Parent Company obtained a peso-denominated bank loan from a local bank amounting ₱199 million which bear fixed annual interest rate of 7.83% and will mature on October 31, 2013. The loan was secured by real estate mortgage of a parcel of land owned by CAPI with a book value amounting ₱285 million. The loan was fully paid in 2013.

On July 30, 2010, the Parent Company obtained a peso-denominated bank loan from a local bank amounting ₱207 million which bear annual fixed interest rate of 8.39%. The loan was secured by real estate mortgage of certain properties of Brittany and CAPI aggregating ₱208 million. As of December 31, 2012, the bank loan amounted to ₱90 million. The loan was fully paid in 2013.

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, 2014 and December 31, 2013.

Banks loans amounting ₱24 million and ₱35 million as of September 30, 2014 and December 31, 2013, respectively, were secured by a chattel mortgage on the Group's transportation equipment.

Loans Payable

As discussed in Note 7 to the consolidated financial statements, 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 2014 and 2013, 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.

16. Notes Payable

This account consists of:

Dollar denominated bonds	₱ 21,779
Corporate note facility	1,988
Retail Bonds	4,929
Homebuilder bonds	242
	<hr/>
	28,938
Less current portion	2,079
	<hr/>
	₱ 26,859

Retail Bonds

On May 9, 2014, the Parent Company offered and issued to the public Retail Peso bonds amounting to P5.0 billion to fund commercial developments of the Company's subsidiaries. The bonds has a rate of 5.6542% for the 5.5 year and 5.9437% for the 7 year.

US\$350 million Notes

On April 23, 2014, the VII issued US\$225.0 million Notes due 2019 to refinance debt and general corporate purposes. The interest rate of 7.45% per annum is payable semi-annually in arrears on April 29 and October 29 of each year commencing on October 29, 2014.

On September 11, 2015, an additional note, with the same terms and conditions with the above notes, were issued by VII amounting to US\$ 125 million. The notes were issued at 102%.

The Notes are unconditionally and irrevocably guaranteed by the Parent Company and Subsidiaries (Note 21). Other pertinent provisions of the Notes follow:

Redemption at the option of the issuer - early redemption

At any time the Parent Company may redeem all or part of the Notes, at a redemption price equal to 100% of the principal amount of the notes redeemed, plus the applicable premium as of, and accrued and unpaid interest, if any, to the date of the redemption, subject to the rights of note holders on the relevant record date to receive interest due on the relevant interest payment date.

Covenants

The Notes provide for the Group 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 Parent Company in September 30, 2014.

Homebuilder Bonds

On November 16, 2012, the Parent Company offered and issued to the public unsecured Homebuilder Peso bonds (the Bonds) of up to ₱2.5 billion with an initial offering of ₱500.4 million for funding general corporate purposes.

The first tranche was 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 rate of 5.00% per annum and shall mature three (3) years from the initial issue date. For the nine months ended September 30, 2014 and year ended December 31, 2013, total bonds issued by the Parent Company amounted to ₱249.04 million and ₱160 million, respectively. The carrying value of the bonds as of September 30, 2014 and December 31, 2013 amounted to ₱242.48 million and ₱149 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 ₱834.0 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 Peso Corporate Note Facility of up to ₱4.5 billion from certain financial institutions to fund the Parent Company'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.

On April 24, 2012, the Parent Company fully utilized the credit facility and issued Corporate Notes that bear annual fixed interest rate of 7.27% and shall mature on April 25, 2017.

On June 26, 2012, the Company exercised the over-subscription option and issued additional corporate notes amounting ₱300 million.

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 Parent Company in September 30, 2014 and December 31, 2013.

On May 17, 2013, the Company solicited consent from its existing bondholders to amend certain terms and conditions of the Notes. As of June 27, 2013, at least 51% of outstanding amount voted in favor to such amendments.

US\$150.34 million Notes

On September 30, 2010, the Parent Company issued US\$100.0 million 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\$75.0 million.

On June 19, 2012, the Parent Company redeemed US\$22.0 million out of the US\$100.0 million notes.

On September 26, 2013, the Parent Company redeemed US\$2.7 million out of the US\$75.0 million notes as part of the redemption at the option of the noteholders.

On April 7, 2014, the Company launched a tender offer to purchase any and all of the Notes due 2015 as part of its liability management. On April 22, 2014 the end of tender offer period, US\$103.8 million of the notes outstanding tendered. Settlement was made on April 29, 2014.

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

At the option of any noteholder, the Parent Company will redeem the portion of the US\$ Note scheduled for redemption on September 30, 2013 at its principal amount. On September 26, 2013, the Parent Company redeemed US\$2.7 million of the notes as part of this redemption option. As of September 30, 2014 and December 31, 2013, the aggregate balance of these notes amounted to ₱2,018 million and ₱6,598 million, respectively, and is presented as noncurrent portion of notes payable as the redemption option has already lapsed.

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 US 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 US 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 Parent Company is remote.

Covenants

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 Parent Company and Subsidiaries in September 30, 2014 and December 31, 2013.

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 amendments.

US\$100.00 million Notes

On October 4, 2013, VII issued US\$100.0 million bonds with a term of five years from the issue date. The interest rate is 6.75% per annum payable semi-annually in arrears on April 4

and October 4 of each year commencing on April 4, 2014.

The Notes are unconditionally and irrevocably guaranteed by the Parent Company and Subsidiaries (Note 21). Other pertinent provisions of the Notes follow:

Redemption at the option of the issuer - equity clawback

At any time prior to September 30, 2013, the Parent Company may redeem up to 35% of the aggregate principal amount of the US Notes originally issued at a redemption price equal to 106.75% 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 US 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 Parent Company is remote.

Redemption at the option of the issuer - early redemption

At any time the Parent Company may redeem all or part of the Notes, at a redemption price equal to 100% of the principal amount of the notes redeemed, plus the applicable premium as of, and accrued and unpaid interest, if any, to the date of the redemption, subject to the rights of note holders on the relevant record date to receive interest due on the relevant interest payment date.

Covenants

The Notes provide for the Group 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 Parent Company in September 30, 2014 and December 31, 2013.

Interest expense on notes payable amounted to ₱1,230 million and ₱1,056 million in September 30, 2014 and December 31, 2013, respectively.

17. Other Noncurrent Liabilities

This account consists of:

Liabilities for purchased land	₱ 1,675
Retentions payable	212
Deferred output tax	173
	<hr/>
	₱ 2,060

The fair value of liabilities for purchased land is derived using the discounted cash flow model using the discount rate ranging from 6.29% to 10.00% with EIR ranging from 5.92% to 9.84%.

18. Equity

Capital Stock

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

	Sep 30, 2014	Dec 31, 2013	Dec 31, 2012
<i>Common</i>			
Authorized shares	11,900,000,000	11,900,000,000	11,900,000,000
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
<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	₱0.01
Issued shares	3,300,000,000	3,300,000,000	-

Preferred shares

On March 21, 2013, the Parent Company issued in favor of Fine Properties, Inc. ("Fine Properties"), 3,300.0 million new preferred shares out of the unissued portion of its authorized capital stock at par or an aggregate issue price of ₱33.0 million. The subscription price was fully paid 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 authorized preferred shares from ₱0.10 per share with an aggregate par value of ₱1.0 billion to ₱0.01 per share with an aggregate par value of ₱100.0 million, and the corresponding increase in the number and amount of the Parent Company's authorized common shares from 11.0 billion common shares with aggregate par value of ₱11.0 billion to 11.9 billion common shares with aggregate par value of ₱11.9 billion. Thus, as amended, the authorized capital stock of the Parent Company shall be ₱12.0 billion divided into 11.9 billion common shares with par value of ₱1.0 per share and 10.0 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 SEC on November 27, 2012.

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.

Registration Track Record

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 1,002 and 1,045 existing certified shareholders as of September 30, 2014 and December 31, 2013, respectively.

Treasury Shares

On January 3, 2013, the Parent Company sold, as authorized by the BOD, all of its existing 133,910,000 treasury shares at ₱4.75 per share or ₱636 million. The cost of the treasury shares and the related additional paid-in capital recognized amounted to ₱510 million and ₱127 million, respectively.

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. As of December 31, 2012 and 2011, treasury stocks acquired represent 133,910,000 and 39,643,000 common shares that amounted to ₱510 million and ₱122 million, respectively.

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

	Sep 30, 2014	Dec 31, 2013	Dec 31, 2012
At January 1	8,539	8,405	8,499
Treasury shares acquired	-	-	(94)
Treasury shares sold	-	134	-
	8,539	8,539	8,405

Retained Earnings

On September 15, 2014, the BOD approved the declaration of a regular cash dividend amounting to ₱1,012.52 million or ₱0.11858 per share, payable to all stockholders of record as of September 30, 2014. The said dividends were paid on October 24, 2014.

On September 11, 2013, the BOD approved the declaration of a regular cash dividend amounting ₱870.95 million or ₱0.102 per share, payable to all stockholders of record as of September 26, 2013. The said dividends were paid on October 22, 2013.

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 September 30, 2014 and December 31, 2013, the Group had the following ratios:

	Sep 30, 2014	Dec 31, 2013
Current ratio	408%	388%
Debt-to-equity ratio	74%	45%
Net debt-to-equity ratio	16%	15%
Asset-to-equity ratio	205%	174%

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, 2014 and year ended December 31, 2013.

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, 2014 and December 31, 2013:

	Sep 30, 2014	Dec 31, 2013
Total paid-up capital	₱28,027	₱28,027
Retained earnings	23,704	20,471
Other comprehensive income	29	28
	₱ 51,760	₱48,526

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, 2014	Dec 31, 2013
Cash and cash equivalents	US\$ 185	US\$8
Short-term cash investments	89	20
Long-term cash investments	-	114
AFS financial assets	70	30
HTM investment	139	65
Notes payable	(497)	(250)

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

19. **Miscellaneous Income**

Miscellaneous income mostly pertains to income from forfeited reservation fees and partial payments from customers whose sales contracts are cancelled before completion of required downpayment. It also includes rental income earned from investment properties amounting ₱86 million and ₱61 million in September 30, 2014 and December 31, 2013, respectively (Note 11).

20. **Costs and Expenses**

Cost of real estate sales

Cost includes acquisition cost of subdivision land, construction and development cost and capitalized borrowing costs.

Development cost as a percentage of cost of real estate sale is approximately 75% as of September 30, 2014 and December 31, 2013.

Operating expenses

Operating expenses represent the cost of administering the business of the Group. These are recognized when the related services and costs have been incurred.

Rent expenses

The Group entered into various lease agreements for administrative and selling purposes. These agreements are renewed on an annual basis with advanced deposits. Rent expenses included under “Occupancy costs” amounted to ₱47 million and ₱60 million in September 30, 2014 and December 31, 2013, respectively (Note 23).

Miscellaneous expenses

Miscellaneous expenses include dues and subscriptions, donations and other expenditures.

21. 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 discussed in Note 16, the US\$350 million and US\$100 million Notes issued by VII are unconditionally and irrevocably guaranteed by the Parent Company and Subsidiaries. No fees are charged for these guarantee agreements.

Terms and conditions of transactions with related parties

Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash. These principally consist of dividends, advances, reimbursement of expenses and management income. As of September 30, 2014 and December 31, 2013, the Group has not made any provision for impairment loss relating 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.

Except as stated in Note 13, there have been no guarantees provided or received for any related party receivables or payables

22. Financial Assets and Liabilities

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; and
- Level 3:* other valuation techniques involving inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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 1.33% to 3.00% in 2014 and 2013.

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

Receivable from related parties: Due to the short-term nature of the account, carrying amounts approximate their fair values.

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 2014 and 2013.

AFS financial assets: for AFS investment in unquoted equity securities, these are carried and presented at cost since fair value is not reasonably determined 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.

For shares in open ended investment companies, fair value is by reference to net asset value per share.

HTM investments: The fair value of HTM investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices, at the close of business on the reporting date.

Investment properties: The valuation techniques adopted for the measurement of fair values are the market approach for the land and cost approach for the buildings and building improvements.

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 5.00% to 12.00% in 2014 and 2013 using the remaining terms to maturity.

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, long-term cash investments, HTM investments and AFS financial assets 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, equity price 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:

	Sep 30, 2014		Dec 31, 2013	
	Effective Interest Rate	Amount	Effective Interest Rate	Amount
Financial Assets				
<i>Fixed Rate</i>				
Cash and cash equivalents (excluding cash on hand)	0.25% to 1.25%	₱ 14,495	0.25% to 5.00%	₱ 4,506
Short-term cash investments	0.50% to 5.00%	6,066	1.75% to 4.00%	1,057
Long-term cash investments	-	-	3.75% to 4.00%	5,039
HTM investments	1.63% to 9.50%	6,286	1.62% to 9.50%	2,905
Installment contracts receivable	14.00% to 18.00%	23,057	1.33% to 2.97%	22,933
Total		₱ 49,904		₱36,440
Financial Liabilities				
<i>Fixed rate</i>				
Notes payable	5.00% to 10.31%	₱ 28,938	5.00% to 10.31%	₱13,555
Bank loans	4.25% to 7.50%	9,313	5.75% to 7.50%	8,461
Loans payable	6.50% to 7.00%	2,516	7.00% to 12.00%	3,149
Liabilities for purchased land	-	2,693	7.00% to 12.00%	1,546
Total		₱ 43,460		₱26,711

As of September 30, 2014 and December 31, 2013, 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 39.98% and 30.87% of the total liabilities of the Group as of September 30, 2014 and December 31, 2013, 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, 2014		Dec 31, 2013	
	Peso	US\$	Peso	US\$
Cash and cash equivalents	8,304	185	366	8
Short-term cash investments	3,998	89	888	20
Long-term cash investments	-	-	5,039	114
AFS financial assets	3,158	70	1,323	30
HTM investments	6,230	139	2,905	65
Notes payable	(22,284)	(497)	(11,114)	(250)

In translating the foreign currency- denominated monetary assets in peso amounts, the Philippine Peso - US dollar exchange rates as of September 30, 2014 and December 31, 2013 used were ₱44.88 and ₱44.39 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, 2014 profit before tax (due to changes in the fair value of monetary assets and liabilities) as of September 30, 2014.

	Increase/decrease in US Dollar rate	Effect on profit before tax (in million)
Cash and cash equivalents	+1	₱185
	-1	(185)
Short-term cash investments	+1	89
	-1	(89)
Long-term cash investments	+1	-
	-1	-
AFS financial assets	+1	70
	-1	(70)
HTM investments	+1	139
	-1	(139)
Note payable	+1	(497)
	-1	497

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 2014 and 2013.

Equity Price Risk

The Group's equity price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices, principally investment in mutual funds classified as AFS financial assets. Such securities are subject to price risk due to possible adverse changes in market values of instruments arising from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. The Group invests in equity securities for various reasons, including reducing its overall exposure to interest rate risk.

In 2014 and 2013, the Group determined the reasonably possible change in index using the specific adjusted data for each equity security the Group holds as of the reporting dates. The adjusted data is the forecasted measure of the volatility of security or a portfolio in comparison to the market as a whole.

23. Lease Commitments

The Group as Lessee

The Group has entered into noncancelable operating lease agreements for its several branch offices with terms of one (1) to five (5) years. The lease agreements include escalation clauses that allow a reasonable increase in rates. The leases are payable on a monthly basis and are renewable under certain terms and conditions.

Rent expense included in the statements of comprehensive income for the nine months ended September 30, 2014 and December 31, 2013, amounted to ₱47 million and ₱60 million, respectively.

The Group as Lessor

The Group has entered into property leases on its investment property portfolio, consisting of the Group's surplus office spaces. These noncancelable leases have remaining lease terms of below fifteen (15) years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Rental income included in the statements of comprehensive income for the nine months ended September 30, 2014 and December 31, 2013, 2012 amounted to ₱86 million and ₱61 million, respectively (Note 19).

24. 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.

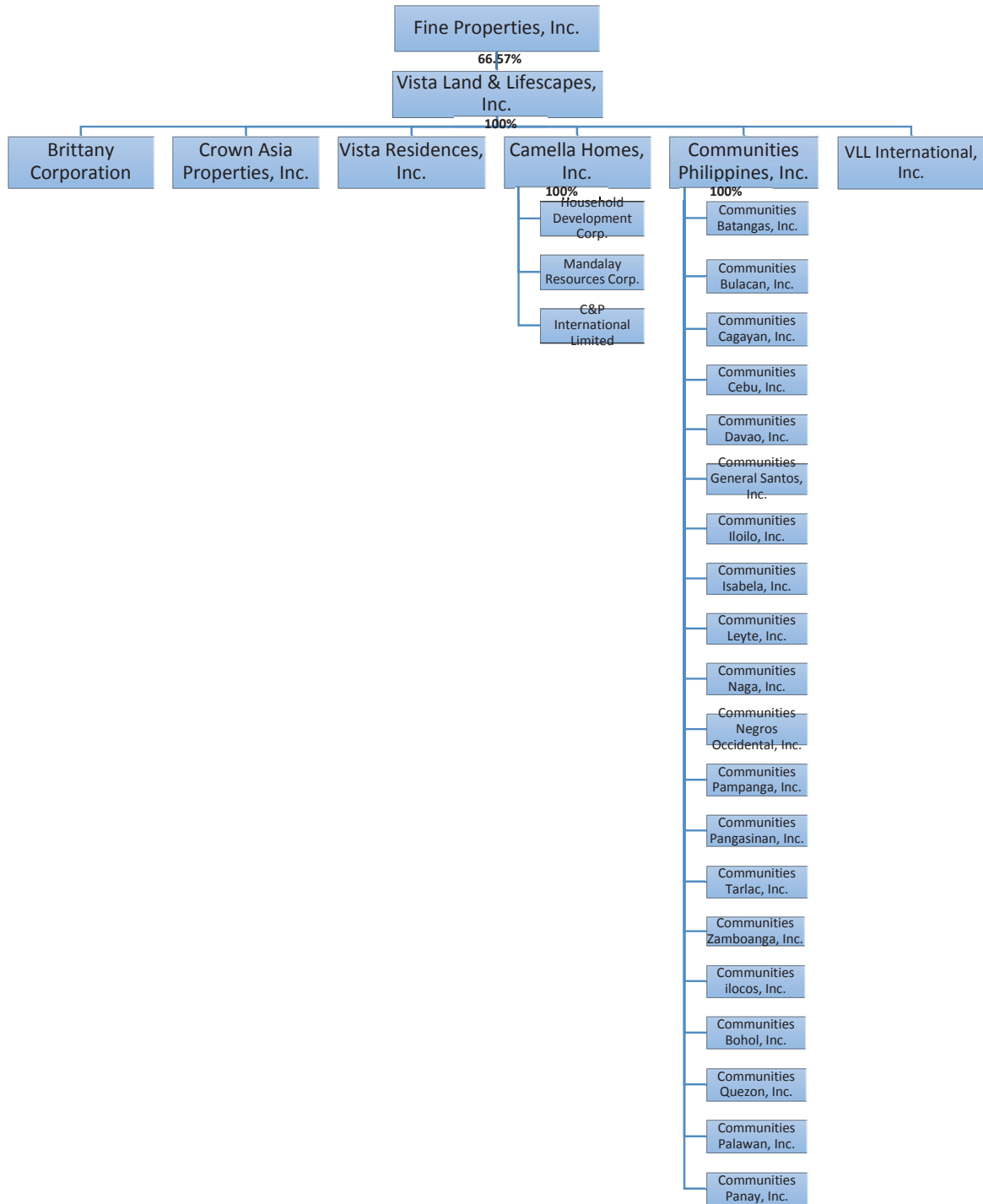
The progress billings are settled within one year from date of billings. These are unsecured obligations and carried at cost.

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.

Group Structure

Below is the map showing the relationship between and among group and its Ultimate parent company, and its subsidiaries as of September 30, 2014.



Financial Soundness Indicator

Below are the financial ratios that are relevant to the Group for the period ended September 30, 2014 and 2013.

		<u>Sep-30-14</u>	<u>Dec-31-13</u>
Current Ratio	<u>Current assets</u> Current liabilities	4.08	3.88
Long-term debt-to-equity ratio	<u>Long-term debt¹</u> Equity	0.67	0.41
Debt ratio	<u>Interest bearing debt²</u> Total assets	0.36	0.26
Debt to equity ratio	<u>Interest bearing debt</u> Total equity	0.74	0.45
Net debt to equity	<u>Net debt³</u> Total equity	0.16	0.15
Asset to equity ratio	<u>Total assets</u> Total equity	2.05	1.74
		<u>Sep-30-14</u>	<u>Sep-30-13</u>
EBITDA to total interest paid	<u>EBITDA</u> Total interest paid	3.95	3.66
Price Earnings Ratio	<u>Market Capitalization⁴</u> Net Income	9.31	9.01
Asset to liability ratio	<u>Total assets</u> Total liabilities	1.95	2.35
Net profit margin	<u>Net profit</u> Sales	25%	26%
Return on assets	<u>Net income</u> Total assets	5%	6%
Return on equity	<u>Net income</u> Total equity	10.9%	10.4%
Interest Service Coverage Ratio	<u>EBITDA</u> Total interest paid	4.16	3.59

¹ Pertains to long term portion of the Bank loans and Notes Payable

² Includes Bank Loans and Notes Payable

³ Interest bearing debt less Cash, Short-term and Long Term Cash Investments, Available-for-sale financial assets (excluding unquoted equity securities) & Held-to-Maturity Investments

⁴ Based on closing price at September 30, 2014 and 2013

HOMEBUILDER BONDS
Schedule and Use of Proceeds
As of September 30, 2014

	PER PROSPECTUS	ACTUAL	COLLECTED as of September 30, 2014
Estimated proceeds from the sale of the Bonds	Php 500,400,000.00	Php 500,400,000.00	Php249,037,500.00
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	422,735.94
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	3,867,282.32
Technology Fee	400,000.00	400,000.00	400,000.00
Documentary Stamp Tax	2,502,000.00	2,502,000.00	326,913.00
Audit Fee	3,696,000.00	5,082,000.00	5,082,000.00
	-	2,700.00	5,326.00
	<u>31,472,375.00</u>	<u>31,204,766.51</u>	<u>31,399,587.83</u>
Net proceeds to Vista Land & Lifescapes, Inc.	<u>Php 468,927,625.00</u>	<u>Php 469,195,233.49</u>	<u>Php217,637,912.17</u>
Balance of proceeds as of September 30, 2014			Php217,637,912.17

Vista Land sold P500.4 million of the Bonds and collected P249.0 million as of September 30, 2014. After issue-related expenses, actual net collection amounted to P217.6 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, 2014.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations covering 9-months of 2014 vs. 9-months of 2013

Revenues

Real Estate

The Company recorded revenue from real estate sales of ₱16,681 million for the 9-months of 2014, an increase of 13% from ₱14,827 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 Camella Homes during the 9-months of 2014 compared to the 9-months of 2013. 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 ₱7,828 million for the 9-months of 2014, an increase of 17% from ₱6,713 million for the 9-months of 2013. This was primarily attributable to the increase in the overall completion rate of its sold inventories in the 9-months of 2014 compared to the 9-months of 2013. 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 79% to ₱1,467 million for the 9-months of 2014 from ₱820 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 2014 compared to the 9-months of 2013. Vista Residences is the business unit of Vista Land that develops and sells vertical projects.
- Real estate revenue of Camella Homes increased by 8% to ₱4,588 million for the 9-months of 2014 from ₱4,231 million for the 9-months of 2013. This was primarily attributable to the increase in the overall completion rate of sold inventories in the 9-months of 2014 compared to the 9-months of 2013. Camella Homes caters to the mid to low-end segment of the market.
- Real estate revenue of Crown Asia decreased by 5% to ₱1,754 million for the 9-months of 2014 from ₱1,846 million in the 9-months of 2013. This was primarily attributable to the decrease in the level of completion of the sold inventories in the 9-months of 2014 compared to the 9-months of 2013. Crown Asia is Vista Land's business unit for the upper-middle income segment of the market.
- Real estate revenue of Brittany decreased by 14% to ₱1,044 million for the 9-months of 2014 from ₱1,218 million for the same period last year. This was primarily attributable to the decrease in the level of completion of the sold inventories in the 9-months of 2014 compared to the 9-months of 2013. Brittany caters to the high-end segment of the market.

Interest income

Interest income increased by 37% to ₱959 million for the 9-months of 2014 from ₱698 million for the 9-months of 2013 due to higher level of cash and cash investments as well as from collection of interest from installment receivables.

Miscellaneous

Miscellaneous income increased by 15% to ₱449 million for the 9-months of 2014 from ₱391 million for the 9-months of 2013 due primarily to the increase on the rental income for the period.

Costs and Expenses

Cost and expenses increased by 13% from ₱11,987 million for the 9-months of 2013 to ₱13,539 million in the 9-months of 2014. The 13% increase in the account was primarily attributable to the following:

- Cost of real estate sales increased by 14% from ₱7,233 million for the 9-months of 2013 to ₱8,248 million for the 9-months of 2014. This was primarily due to the increase in the overall recorded sales of Vista Land's business units.
- Operating expenses increased by 10% to ₱3,846 million for the 9-months of 2014 from ₱3,493 million for the 9-months of 2013. This was primarily due to the following:
 - an increase in the salaries, wages and employee benefits to ₱569 million for the 9-months of 2014 from ₱500 million for the 9-months of 2013 resulting from increase in manpower of the Group;
 - an increase in commission expense to ₱859 million for the 9-months of 2014 from ₱770 million for the 9-months of 2013 resulting from increased sales during the period;
 - an increase in advertising and promotions to ₱1,039 million for the 9-months of 2014 from ₱989 million for the 9-months of 2013 resulting from increased marketing activities implemented during the period.
- Interest and financing charges increased by 20% from ₱1,223 million for the 9-months of 2013 to ₱1,466 million for the 9-months of 2014 due to a higher interest bearing liabilities as of September 30, 2014 compared to as of September 30, 2013.
- Unrealized foreign exchange gain of ₱21 million was recognized for the 9-months of 2014.

Provision for Income Tax

Provision for income tax was increased by 115% to ₱305 million for the 9-months of 2014 and from ₱142 million in the 9-months of 2013. The increase was due primarily to higher taxable income reported during the period.

Net Income

As a result of the foregoing, the Company's net income increased by 12% to ₱4,245 million for the 9-months of 2014 from ₱3,787 million for the 9-months of 2013.

For the 9-months of 2014, 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, 2014 vs. December 31, 2013

Total assets as of September 30, 2014 were ₱106,234 million compared to ₱84,530 million as of December 31, 2013, or a 26% increase. This was due to the net effect of the following:

- Cash and cash equivalents increased by 220% from ₱4,533 million as of December 31, 2013 to ₱14,513 million as of September 30, 2014 due primarily to proceeds from various fund raising activities done during the period.
- Short-term cash investments increased by 474% from ₱1,057 million as of December 31, 2013 to ₱6,066 million as of September 30, 2014 due primarily to the reclassification of the long-term cash investments which are due for redemption in September 2015.
- Due from related parties increased by 12% from ₱200 million as of December 31, 2013 to ₱225 million as of September 30, 2014 due primarily to additions made during the period.
- Real estate inventories decreased by 6% from ₱15,473 million as of December 31, 2013 to ₱14,550 million as of September 30, 2014 due primarily to the increase in sales for the period.
- Long-term cash investments decreased by 100% from ₱5,309 million as of December 31, 2013 to nil as of September 30, 2014 due to the reclassification of the investment to short-term cash investments as the investments will be redeemed in September 2015.
- Available-for-sale financial assets increased by 134% from ₱1,365 million as of December 31, 2013 to ₱3,199 million as of September 30, 2014 due primarily from the investments made from the proceeds of the dollar notes issuance.
- Held-to-maturity investments increased by 116% from ₱2,906 million as of December 31, 2013 to ₱6,286 million as of September 30, 2014 due to additional investments made during the period from the proceeds of the dollar notes issuance.
- Land and improvements increased by 24% from ₱18,569 million as of December 31, 2013 to ₱23,111 million as of September 30, 2014 due primarily to acquisitions for the period.
- Investment properties increased by 15% from ₱4,691 million as of December 31, 2013 to ₱5,380 million as of September 30, 2014 due to on-going construction of commercial centers for the period.
- Investment and advances in project development costs increased by 24% from ₱1,794 million as of December 31, 2013 to ₱2,222 million as of September 31, 2014 due to the additional investments and advances made during the period.
- Other assets increased by 31% from ₱2,243 million as of December 31, 2013 to ₱2,942 million as of September 30, 2014 due primarily to increase in prepayments.

Total liabilities as of September 30, 2014 were ₱54,474 million compared to ₱36,004 million as of December 31, 2013, or an increase of 51%. This was due to the net effect of the following:

- Accounts and other payables increased by 16% from ₱6,381 million as of December 31, 2013 to ₱7,426 million as of September 30, 2014 primarily due to accruals made during the period.
- Customers' advances and deposits increased by 28% from ₱1,695 million as of December 31, 2013 to ₱2,175 million as of September 30, 2014 due to higher sales for the period.
- Income tax payable decreased by 23% from ₱34 million as of December 31, 2013 to ₱26 million as of September 30, 2014 due primarily to payments made during the period.
- Bank loans increased by 10% from ₱8,461 million as of December 31, 2013 to ₱9,313 million as of September 30, 2014 due primarily to the bank loan obtained by the parent company and its subsidiaries for the period.
- Loans payable decreased by 20% from ₱3,149 million as of December 31, 2013 to ₱2,516 million as of September 30, 2014 due primarily to payments made during the period.
- Notes payable increased by 113% from ₱13,555 million as of December 31, 2013 to ₱28,938 million as of September 30, 2014 due primarily to issuance of the dollar note and retail bonds for the period.
- Pension liabilities increased by 21% from ₱185 million as of December 31, 2013 to ₱225 million as of September 30, 2014 due to actuarial adjustments for the period.
- Deferred tax liabilities - net increased by 20% from ₱1,467 million as of December 31, 2013 to ₱1,756 million as of September 30, 2014 due to adjustments made during the period.
- Other noncurrent liabilities increased by 99% from ₱1,038 million as of December 31, 2013 to ₱2,060 million as of September 30, 2014 due to increase in liabilities for purchased land.

Total stockholder's equity increased by 7% to ₱51,760 million as of September 30, 2014 from ₱48,526 million as of December 31, 2013 due primarily to net income recorded for the period.

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

Key Performance Indicators	09/30/2014	12/31/2013
Current ratio ^(a)	4.08:1	3.88:1
Debt-to-equity ratio ^(b)	0.74:1	0.45:1
	09/30/2014	09/30/2013
Interest expense/Income before Interest expense ^(c)	24.4%	23.7%
Return on assets ^(d)	5.0%	6%
Return on equity ^(e)	10.9%	10.4%

Notes1

- (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, 2014 increased compared to that of December 31, 2013 due to the increase in cash and investments for the period from various fund raising activities.

Debt-to-equity ratio as of September 30, 2014 increased compared to that of December 31, 2013 due to issuance of dollar notes, retail bonds and bilateral loans with local banks.

Interest expense/income before interest expense increased for the 9-months of 2014 compared to the same period last year due to the increase in interest-bearing liabilities.

Material Changes to the Company's Statement of Financial Position as of September 30, 2014 compared to December 31, 2013 (increase/decrease of 5% or more)

Cash and cash equivalents increased by 220% from ₪4,533 million as of December 31, 2013 to ₪14,513 million as of September 30, 2014 due primarily to proceeds from various fund raising activities done during the period.

Short-term cash investments increased by 474% from ₪1,057 million as of December 31, 2013 to ₪6,066 million as of September 30, 2014 due primarily to the reclassification of the long-term cash investments which are due for redemption in September 2015.

Due from related parties increased by 12% from ₪200 million as of December 31, 2013 to ₪225 million as of September 30, 2014 due primarily to additions made during the period.

Real estate inventories decreased by 6% from ₪15,473 million as of December 31, 2013 to ₪14,550 million as of September 30, 2014 due primarily to the increase in sales for the period.

Long-term cash investments decreased by 100% from ₪5,309 million as of December 31, 2013 to nil as of September 30, 2014 due to the reclassification of the investment to short-term cash investments as the investments will be redeemed in September 2015.

Available-for-sale financial assets increased by 134% from ₪1,365 million as of December 31, 2013 to ₪3,199 million as of September 30, 2014 due primarily from the investments made from the proceeds of the dollar notes issuance.

Held-to-maturity investments increased by 116% from ₱2,906 million as of December 31, 2013 to ₱6,286 million as of September 30, 2014 due to additional investments made during the period from the proceeds of the dollar notes issuance.

Land and improvements increased by 24% from ₱18,569 million as of December 31, 2013 to ₱23,111 million as of September 30, 2014 due primarily to acquisitions for the period.

Investment properties increased by 15% from ₱4,691 million as of December 31, 2013 to ₱5,380 million as of September 30, 2014 due to on-going construction of commercial centers for the period.

Investment and advances in project development costs increased by 24% from ₱1,794 million as of December 31, 2013 to ₱2,222 million as of September 31, 2014 due to the additional investments and advances made during the period.

Other assets increased by 31% from ₱2,243 million as of December 31, 2013 to ₱2,942 million as of September 30, 2014 due primarily to increase in prepayments.

Accounts and other payables increased by 16% from ₱6,381 million as of December 31, 2013 to ₱7,426 million as of September 30, 2014 primarily due to accruals made during the period.

Customers' advances and deposits increased by 28% from ₱1,695 million as of December 31, 2013 to ₱2,175 million as of September 30, 2014 due to higher sales for the period.

Income tax payable decreased by 23% from ₱34 million as of December 31, 2013 to ₱26 million as of September 30, 2014 due primarily to payments made during the period.

Bank loans increased by 10% from ₱8,461 million as of December 31, 2013 to ₱9,313 million as of September 30, 2014 due primarily to the bank loan obtained by the parent company and its subsidiaries for the period.

Loans payable decreased by 20% from ₱3,149 million as of December 31, 2013 to ₱2,516 million as of September 30, 2014 due primarily to payments made during the period.

Notes payable increased by 113% from ₱13,555 million as of December 31, 2013 to ₱28,938 million as of September 30, 2014 due primarily to issuance of the dollar note and retail bonds for the period.

Pension liabilities increased by 21% from ₱185 million as of December 31, 2013 to ₱225 million as of September 30, 2014 due to actuarial adjustments for the period.

Deferred tax liabilities - net increased by 20% from ₱1,467 million as of December 31, 2013 to ₱1,756 million as of September 30, 2014 due to adjustments made during the period.

Other noncurrent liabilities increased by 99% from ₱1,038 million as of December 31, 2013 to ₱2,060 million as of September 30, 2014 due to increase in liabilities for purchased land.

Material Changes to the Company's Statement of Income for the 9-months of 2014 compared to the 9-months of 2013 (increase/decrease of 5% or more)

Revenue from real estate sales of ₱16,681 million for the 9-months of 2014, an increase of 13% from ₱14,827 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 Camella Homes during the 9-months of 2014 compared to the 9-months of 2013. 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.

Interest income increased by 37% to ₱959 million for the 9-months of 2014 from ₱698 million for the 9-months of 2013 due to higher level of cash and cash investments as well as from collection of interest from installment receivables.

Miscellaneous income increased by 15% to ₱449 million for the 9-months of 2014 from ₱391 million for the 9-months of 2013 due primarily to the increase on the rental income for the period.

Cost of real estate sales increased by 14% from ₱7,233 million for the 9-months of 2013 to ₱8,248 million for the 9-months of 2014 primarily due to the increase in the overall recorded sales of Vista Land's business units.

Operating expenses increased by 10% to ₱3,846 million for the 9-months of 2014 from ₱3,493 million for the 9-months of 2013 due to the increase in salaries, wages and employee benefits, commission expense and advertising and promotions for the period.

Interest and financing charges increased by 20% from ₱1,223 million for the 9-months of 2013 to ₱1,466 million for the 9-months of 2014 due to a higher interest bearing liabilities as of September 30, 2014 compared to as of September 30, 2013.

Unrealized foreign exchange gain of ₱21 million was recognized for the 9-months of 2014.

Provision for income tax was increased by 115% to ₱305 million for the 9-months of 2014 and from ₱142 million in the 9-months of 2013. The increase was due primarily to higher 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 2014 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 2014 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 2014 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.

₱0.11858 per share Regular Cash Dividend

Declaration Date: September 15, 2014

Record date: September 30, 2014

Payment date: October 24, 2014

₱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

- 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.

Transferring of assets, except in normal course of business.

None.

Item 4. Other Notes as of 9-months of 2014 Operations and Financials.

- I.** 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.

- J.** 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.

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

See Notes to Financial Statements and Management Discussion and Analysis.

- L.** 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.

- M.** 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.

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

None.

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

None.

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

None.

- Q.** 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.

- R.** 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.

- S.** 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, 2014, 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 2014 financial statements.

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

None.

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

None.

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

None.

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

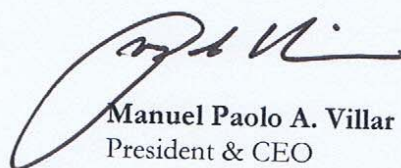
None.

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:



Manuel Paolo A. Villar
President & CEO

Date: November 12, 2014