
# REDEFINING CHALLENGES

VISTA LAND

2020 ANNUAL REPORT

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# REDEFINING CHALLENGES

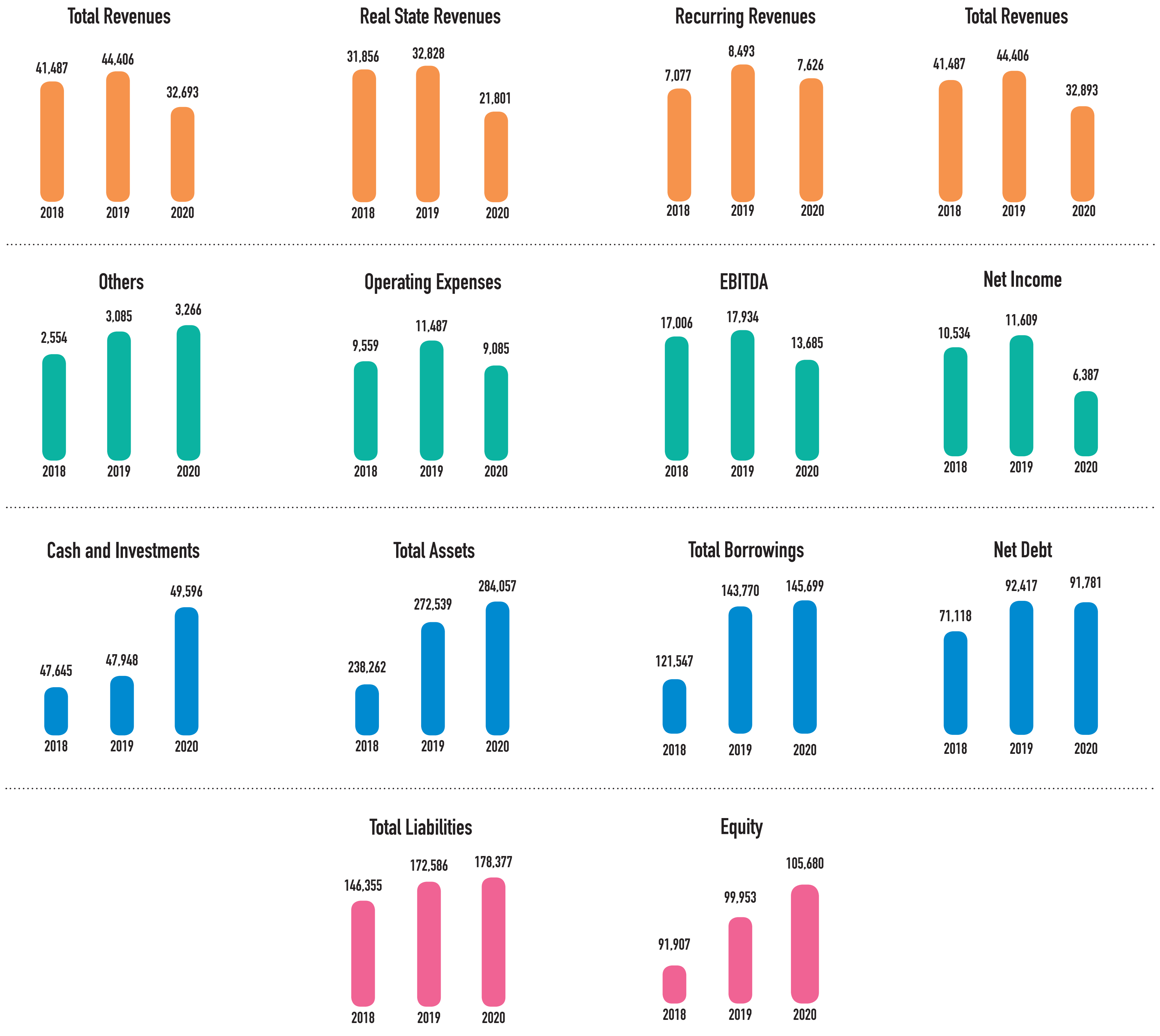
VistaLand met the challenges of 2020 by being agile, thinking out-of-the-box, evaluating trends and tapping available technology to adjust, plan, develop, modify and implement suitable business strategies. This year's annual report cover shows how several innovative approaches, acting as pieces of a puzzle that fit perfectly, allowed VistaLand to sustain its viability while protecting the health and welfare of its partners, customers and employees amidst the COVID-19 Pandemic.

# FINANCIAL HIGHLIGHTS

## Financial Highlights (in Php M)

| | 2018 | 2019 | 2020 |
|---|---|---|---|
| **INCOME STATEMENT** | | | |
| Total Revenues | 41,487 | 44,406 | 32,693 |
| Real Estate Revenues | 31,856 | 32,828 | 21,801 |
| Recurring Revenues | 7,077 | 8,493 | 7,626 |
| Others | 2,554 | 3,085 | 3,266 |
| Operating Expenses | 9,559 | 11,487 | 9,085 |
| EBITDA | 17,006 | 17,934 | 13,685 |
| Net Income | 10,534 | 11,609 | 6,387 |
| **BALANCE SHEET** | | | |
| Cash and Investments | 47,645 | 47,948 | 49,596 |
| Total Assets | 238,262 | 272,539 | 284,057 |
| Total Borrowings | 121,547 | 143,770 | 145,699 |
| Net Debt | 71,118 | 92,417 | 91,781 |
| Total Liabilities | 146,355 | 172,586 | 178,377 |
| Equity | 91,907 | 99,953 | 105,680 |
| **Financial Ratios** | | | |
| Current Ratio | 3.77 | 3.96 | 3.16 |
| Net debt to equity | 0.77 | 0.92 | 0.87 |
| Debt to equity | 1.29 | 1.40 | 1.34 |
| Return on Equity | 11.46% | 11.61% | 6.04% |
| Return on Assets | 4.42% | 4.55% | 2.29% |
| **Cashflows** | | | |
| Net Cash provided by operating activities | 3,066.59 | 4,458.31 | 11,740.05 |
| Net Cash used in investing activities | (10,347.86) | (21,099.60) | (11,248.21) |
| Net Cash provided by financing activities | 15,803.73 | 10,569.47 | (6,648.15) |





# AT A GLANCE

## A Leading Integrated Property Developer & The Philippines' Largest Homebuilder

### BRITTANY

Develops luxury houses in masterplanned communities, catering to the high-end market segment in Mega Manila.

**Established:** 1993

**PROJECT PORTFOLIO**

**La Posada** (Sucat, Muntinlupa)
**Portofino South** (Daang Hari, Alabang)
**Portofino Courtyards** (Daang Hari, Alabang)
**Amore** (Daang Hari, Alabang)
**Georgia Club** (Sta. Rosa, Laguna)
**Augusta** (Sta. Rosa, Laguna)
**Crosswinds** (Tagaytay City)
**Alpine Tower** (Tagaytay City)

**DIVISIONAL INFORMATION** (in Php Millions)

| | 2020 | 2019 | %Change |
|---|---|---|---|
| Reservation Sales | 394.46 | 799.04 | -50.6% ▼ |
| Revenues | 19.11 | 453.74 | -95.8% ▼ |
| Gross Profit | 14.58 | 288.65 | -94.9% ▼ |

### CROWNASIA

Caters to the upper middle market housing segment in Mega Manila.

**Established:** 1995

**Valenza** (Sta. Rosa, Laguna)
**Fortezza** (Cabuyao, Laguna)
**Marina Heights** (Sucat, Muntinlupa)
**Citta Italia** (Bacoor, Cavite)
**Augustine Grove** (Dasmariñas, Cavite)
**Ponticelli** (Daang Hari )
**Maia Alta** (Antipolo, Rizal)
**Brescia** (Commonwealth, Quezon City)

| | 2020 | 2019 | %Change |
|---|---|---|---|
| Reservation Sales | 1,522.84 | 1,463.46 | 4.1% ▼ |
| Revenues | 793.08 | 1,062.02 | 8.4% ▼ |
| Gross Profit | 450.48 | 671.54 | 14.8% ▼ |

### Camella

Servicing the affordable and middle-income housing segment in the Mega Manila area.

**Established:** 1977

**Camella Verra** (Caloocan City)
**Camella Dasma At The Islands** (Dasmariñas, Cavite)
**Tierra Nevada** (General Trias, Cavite)
**Cerritos Heights** (Daang Hari)
**Camella Ellisande** (Taguig City)
**Camella Silang** (Silang, Cavite)
**Camella East Winds** (Pillila, Rizal)

| | 2020 | 2019 | %Change |
|---|---|---|---|
| Reservation Sales | 16,648.52 | 24,017.04 | -30.7% ▼ |
| Revenues | 8,808.92 | 14,284.66 | -38.3% ▼ |
| Gross Profit | 4,027.14 | 7,016.07 | -42.6% ▼ |



## Launched 8 low and affordable Projects outside Metro Manila with an estimated total value of about ₱10 billion

### COMMUNITIES PHILIPPINES

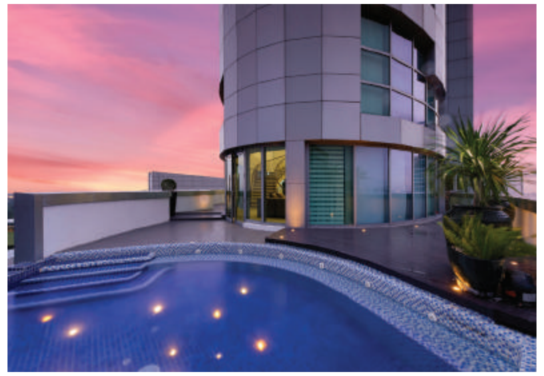
Offers residential properties outside the Mega Manila area in the affordable and middle market segments primarily under the "Camella" and "Lessandra" brands.

**Established:** 1991

**Camella Cagayan** (Tuguegarao City)
**Camella Dos Rios Trails** ( Cabuyao, Laguna)
**Camella Subic** (Subic, Bataan)
**Provence** (Malolos, Bulacan)
**Camella Pinecrest** (Bacolod City)
**Camella Prima Butuan** (Butuan City)
**Camella Taal** (Taal, Batangas)
**Camella Palawan** (Puerto Princesa, Palawan)

| | 2020 | 2019 | %Change |
|---|---|---|---|
| Reservation Sales | 29,807.46 | 42,519.48 | -29.9% ▼ |
| Revenues | 9,712.35 | 14,608.92 | -33.5% ▼ |
| Gross Profit | 4,450.06 | 7,846.28 | -43.3% ▼ |

### VISTA RESIDENCES



Builds both mid and high-rise vertical developments.

**Established:** 2009

**Kizuna Heights** (Taft Avenue, Manila)
**Sky Arts Manila** (Malate, Manila)
**The Spectrum** (Pasig City)
**Vista Shaw** (Mandaluyong City)
**The Courtyard** (Taguig City)
**Hawthorne Heights** (Katipunan, Quezon City)
**Canyon Hill** (Baguio City)
**Suarez Residences** (Cebu City)
**The Loop Towers** (Cagayan de Oro City)

| | 2020 | 2019 | %Change |
|---|---|---|---|
| Reservation Sales | 5,303.20 | 9,742.81 | -45.6% ▼ |
| Revenues | 2,467.11 | 2 ,418.60 | 2.0% ▼ |
| Gross Profit | 837.59 | 1,236.88 | -32.3% ▼ |

### VISTAMALL

Owner, developer and operator of retail malls that target mass market retail consumers and develops and operates BPO commercial centers.

**Established:** 2015

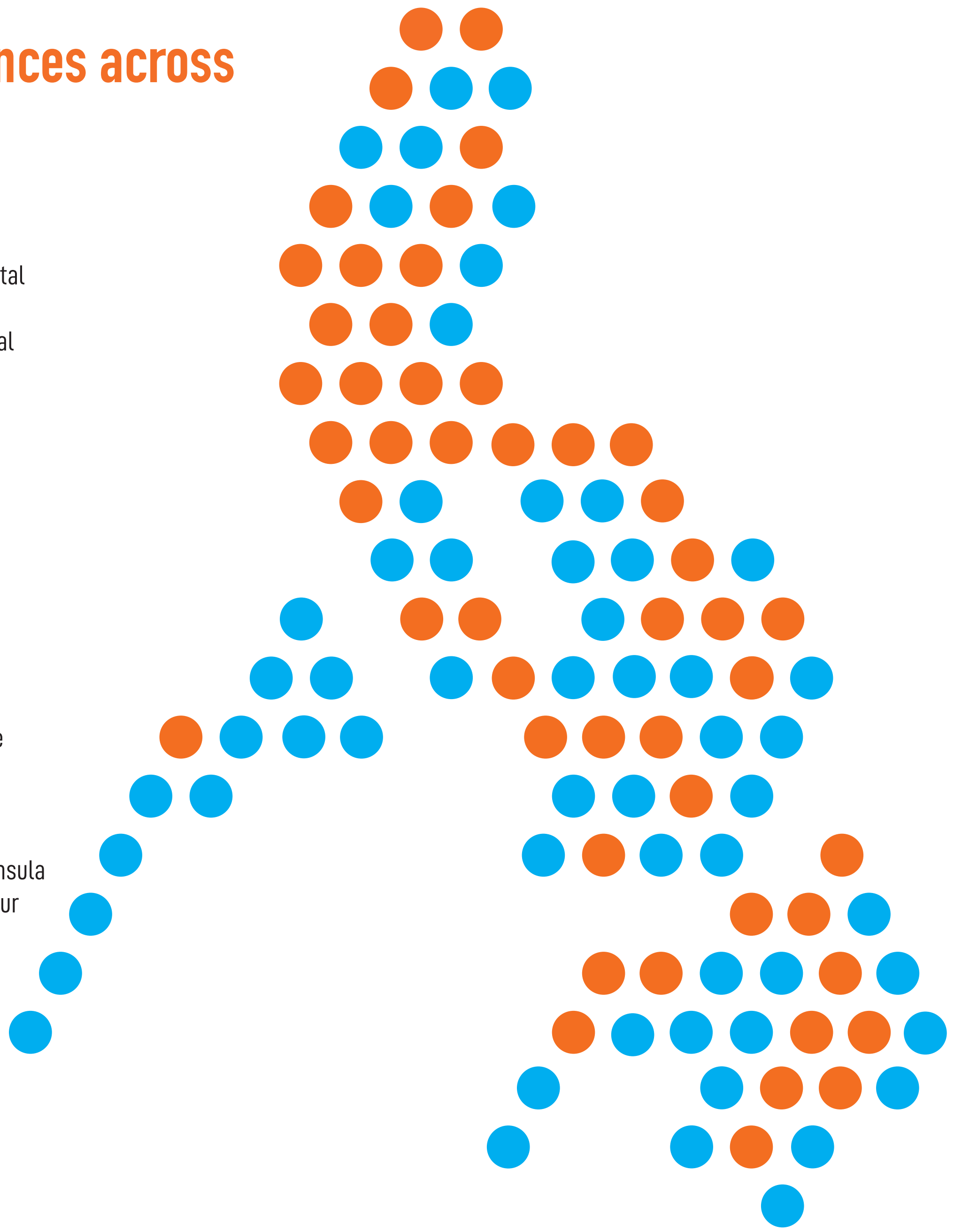
**Starmall Las Piñas Annex** (Zapote, Las Piñas City)
**Vista Mall Las Piñas** (Zapote, Las Piñas City)
**Starmall EDSA Shaw** (Wack-wack, Mandaluyong City)
**Worldwide Corporate Center** (Mandaluyong City)
**Starmall Alabang** (Alabang, Muntinlupa City)
**Starmall San Jose del Monte** (San Jose del Monte, Bulacan)
**Vista Mall Daang Hari** (Daang Hari)
**Vista Mall Sta. Rosa** (Sta. Rosa, Laguna)

| | 2020 | 2019 | %Change |
|---|---|---|---|
| Reservation Sales | — | — | — |
| Revenues | 7,273.07 | 7,474.98 | -2.7% ▼ |
| Gross Profit | — | — | — |

# GROWTH CHART

## Unrivaled nationwide presence in 147 cities and municipalities in 49 provinces across the Philippines

1 Agusan del Norte
2 Agusan del Sur
3 Aklan
4 Albay
5 Bataan
6 Batangas
7 Benguet
8 Bohol
9 Bulacan
10 Bukidnon
11 Cagayan
12 Camarines Sur
13 Camarines Norte
14 Capiz
15 Cavite
16 Cebu
17 Compostela Valley
18 Davao del Norte
19 Davao del Sur
20 Guimaras
21 Ilocos Norte
22 Ilocos Sur
23 Iloilo
24 Isabela
25 Laguna
26 La Union
27 Leyte
28 Masbate
29 Metro Manila
30 Misamis Occidental
31 Misamis Oriental
32 Negros Occidental
33 Negros Oriental
34 North Cotabato
35 Nueva Ecija
36 Nueva Viscaya
37 Palawan
38 Pampanga
39 Pangasinan
40 Quezon
41 Rizal
42 Sorsogon
43 South Cotabato
44 Surigao del Norte
45 Tarlac
46 Western Samar
47 Zambales
48 Zamboanga Peninsula
49 Zamboanga del Sur





# CORPORATE VALUES

## COMPETITIVE SPIRIT

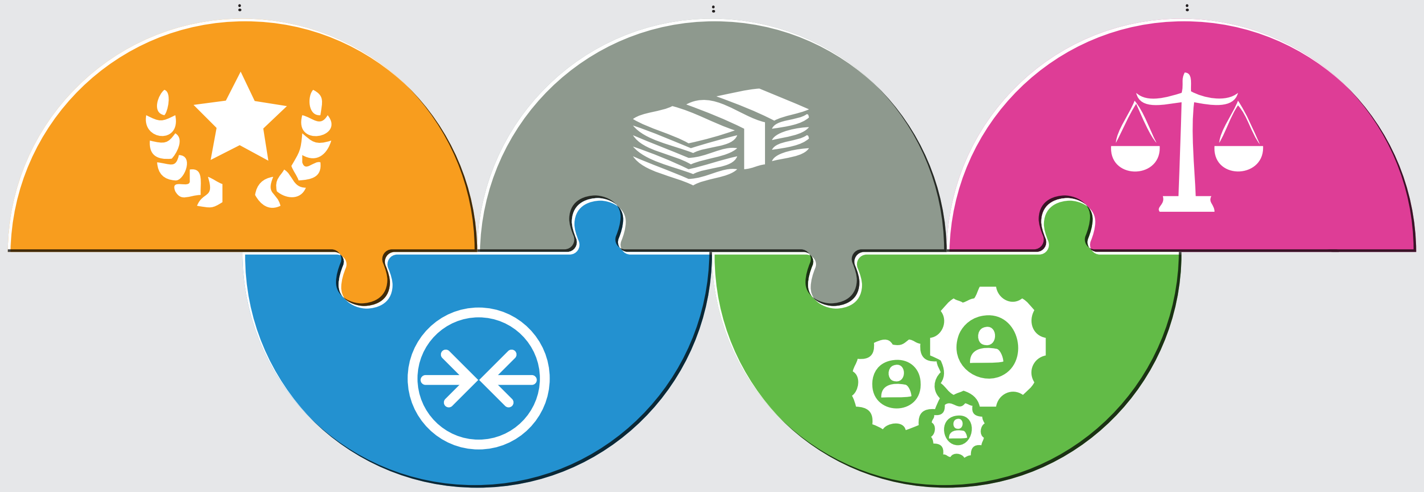
Everyday, we step into the battlefield knowing we are well-equipped. We are a crack team. Better trained. Better skilled. Better motivated. The competition is there for two reasons: To learn from and to knock out. We owe it to ourselves to keep building muscle, and we owe it to our customers to keep fighting.

## COST CONSCIOUSNESS

Cost is not a question of numbers, but a question of value. It is not what we can cut out, but what we can save on. We are lean because we know that success does not depend on the number of people, but on the number of ideas, and the brilliance of those ideas. We are not cost conscious to increase our profit margins, but to guarantee that we have sufficient resources for tomorrow. It is not just the cost to us that wemust concern ourselves with, but the cost to our customers as well.

## HONESTY

We need to be trustworthy and we need to be trusted. There must be integrity and reliability in our word, and our character. Honesty necessitates dependability, fairness, probity, and holding on to high principles. It is the only way we can believe in each other and ourcustomers can believe in us.



## CLOSENESS TO CUSTOMERS

Our future is wrapped up in our customers — along with their dreams, their hopes, their lives. We must become part of their community — and their family. What they need is as important as what we do. It is what drives what we do. To them, we will always listen. From them, we will always learn. They are the reason we exist.

## TEAMWORK

Synergy is one of a corporation's greatest assets. The solitary genius is nice, but teams are stronger. We have a common goal, and we need each other to get there. We have each other's back. We have the company's back.

CHAIRMAN'S MESSAGE

# The Vision And Foresight Of Vista Land

**Dear Fellow Shareholders,**

As a company, Vista Land is characterized by its faithfulness to its vision and its palpable foresight. These key qualities continue to serve us well as we remember the previous year and look forward to the next.

Vista Land was built with fundamentals and infrastructure that can withstand any crisis. This foresight served the company very well in 2020—an unprecedented year fraught with challenges. Vista Land's diverse product offerings protected us from succumbing to the economic crisis generated by the COVID-19 pandemic. Our wide geographic reach enabled us to cushion factors that affected specific locations in the country. Our leasing business, for instance, by being anchored on malls occupied mainly by essential tenants, was not completely susceptible to the negative impact of online sales on brick and mortar stores. It was important that we looked at the pandemic from a different perspective and used our findings to jumpstart our digital transformation and entry into the world of e-commerce. This view converted challenges into opportunities.

Our innovative initiatives were developed and implemented by improving on the basics already in place. We optimized the use of the latest available digital technology and followed the "keep it simple" approach. This allowed us to promote operational efficiency within Vista Land while offering convenience to our customers. The lockdown actually increased the preference of buyers for horizontal developments in the provincial areas which are our core product. Launching online reservations for all residential brands, increasing our online payment methods, and offering virtual property tours made doing business easy – and safe-for all. In effect, we took to heart the saying, "Do not waste a good crisis" and made it work for us.

Our activities were not solely confined to business. In coordination with VILLAR SIPAG, we continued with our corporate social responsibility programs during 2020, refocusing our attention and reallocating resources to help our countrymen deal with the COVID-19 onslaught.

Moving forward into the New Normal, we will use the learnings of the past year and more aggressively pursue our digital transformation to deliver on our promise of giving all our customers - past, present, and future — the full Vista Land experience.

I feel fortunate and thankful to have you by my side—our shareholders, employees, and stakeholders—as we rise to confront the uncertainties and challenges of the future. To you all, I extend my profound gratitude and appreciation.

**Manuel B. Villar, Jr.**
Chairman




PRESIDENT'S REPORT

# Challenges And Opportunities

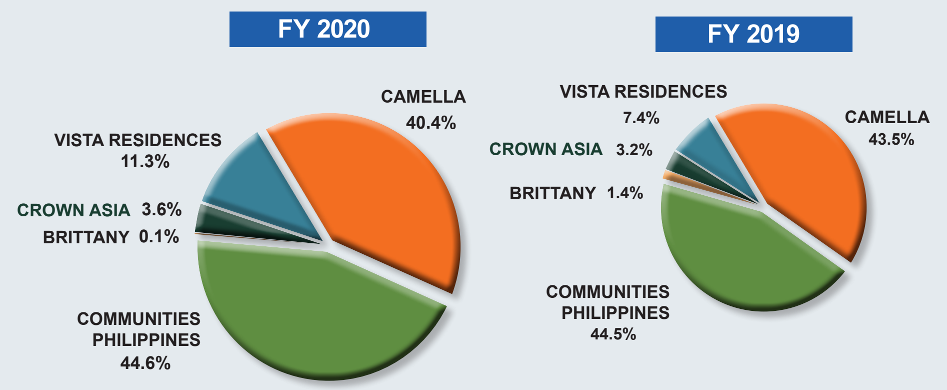
**Dear Fellow Shareholders,**

The year 2020 was like no other. The challenges posed by the COVID-19 pandemic tested the resolve of governments, organizations, and individuals. Ultimately, each entity's response to the crisis determined the chances of survival. Set in such a bleak background, I am proud and pleased to report that Vista Land & Lifescapes, Inc. performed admirably and achieved several milestones through alignment, agility, commitment, and the dint of pure hard work. Our Business Continuity Program was the firstline of defense when the lockdown was imposed in March 2020. Understandably, there were a few setbacks in the beginning. However, we were able to adjust quickly by working together and doing our best to innovate. Like in other industries and businesses, there was asignificant drop in sales at the height of the lockdown. We arrested the decline by accelerating the implementation of digital initiatives which we have already started developing and were looking to roll out in the coming years. Using available digital technology, we managed to launch virtual property tours, facilitated online reservations, increased online payment platforms, and enhanced our social media presence. With these, we successfully generated online sales – with virtually 100% of our sales in April and May online – and were able to bring back our sales to 70% pre-COVID-19 level. In effect, the uncertainties brought about by the national and global health crisis became opportunities for us to review our existing policies and practices as well as use our digital transformation program to improve fiscal and operational efficiencies while serving ourcustomers better. We increased our engagement with our employees during the lockdown period and prioritized their safety and health. We ensured that effective safety measures were implemented not only in the workplace but in all Vista Land properties. Our 2020 performance can be summarized as follows(a) we have sustained our reservation sales growth in the 4thquarter of the year; (b) revenue from our leasing business has been resilient with 95% operational gross floor area; (c) for the first time since 2015 we have been able to reduce our net

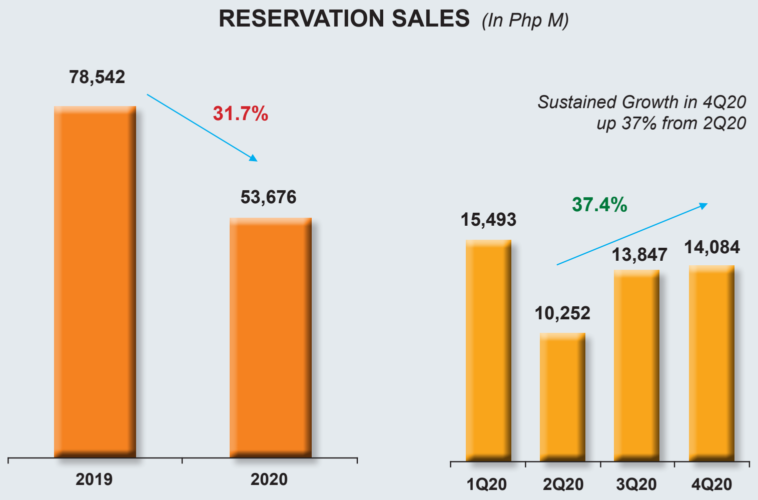
PRESIDENT'S REPORT

debt to equity to 0.87x and (d) we haveaccelerated our digital transformation and introduced a number of innovations during the year. In terms of our reservation sales, we have been able to reach 70% pre-COVID level at the end of the year amounting to Php53.7 billion. We have also sustained our quarterly sales growth since the 2nd quarter of the year with our 4thquarter sales reaching Php 14.1 billion versus our 2nd quarter salesof Php 10.3 billion or a 37% improvement. Looking at some details on our financia lresults Consolidated revenues totaled Php32.4 billion of which Real Estate revenues amounted to Php 21.8 billion and rental revenue was at Php 7.2 billion. We have recorded an EBITDA of Php 13.7 billion and an improved EBITDA margin of 41.9%as we were able to capitalize on the various cost-saving measures implemented during the year most notably would be the impact of our online sales andvarious digital initiatives to our marketing expenses. Net income was at P6.4billion for 2020. We boldly launched Php 10.0 billion worth of residential projects, wherein Php 5.0 billion of which were launched in the last quarter of the year. This enhanced our presence in 147 cities and municipalities across 49provinces. At the end of 2020, we had a land bank of 2,976.0 hectares, 57% ofwhich is in Mega Manila and 43% in prime locations across the country. In Real Estate revenue, the Camella Brand relied on forward-thinking and flexible business strategies in the midst of the COVID-19 crisis to maximize resources at hand, attain better-operating efficiencies and boost profitability. It contributed 85% of our total real estate revenues. Adopting a similar aggressive technology and social media-based strategy, premium brand Crown Asia launched its Ready for Life Campaign during the year. Total assets were Php 284.1 billion as ofDecember 31, 2020, with an equity of Php 105.7 billion. Looking at our gearing ratio, we are proud to announce that for the first time since 2015 we were able to post a reduction in our Net debt to equity ratio to 0.87x from 0.92x in2019. We still maintained diversified funding sources and a debt maturity profile of around 91% long-term. Capital expenditures during the year amounted to Php24.6 billion, with Php 16.5 billion or 67.1% spent in construction. Our leasing portfolio remained to be resilient amid the pandemic as the majority of our tenants are essentials thus we are now at 95% operational GFA. As 2020 ended, we had about 1,588,694 sq.m. of Gross Floor Area in our leasing portfolio, with our malls and retail stores accounting for 1,497,229 sq.m. Our leasing business now includes 31 malls, 69 commercial centers, and 7 office buildings. The

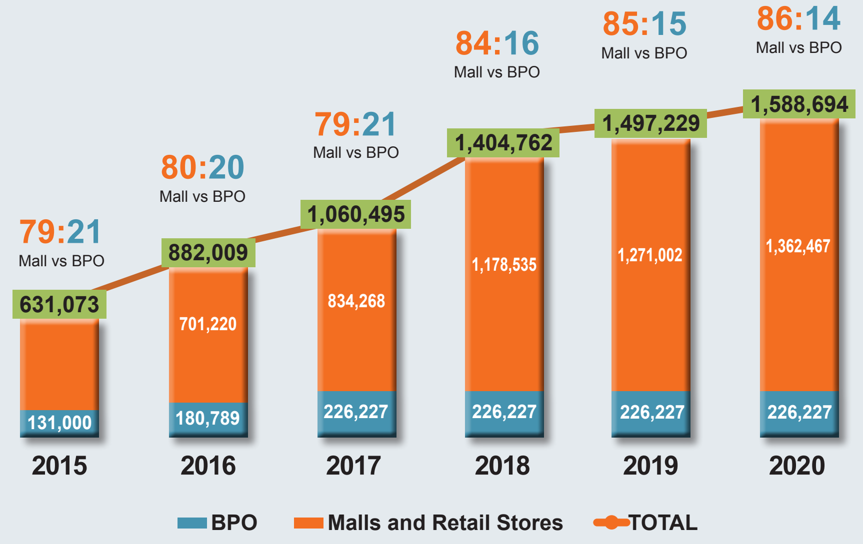
## REAL ESTATE CONTRIBUTION



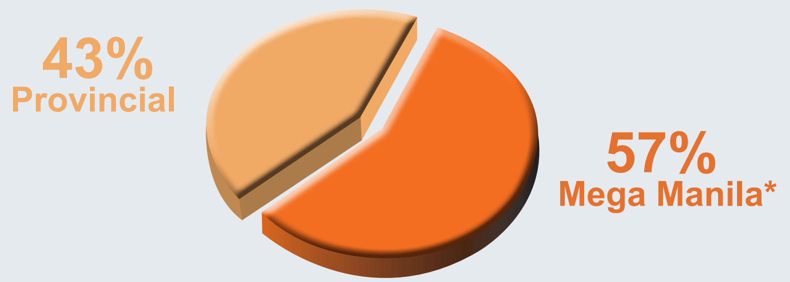

## RESIDENTIAL SEGMENT UPDATE




## COMMERCIAL SPACE ROLL OUT




## LAND BANK LOCATION (in HAs)




*Mega Manila -**Metro Manila** and the neighbouring provinces of **Cavite, Laguna, Rizal, Batangas and Bulacan**

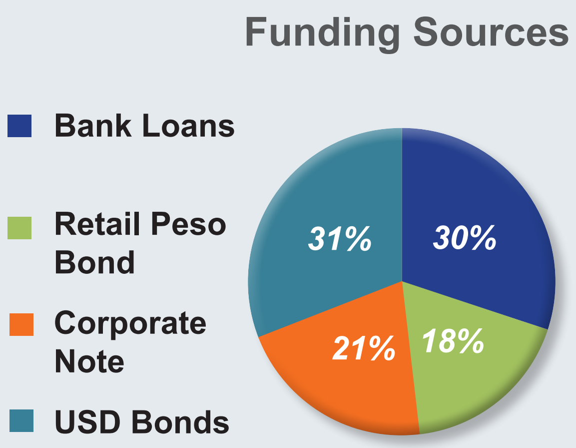
# PRESIDENT'S REPORT

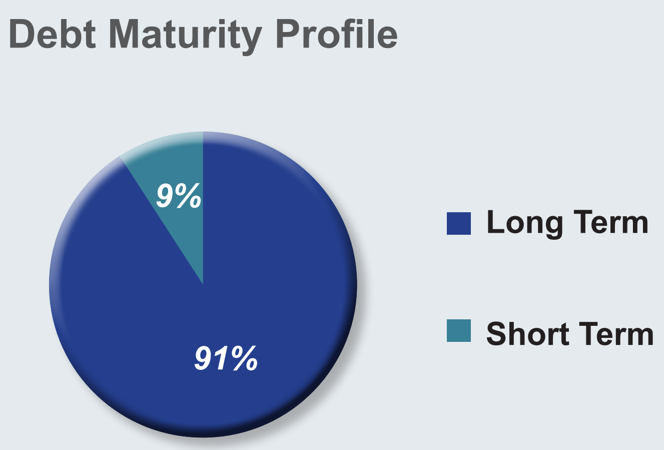
COVID- 19 pandemic necessitated new and additional training for our staff, particularly in the use of various technology-based tools and applications. All trainings were done virtually to ensure safety for everyone. Since the safety and well-beingof our employees and customers is of utmost importance to us, a number of precautionary measures were formalized by the Company under the VHealthy Program. VHealthy is our group-wide vaccination program and initiative against COVID-19 pandemic. I am also pleased to announce that our organization received the following awards in 2020. Most Innovative Community Developer by Global Economics and Best Homebuilder & Property Development Firm by the Southeast Asia Business Awards. And finally, let me likewise mention that our Chairman, Mr. Manuel B. Villar was named one of Forbes Asia's "Heroes ofPhilanthropy" for the year 2020 along with 14 other outstanding altruists inthe Asia-Pacific region. Chairman Villar was cited for donating five hectares of land to his alma mater, the University of the Philippines, for an innovation campus in Alabang that will specialize in technology entrepreneurship and design engineering, and more than two hectares to Manila's Saint Jude Catholic School. The combined land donation was valued at Php8 billion. He also made donations to churches, poverty alleviation, and funded the fight against Covid-19 in the formof protective equipment and converting buildings into quarantine facilities. Even with the advent of vaccines againstCovid-19, the future continues to bring more challenges—and opportunities—to Vista Land and the real estate industry as a whole. We will continue to do our best as the company that fulfills every Filipino's dream of a beautiful home and a beautiful life. We hold true to this core mandate and will continue to do our best by innovating, adapting, and staying relevant to see to it that this dream becomes a reality.

Thank you very much to all and stay safe.

**Manuel Paolo A. Villar, Jr.**
President and Chief Executive Officer

## DEBT PROFILE







VHEALTHY
#Vinformed #Vimmune

Villar Group vaccination program for its employees and their dependents that also includes information drive on the safety protocols and the importance of getting inoculated

# NUMBERS AT A GLANCE

## 2020

The year 2020 proved to be one of Vista Land's most innovative years yet as it accelerated its digital transformation not only to weather the impact of the pandemic but more so to engage and to better serve its homebuyers and customers. Its reservation sales sustained the upward growth since the gradual opening of the economy starting June while its leasing business remained resilient brought about majority of its tenants categorized as essential.

Vista Land is the Philippines' foremost homebuilder in the horizontal market having built over **400,000** houses, with **61%** of market in the house & lot market. It has fostered strong brand recognition, with its Camella, Crown Asia, Brittany and Vista Residences brands being four of the most recognized brands in the Philippine real estate industry. In a survey by PSRC, Camella has a brand awareness of **98%** -- similar to a "fast moving good" – which is not usual for a house and lot brand that caters to a niche market.

Camella

Vista Land through its subsidiary, Vistamalls, a major developer, owner and operator of retail malls and business process outsourcing (BPO) commercial centers, strengthens its position as one of the top four integrated property developers in the Philippines. The Company's current portfolio includes **31** strategically located malls, **7** BPO offices and **69** community centers. This brings Vista Land's total GFA of commercial space to **1,588,694** square meters as of December 31, 2020.

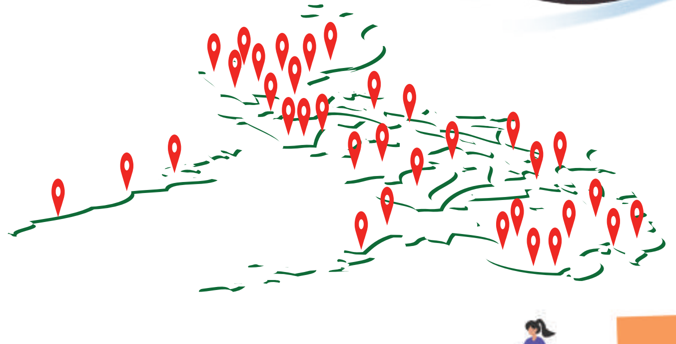
BPO, Taguig


Vista Mall, Tanza Cavite

Vista Land is well positioned to benefit from favorable Philippine demographic trends, with more than 73% of the population aged 39 and below boosted by low mortgage penetration at 3.9% compared to its regional peers. The rising middle class bodes well for the company, as GDP per capita in 2019 stood at **$3,337.70**.

Vista Land continues to benefit from the sustained demand from Overseas Filipino Workers, as OFWs account between 55% to 60% of Vista Land's sales. OFW sales are basically end users. OFW remittances remained stable which registered at **$29.9** billion as of December 31, 2020.

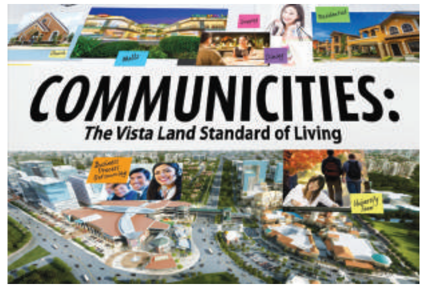
Vista Land has the widest geographically diverse portfolio, with unrivalled nationwide presence in **147** cities and municipalities across **49** provinces in the Philippines. Vista Land's landbank is about **2,976.0** hectares – mainly situated in areas in close proximity to major areas and primary infrastructure, of which 57% is located in Mega Manila.



Vista Land has a strong and experienced management team with an average of **25** years of sound operational and management experience in real estate, particularly housing, mass market retail and BPO markets.

Vista Land amid the pandemic, was able to reduce its net gearing ratio to **0.87**x.

Vista land intends to focus on the development of its integrated urban developments combining lifestyle retail, prime office space, university town, healthcare, themed residential developments and leisure components, and already identified **23** innovative masterplanned communicities spread all over the country.



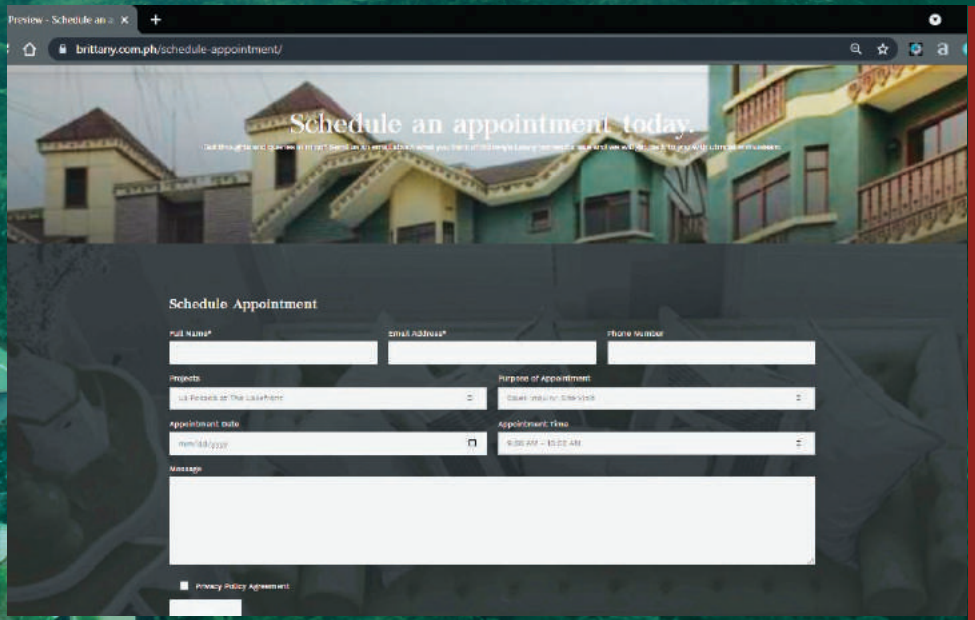
# BRITTANY

Brittany faced the challenges posed by the COVID-19 pandemic by remaining in touch with and actively engaging its valued stakeholders through digital technology and online platforms.

An online appointment system allowed existing customers and homeowners to conveniently schedule the discussion of account requests and concerns with our Accounts Management team. Together with our online newsletters, this enabled us to sustain open communication with our existing clientele. For new investors, we bolstered our brand's corporate website and official digital assets in order to be competitive in online search. We also engaged them by holding learning webinars centered on real estate investment and lifestyles with notable industry experts as guest speakers.

The successful integration of our virtual property tours and virtual house model viewing empowered us to provide rich online experiences to interested luxury residential property buyers and investors during community lockdowns. These virtual tours made them realize how it feels and what it means to come home to Brittany's exceptionally beautiful themed developments inspired by the world's most scenic destinations, without needing to actually go to the sites.


*Crosswinds Virtual Property Tour*




*Online Appointment*

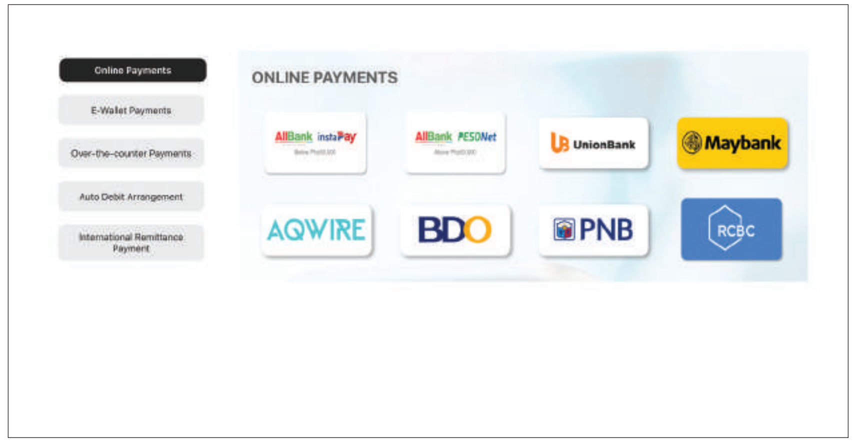
Market:
High-end
Offering:
House & Lot (Mega Manila)
Price:
Above Php14 M
Real Estate Revenues
(in Php Million):
- Php 19.1 M (2020)
- Php 453.7 M (2019)

Revenue Contribution:
- 0.1% (2020)
- 1.1% (2019)

# REVIEW OF OPERATIONS

Reinforcing the shift to digital is the activation of our online reservation sales portal and the availability of more online payment channels that enabled our investors to complete their real estate investment with Brittany digitally.

Brittany thrived with reservation sales contributions from Direct Sales and Allied Brokers channels despite the difficult real estate climate in 2020. Harnessing digital platforms in advertising and sales promotions resulted in a whopping 207% increase in users vs. 2019. Organic traffic increased by 74% during the same period, reflecting that our search engine optimization campaigns have taken root.

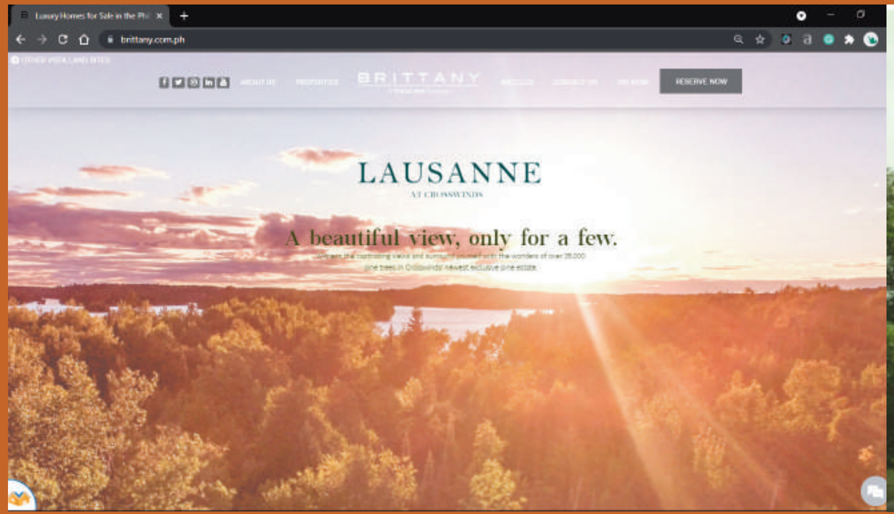


Online Payment Facility

With the premium selection of lots and the distinctive beauty and elegance of its classic homes, Brittany continues to be competitive in the high-end residential real estate market. Our developments in the south of Manila – La Posada at Lakefront in Sucat; Portofino Heights, Portofino South and Amore at Portofino in Alabang; Georgia Club, Augusta and Promenade in Sta. Rosa; and Crosswinds, Grand Quartier and Alpine Villas in Tagaytay – remain to be attractive among discerning buyers and investors.

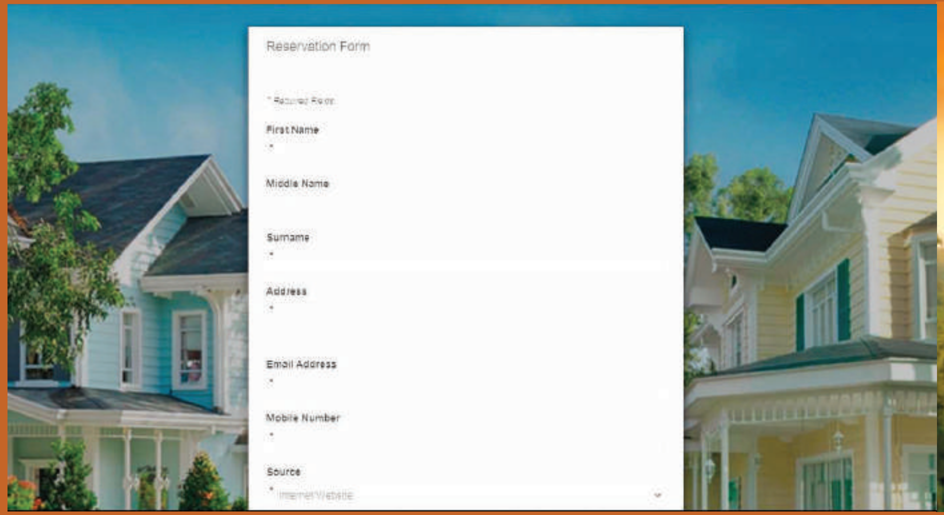
With the strong performance of these properties, we are looking to expand and launch new phases of our developments in the first half of 2021 to take advantage of brisk demand.

The cautious easing of restrictions in Metro Manila and surrounding provinces gives us the confidence to have a more optimistic outlook for 2021. We eye to strengthen our marketing teams and Direct Sales channels even as we continue reinforcing our digital marketing initiatives to further increase the share of reservation sales generated from online platforms. Post-pandemic, we foresee that our target market will choose to live in areas that feature more open spaces, verdant landscapes and lush greenery — characteristics that are innate in Brittany's premier residential developments.

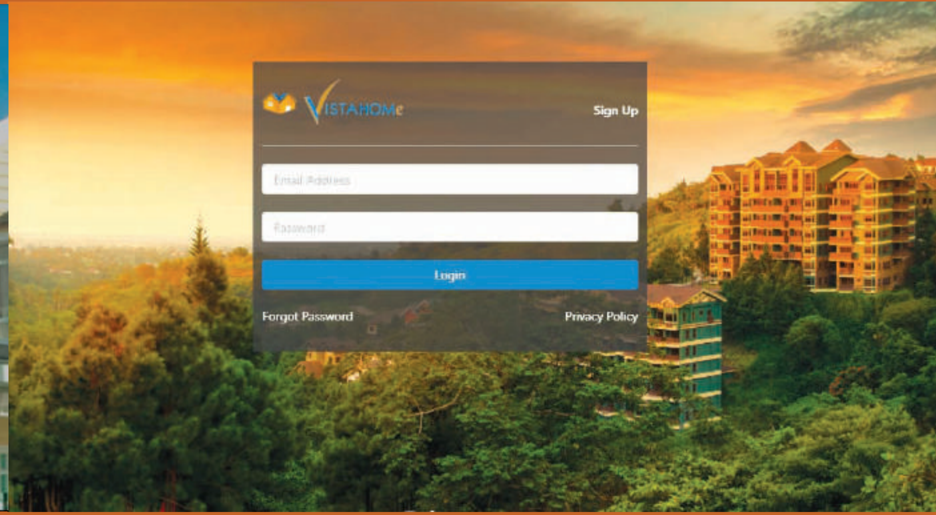


Website

Carolyn House Tour



Online Reservation Booking



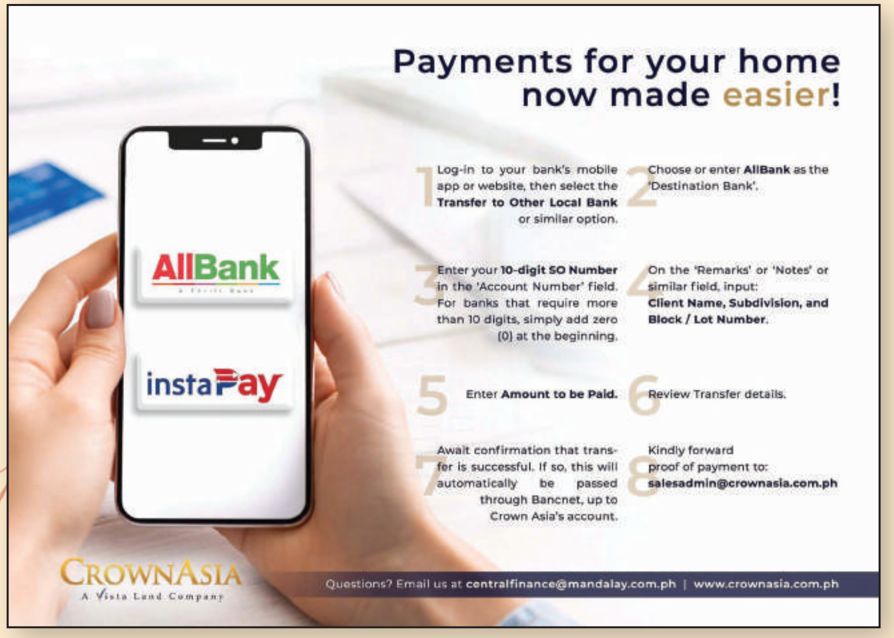
Vista Home Portal

# REVIEW OF OPERATIONS

The Covid-19 Pandemic posed grave challenges across all businesses, including the real estate industry. Crown Asia, Vista Land's premium residential brand, remained viable during the crisis by relying on its ability to adjust, adapt and respond quickly to the requirements of the New Normal.

Taking advantage of available digital technology, Crown Asia immediately moved to improve its digital capability and online presence by focusing on Email Marketing, Virtual Tours, Search Engine Optimization/ Search Engine Marketing, Property Listing, Influence Marketing, Cross Branding, and other initiatives designed to facilitate transactions, enhance brand image and ensure the health and safety of all stakeholders. An Online Reservation Portal served as a tool for buyers as well

# CROWNASIA

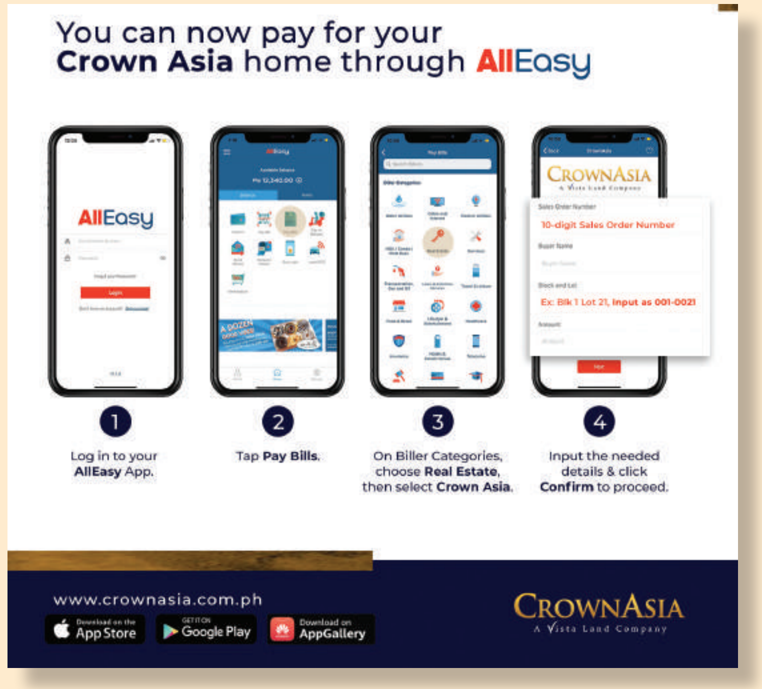




**Market:**
Upper Mid–Cost
**Offering:**
House & Lot (Mega Manila)
**Price:**
Php 5M to Php 14M
**Real Estate Revenues (in Php Million):**
- Php 793.1 (2020)
- Php 1,062.0 M (2019)

**Revenue Contribution:**
- 2.7% (2020)
- 2.6% (2019)

as sellers to access the brand's entire inventory; a partnership with Aqwire and AllEasy — Vista Group's own e-wallet solution – made payments, documentation and confirmations easier; and synergies with ZoHo, a unique and powerful suite of software to run Crown Asia's Customer Relationship Management, ensured that every client interaction is managed with maximum possible efficiency. Crown Asia's clients were encouraged to book an appointment to appointlet.com for better, more organized scheduled meetings and transactions. Offsite activities were turned into digital events to ensure everyone's safety. A campaign called Showings on Demand featured a video series aired on Facebook showcasing the upscale communities and premium lifestyle in different Crown Asia properties.

The Digital Visibility Authority of Crown Asia improved—an indication that its website peaks in terms of visibility when queries are entered into search engines. This advancement resulted in a notable increase in Crown Asia's website traffic.


Crown Asia boldly launched its Ready for Life Campaign in the midst of the Pandemic. The campaign targeted a new generation of enlightened consumers willing to spend their money on products and services that provide a return on investment. The entire communication hinged on Crown Asia Properties in prime locations in Cavite and Laguna that are ready for occupancy. Simultaneously, Crown Asia further strengthened its hold in the upper middle-income lifestyle residential market with the additional developments in Baguio, Cebu, Mandaluyong, Ortigas, Sucat and Makati.

With the pandemic ushering in a decade with new trends and challenges, Crown Asia aims to position itself at the top of the game with a bolder and better strategy focusing on heightening its digital presence, bringing back the level of service it consistently provided before the pandemic while ensuring the health and safety of its employees and customers.

# REVIEW OF OPERATIONS

Forward-thinking and flexible business strategies allowed Camella to maximize resources at hand, attain better operating efficiencies and boost profitability in the midst of the COVID-19 crisis.

Camella started investing in digital efforts prior to 2020 in response to the ever-changing business landscape. When the pandemic hit, we only had to adapt and make some minor tweaks to its existing digital tools to help both buyers and sellers safely conduct business under the New Normal.

Virtual digital marketing trainings allowed sellers to maximize the use of digital platforms o to get new leads and close more sales. We upgraded our virtual gallery viewing tool from the AR3D app to the more intuitive and

## Camella

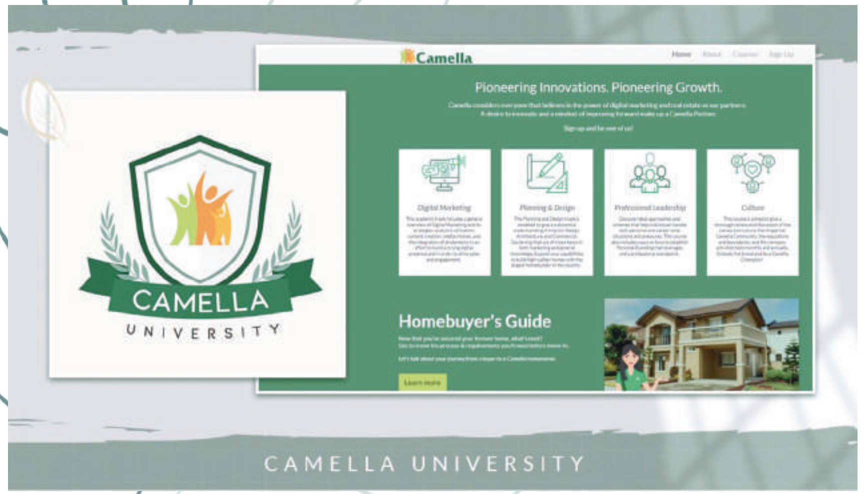
*Camella Provence, Malolos Bulacan*

*Camella, Bacolod*




*Camella upgraded its virtual gallery viewing tool from the AR3D app to the more intuitive and more realistic Camella Virtual Gallery Tour. Readily accessible through our website, this tool allows customers to have full access to Camella communities wherever they are in the world.*

*Camella had established Camella University as its primary resource for online trainings for its sellers.*




**Market:**
Lowand and Affordable
**Offering:**
House & Lot (Mega Manila)
**Price:**
Php 5M and below
**Real Estate Revenues (in Php Million):**
- Php 8,808.9 (2020)
- Php 14,284.7 (2019)

**Revenue Contribution:**
- 30.3% (2020)
- 35.4% (2019)

*Camella, Bataan*

more realistic Camella Virtual Gallery Tour that let customers anywhere in the world to have full access to any Camella communities of their choice. An Online Reservation Portal allowed our customers to conveniently reserve available units anytime, anywhere. We also added new payment partners such as AllEasy and Pesopay. Existing customers used the Vista Home Portal to conveniently relay their concerns and for our various support teams to keep track of and fulfill client requests easier.

Camella produced more relevant digital content delivered across social media and other digital platforms and ramped up Search Engine Optimization marketing initiatives to further improve online visibility. We improved our Customer Relationship Management system to nurture and to build stronger relationships with our customers through effective customer data management. Social listening allowed us to monitor, analyze and respond to real-time conversations about our brand, our products, and competitor activity.

Camella banked on the shift in customer interest for residential properties in congested urban centers to those in the relatively more spacious countryside by positioning its products as highly viable homes for people who are looking for healthier, safer, and more breathable communities. Harping on the healthy and safe homes narrative, we integrated smart technology in our Grande Series. Owners of Camella Smart Homes can control appliances and automate regular tasks remotely with just a tap on their smart phones. It also provides them with enhanced home security and energy-saving features.

Camella expanded its product portfolio with the introduction of two new house models – Alli and Alliyah – that feature a more expansive lot area at an attractive price point with more flexible financing schemes.

To further sustain the momentum built over the past year, Camella's 2021 strategy will be anchored on our current brand campaign, **"Your Dreams, Our Blueprint."**

Camella contributed 40.4% to Vista Land's real estate revenues in 2020.




# REVIEW OF OPERATIONS

Others may call it the new normal. We at Communities Philippines prefer to think of 2020 and beyond as a better normal. The Covid-19 Pandemic and its attendant challenges basically allowed us to analyze and act upon things that need improvement.

Our promotional campaigns and online presence gave us the needed tool to eventually regain sales after the announcement of the nationwide lockdown. We were able to provide contact-free transactions with our clients and sales networks through our virtual property tours and online project previews. This not only assured adherence to health and safety protocols but also savings in operational expenses.

## COMMUNITIES PHILIPPINES


Camella, Silang

Camella, Gran Europa



We are aware that competition is also seeking to level up. This is why we are constantly stepping up our game through creative and aggressive marketing practices aimed at our primary target market – Overseas Filipino Workers.

We will also continue to capitalize on our geographic reach as the demand and preference of housing in the provincial areas continues to be seen. Communities Philippines is now in 147 cities and municipalities in 49 provinces across the country. We contributed Php 9,712.3 or 44.6% of Vista Land's real estate sales in 2020.

Camella, Savannah

**Market:**
Affordable (Provincial)
**Offering:**
House & Lot (Outside Mega Manila)
**Price:**
Below P5M
**Real Estate Revenues (in Php Million):**
- Php 9,712 M ( 2020)
- Php 14,608.9 (2019)

**Revenue Contribution:**
- 033.4% (2020)
- 36.2% (2019)

# REVIEW OF OPERATIONS

Vista Residences faced the challenges and uncertainties of 2020 head on by embracing the move towards digital transformation.

With work-from-home arrangement implemented due to the pandemic, we enhanced our assets and efforts to allow stronger connectivity among all employees and ensure that the business process proceeded with minimal disruption. We concentrated our marketing efforts in social media, focusing on search engine optimization, e-mail marketing and engagement with property listing sites. We launched supplementary Virtual Project Tours that allowed stakeholders to take a 360-degree walk-thru of properties online locally or from abroad. Tapping Vista Land's Online Reservation Portal, enabled buyers and sellers alike to access the brand's entire inventory, facilitate reservation payments, process documents and make confirmations. We also partnered with Salesforce, the world's leading Customer Relationship Management platform, to ensure that increased leads acquired from digital platforms are managed with maximum possible efficiency -- enabling digital marketers to receive, track, nurture, and convert leads to actual reservation sales. We likewise continuously engaged with stakeholders through Investment Lab—a series of online webcasts discussing industry updates, investment opportunities, and efficient space management.

Vista Residences has also successfully launched its Kizuna Heights, a condominium project that caters to all the students and young professionals in Taft Avenue in Manila. This project is the Company's joint venture with Japanese real estate developer, Mitsubishi Estate Co., Ltd.

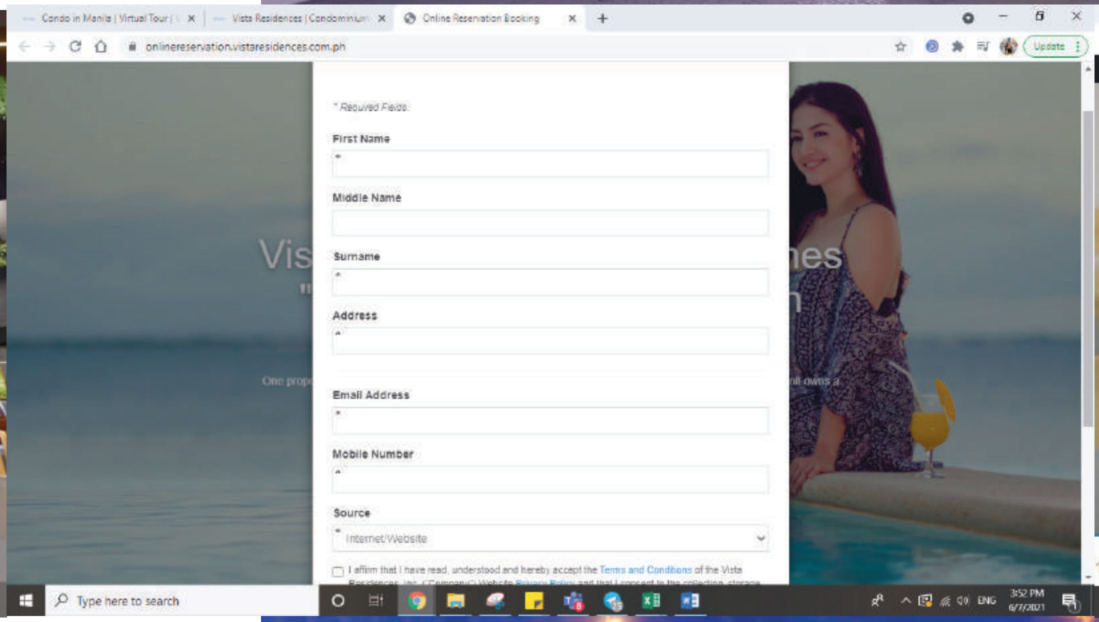
Vista Residences is now present in ten key metro cities of the Philippines -- Baguio, Cagayan de Oro, Cebu, Makati, Mandaluyong, Manila, Pasig, Quezon City, Taguig and Muntinlupa. In 2020, it contributed Php 2,467.1 or 11.3% to Vista Lands's real estate revenue.

Going forward, Vista Residences' overall strategy is to strengthen its brand identity within Vista Land and among established condominium developers. To be recognized as a "condominium brand to look out for", the company aims to reintroduce its expanse nationwide in all its digital assets.

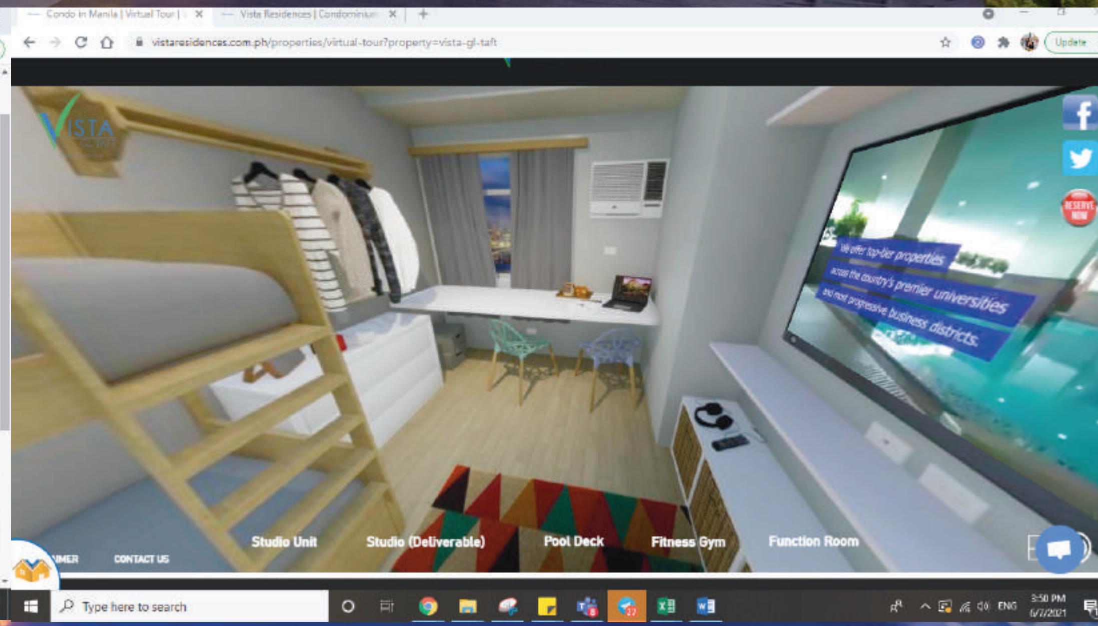
**Market:**
Affordable to Mid–Cost
**Offering:**
Vertical projects
**Price:**
Php 3M to Php 16M
**Real Estate Revenues (in Php Million):**
- Php 2,467.11 (2020)
- Php 2,418.6 M (2019)

**Revenue Contribution:**
- 8.5% (2020)
- 6.0% (2019)

*Kizuna Heights, Virtual Property Tour*



*Online Reservation Booking*



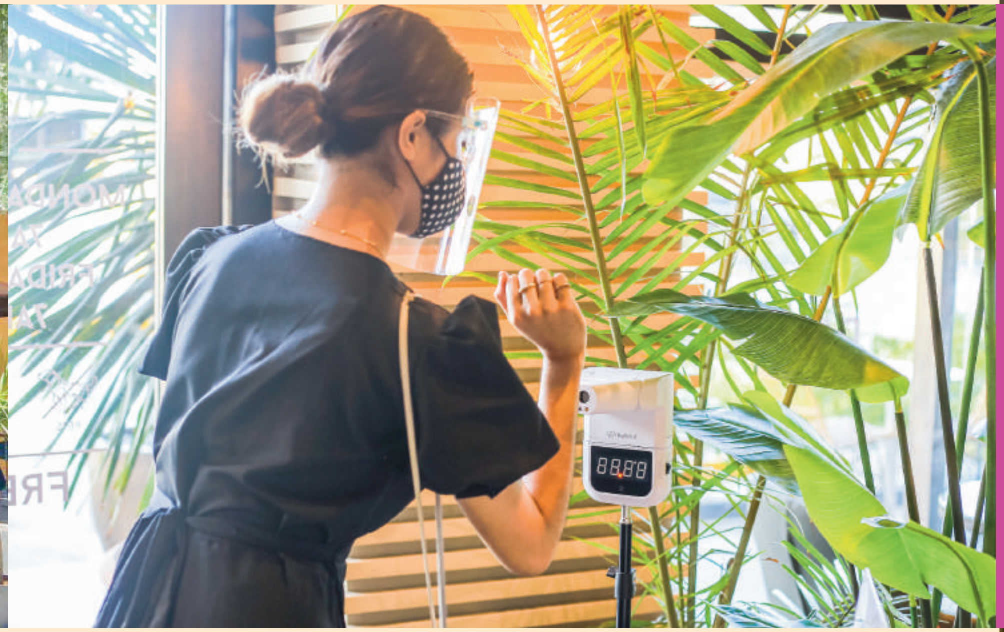
*VIsta Taft, Virtual Property Tour*

# VISTAMALL

The COVID-19 pandemic greatly challenged Vistamalls and the leasing business as a whole due to the imposition of nationwide lockdown that resulted to mandatory mall closures in March 2020. However, our strategy of designing our commercial properties to be e-commerce proof with the choice of tenants that are essentials i.e. home improvement stores and supermarkets instead of big department stores turned out to be a pandemic proof concept in a way. Thus, with the gradual reopening of the economy since June and with Vistamalls' tenant mix, we have stood our ground and were able to be 95% operational based on gross floor area (GFA) by end of the year.

Further, in compliance with the health and social restrictions and protocols put in place to mitigate the further spread of the COVID-19 virus, the Group's 107 commercial assets composed of 31 malls, 69 commercial centers, and 7 offices across the country implemented strategies and initiatives that made it safe and more convenient for customers to still enjoy the malls' shopping and dining offers.

Temperature Checks and Contact Tracing using online platforms were made mandatory upon entry. The malls went through rigorous regular sanitation and cleaning, especially the high-traffic and high-contact areas like restrooms, elevators, and escalators. Automated alcohol and sanitizer dispensers as well as UV sterilizers were also deployed. For these, our mall network was awarded with Safety Seals from the Local Government Units where we operate, an assurance that our establishments comply with government-mandated minimum health standards.




Market:
Commercial

Offering:
Malls and BPO

Rental Reveue
(in Php Million):
- Php 7,231.1 M (2020)
- Php 7,475.0 M (2019)

Revenue Contribution:
- 25% (2020)
- 18.5% (2019)

All tenants were encouraged to implement cashless payment options such as AllEasy, GCash, and Paymaya to reduce direct contact with customers in cash handling.

Contactless shopping options were made available for customers who would rather not physically enter the malls. DropBuy enabled shoppers to place orders through the mall hotline which are processed by the malls' personal shoppers. Customers can just drop by at designated pick up points and collect their purchases without having to leave their vehicles. ShopBuddy—now called GetAll Services–allowed customers to order items online and have their purchases delivered directly to their homes via our official logistics partner GetAll.

The malls promoted these initiatives and other activities through various on-ground and digital media platforms. News releases were constantly seeded through various media outlets. Most notably, a viral news story regarding an aspin named "DogDog" made waves worldwide and cemented Vista Mall's position as a pet friendly brand. Apart from this, the Give Hope Project, a Corporate Social Responsibility undertaking of Starmalls and Vista Malls, provided relief to disaster-stricken areas in Rizal and Naga through the collective work of mall tenants, employees and customers.

These efforts further strengthened consumer confidence and enhanced the brand. They also helped sustain and boost mall foot traffic – within the mobility constraints of the pandemic – positively affecting tenant sales and overall mall revenue. Targeted marketing efforts and good media relations allowed Vista Mall and Starmall to remain visible and relevant. Enhanced online presence and digital marketing amplified mall efforts and promoted tenant offerings to a wider audience.

Vista Mall and Starmall will continue to innovate and find new ways to further build consumer confidence, attract more customers as well as entice potential partners to invest and set up their business at our strategic locations. As we gear towards the easing of restrictions and the opening up of the economy, we are optimistic that Vista Mall and Starmall will continue to fulfill its mandate of providing a world class malling experience to the communities that we serve.

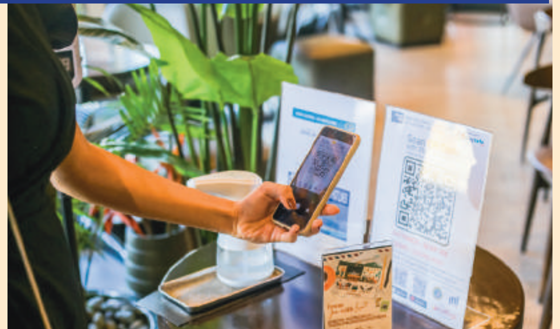
# Health and Safety Initiatives

## ALFRESCO DINNING



## CASHLESS PAYMENT


## CONTACT TRACING

## SAFETY SEAL

## VACCINATION

## DROP BUY


## MALL SANITATION



## SAFETY PROTOCOL

FEATURE

# Innovations Through Digital Transformation

Vista Land remained viable and relevant through the on-going Covid-19 crisis by optimizing the use of available digital technology to improve the delivery of its products and services.

The Group, utilizing social media platforms and other digital tools, implemented key innovations in training, marketing, setting appointments, conducting virtual property tours, making reservations and facilitating documentation and payments.

Popular brand Camella addressed social and mobility constraints by using digital platforms Zoom, Facebook and Instagram to conduct virtual digital marketing trainings to help sellers generate leads and close sales. Consolidating all online training through Camella University, upgrading its online property viewing to the more intuitive and more realistic Camella Virtual Gallery Tour, introducing an Online Reservation Portal and boosting its online payment system by adding new payment partners such as AllEasy and Pesopay allowed Camella to maintain market visibility and continue servicing existing customers. Camella increased its digital presence with more content delivered across several social media and other online platforms. It ramped up its SEO marketing initiatives, engaged in social listening and improved its CRM system. At the product level, Camella integrated smart technology in its Grande Series product line through Camella Smart Homes. Camella Smart Homeowners


*Virtual Property Tour*

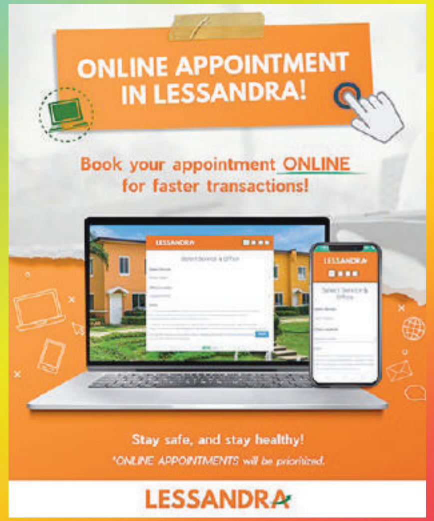
enjoy responsive living spaces where appliances can be controlled and regular tasks automated remotely through smart phones. Camella Smart Homes also feature enhanced home security and energy-saving features.

Similarly, premium brand Crown Asia took advantage of available digital technology to improve its digital capability and online presence. It focused on e-mail marketing, virtual tours, SEO/SEM, property listing, influence marketing, cross-branding, and other initiatives designed to enable transactions, enhance brand image and ensure the health and safety of all stakeholders. An Online Reservation Portal allowed sellers to access the brand's

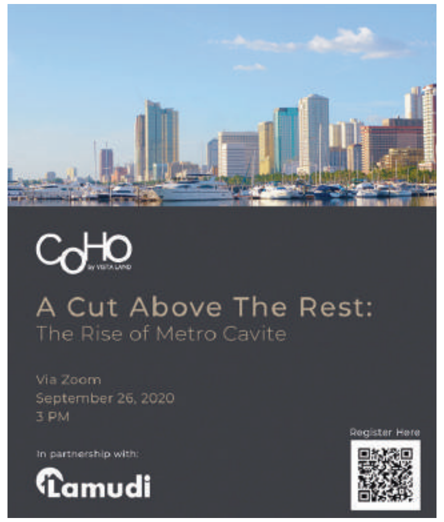
## FEATURE

E-Reservation

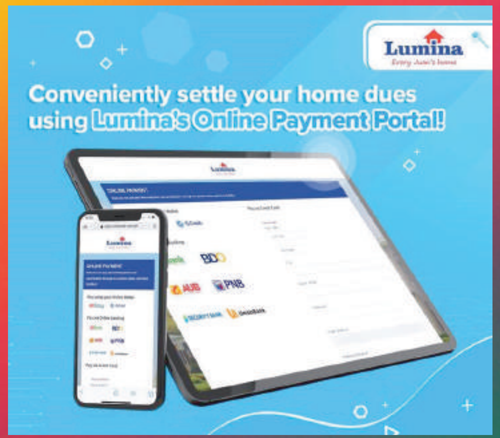
inventory; a partnership with Aqwire and AllEasy—Vista Group's own e-wallet solution – facilitated payments, documentation and confirmations; and synergies with ZoHo, a unique and powerful suite of software to run Crown Asia's CRM, ensured that every client interaction is managed with maximum possible efficiency. "Showings on Demand" featured a video series aired on Facebook showcasing the upscale communities and premium lifestyle in different Crown Asia properties.







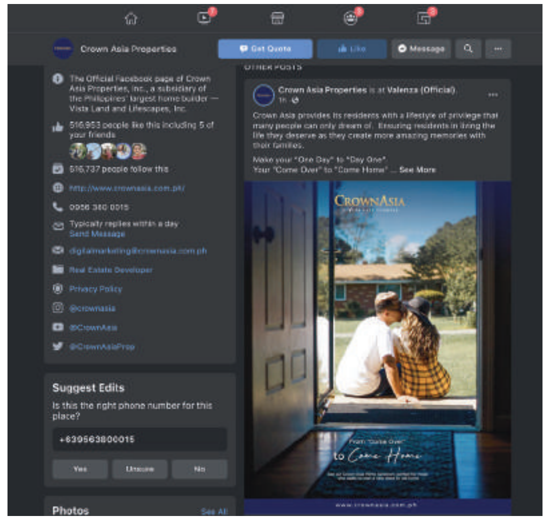

Online Sales Platform



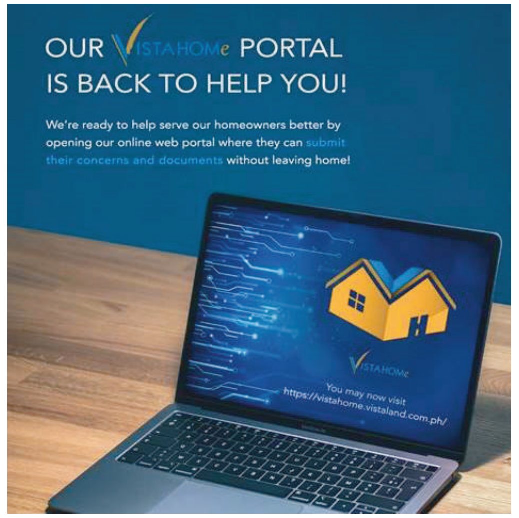
Online Payment Portal

Virtual property tours and online project previews enabled Communities Philippines to stay connected to Overseas Filipino Workers (OFW), its primary target market. Defying negative expectations that predicted dollar remittances during 2020 to go down by around 20%, the decline in remittances from OFWs and other Filipinos abroad only went down by .08%. Communities Philippines now relies even more on digital platforms to engage this active source of potential buyers in order to build its brand and gain lost ground in sales.

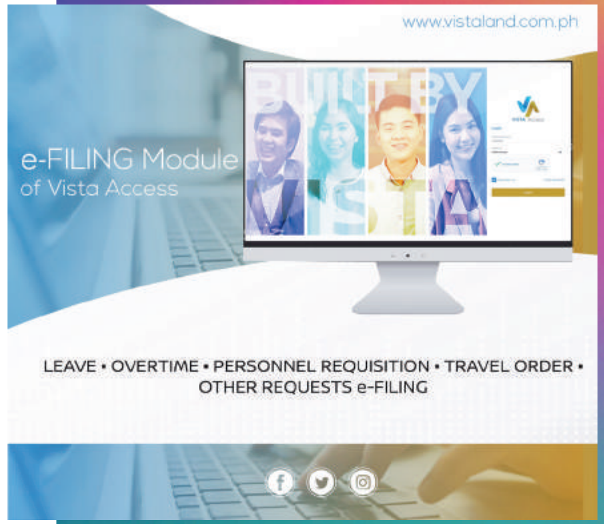
The synergies within VistaLand brands in as far as using digital technology were further manifested with the extensive use by Vista Residences Inc. (VRI) of the Group's Online Reservation Portal and virtual project tours. VRI, VistaLand's vertical development arm, concentrated its marketing efforts on social media—focusing on search engine optimization, e-mail marketing and engagement with property listing sites. A partnership with Salesforce, the world's leading CRM platform ensured that leads acquired from digital platforms are managed with maximum possible efficiency and converted

Social Media Annoucements



Online web portal




to actual sales. Engagement with stakeholders was sustained through Investment Lab—a series of online webcasts discussing industry updates, investment opportunities, and efficient space management.

Innovations enabled by digital technology helped VistaLand weather the health, business, and social challenges of 2020. Not only did these innovations help sustain the Group, they also ensured the safety of employees, customers and other stakeholders as VistaLand moves on to face the New Normal amidst the continuing uncertainties posed by the Covid-19 Pandemic.

FEATURE

# Reinventing Retail

As industries struggle to cope with the challenges and uncertainties caused by the Covid-19 pandemic, VistaLand immediately reviewed and adjusted its strategies and accelerated the use of available digital technology to sustain and continue to grow its retail business.

VistaLand has always been in the business of innovation and creativity. Through the Vista Mall chain, a retail network anchored on lifestyle malls that guarantee world-class shopping and dining experiences, it started the Vista Land idea of community in mind – beauty inconvenience. More than just places to shop, Vista Malls are gathering places that are not only functional but also beautiful and inspired.

Vista Mall features the very best of its AllValue portfolio, with flagship stores AllHome, All Day Supermarket, Coffee Project, Bake My Day, KinderCity, and Finds, A Discount Store. These brands support thriving communities and serve to anchor the entry of both international brands and local favorites. In addition to these established brands, the malls also showcase bespoke brands unique to the Vista Group.

AllDIGITAL

Responding to the customers' changing need and preferences in this age of digital technology, AllDigital is a specialty shop that offers a wide variety of gadgets and techie goodies: laptops, cellphones, cameras, drones, e-scooters, and collectible toys. It is a place where gadget enthusiasts can shop and come together to learn from one another in an experience-focused setting. Its pilot store is at the Evia Lifestyle Center, Las Piñas City.



FEATURE

# AllGreen

Green is the color of life, of unconditional love, and health. AllGreen is a new haven that provides essentials for health, beauty, and wellness. Created as a direct answer to the changing priorities of people brought about by the pandemic, AllGreen carries food, toiletries, cosmetics, and cleaning supplies. It also has a pharmacy that provides quick access to vitamins and medicine for self-care in a nature-inspired setting that is so different from other drugstores. AllGreen encourages eating and living healthy with its carefully curated products filled with healthier options. There are organic items, zero-sugar alternatives, and a whole range of products that aim not only to help people get well but to help them stay well in mind, body, and spirit.

In support of government initiatives to prevent the spread of Covid-19, AllGreen in-house shoppers are required to observe prescribed health protocols. Customers may also order online through ShopBuddy — Evia Lifestyle Center's personal shopper service – with no service charge. Transactions made via Shopbuddy can be paid via GCash and similar online payment platforms. Customers have the option to pick up or have their orders delivered through AllGreen and Evia's official delivery partner, GetAll.


*AllGreen, Evia*







*AllGreen, Global South*

FEATURE

# green centrale

Extended lockdowns created a market for people who pass away the time and deal with stress by raising plants in their own urban gardens. Green Centrale caters to this steadily growing community of plant lovers. Its outlet at the Evia Lifestyle Center, AllHome NOMO and Vista Mall Sta. Rosa has varieties ranging from low-maintenance indoor plants to those suited for full-on outdoor gardening. Customers can get a better buying experience in-store as they get to personally inspect the plants and choose from a wide range of gardening tools and supplies.



FEATURE

# AllBikes

For many Filipinos, learning how to ride a bike happens almost at the same time we learn how to walk. Bikes are for leisure, for health, for use in business. With the mobility restrictions brought about by the Covid-19 Crisis, bikes have become even more important as an alternative transportation mode.

AllBikes carries more than 15 bicycle brands including GT, Lapierre, Cervélo, and Trinx; with prices ranging from P7,000.00 all the way to P300,000.00. Its wide selection includes kid's bikes, community bikes, e-bikes, mountain bikes, and many more. An extensive collection of bicycle parts is also available, including accessories and apparel. AllBIKES likewise offers a host of comprehensive bike services to its customers that includes bike building, brake bleeding, saddle, and handlebar installation and replacement, and fork and rears suspension services. AllBikes first branch is located at the Evia Lifestyle Center in Las Piñas and can be reached online through its official Facebook account @allbikes.official.

*AllBikes, Evia*






*AllBikes Rosa, Sta. Rosa*


FEATURE

# RUINED PROJECT?



There is no better way to demonstrate resilience than creatively turning adversity into an opportunity. RUINED PROJECT? was supposed to be the 50th branch of the popular Coffee Project chain. The Pandemic brought about all sorts of construction and project development issues. Instead of scrapping the project and quitting, VistaLand opted to open a coffee shop whose main design elements are bare concrete walls, wooden furniture, rustic light fixtures, and floor-to-ceiling plant displays. There is also a balcony for al fresco dining with the gorgeous outdoor scenery of Crosswinds Drive in Tagaytay as the backdrop. With its distinctive look and feel, RUINED PROJECT? has now become the favored hangout place of locals and tourists.

FEATURE

# DEAR JOE & CP



DEAR JOE brings back the joy of writing letters – longhand, with a pen, on a lovely stationery – while enjoying a cup of gourmet coffee, sandwiches, baked goods, pasta, salads, a la carte meals, a refreshing selection of hot or cold drinks and sliced fresh fruits.

Dear Joe sparks your literary creativity with its sleek and cozy vibe of brick walls accented by touches of greenery and framed prints and murals. Write letters for your loved ones, friends, or family on Dear Joe's own stationery, then drop them off at Dear Joe's letterbox. DEAR JOE also has a drive-thru area, al-fresco seating, and a private spot for meetings and chill-out sessions. For those in a rush, DEAR JOE drive-thru serves the complete menu -- from breakfast to full meals and a wide variety of drinks.

DEAR JOE is at the Ground Level, Vista Mall Daang Hari, Bacoor, Cavite.

FEATURE

# SOMO

Taking its cue from the best outdoor markets in the world -- the Grand Bazaar in Istanbul, Turkey; Djemaa el-Fna in Marrakech, Morocco; or the Tsukiji Fish Market in Tokyo, Japan – Vista land created SOMO Market, a weekend outdoor market in Daang Hari in Las Piñas. Market lovers have a feast for the senses at SOMO – brightly-colored fruits; green leafy vegetables; the aromatic smell of new plants; sumptuous fresh seafood ready to be home-cooked and eaten on-site. Spread over five hectares of outdoor shopping space — more than enough for proper social distancing and ultimate shopping pleasure— it boasts of the freshest produce like vegetables, meat, poultry, and seafood from Baguio, Mindoro and Davao. Shoppers and retailers can buy-in bulk to avail of wholesale prices.

And what outdoor market is complete without food? SOMO Market brings a delightful dining experience through its wide array of cuisines from your favorite local street food to international dishes.

Also available are organic products; toys; RTW apparel from Taytay, the Trunk Sale area where sellers offer preloved and brand-new items; Pintura & Co., a company that sells unique stickers and bags designed by a partnership of three students; Baker Jo, a food business started by a displaced overseas Filipino worker who lost his job because of the pandemic; and Alexis farm, a venue for farmers to sell their produce.

SOMO Market is open on weekends, 4-9 pm every Friday and 8 am – 9 pm on Saturday and Sunday.


FEATURE

# Villar Cited For Philanthropy By Forbes Asia

Vista Land & Lifescapes Founder and Chairman Manuel B. Villa, Jr. has been included in Forbes Asia's Heroes of Philanthropy 2020, an elite list of "15 altruists committed to issues facing the Asia-Pacific region."

"Our goal is to capture individual philanthropists who are donating from their personal fortunes," Forbes Asia explained. "As in previous years, we don't include fundraisers or heads of nonprofits, though they play a critical role. Forbes Asia narrows in on the names with the financial capital to put their stamp on issues of importance."

Villar gifted more than two hectares of land to Manila's Saint Jude Catholic School last year and finalized the donation of five hectares to the University of the Philippines, his alma mater, for an innovation campus in Alabang specializing in technology entrepreneurship and design engineering. The two parcels have a combined value of ₱8 billion (US$165 million). He also contributed to new facilities at four other Philippine schools and made donations to churches, poverty alleviation, and the fight against Covid-19 in the form of protective equipment and converting buildings into quarantine facilities.

*"Education can uplift our people from poverty. It can provide dignity and jobs."*

Villar, who grew up in the poor, credits education for shaping his character. "Education can uplift our people from poverty. It can provide dignity and jobs," he said. He is also the Chairman of the Villar Social Institute for Poverty Alleviation and Governance (VillarSIPAG), a non-stock, non-profit organization established in 1995 that initiates, implements, and supports various projects aimed at improving the quality of life of the people in the communities where Vista Land operates.

The other Forbes honorees supported activities related to the Covid-19 pandemic, the arts, and education. They came from Japan, China, Hong Kong, Vietnam, India, South Korea, Australia and Taiwan.


# Villar SIPAG:
# The CSR arm of Vista Land

The Villar Social Institute for Poverty Alleviation and Governance or Villar SIPAG is the Corporate Social Responsibility (CSR) arm of Vista Land. It was established through the efforts of Vista Land Founding Chairman Manuel B. Villar, Jr., and his wife, Senator Cynthia A. Villar, to help empower Filipinos to overcome poverty in all its forms and manifestations. It is anchored on 'sipag' or hard work coupled with 'tiyaga' or perseverance, which are values that the Villar family hold in high regard in themselves and in other people as well. There are the same values that they believe can uplift the lives of Filipinos. Villar SIPAG's key advocacies are livelihood generation, jobs creation, environment protection, assistance to overseas Filipino workers (OFWs), development of community enterprises, church-building and recently, agricultural training through the Villar Farm School.

This past year given the global pandemic brought about by the Covid-19 virus, most of the regular and scheduled events and programs of the Villar SIPAG were rescheduled or canceled altogether with strict community quarantine put in place by the government.

The Villar SIPAG however did not stop doing what it does best, helping where help is most needed. It responded to the needs of the time and mobilized its people and resources to provide for the most urgent requirements of people going through a pandemic. It prioritized the medical frontliners who are the most essential sector. They were provided with everything they need, from daily food ration and personal protective equipment or PPEs to temporary housing or accommodation. Residents of various communities were also provided with their essential needs. Barangays and hospitals were also supported. To prevent another disease outbreak and prevent the further spread of the virus, the Villar SIPAG also continued its environmental advocacy in waste management.

The pandemic is still ongoing and its end is not in sight yet. Thus, Villar SIPAG will continue to support the people as they cope with the disabling setbacks until they are back on their feet again.

# Programs and Projects Addressing the COVID-19 Pandemic

Almost a year after the country was placed in "community quarantine" to combat the COVID-19 pandemic, Villar SIPAG and the Villar Family wasted no time in mobilizing resources to provide assistance to affected people and communities particularly in the foundation's headquarters in Las Piñas City. The following are some of the initial ones, some of which are also duplicated in communities in other parts of the country.

## COVID-19 testing laboratory

To help in the government's strategy to ramp-up COVID testing, particularly for the residents of Las Piñas and others in the south of Metro Manila, Senator Cynthia Villar exerted earnest efforts since March 2020 to make sure that the Las Pinas General Hospital and Satellite Trauma Center (LPGHSTC), the DOH-operated hospital in Brgy. Pulanglupa, will have its own fully operational COVID testing laboratory. The Villar family immediately donated essential RT-PCR testing laboratory equipment to LPGHSTC. The LPGHSTC COVID Testing Laboratory was opened in August 2020 and at present, it has the capacity to process up to one hundred fifty (150) COVID test samples per day.

*Biosafety cabinet. Receiving specimen processing area*

*Specimen receiving area. Specimen area pass box*

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Villar SIPAG has donated a laboratory freezer, biological refrigerator, autoclave sterilizer and passbox to the COVID testing facility of the Las Piñas General Hospital and Satellite Trauma Center (LPGH-STC). Asistance was also provided in ensuring that the renovation or retrofitting of the area assigned as a Covid testing laboratory will conform to the standards approved by the Department of Health and the World Health Organization.

## Lodging facility to accommodate frontline workers

In March 2020, one of the buildings that was donated by the Villar Family for the Las Piñas Drug Abuse and Treatment Rehabilitation Center (LPDATRC) in Brgy. Daniel Fajardo was converted into a lodging facility for the LPGHST frontline workers in nearby Brgy. Pulanglupa 1. This spared the medical frontliners from the rigors and risks of travelling during the pandemic. And due to its proximity, it has allowed them to get sufficient hours of rest despite their hectic schedule.

*The Villar Family turned over three buildings for the temporary use of the Las Piñas General Hospital (LPGH) as extension of its facilities, temporary housing for healthcare workers and/or quarantine facility. The said buildings are are located in Barangay Ilaya, Las Piñas City.*

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## Provision of food for healthcare frontline workers

The healthcare frontline workers were provided with daily food packs while strict community quarantine was in effect.




## Provision of PPEs, handwashing stations and food to all the barangays

PPEs, food supply and hand washing stations were provided to all the barangays of Las Piñas City during ECQ.



## Las Piñas Community Quarantine Centers

To cater to confirmed, suspect and probable mild COVID-19 cases, the City Government of Las Piñas currently operates the following two (2) community quarantine centers, namely: (1) the LIGTAS-1 Center located at the 2 Villar Family-donated buildings at the LPDATC Compound in Brgy. Daniel Fajardo, which has the capacity to accommodate up to one hundred (100) COVID patients; and (2) the LIGTAS-3 Center in Brgy. Almanza 2, which was constructed by the Department of Public Works and Highways (DPWH) led by Sec. Mark Villar. This can accommodate up to eighty-five (85) COVID patients. The accommodation, food and water, essential medicines, and the proficient monitoring by health professionals are provided for free in these LIGTAS Centers by the city government.



CORPORATE SOCIAL RESPONSIBILITY

# Waste Management Initiatives Become More Relevant in the New Normal

## *Experts cite continuity of recycling efforts is important during and after the Covid-19 pandemic*

One of Villar SIPAG's advocacies has always been environment protection. Thus, it is known for its environmental projects particular in proper waste management. The ongoing pandemic due to the coronavirus has shown that there is really a direct link between environment or nature and the spread of diseases. The most critical of which is in protection of habitats and solid waste management. Experts have cited that protection of habitats and biodiversity can prevent another pandemic. Thus, there should be stricter implementation of environmental laws especially on protected areas.

It is not only destruction of natural habitats that can cause the spread of infectious and zoonotic diseases, improperly disposed wastes are causes of infection and contamination, too. Thus, proper waste disposal and management become even more crucial. Villar SIPAG, through the initiative of its managing director Senator Cynthia Villar has established programs and projects that protect the environment since the early 2000s.

From 2001 to 2010, Villar SIPAG has been focused on saving the Las Piñas-Zapote River.  It even won for the foundation the 2011 United Nations (UN) Water for Life Best Water Management Practices. Villar SIPAG's popular livelihood projects or green social enterprises, which have been duplicated nationwide, are a result that river rehabilitation project.  That started the advocacy to promote proper waste management.




According to the World Health Organization (WHO), "If solid waste is not dealt with quickly, serious health risks will develop which will further demoralize the community already traumatized by the emergency". Moreover, the International Solid Waste Association cites that "Waste Management is one of the most important sanitary barriers to prevent dissemination of illnesses and diseases".

Whether there is a community quarantine/lockdown or not, proper waste management is important. It becomes even more crucial now because some waste collection activities and services were disrupted. But the amount of wastes produced, especially in households, continues to increase.

The raw materials used in Villar's livelihood projects are from wastes. These are water hyacinths for the waterlily handicraft-weaving enterprise and the handmade paper factory; coconut husks for the coconet-weaving enterprise and the charcoal-making factory; kitchen and garden wastes for the organic fertilizer composting facility; and plastic wastes for the waste plastic recycling factory that produces school chairs. The senator has set up over 3,000 livelihood projects nationwide.

Villar SIPAG believes that there should be greater private sector and public participation in the development waste management programs. It has established barangay-based livelihood enterprises that are models of proper waste management and good examples of how garbage can be turned into useful end-products.

The coconet weaving enterprises turn coconut husks that clog rivers and waterways into materials as such as coconets, which are used as riprap materials in construction projects to prevent

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soil erosion. Initially, coconets are the only products, but they also discovered that they can also use the coco dusts to produce organic fertilizers and the enterprise has also started making charcoal brisquettes out of them.

The workers extract fiber and coco peat from the coco husks using a decorticating machine. The fiber is used for making coconet and the coco dusts are mixed with household wastes to make organic fertilizers that are distributed for free to farmers and urban gardeners.

A decorticating machine can extract fiber and dust from up to 8,000 husks of coconuts daily. The fibers are then made into twines by women workers. Each twine is eight meters long. Another group of workers weave the loom of twines and within two hours they can weave one roll measuring one meter by 50 meters that can earn for them 200 pesos. Vista Land is the biggest buyer of coconets, which cost 2,000 pesos per roll.

There is also a vermicomposting facility set up by Villar SIPAG that produces vermicompost organic fertilizer, the use of which is environment-friendly since it keeps the soil healthy. It is also the first step in organic farming. The facility uses two methods—rotary composting at vermicomposting.

About 95 percent of our food comes from the soil. People can help by simply bringing nutrients back to the soil by composting their kitchen and garden wastes and using organic fertilizer. The intensive and excessive use of chemical fertilizers and insecticides cause damages to crops, decrease crop production



and result to loss of soil fertility. In fact, soil degradation in the country has reached 38 per cent.

Villar SIPAG also addressed the worsening problem of plastic pollution by recycling plastic wastes, which the United Nations has in fact called a "planetary crisis". The Philippines, based on a University of Georgia study, ranked third, next to China and Indonesia (among 192 countries surveyed), in terms of volume of plastic wastes produced by the population. Thus, efforts to reduce or eliminate plastic wastes are very important and crucial.

Villar SIPAG put up a Waste Plastic Recycling Factory in 2013 in Barangay Ilaya, Las Pinas City. It converts waste plastics into chairs, thus it helps solve another perennial problem—lack of school chairs. One school chair can be produced out of 20 kilos of waste plastics such as sachets and wrappers. It takes less than 30 minutes to produce a chair. Monthly production is around 600 plastic chairs. Since 2013, the Las Piñas factory has produced over 30,000 chairs, which are distributed for free to various public schools all over the country.

In 2017, two other factories have been set up by Villar SIPAG in Iloilo and Cagayan de Oro cities to cover the Visayas and Mindanao regions. Both factories can produce 300 plastic chairs per month.

Over the years, Villar SIPAG's waste management initiatives have inspired other organizations and LGUs to duplicate its initiatives. Among which is the Philippine Alliance for Recycling & Materials


Sustainability (PARMS) and the City of Parañaque. They also established a plastics recycling factory similar to Villar SIPAG's.

Solid wastes experts such as ISWA said ensuring the continuity of recycling efforts are important during and after the Covid-19 pandemic because if households and businesses stop handling recyclables, "the overall waste system will be saddled with between 30 and 50% more materials and there is a risk of system failure".

It should be emphasized that environmental protection, particularly proper waste disposal and handling, is very important with or without a pandemic. In the new normal, it should be as normal as hand-washing and wearing face masks.

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# Villar SIPAG Waste Management Facilities in Vista Land, Camella Homes Communities

Vista Land adopts what Villar SIPAG advocates or practice what its CSR arm preaches, so to speak. The company has thus incorporated efficient waste management in its property developments in support of the advocacy. Vista Land and Camella Homes communities in various parts of the country also have waste management facilities. The wastes are also processed into organic fertilizer.

As of December 2020, the 17 Vista Land locations are in National Capital Region, Regions 3, 4-A, and 5 (for Luzon); Regions 6 and 7 (for Visayas); Regions 10, 11, 12; and CARAGA (for Mindanao) produce organic fertilizers from kitchen and garden wastes collected from the residents

Some of the composting facilities are located in Lakefront, Camella Provence in Bulacan, Georgia Academy-San Jose Del Monte, Bulacan, Camella Nueva Ecija, Camella Tarlac, Camella Bataan, Camella Empressa San Fernando in Pampanga, Tierra Nevada in Cavite, Plantacion Meredienne in Batangas, Camella Naga, Savannah Iloilo, Camella Bacolod, Azienda Village Cebu, Gran Europa, Solariega Davao, Camella General Santos and Camella Butuan among other locations nationwide.More of such facilities are being built in nine more locations in Camella Homes in Davao, Pagadian, Palo (Leyte), Bohol, Santiago (Isabela), Laoag (Ilocos Norte), Sto. Tomas (Batangas) Sta. Rosa (Laguna) and in Taguig (NCR)

The organic fertilizers produced from Villar SIPAG's waste composting facilities are distributed to rice-producing towns in the Philippines. It is a big help to rice farmers as they do not have to buy fertilizer. These are also distributed to towns and cities practicing vegetable farming as well as to urban dwellers who are into growing their food in their backyards.


*Tierra Nevada, Gen Trias Cavite*


*Altea, Bacoor City, Cavite*


*Plantacion, Meredienne Lipa City, Batangas*


*Camella Naga City, Camarines Sur*


*Springville Exec. Molino 3*


*Citta Italia, Imus Cavite*

*Camella Naga, Ecowaste*


*Camella Mandalagan, Bacolod City*


*Savannah, Iloilo*


*Camella Butuan City*


*Camella General Santos City*


*Gran Europa, Cagayan de Oro City*

ECONOMIC

ENVIRONMENT

SOCIAL

UN SUSTAINABLE DEVELOPMENT GOALS



# SUSTAINABILITY REPORT

# Annex A: Reporting Template

## Contextual Information

| **Company Details** | |
|---|---|
| Name of Organization | *Vista Land & Lifescapes, Inc. (VLL)* |
| Location of Headquarters | *LGF, Building B Evia Lifestyle Center, Vista City, Daanghari, Almanza II, Las Piñas City* |
| Location of Operations | *Philippines* |
| Report Boundary: Legal entities (e.g. subsidiaries) included in this report* | *This Annex shall report on the selected projects and operations of the following subsidiaries of VLL:*<br>*1. Brittany Corporation*<br>*2. Camella Homes, Inc.*<br>*3. Communities Philippines, Inc.*<br>*4. Crown Asia Properties, Inc.*<br>*5. Vista Residences, Inc.*<br><br>*This report does not encompass data from Vistamalls, Inc. (another subsidiary of VLL), since Vistamalls, Inc. will be reporting its own Sustainability Report.* |
| Business Model, including Primary Activities, Brands, Products, and Services | *Vista Land & Lifescapes, Inc. is one of the leading integrated property developers in the Philippines and the largest homebuilder in the country overall. The Company has the widest geographic reach with projects currently present in 147 cities and municipalities in 49 provinces across the country. The Company operates its residential property development and commercial property development businesses through six distinct business units. Camella Homes, Communities Philippines, Crown Asia, Brittany, and Vista Residences are focused on residential property development while Vistamalls is involved in commercial property development. Vistamalls, also a publicly-listed company will be filing its own Sustainability Report, thus, its data will not be included in this report.* |
| Reporting Period | ***January 1, 2020 – December 31, 2020*** |
| Highest Ranking Person responsible for this report | ***Brian N. Edang***<br>*Chief Financial Officer*<br>*Head of Investor Relations* |



## Materiality Process

| **Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[1]** |
|---|

*On its 2nd year reporting, the Villar Group companies, which includes VLL, are guided by the GRI and SASB Standards in the conduct of its materiality process. Specifically, the process undertook the following steps:*

1. *Pre-identification of topics – Issues and topics from different references such as the sector-specific publications from GRI and SASB and industry peers were collated.*
2. *Identification of Material Topics – The collated topics were initially reviewed by the Company if these are material to the operations and stakeholders. Each topic was provided with definitions for better assessment (see the initially reviewed topics here).*
3. *Materiality Assessment – The topics identified as material are processed into a survey where the Company will further assess the criticality of impact of each topic.*

*Due to restrictions brought about by the pandemic, the Company engaged in the survey through Google Forms. Similar to the process in the previous reporting, VLL assessed the criticality of identified topics basing on their impact to the business and impact to the stakeholders using a 5-point scale (1 as low to no impact; 5 as highest impact).*

***Table 1.*** *Topics Arranged According to Degree of Impact**

| | | | |
|---|---|---|---|
| 1 | Customer Satisfaction | 10 | Responsible Supply Chain |
| 2 | Product/Service Quality and Responsibility | 11 | Procurement Practices |
| 2 | Revenue & Income | 12 | Payments to Government |
| 3 | Product/Service/Operations Innovation | 12 | Environmental Compliance |
| 4 | Corruption/Fraud | 12 | Human Rights |
| 5 | Business Model Resilience | 12 | Information Security |
| 6 | Ethical Business Operations | 13 | Asset Design Considerations |
| 7 | Product Design & Lifecycle Management | 14 | Local Employment |
| 7 | Access & Affordability | 15 | Landscape Impacts |
| 7 | Employee Training and Competency | 16 | Community Resettlement |
| 8 | Land Use | 16 | Voluntary investments in social infrastructure and assets |
| 8 | Community Impact & Development | 17 | Social Impacts |
| 9 | Transparent Information | 18 | Anti-competitive Bidding Practices |

**Topics with similar rankings indicate similar weighted averages.*

*Customer Satisfaction, Product/Service Quality and Responsibility, and Revenue & Income remain VLL's top material topics that are significant for the company's sustainability. These are aligned with two of the corporate values wherein, VLL operates in maintaining Closeness to Customers by reflecting the customers' needs through its products and services and in maintaining*

[1] See GRI 102-46(2016) for more guidance.

*Cost Consciousness to guarantee sufficient resources for tomorrow through prudent use of financial resources while sustaining profitability.*

***Figure 1.*** *Vista Land 2020 Materiality Matrix*




# ECONOMIC

## Economic Performance

### Direct Economic Value Generated and Distributed

| Disclosure | Amount (in millions) | Units |
|---|---|---|
| Direct economic value generated (revenue) | *31,256.08* | *PhP* |
| Direct economic value distributed: | | |
| a. Operating costs | *7,808.16* | *PhP* |
| b. Employee wages and benefits | *1,276.76* | *PhP* |
| c. Payments to suppliers, other operating costs | *12,020.71* | *Php* |
| d. Dividends given to stockholders and interest payments to loan providers | *10,585.86* | *PhP* |
| e. Taxes given to government | *2,152.93* | *PhP* |
| f. Investments to community (e.g. donations, CSR) | *5,326.51* | *PhP* |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| *The pandemic has greatly affected both the Company's residential and leasing businesses especially during the start of the implementation of government restrictions to fight against the spread of the coronavirus wherein the Company has to temporarily close 80% of its commercial spaces and to halt construction of its residential projects. However, as the restrictions further eased and the economy started to reopen starting June, the Company saw encouraging signs of recovery such as the sustained demand for its BPO office space, increased operational gross floor area (GFA) to 95% as well as the continued demand of its housing products especially in the provincial areas wherein a sales uptrend was seen since June, registering a 70% pre-COVID level of reservation sales. The Company believes that* | *Employees, Stockholders, Investors, Business Partners, Homebuyers, and Customers* | *The Company through the Management Committee makes sure that financial resources of the Company are being optimized. They exercise prudence in managing the resources. In 2020, the Company beefed up its digital initiatives in response to the quarantine restrictions imposed due to the pandemic. The Company also implemented innovations that were geared towards providing for what our communities need.*<br><br>*In addition, the Company abides the principles of transparency, materiality, and completeness in reporting its financial and operating performance by preparing its financial reports in accordance with the Philippine Financial Reporting Standards. Such financial reports are reviewed and being audited by an external* |

| | | |
|---|---|---|
| *is financial and operating performance for the year affected the Country as whole as it provides product and services nationwide. Its performances greatly affect influence all of its stakeholders as well.* | | *auditing firm annually. The Company also announces its financial and operating results every quarter by conducting press and analysts briefings.* |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *Since the start of the COVID-19 pandemic, the Company was able to identify the following risks and its potential impact to the Company:*<br>• *COVID-19 imposes potential impact on sales due to a potential decline in confidence of buyers to commit large purchases (i.e. housing units) as well as a possible decline in sales to Overseas Filipinos in countries that are hard-hit by the COVID-19 pandemic. In particular, sales of investment type residential products may be significantly affected during this period.*<br>• *Potential cancellation of prior years' sales*<br>• *Potential delay in bank releases due to longer due diligence for consumer loans*<br>• *Potential decline in foot fall of malls and a possible impact on the sales of the tenants with variable rental rate There is also a risk of a potential decline in foot fall for its malls as well as a possible impact on sales of its mall tenants with variable rental rates due to COVID-19, especially in Metro Manila, following the announcement by the President of a Code Red Sublevel 2 in Metro Manila effective March 15, 2020.*<br>• *Potential termination of contract by office tenants* | *Employees, Stockholders, Investors, Business Partners, Homebuyers, and Customers* | *In making business decisions, the Company makes sure that the Board views all the opportunities as well as the risks of the business through the lens of the Company's economic, social, & environment impact to achieve the desired triple bottom line.*<br><br>*In 2020, the Company was not spared with effects of the pandemic. However, the Company was able to at least narrow the negative growth on its residential sales, leasing revenue, and net earnings. For its leasing business, the Company granted rental concessions to tenants on a case to case basis. It also helped that majority of its tenants are considered essential. For its residential business, the company boosted its digital innovations that to help sell housing products remotely such as virtual property tours, online payment platforms, online reservations and various messaging applications.* |



| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| | *Employees, Stockholders, Investors, Business Partners, Homebuyers, and Customers* | *The Company will continue to maximize the synergy between its residential and leasing businesses, and implement innovations to provide its homebuyers and customer the Vista Land standard of living that they deserve. Vista Land is also making sure to continuously do the necessary adjustments to its business operations in order to better position the Company once the economy fully recovers.* |

## Climate-related risks and opportunities[2]

| | |
|---|---|
| **Governance**<br>Disclose the organization's governance around climate related risks and opportunities | |
| a) Describe the board's oversight of climate-related risks and opportunities | *The Board has established a separate Board Risk Oversight Committee ("BROC") that is responsible for the oversight of the Company's Risk Management system including climate-related risks and opportunities to ensure its functionality and effectiveness.* |
| b) Describe management's role in assessing and managing climate-related risks and opportunities | *The Management is responsible for providing accurate and timely information to all the members of the Board. The Board, through the BROC, assesses the Company's climate-related risks and opportunities through the information provided.* |
| **Strategy**<br>Disclose the actual and potential impacts[16] of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material | |
| a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term | *Vista Land is exposed to the risk of the occurrence of major natural catastrophes including typhoons, massive flooding, droughts, volcanic eruptions and earthquakes.* |
| b) Describe the impact of climate-related risks | *Should an uninsured loss or a loss in excess of insured limits occur, the Company could lose all or a portion of the capital invested in a property, as well as the anticipated future turnover from such* |

[2] Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

| | |
|---|---|
| and opportunities on the organization's businesses, strategy, and financial planning | *property, while remaining liable for any project construction costs or other financial obligations related to the property.* |
| c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario | *Due to the Company's exposure of climate-related scenarios, Vista Land conducts thorough technical due diligence and environment scanning on all of its land acquisitions and project launches. Technical due diligence includes environmental studies not just for specific land parcels but for adjacent areas as well.*<br><br>*As the Company progresses to more resilient design of future developments, it will consider additional measures for pressing climate-related events including the 2°C or lower scenario such as sea-level rise and intensified patterns of precipitation in its Enterprise Risk Management ("ERM").* |
| **Risk Management**<br>Disclose how the organization identifies, assesses, and manages climate-related risks | |
| a) Describe the organization's processes for identifying and assessing climate-related risks | *The Company's processes for identifying and assessing climate-related risks are laid out in the Company's ERM, which is being assessed annually by the BROC in close coordination with the Chief Risk Officer ("CRO").* |
| b) Describe the organization's processes for managing climate-related risks | *The Company's processes for managing climate-related risks are defined and discussed in its Enterprise Risk Management plan.* |
| c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management | *Vista Land has a Risk Management System that is reviewed annually. The main objective of this system is to reduce any potential impacts of risks to the business as means of enhancing shareholding value by effectively and efficiently balancing risks and rewards*<br><br>*Furthermore, the Company implements a Risk Policy that states how each identified risk and assessed to formulate strategies in mitigating or eliminating said risk.* |
| **Metrics and Targets**<br>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material | |
| a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy | *Natural catastrophes directly affect the Company's operations. These are measured through the following:*<br>• *Number of days of delays in project timeline*<br>• *Number of days of property downtime and business disruption*<br>• *Costs of repair or replaced damage or destroyed assets*<br>• *Costs for maintenance due to wear and tear on or damage to buildings* |



| | |
|---|---|
| and risk management process | |
| b) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets | *In order to mitigate or eliminate the exposure to risks, Vista Land sees the opportunity of improving its business operations through:*<br>• *Conducting regular preventive check and maintenance of all assets*<br>• *Retrofitting of building and other developments*<br>• *Tracking the frequency of discussions with Board and Management on climate-related risks*<br>• *Tracking the frequency of communication and trainings with employees regarding protocols in situations related to natural catastrophes or severe weather conditions.* |

## Procurement Practices

*Proportion of spending on local suppliers*

| Disclosure | Quantity | Units |
|---|---|---|
| Percentage of procurement budget used for significant locations of operations that is spent on local suppliers | *100* | *%* |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| *The Company affects the local economy by sourcing its supply requirement from the local suppliers.* | *Local suppliers, Business partners* | *The Company has an established accreditation process and chooses its suppliers based on certain set of parameters. Vista Land believes in promoting a healthy competition among all its suppliers, regardless of origin. Nonetheless, proximity and same culture promote easier communication, understanding and faster processes. Hence, given the same competitive offerings, it would give preference to the local partners. Furthermore, the Company is dedicated to supporting local suppliers to help develop the local economy.* |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |

| | | |
|---|---|---|
| *Depending on the category, local suppliers may lack the technical capability or other resources needed to support the Company's requirements. This may result to local suppliers being less efficient in their production capabilities and therefore less competitive in their offers.* | *VLL Community* | *Vista Land makes sure that all suppliers undergo thorough evaluation and assessment of their technical capabilities. They are also assessed to know their financial condition through background investigation, submission of complete and updated financial documents, government permits and certifications, company and plant visits, and other relevant inquiries.*<br><br>*In line with the mission and vision of the Company, Vista Land ensures that all dealings with suppliers are done above-board and compliant with rules and regulations of the Company. The Company expects that its employees avoid conflict of interest situations and act with the Company's interest in mind always. The Procurement team continuously reviews its supplier base to maintain a healthy and diverse pool. The Company also sends employees to conventions, trade fairs, and symposia to keep them abreast of the latest technological trends and innovations. Regular review of processes is also done to assess, to improve, to adapt, and to formulate new processes, systems, and technologies. Moreover, the Company invests in its human resources by providing the necessary training sessions to further improve their skills as procurement professionals.* |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *The Company aims to be present in 200 cities and municipalities in the near future, hence, it will be able to provide opportunities to more local suppliers in areas where Vista Land plans to develop.* | *Local suppliers and VLL Community* | *The Company is dedicated in supporting local suppliers to help develop the local economy. Also, the Company would like to establish long-term relationships with them. Thus, it is important for Vista Land that its suppliers/ partners share its mission of building homes for every Filipino.* |



## Anti-corruption

### Training on Anti-corruption Policies and Procedures

| Disclosure | Quantity | Units |
|---|---|---|
| Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to | *100* | *%* |
| Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to | *100* | *%* |
| Percentage of directors and management that have received anti-corruption training | *100* | *%* |
| Percentage of employees that have received anti-corruption training | *100* | *%* |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| *Anti-corruption-related policies are communicated to its employees during job orientations and tackled every annual corporate values sessions of the Company.*<br><br>*The Board and Management also participates in the Annual Corporate Governance Seminar that reinforces their knowledge on the different sound governance practices and continuance of building an ethical culture in Vista Land.* | *Employees Directors, Management, Employees, Business partners* | *The Company's Board sets the tone and makes a stand against corrupt practices by adopting anti-corruption policies of the Company, including Whistleblowing and Anti-Bribery Policy. These policies were crafted in compliance with the principles and best practices set out by the Company's Manual on Corporate Governance. These policies are posted in the Company's website as well for the information of all stakeholders.*<br><br>*The Anti-Corruption Policies of the Company are issued to all staff members, directors, and members of the management and strictly applies to all personnel.* |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *Vista Land recognizes is exposure of corruption risks if anti-corruption and other related policies are not well communicated.* | *VLL Community* | *Apart from putting in place an Anti-Corruption Policies, it is very important that these policies are well-communicated to all stakeholders because if not, such will be futile as these won't be carried out. The Company makes sure to include discussion of the Anti-Corruption Policies of the Company to during on-the-job orientation and during the annual corporate values session of the Company.* |

| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| *No significant opportunities identified as all employees, directors and management, and business partners are 100% communicated and trained on anti-corruption policies.* | | |

*Incidents of Corruption*

| Disclosure | Quantity | Units |
|---|---|---|
| Number of incidents in which directors were removed or disciplined for corruption | *0* | *#* |
| Number of incidents in which employees were dismissed or disciplined for corruption | *0* | *#* |
| Number of incidents when contracts with business partners were terminated due to incidents of corruption | *0* | *#* |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| *There is no impact since there were no incidents of corruption reported in 2020.* | | |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *Vista Land's control effectiveness as well as its governance may be questioned if incidents related to corruption at any rank or function in the company occurred.*<br><br>*Also, not taking action on corruption incidents will impose a negative impression that the Company is not seriously implementing its Anti-Corruption Policy and will encourage other members of the organization to not adhere to it.* | *Employees, Directors, Business Partners* | *The Company's Board sets the tone and makes a stand against corrupt practices by adopting anti-corruption policies such as the Whistle-blowing policy & Anti-bribery policy.*<br><br>*The Company crafted these policies in compliance to the principles and best practices set out by the Company's Manual on Corporate Governance.*<br><br>*Anti-Corruption policies and controls are in place and are being communicated even during onboarding of newly hired employees. These are also reiterated to all employees in the annual corporate values session.*<br><br>*The Company's Code of Business Conduct and Ethics clearly states provisions on the proper and moral transactions within and outside the company. Any misconduct or failure to exercise good judgments will be subjected to corrective actions based on due process.* |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *No significant opportunities identified as there are no incidents reported regarding corruption activities within the Company for 2020.* | | |

# ENVIRONMENT

## Resource Management

### Energy consumption within the organization

| Disclosure | Quantity | Units |
|---|---|---|
| *Energy consumption (renewable sources)* | *Not applicable* | *GJ* |
| *Energy consumption (gasoline)* | | |
| *Communities Negros, Inc. (Communities Philippines, Inc.)* | *346.95* | *GJ* |
| *Communities Koronadal, Inc. (Communities Philippines, Inc.)* | *578.53* | *GJ* |
| *Communities Gapan, Inc. (Camella Homes, Inc.)* | *85.02* | *GJ* |
| *Communities Taal (Camella Homes, Inc.)* | *246.60* | *GJ* |
| *Crosswinds (Brittany Corporation)* | *-* | *GJ* |
| *Crown Asia Valenza (Crown Asia Properties, Inc.)* | *2.10* | *GJ* |
| *Vista Hub (Vista Residences)* | *202.92* | *GJ* |
| *Energy consumption (LPG)* | *Not applicable* | *GJ* |
| *Energy consumption (diesel)* | *Not applicable* | *L* |
| *Energy consumption (electricity)* | | *kWh* |
| *Communities Negros, Inc. (Communities Philippines, Inc.)* | *109,389.17* | *kWh* |
| *Communities Koronadal, Inc. (Communities Philippines, Inc.)* | *117,700.13* | *kWh* |
| *Communities Gapan, Inc. (Camella Homes, Inc.)* | *5,227.58* | *kWh* |
| *Communities Taal (Camella Homes, Inc.)* | *49,040.17* | *kWh* |
| *Crosswinds (Brittany Corporation)* | *85,293.72* | *kWh* |
| *Crown Asia Valenza (Crown Asia Properties, Inc.)* | *29,852.56* | *kWh* |
| *Vista Hub (Vista Residences)* | *4,556.00* | *kWh* |

### Reduction of energy consumption

| Disclosure | Quantity* | Units |
|---|---|---|
| *Energy consumption (renewable sources)* | *N/A* | *GJ* |
| *Energy consumption (gasoline)* | | |
| *Communities Negros, Inc. (Communities Philippines, Inc.)* | *224.28* | *GJ* |
| *Communities Koronadal, Inc. (Communities Philippines, Inc.)* | *-326.98* | *GJ* |
| *Communities Gapan, Inc. (Camella Homes, Inc.)* | *331.57* | *GJ* |
| *Communities Taal (Camella Homes, Inc.)* | *300.67* | *GJ* |
| *Crosswinds (Brittany Corporation)* | *-* | *GJ* |
| *Crown Asia Valenza (Crown Asia Properties, Inc.)* | *58.44* | *GJ* |
| *Vista Hub (Vista Residences)* | *-120.21* | *GJ* |
| *Energy consumption (LPG)* | *N/A* | *GJ* |
| *Energy consumption (diesel)* | *N/A* | *GJ* |
| *Energy consumption (electricity)* | *N/A* | *kWh* |
| *Communities Negros, Inc. (Communities Philippines, Inc.)* | *46,815* | *kWh* |
| *Communities Koronadal, Inc. (Communities Philippines, Inc.)* | *-20,587* | *kWh* |
| *Communities Gapan, Inc. (Camella Homes, Inc.)* | *39,600* | *kWh* |
| *Communities Taal (Camella Homes, Inc.)* | *2,432* | *kWh* |
| *Crosswinds (Brittany Corporation)* | *370,799* | *kWh* |
| *Crown Asia Valenza (Crown Asia Properties, Inc.)* | *210,811* | *kWh* |
| *Vista Hub (Vista Residences)* | *901,508* | *kWh* |

**Energy reduction is the difference between the 2019 and 2020 energy consumption. Negative values mean an increased consumption versus the 2019 consumption.*

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| *For residential projects not yet turned-over to Homeowners Association (HOA), Vista Land continues to manage energy consumption of common areas such as streetlights, clubhouses, parks, and other open spaces* | *VLL Community, Homeowners* | *Vista Land manages, keeps track and monitors electricity and gas consumption of its residential projects not yet turned over to HOA to achieve effective and efficient use of these resources.* |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *Power interruptions may occur as a result of natural catastrophes* | *Homeowners* | *The Company makes sure that its residential communities are serviced by a reliable electricity distributor which is capable of restoring power in the fastest time possible during natural catastrophes.* |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *Vista Land is exploring the viability of installing technologies that enable efficient use of energy from renewable sources.* | *Communities, Homeowners* | *The Company conducts research to improve the current situation of its residential projects especially the efficient use of resources like gas and electricity.* |

## Water consumption within the organization

| Disclosure | Quantity | Units |
|---|---|---|
| *Water withdrawal* | | *Cubic meters* |
| *Communities Negros, Inc. (Communities Philippines, Inc.)* | *8,548.13* | *Cubic meters* |
| *Communities Koronadal, Inc. (Communities Philippines, Inc.)* | *20,456.63* | *Cubic meters* |
| *Communities Gapan, Inc. (Camella Homes, Inc.)* | *1,408.00* | *Cubic meters* |
| *Communities Taal (Camella Homes, Inc.)* | *18,281.49* | *Cubic meters* |
| *Crosswinds (Brittany Corporation)* | *98,477.12* | *Cubic meters* |
| *Crown Asia Valenza (Crown Asia Properties, Inc.)* | *10,741.15* | *Cubic meters* |
| *Vista Hub (Vista Residences)* | *10,786.00* | *Cubic meters* |
| *Water recycled and reused* | *Not applicable* | *Cubic meters* |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| *For residential projects not yet turned-over to Homeowners Association, Vista Land continues to manage water consumption of common areas such as swimming pools, clubhouses, parks, and other open spaces* | *VLL Community, Homeowners* | *Vista Land manages, keeps track and monitors water consumption of its residential projects not yet turned over to HOA to achieve effective and efficient use of such resources.* |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *Especially during the summer season, Vista Land's residential developments may experience water shortages that brings discomfort to its homeowners.* | *Homeowners* | *The Company makes sure that its residential communities' water consumption needs are provided by a reliable distributor. In addition, Vista Land's residential developments have elevated water tanks as well.* |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *Vista Land is looking for the possibility of installing water-recycling equipment to divert discharges for other uses such as landscape maintenance.* | *VLL Community* | *The Company conducts research to further improve the current situation of its residential projects especially the use of resources like water.* |

## Materials used by the organization

| Disclosure | Quantity | Units |
|---|---|---|
| Materials used by weight or volume | | |
| a. renewable | *N/A* | *kg/liters* |
| b. non-renewable | *N/A* | *kg/liters* |
| Percentage of recycled input materials used to manufacture the organization's primary products and services | *N/A* | *%* |



## Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

| Disclosure | Quantity | Units |
|---|---|---|
| Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | *N/A* | |
| Habitats protected or restored | *N/A* | *ha* |
| IUCN[3] Red List species and national conservation list species with habitats in areas affected by operations | *N/A* | |

*Vista Land has no significant impacts to lands with high biodiversity value or near protected areas. Before acquiring any property, Vista Land conducts a market research to meet the demands of future homeowners. The Company considers the following criteria in its land acquisition study:*

- *the general economic condition of the environment surrounding the property;*
- *proximity of land to areas to existing products and service brought about by nearby developments;*
- *accessibility to roads and major thoroughfares;*
- *availability of electric facilities, telephone lines, and water systems; and*
- *overall competitive landscape and neighboring environment and amenities.*

*Vista Land also considers the feasibility of obtaining required governmental licenses, permits, authorizations, and developing necessary improvements and infrastructure, including sewage, roads and electricity.*

# Environmental Impact Management

## Air Emissions

### GHG

| Disclosure | Quantity | Units |
|---|---|---|
| *Direct (Scope 1) GHG Emissions* | | |
| *Communities Negros, Inc. (Communities Philippines, Inc.)* | *23.51* | *Tonnes $CO_2e$* |

[3] International Union for Conservation of Nature

| | | |
|---|---|---|
| *Communities Koronadal, Inc. (Communities Philippines, Inc.)* | *39.20* | *Tonnes $CO_2e$* |
| *Communities Gapan, Inc. (Camella Homes, Inc.)* | *5.76* | *Tonnes $CO_2e$* |
| *Communities Taal (Camella Homes, Inc.)* | *16.71* | *Tonnes $CO_2e$* |
| *Crosswinds (Brittany Corporation)* | *-* | *Tonnes $CO_2e$* |
| *Crown Asia Valenza (Crown Asia Properties, Inc.)* | *0.14* | *Tonnes $CO_2e$* |
| *Vista Hub (Vista Residences)* | *13.75* | *Tonnes $CO_2e$* |
| Energy indirect (Scope 2) GHG Emissions | | |
| *Communities Negros, Inc. (Communities Philippines, Inc.)* | *77.91* | *Tonnes $CO_2e$* |
| *Communities Koronadal, Inc. (Communities Philippines, Inc.)* | *91.77* | *Tonnes $CO_2e$* |
| *Communities Gapan, Inc. (Camella Homes, Inc.)* | *3.72* | *Tonnes $CO_2e$* |
| *Communities Taal (Camella Homes, Inc.)* | *34.93* | *Tonnes $CO_2e$* |
| *Crosswinds (Brittany Corporation)* | *60.75* | *Tonnes $CO_2e$* |
| *Crown Asia Valenza (Crown Asia Properties, Inc.)* | *21.26* | *Tonnes $CO_2e$* |
| *Vista Hub (Vista Residences)* | *3.24* | *Tonnes $CO_2e$* |
| *Emission of ozone-depleting substances (ODS)* | *N/A* | *Tonnes $CO_2e$* |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| *For 2020, electricity consumption contributes to the overall emissions of the Company. As occupants in the developments increased, more people are enjoying the amenities provided in the subdivisions, hence increasing the demand for basic services such as electricity.* | *Homeowners, Tenants* | *The Company manages its electricity consumption through regular monitoring and documenting of consumption.* |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *Effects of continuous emissions may manifest in the air quality which, directly or indirectly, impacts the health of homeowners, tenants, and surrounding communities.* | *Homeowners, Tenants, Nearby communities* | *Vista Land considers the feasibility of clean energy technologies to engage homeowners and tenants to source their electricity to cost-efficient and cleaner means.* |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *The Company shall continue monitoring its electricity consumption in all its properties and implement sustainable practices for all its homeowners and tenants. As discussed in the Energy consumption topic, Vista Land is exploring the practicability of using renewable energy technologies.* | *Homeowners, Tenants, VLL Community* | *Vista Land, through the Villar Social Institute for Poverty Alleviation and Governance (SIPAG), advocates itself to programs and activities in its developments that encourages communities to switch into a more sustainable lifestyle. For instance, a horticulture initiative called the Greenscapes improves the air quality within the immediate vicinities and provides cooler surroundings through growing of different endemic plants in property grounds. In this way, the Company reverts the impact of emissions from their properties.* |



*Air Pollutants*

| Disclosure | Quantity | Units |
|---|---|---|
| $NO_x$ | *N/A* | *kg* |
| $SO_x$ | *N/A* | *kg* |
| Persistent organic pollutants (POPs) | *N/A* | *kg* |
| Volatile organic compounds (VOCs) | *N/A* | *kg* |
| Hazardous air pollutants (HAPs) | *N/A* | *kg* |
| Particulate Matter (PM) | *N/A* | *kg* |

## Solid and Hazardous Wastes

*Solid Waste*

| Disclosure | Quantity | Units |
|---|---|---|
| Total solid waste generated | | |
| Reusable | *N/A* | *kg* |
| Recyclable | *N/A* | *kg* |
| Composted | *N/A* | *kg* |
| Incinerated | *N/A* | *kg* |
| Residuals/Landfilled | *N/A* | *kg* |

*Hazardous Waste*

| Disclosure | Quantity | Units |
|---|---|---|
| Total weight of hazardous waste generated | *N/A* | *pcs* |
| Total weight of hazardous waste transported | *N/A* | *kg* |

Effluents

| Disclosure | Quantity | Units |
|---|---|---|
| Total volume of water discharges | *N/A* | *Cubic meters* |
| Percent of wastewater recycled | *N/A* | *%* |

## Environmental Compliance

### Non-compliance with Environmental Laws and Regulations

| Disclosure | Quantity | Units |
|---|---|---|
| Total amount of monetary fines for non-compliance with environmental laws and/or regulations | *0* | *Php* |
| No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations | *0* | *#* |
| No. of cases resolved through dispute resolution mechanism | *0* | *#* |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| *Compliance to the different environmental laws enables Vista Land to advertise freely its projects and accords a good reputation to the Company.* | *VLL Community* | *The Company has a technical services team who tracks environmental law compliances from business development to post-business development stage.* |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *Non-compliance to the environmental laws may cause a downward movement to the sales of properties, hence, negatively affecting financial performance of Vista Land. Moreover, this implies failure to launch projects knowing that there are pending compliances needing to be dealt with.* | *VLL Community* | *The Company aligns its operations, most especially its construction and property management with the modern technologies being introduced as means to efficiently implement sanitation, environment, and safety laws and regulations regardless of cost.* |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *Vista Land considers entering certifications and other environmental initiatives such as ISO 140001 to contribute to the betterment of the environment.* | *VLL Community* | *Vista Land continuously conducts research on how to enhance its current practices and how to help preserve the environment.* |



# SOCIAL

## Employee Management

### Employee Hiring and Benefits

*Employee Data*

| Disclosure | Quantity | Units |
|---|---|---|
| Total number of employees[4] | *1,407* | |
| a. Number of female employees | *1,053* | *#* |
| b. Number of male employees | *354* | *#* |
| Attrition rate[5] | *-14%* | *rate* |
| Ratio of lowest paid employee against minimum wage | *1:1* | *ratio* |

*Employee Benefits*

| List of Benefits | Y/N | % of female employees who availed for the year | % of male employees who availed for the year |
|---|---|---|---|
| SSS | *Y* | *13%* | *11%* |
| PhilHealth | *Y* | *2%* | *2%* |
| Pag-Ibig | *Y* | *2%* | *1%* |
| Parental leaves | *Y* | *3%* | *1%* |
| Vacation leaves | *Y* | *65%* | *66%* |
| Sick leaves | *Y* | *36%* | *23%* |
| Medical Benefits (aside from PhilHealth) | *Y* | *93%* | *97%* |
| Housing assistance (aside from Pag-Ibig) | *Y* | *13%* | *15%* |
| Retirement fund (aside from SSS)* | *Y* | *0%* | *0%* |
| Telecommuting | *Y* | *30%* | *30%* |
| Flexible-working Hours** | *Y* | *0%* | *0%* |

** The Company has noncontributory defined benefit pension plan covering substantially all its regular employees. The benefits are based on current salaries and related compensation on the last year of employment. For 2020, none has availed of this benefit as no one retired for the mentioned year.*

*** This benefit is available and can be granted to employees on a case-to-case basis.*

[4] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)
[5] Attrition rate = (no, of new hires – no. of turnover)/(average of total no, of employees of previous year and total no. of employees of current year)

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| *People is the prime asset of Vista Land. The employee retention program of the Organization is focused on providing competitive compensation, continuous learning, safe workplace and collaborative culture. In 2020, the Government imposed the Enhanced Community Quarantine (ECQ) to help stop the spread of the coronavirus. When the ECQ was lifted and resumption of office work was allowed, the Company provided additional programs to support its workforce: giving shuttle services in lieu of public transportation, offering temporary accommodation near the workplace and facilitating Rapid and RT-PCR tests to ensure the health and safety of its employees and families.*<br><br>*This year's negative attrition rate is attributable to more number of resignations compared to the new hires occurred because of COVID-19 pandemic.* | *Providing competitive compensation is one of the factors that retain quality talents in the organization. When employees are well compensated, it promotes higher work productivity and job satisfaction. The Company's compensation and benefit packages are way above than what's being asked by the labor regulations.*<br><br>*The employees of the Company are provided with other employee benefits such as but not limited to medical benefits, car plans, housing plans & allowances on top of the basic salary.*<br><br>*The Group has noncontributory defined benefit pension plan covering substantially all of its regular employees. The benefits are based on current salaries and years of service and related compensation on the last year of employment. For more information, please refer to Notes to FS on Retirement Plan.* |
| **What are the Risk/s Identified?** | **Management Approach** |
| *In 2020, it is evident that the pandemic created big changes among all businesses and organizations on how to retain and engage its workforce. Common challenges are mental health and well-being of the employees, public transportation, employee communication and managing remote work.* | *When the ECQ was lifted and resumption of office work was allowed, the Company provided additional programs to support its workforce: giving shuttle services in lieu of public transportation, offering temporary accommodation near the workplace and facilitating Rapid and RT-PCR tests to ensure the health and safety of its employees and families.*<br><br>*The Company through its Human Resource Department, continuously engages its employees remotely through maximization of various online platforms such as zoom & Microsoft teams to name a few. In fact, the employees were still able to celebrate annual company-wide gatherings through VPortal, its internally developed e-conference facility.* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| *Vista Land ensures proper workplace succession by implementing job rotations and providing training programs to its employees.* | *One method of candidate development includes job rotations within the organization that give key performers opportunities to gain experience in other departments. Providing management education and mentoring through leadership trainings and management development programs is conducted by the Company as well.* |



## Employee Training and Development

| Disclosure | Quantity | Units |
|---|---|---|
| Total training hours provided to employees | | |
| a. Female employees | *8,616* | *hours* |
| b. Male employees | *2,960* | *hours* |
| Average training hours provided to employees | | |
| a. Female employees | *56* | *hours/employee* |
| b. Male employees | *56* | *hours/employee* |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| *The training and development enhances the employee's skills and exposes them to the latest trends and issues related to the nature of their job, and prepares them for the next level of responsibilities they will assume. Through training and development, employees also get to network and share best practices with other players in the industry.* | *The training program that the Company provides is divided into four levels to address employees' training needs based on the rank/level they are in:*<br>*1.) Fundamental and Mandatory Trainings (FMT);*<br>*2.) Skills Enhancement Training;*<br>*3.) Leaders Enhancement & Development;*<br>*4.) Executive Education.*<br><br>*In 2020, the Company implemented orientation and awareness seminars on COVID-19 prevention.* |
| **What are the Risk/s Identified?** | **Management Approach** |
| *Without employee training and development, employees become stagnant. They will not be able to update their skills and will not discover new ways of doing things. Employees will lose their competitive edge and will not be able to contribute on a strategic level.*<br><br>*Trainings and seminars are most effective in a classroom set-up. However, because of the pandemic, the opportunity to conduct and to facilitate activities on-site were limited.* | *Prior the pandemic, the target was to send all employees, based on their rank and skill level, to a 16 to 24 hours of training per year. Therefore, the Company is in the process of designing a remote learning plan to achieve continuous learning objective while adapting the required safety and health protocols.* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| *The Company recognizes employees who have done exceptional work in their respective fields.* | *The Company annually evaluates the performance of the employees based on two factors - performance factors and behavioral factors. Basing on the annual performance appraisal, the Company recognizes the employee's performance through merit increase and promotion to the next rank. Specific ranks* |
| | *come with specific benefits such as, but not limited to, mobile plan and car plan.*<br><br>*Aside from promotion to the next rank with salary increment, the Company rewards an employee's excellent performance through travel incentives.* |

## Labor-Management Relations

| Disclosure | Quantity | Units |
|---|---|---|
| % of employees covered with Collective Bargaining Agreements | *N/A* | *%* |
| Number of consultations conducted with employees concerning employee-related policies | *At least once a year company-wide discussion* | # |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| *The Company does not have an existing worker union. Yet, even without a worker union, the Company encourages the participation of the employees using other platforms like surveys, focus-group discussions, regular staff meetings, and coordination meetings.* | *To keep the employees informed and on track of the goals and objectives of the company and to encourage active engagement on their part, the Company conducts a monthly Jumpstart Activity -- an event where employees of a cluster/group convene to present monthly goals/targets, performance. During this activity, open discussion is encouraged to hear suggestions and inputs of the employees*<br><br>*Each employee also has responsibility to the Company to avoid situations where a conflict of interest might occur. Employees are required to disclose the Company any interest or benefits they have that may conflict with the business or interests of the Company. Employees are expected to devote their full attention to the business interests of the Company. They are prohibited from engaging in any activity that interferes with the performance of their responsibilities to the Company or is otherwise in conflict with or prejudicial to the Company.* |
| **What are the Risk/s Identified?** | **Management Approach** |
| *There is no significant risk identified since the Company encourages employee participation even without the presence of a worker union.* | *The Board has established policies, programs, and procedures that encourage employees to actively participate in the realization of the Company's goals and in its governance. The Board likewise established a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegally or unethical practices without fear of retaliation, and to have direct access an independent member of the Board and a unit created to handle whistleblowing concerns.*<br><br>*The Human Resources Department is mandated to welcome, accommodate, and address the concerns of the employees. The Company also organizes regular values sessions, done per department or per division, where the company values are reiterated and at the same time becomes an avenue for employees to voice out their concerns. The Company also has an existing whistle blowing policy that allows the employees to freely communicate their concerns without fear of retaliation.*<br><br>*Vista Land issues a Notice to Explain to the erring employee. If the violation is related to dishonesty, loss of confidence, or gross negligence, the employee will be put on a 30-day preventive suspension. A Committee will hold an administrative hearing before the release of the final decision.* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| *The Company, through its different programs to encourage employee participation, was able to know the concerns of the employees and is always working to address such concerns* | *The Company implemented the program KISS (Keep It Straight and Simple) Campaign wherein the employees were encouraged to suggest ways to simplify and streamline the current practices of the Company. This only shows how the Management values the inputs of the employees.* |



## Diversity and Equal Opportunity

| Disclosure | Quantity | Units |
|---|---|---|
| % of females in the workforce | *75* | *%* |
| % of males in the workforce | *25* | *%* |
| Number of employees from indigenous communities and/or vulnerable sector* | *Not yet measured* | *#* |

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displace persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| *The Company gives equal opportunities to all jobseekers regardless of their age, gender, marital status, cultural background, or place of origin.* | *The Company creates a culture where people from all backgrounds feel included and makes sure everyone in the organization gets the respect regardless of their age, gender, marital status, cultural background or place of origin. To ensure employee diversity, the Company included it in the recruitment policies as the Company believes that the broader pool of talent open the greater the chance of finding the optimum person for the job. Vista Land also makes sure that employees feel included* |

| | |
|---|---|
| | *and respected regardless of their personal attributes or background.* |
| **What are the Risk/s Identified?** | **Management Approach** |
| *There is no significant risk identified.* | |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| *The Company, being present in 147 cities and municipalities across 49 provinces, means the Company is also able to provide employment opportunities to these number of locations. With its expansion to be visible to 200 cities and municipalities, Vista Land is expecting to gain more talents from those areas.* | *Job advertisements do not state that the job is restricted to candidates on the basis of a personal attribute such as age or gender but rather the skills the candidates need and the criteria they have to fulfill to be eligible for the role. The Company provides job-seekers equal access to job opportunities by establishing multiple avenues for job applications such as through online, on-ground, and on-site.* |

## Workplace Conditions, Labor Standards, and Human Rights

### Occupational Health and Safety

| Disclosure | Quantity | Units |
|---|---|---|
| Safe Man-Hours | *N/A* | *Man-hours* |
| No. of work-related injuries | *0* | *#* |
| No. of work-related fatalities | *0* | *#* |
| No. of work-elated ill-health | *0* | *#* |
| No. of safety drills | *2* | *#* |

*The Company implements programs that promote employee health and wellness. Vista Land partners with a Health Maintenance Organization (HMO) and ensures its employees' health and wellness by mandating employees to undergo annual physical examinations (staff to middle managers) and executive check-ups (for senior managers and up). Occasionally, the Company would sponsor fitness activities such as sports fest, Zumba, and even contest on weight management to encourage more employee participation. It also implements Occupational Health and Safety (OHS) policies and programs to promote Vista Land as a drug-free workplace, to prevent illnesses like Hepatitis B, HIV/AIDS, and Tuberculosis. These activities, policies and programs are communicated through the Post Master, the Company's official corporate communication platform. The Company participates in the different fire and earthquake drills as part of emergency preparedness. Moreover, as part of the Company's OHS Management System, Health and Safety Committees are formed per cluster. The committee is responsible in doing risk assessment for the company. Committee members undergo two (2) critical trainings: 40-hr occupational health and safety trainings and 40-hr first aid and basic life support training. It also conducts risk assessments and meetings to reduce the likelihood of risks to happen in the workplace. In cases of serious injuries, illnesses, or fatalities, assessments are being done by the highest-ranking personnel or officer-in-charge in the area. Results of assessments are reported to the HR Department. If the employee needs to be brought to the hospital, the HR coordinates with the partner HMO.*



### Labor Laws and Human Rights

| Disclosure | Quantity | Units |
|---|---|---|
| No. of legal actions or employee grievances involving forced or child labor | *0* | *#* |

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

| Topic | Y/N | If Yes, cite reference in the company policy |
|---|---|---|
| Forced labor | *N* | |
| Child labor | *N* | |
| Human Rights | *Y* | ***Sexual Harassment Policies and Procedures*** *- The Company will not tolerate any behavior that amounts to sexual harassment and any officer or employee found to have committed sexual harassment shall be subjected to disciplinary action, up to and including dismissal.* |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| *In 2020, there were no incidents in relation to human rights violation or discrimination as Vista Land continues to acknowledge labor laws and human rights in the workplace.* | *Any complaints received pertaining to discrimination will be dealt with promptly and with fairness. Same as other offenses, the Human Resource Department will investigate based on the incident report, testimony of the witnesses, and other evidences related to the commission of the offense. All employees shall be afforded with due process before implementation of the sanction, if applicable.* |
| **What are the Risk/s Identified?** | **Management Approach** |
| *Failure of the company to comply with labor laws and human rights will have an impact on its productivity (should a worker strike occurs) and its reputation.* | *The Company's policies governing its employees are in compliance with the existing labor laws and regulations.* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| *The Company continues to provide a grievance mechanism that gives its employees confidence to freely communicate their concerns without fear of retaliation including workplace discrimination and bullying.* | *In the spirit of partnership, the Company has their communication lines open to encourage employees and suppliers to raise their concerns. The Company has an existing whistle blowing mechanism consistent with the corporate values and Codes of Conduct set by the Board of Directors. The policy allows employees to freely communicate their concerns about illegal and unethical practices without retaliation, and to have direct access to independent member of the Board or a unit created to handle whistle blowing concerns. Suppliers may reach the company through the Procurement team, either through email or company mobile number.* |

## Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

Yes

Do you consider the following sustainability topics when accrediting suppliers?

| Topic | Y/N | If Yes, cite reference in the company policy |
|---|---|---|
| Environmental performance | *Y* | *Annex 1 - Quality Management - ISO 14000 or equivalent, DENR Permits/Certifications* |
| Forced labor | *Y* | *Annex 1 - Quality Management - DOLE DO#18 requirement (Sections 6-7)* |
| Child labor | *N* | *Vista Land requires suppliers to be compliant with the Labor Code Book III.* |
| Human Rights | *N* | |
| Bribery and corruption | *Y* | *Included in the Company Accreditation process* |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| *Through the Company Accreditation process, Vista Land is able to assess environmental as well as social impacts of its suppliers.*<br><br>*In 2020, there were no significant environmental and social impacts in VLL's supply chain.* | *The Company receives several offers and proposals from various suppliers. The suppliers are chosen based on their capacity to fulfill the requirements, competitiveness of their offer, historical performance, and results of background checking, among others.*<br><br>*The Company has an established accreditation process that requires suppliers to establish their ability to service the requirements, including proving their production capacity and their compliance with set standards and regulations, and the legitimacy of their operations. The Company assesses its suppliers for their environmental and social impacts through the supplier accreditation process. Suppliers are also expected to adhere with the law and act ethically at all times.* |



| What are the Risk/s Identified? | Management Approach |
|---|---|
| *The Company is in the business of constructing houses that uses materials such as steel, cement, and other raw materials that are subject to price fluctuations. It is also vulnerable to labor shortages especially with the government ramping up its infrastructure programs.* | *To manage said risks, the Company has an in-house purchasing group whose primary responsibility is to search and select suppliers, establish long-term partnership agreements as well as to manage the inventory level of such materials. The Company employs the services of the local laborers in the area where it is present thus strengthening the relationship with the local communities. As of date, the Company shows unbiased preferences in choosing its suppliers but it welcomes suppliers employing disadvantaged groups or are improving their sustainability performances.*<br><br>*The Company evaluates the suppliers on a regular basis to monitor their performance. Suppliers with recurring issues are provided with a maximum of three warnings, after which they will be tagged as "Banned". Non-compliant incidents are reported to the organization by key persons on-site. Once a formal report is filed, the Management takes the necessary action to address the issue immediately. Banned suppliers will not be entertained by the company for future transactions.* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| *Vista Land aspires to build long-term partnerships with its suppliers.* | *To this end, it is important that the suppliers share the mission of building homes for every Filipino. The Company chooses suppliers based on their ability to provide products that meet the quality standards, offer fair and reasonable prices, ensure timely delivery, and maintain good service and support.* |

## Relationship with Community

### Significant Impacts on Local Communities

| | |
|---|---|
| **Operations with significant impacts on local communities** | *Building schools within the Vista Land Community* |
| **Location** | *Cagayan de Oro, Iloilo, Antipolo* |
| **Vulnerable groups (if applicable) *** | *Children and Youth* |

| | |
|---|---|
| **Does the particular operation have impacts on indigenous people?** | *VLL's operations may have an indirect impact to indigenous people.* |
| **Collective or individual rights that have been identified that or particular concern for the community** | *Right to education* |
| **Mitigating or enhancement measures** | *Started in 2001, the Company's Corporate Social Responsibility (CSR) arm, the Villar Social Institute for Poverty Alleviation and Governance (Villar SIPAG) continued to search for students nationwide who have excelled in elementary and secondary education to be awarded with the Villar Excellence Award. Through this endeavor, students are encouraged to pursue exemplary performance in their education.* |

| | |
|---|---|
| **Operations with significant impacts on local communities** | *Building churches within the Vista Land Community* |
| **Location** | *Cagayan de Oro, Iloilo, Antipolo* |
| **Vulnerable groups (if applicable) *** | *Children and Youth* |
| **Does the particular operation have impacts on indigenous people?** | *VLL's operations may have an indirect impact to indigenous people.* |
| **Collective or individual rights that have been identified that or particular concern for the community** | *Right to worship* |
| **Mitigating or enhancement measures** | *Through Villar SIPAG, Vista Land constructs churches in supporting the activities of religious organizations within the subdivision. Deux Pointe, a Swiss-designed church, was established in Crosswinds as a place of worship for the homeowners.* |

| | |
|---|---|
| **Operations with significant impacts on local communities** | *Villar SIPAG School* |
| **Location** | *Las Piñas* |
| **Vulnerable groups (if applicable) *** | *Children and Youth* |
| **Does the particular operation have impacts on indigenous people?** | *VLL's operations may have an indirect impact to indigenous people.* |
| **Collective or individual rights that have been identified that or particular concern for the community** | *Right to education* |
| **Mitigating or enhancement measures** | *More livelihood programs outside Las Piñas* |

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displace persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certificate Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: _______*N/A*_______



| Certificates | Quantity | Units |
|---|---|---|
| FPIC process is still undergoing | *N/A* | *#* |
| CP secured | *N/A* | *#* |

| What are the Risk/s Identified? | Management Approach |
|---|---|
| *In 2020, there were no significant negative impact or risks to/involving the local communities.* | |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| *The Company interacts with local community of the areas where Vista Land is present from the time of launch of a project up to making that development a part of its integrated community. By partnering with them in developing their economy through giving employment, sourcing materials from them, and supporting them through sponsorships especially on their programs and initiatives towards the environment creates opportunities for Vista Land to expand integrated urban developments across the country.* | *The Company annually allocates budget for its Corporate Social Responsibility program activities as approved by the Board and Management. It partners with one particular local non-stock, non-profit organization. Employees are invited to participate in their program which includes activities like coastal clean-up, relief operations, and tree planting among others.*<br><br>*Through the Villar SIPAG various programs that are in line with its key advocacies such as livelihood generation, jobs creation, environment protection, assistance to the OFWs, development of community enterprises, church-building, and agricultural training through the Villar Farm Schools were implemented in local communities. It has also established long-term and sustainable projects such as providing trainings to residents of the barangay beneficiaries that gives birth to numerous livelihood opportunities, helping in transformation of critical habitats to thriving eco-tourism destination, among others.*<br><br>*In 2020 amid the pandemic, the Company was also in partnership with other organized groups by providing funds for them to expand their works such as building laboratory testing capacities and laboratory supplies to expand community testing, pooled testing, among others.* |

## Customer Management

### Customer Satisfaction

| Disclosure | Score | Did a third party conduct the customer satisfaction study? (Y/N) |
|---|---|---|
| Customer Satisfaction | *98** | *Yes*** |

**Brand Awareness/Preference based on 2018 results*

***Conducted by Philippine Survey and Research Center once every 2 years. The supposedly 2020 survey did not pushed through because of the pandemic.*

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| *In a survey by PSRC, the Company enjoys a brand awareness/ preference of 98%, which is similar to a fast moving good product.* | *The Company is committed to delivering the Vista Land Standard of living to its customers through its integrated communities – real estate developments that integrate beautiful and quality homes with commercial establishments, office buildings, leisure areas and socio-civic amenities. Vista Land ventured into integrated development to provide a future worth living for and to make life more beautiful for those who already trusted the Company to build their homes.* |
| **What are the Risk/s Identified?** | **Management Approach** |
| *In 2020, majority of the concerns of the Company's homebuyers raised pertains to payment concerns. This is because when community quarantine was first imposed by the Government to help prevent the spread of COVID-19, its homebuyers were caught off guard and though of how they can possibly settle their monthly dues because they were used to going to the Company's offices to pay for their monthly amortizations. In addition, since the Company's projects are widespread across the country, its current platforms may not be enough of an avenue to obtain all of what the customers has to say.* | *To address such concerns, the Company expanded its online payment options beyond banks and implemented it across the brands. The Company also beefed up its digital capacity not just the platforms to sell the products but to also further engage its customers such as Vista Home, especially created for the homebuyers and Vista Chat where you can message the Company for inquiries or concerns. This is in addition to the then launched 023-Camella hotline for customers to easily call for concerns or inquiries.* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| *Through Vista Land's platforms/ programs of getting customers' feedbacks, the Company was able to comprehend about their concerns. Hence, the Company continues to do its best effort to address them the soonest time possible and to lower the number of complaints to a minimum or even zero if possible.* | *The Company has a dedicated team that supports and receives all of the concerns raised by its customers.* |



### Health and Safety

| Disclosure | Quantity | Units |
|---|---|---|
| No. of substantiated complaints on product or service health and safety* | *0* | *#* |
| No. of complaints addressed | *0* | *#* |

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

*To ensure the health and safety of tenants and homeowners in Vista Land properties, the Company hired Globalland Property Management, Inc. as the property manager of its developments. Global Land acts as oversight of the homeowners' association's activities. Moreover, it is responsible for the financial management, security, landscape maintenance and association of social activities. The Company also hired a third-party security agency to ensure safety of tenants and homeowners.*

*Aside from the usual services that the Company avails with its property manager, in 2020, the Company also partnered with them to develop extensive health and safety protocols to ensure the well-being of our customers and homebuyers especially our condominium dwellers because they are the ones who are exposed in using shared facilities and compact spaces such as elevators.*

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| *There is no significant impact identified.* | |
| **What are the Risk/s Identified?** | **Management Approach** |
| *There is no significant risk identified.* | |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| *There is no significant opportunity identified.* | |

### Marketing and Labelling

| Disclosure | Quantity | Units |
|---|---|---|
| No. of substantiated complaints on marketing and labelling* | *0* | *#* |
| No. of complaints addressed | *0* | *#* |

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| *Vista Land caters to both local and international markets. The Company's efforts are through the following:*<br>• *Billboards*<br>• *Sales booths and product exhibits*<br>• *Grand Open House activities*<br>• *Direct mailing campaigns*<br>• *Distribution of marketing materials*<br>• *Telemarketing*<br>• *Sponsorship of conventions, and other events*<br>• *Corporate presentations*<br>• *Digital marketing and*<br>• *Alternative marketing channels.*<br><br>*Before marketing materials are published, the Corporate Communications group approves them first. After which, local marketing teams produce the materials through the accredited suppliers. However, due to the pandemic, all marketing materials last year were for digital marketing and promotions.* | *The Company conducts monthly meetings with the sales and marketing teams to revisit and to improve if necessary its existing marketing efforts. In addition to this, Vista Land ensures compliance with ASC for public marketing materials.*<br><br>*Vista Land makes sure that its project launches are HLURB-registered* |
| **What are the Risk/s Identified?** | **Management Approach** |
| *Before the pandemic, the Company's marketing strategy largely involves engaging prospect buyers personally, on-site marketing activities, print ad campaigns, as well as distribution of printed marketing materials. Such practices were not anymore allowed following the quarantine restrictions imposed by the Government amidst COVID-19.* | *In response, the Company beefed up its digital initiatives such as full implementation of virtual property tours to do away with the actual site visits. The Company also augmented its social media platforms across the brands, and maximized online payment facilities. In 2020, sales produced from the time restrictions were imposed came from online sales.* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| *With the shift of marketing initiatives to digital platforms, the Company believes that it will reach more prospect buyers and customers safely and more quickly.* | *The Company will continue to maximize its digital initiatives such as online reservations, virtual property tours, and online sales platforms and innovations that are geared towards providing for what its integrated communities need.* |

## Customer privacy

| Disclosure | Quantity | Units |
|---|---|---|
| No. of substantiated complaints on customer privacy* | *0* | *#* |
| No. of complaints addressed | *0* | *#* |
| No. of customers, users, and account holders whose information is used for secondary purposes | *0* | *#* |

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*



| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| *Vista Land's customers and other stakeholders can trust the Company that their data are secured due to the Company's commitment to data privacy.* | *Vista Land and Lifescapes, its officers, employees, third-party providers, professional advisors are fully aware of and strictly comply with the terms set out in the company's Privacy Manual. The most salient points of the Company's privacy policies are duly disseminated throughout the organization by means of regular offline and online briefings with all departments and their respective staffs and officers. The Data Privacy Officer (DPO) and Compliance Officer for Privacy (COP)s monitor changes or updates in data privacy legislation or in the laws, rules and regulations and policies regarding privacy and, if need be, recommend suggested actions or changes in the privacy approach of the Company.* |
| **What are the Risk/s Identified?** | **Management Approach** |
| *Gathering of information through VLL's online reservation portals which are hosted in secured websites and through contact tracing using physical forms or through an application via mobile phone increases the vulnerability of customer information for privacy risks.* | *The Company follows the government's protocols regarding contact tracing and other platforms requiring customer information and ensure that all data submitted have signed consent forms. These information are handled in accordance with the existing privacy laws and regulations. The collation and storage of the data collected are done by the authorized officers only.* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| *Customers are leaning towards transactions that can be conducted in the comforts of their homes. Hence, the demand of operational digitalization during the pandemic has significantly increased in avoidance for potential contact with the virus.* | *The Company continues to explore new technologies on top of what the Company currently has to ensure data privacy and security. The Company also has a dedicated DPA team to address issues relating to data privacy and security.* |

## Data Security

| Disclosure | Quantity | Units |
|---|---|---|
| No. of data breaches, including leaks, thefts and losses of data | *1* | *#* |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| *The Company reported an incident regarding the defacement of its website on June 2020. Within twenty-four (24) hours from discovery thereof, the Company, through its DPO reported that said breach incident to the NPC. Subsequently and upon request of the NPC, the Company submitted all pertinent requirements for the investigation of said breach.* | *The Company continues to implement reasonable and appropriate Organization Security Measures, Physical Security Measures, and Technical Security Measures and other procedures intended for the protection of personal information or data against any accidental or unlawful destruction, alteration and disclosure even when there are no identified substantiated complaints.*<br><br>*The Company employs strict observance of the Data Privacy Act in the event of an incident of data breach or any other data security-related concerns. A Privacy Policy is also in place to attest the Company's commitment for a more reliable data security systems and respectful consent of collecting information. The Privacy Policy can be accessed here.* |
| **What are the Risk/s Identified?** | **Management Approach** |
| *VLL acknowledges the risk of intrusion of data security protection and controls that may result to data breaches, leaks, thefts, and losses of data.* | *The Company uses an intrusion detection system to monitor security breaches and alerts the organization of any attempts to interrupt or to disturb the system. It also reviews and evaluates software applications before the installation thereof in computers and devices of the organization to ensure the compatibility of security features with the overall operation.* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| *The demand of operational digitalization during the pandemic has significantly increased in avoidance for potential contact with the virus.* | *The Company ensures that Privacy Impact Assessments for all systems are completed and updated on a yearly basis. Results of which are discussed with and submitted to Management for reference. The IT group also has standard procedures set to make sure that all suppliers follow the company's privacy policies in working on projects.* |



# UN SUSTAINABLE DEVELOPMENT GOALS

## Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

| Key Products and Services | ***Residential Development Business*** |
|---|---|
| **Societal Value / Contribution to UN SDGs** | ***SDG 8: Decent Work and Economic Growth***<br>*Vista Land provides employment opportunities to the communities where the company operates. With its increasing visibility to more cities and municipalities, more communities are given access to employment opportunities hence, contributing to the growth of the local economy.* |
| | ***SDG 9: Industry, Innovation, and Infrastructure***<br>*Part of Vista Land's land acquisition study is the proximity of transport services and other infrastructures to the residential development. This, then, is incorporated in the strategic planning of the development that ensures uninterrupted supply of electricity and water, circulation within the property, and such related infrastructure improvements.* |
| | ***SDG 11: Sustainable Cities and Communities***<br>*Vista Land's continuous residential development decreases the housing requirement of the country. Master planning of residential projects employs strategic planning that integrates housing, commercial spaces, and access to green and open spaces which aims to make subdivisions self-contained and walkable.* |
| **Potential Negative Impact of Contribution** | *The Company continues to cater the housing needs in different cities and municipalities. While it works towards its vision of being the leading homebuilder for every Filipino, its efforts may bring unfavorable impacts mostly to the environment and to the society. These may include the following:*<br>- *Potential displacement of biodiversity and communities*<br>- *Increase in volume of traffic and pollution in the area*<br>- *Higher occupancy rate increases water and energy demand*<br>- *Higher water demand results to more wastewater and higher wastewater treatment demand*<br>- *Higher density impacts the air quality*<br>- *Higher percentage of built surface cause heat island effect* |
| **Management Approach to Negative Impact** | ***Reversing Migration:*** *Most projects are strategically selected and developed outside Metro Manila that decreases the influx of population and the traffic volume in the urban areas which eventually lessens the impact to the ambient air quality in the metro.* |
| | ***Designing Self-contained and Sustainable Communities:*** *Vista Land employs mixed-use development that encourages homeowners or tenants support local economy. This also lessens the need for travelling to other areas to satisfy their needs and wants. Although increasing occupancy has direct relationship with consumption of utility services, Vista Land is studying on the feasibility of alternative and cost-effective technologies to ensure efficient use of electricity and water in the residential developments.* |


**Corporate Governance**

The Vista Land "Manual on Corporate Governance," which was formalized in March of 2007, guides the Company's strategies towards management and investor relations. It ensures that the Company and its employees adhere to set standards and ethics, and requires regular assessments and benchmarking. The Governance Code evolves to adapt to changes within the organization and the industry.

**The Vista Land Governance Code**

**Board of Directors**

The Board of Directors (the "Board") shall be primarily responsible for the governance of the Corporation. In addition to setting the policies for the accomplishment of corporate objectives, it shall provide independent checks on Management. The term "Management," as used herein, shall refer to the body given authority by the Board to implement the policies it has laid down in conducting of the business of the Corporation.

**Composition**

The Board shall be composed of at least five (5), but not more than fifteen (15) members who are elected by the stockholders, and at least two (2) Independent Directors or such number of Independent Directors that constitute twenty percent (20%) of the members of the Board, whichever is lesser but in no case less than two (2).

The membership of the Board may be a combination of Executive and Non-executive Directors (which include Independent Directors) in order that no Director or small group of Directors can dominate the decision making process.

The Non-executive Directors should possess such qualifications and stature that would enable them to participate effectively in the deliberations of the Board.

**Chairman**

The Chairman of the Board, and President and Chief Executive Officer have been separated to ensure balance of power, increased accountability, and better capacity for independent decision making by the Board.

**Board Performance**

The Board holds regular meetings. To assist the Directors in the discharge of their duties, each Director is given access to the Corporate Secretary and Assistant Corporate Secretary, who serve as counsel to the Board and at the same time communicate with the company shareholders and investing public.

In 2020, the Board held 10 meetings. The record of attendance is indicated in the chart below:

**Board Meeting Attendance**

| Director's Name | Jan 02 | Feb 21 | May 26 | Jun 23 | July 08 | July 15 | Aug 13 | Sep 30 | Nov 13 | Dec 16 |
|---|---|---|---|---|---|---|---|---|---|---|
| Manuel B. Villar, Jr. | P | P | P | P | P | P | P | P | P | P |
| Manuel Paolo A. Villar | P | P | P | P | P | P | P | P | P | P |
| Cynthia J. Javarez | P | P | P | P | P | P | P | P | P | P |
| Camille A. Villar | P | P | P | P | P | P | P | P | P | P |
| Frances Rosalie T. Coloma | P | P | P | P | P | P | P | P | P | P |
| Marilou Adea | P | P | P | P | P | P | P | P | P | P |
| Ruben O. Fruto | P | P | P | P | P | P | P | P | P | P |

*Legend: (A) Absent, P) Present*



**Board Committees**

To comply with the principles of good corporate governance, the Board created two (6) Committees.

Nomination Committee. Three (3) Directors comprise the Nomination Committee, one of whom is an Independent Director: Chairman Manuel B. Villar, Jr., Frances Rosalie T. Coloma, and Ruben O. Fruto. This committee formulates screening policies to enable the committee to effectively review the qualification of the nominees for independent directors; and conducts nominations for independent directors prior to the stockholders' meeting in accordance with the procedures set forth in Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code, as the same may be amended from time to time.

Compensation and Remuneration Committee. Three (3) Directors comprise the Compensation and Remuneration Committee, one of whom is an Independent Director: Chairman Manuel Paolo A. Villar, Camille A. Villar, and Marilou O. Adea. This committee establishes the formal and transparent procedure for developing a policy on executive remunerations, and fixing remuneration packages of Corporate Officers and Directors. It also provides oversight over remuneration of senior management and other key personnel, ensuring that compensation is consistent with the Corporation's culture, strategy, and control environment.

Audit Committee. The Audit Committee is composed of three (3) members, two (2) of which are Independent Directors: Chairman Marilou O. Adea, Frances Rosalie T. Coloma, and Ruben O. Fruto. This committee assists the Board in providing oversight for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules, and regulations. It also provides oversight over Management's activities in managing credit, the market, liquidity, operations, legal, and other risks of the Corporation. This includes regularly receiving information on risk exposures and risk management activities from Management.

In compliance with SEC Memo Circular No. 4 series of 2012, the Board approved and adopted the Audit Committee Charter. The Audit Committee will hereafter meet to assess its compliance with the aforementioned SEC Memo Circular.

Corporate Governance Committee. The Corporate Governance Committee is composed of three (3) members, two (2) of which are Independent Directors: Chairman Ruben O. Fruto, Manuel B. Villar, Jr., and Marilou O. Adea. This committee assists the Board in the performance of its corporate governance responsibilities. It shall also be tasked with ensuring compliance with and proper observance of corporate governance principles and practices.

Board Risk Oversight Committee. The Board Risk Oversight Committee is composed of three (3) members, two (2) of which are Independent Directors: Chairman Marilou O. Adea, Cynthia J. Javarez, and Ruben O. Fruto. This committee is responsible for the oversight of the Corporation's Enterprise Risk Management system to ensure its functionality and effectiveness.

Related Party Transactions Committee. The Related Party Transactions Committee is composed of three (3) non-executive members, two (2) of which are Independent Directors: Chairman Ruben O. Fruto, Frances Rosalie T. Coloma, and Marilou O. Adea. This committee is tasked with reviewing all material related party transactions of the Corporation.

**Management**

Management is primarily responsible for the day-to-day operations and business of the Company. The annual compensation of the Chairman, CEO, and the top five (5) Senior Executives of the Company are set out in the Definitive Information Statement distributed to Shareholders.

**Compliance Monitoring**

The Compliance Officer is responsible for monitoring compliance by the Company with the provisions and requirements of good Corporate Governance.

On May of 2017, the Board of Directors amended its "Manual of Corporate Governance" in compliance with the revised code of Corporate Governance issued by the Securities and Exchange Commission.

**Annual Corporate Governance Report**

In compliance with SEC Memorandum Circular No. 15 Series of 2017, the Company submits an Integrated Annual Corporate Governance Report (I-ACGR) to the Securities and Exchange Commission and Philippine Stock Exchange every year. This report shall contain the Company's compliance/ non-compliance with the recommendation provided under the Code of Corporate Governance for publicly-listed companies (PLCs).

https://www.vistaland.com.ph/corporate-governance/

Website

Up-to-date information on the Company's corporate structure, products and services, results of business operations, financial statements, career opportunities, and other relevant information on the Company may be found on its official website: https://www.vistaland.com.ph

To view the Manual on Corporate Governance please refer to the link below.
https://www.vistaland.com.ph/corporate-governance/

# BOARD OF DIRECTORS

*From Left to Right:*

**Manuel B. Villar, Jr.**
Chairman of the Board

**Manuel Paolo A. Villar**
Vice Chairman of the Board and President & Chief Executive Officer

**Cynthia J. Javarez**
Director and Chief Operating Officer

**Camille A. Villar**
Director and Managing Director, Vista Land Commercial

**Frances Rosalie T. Coloma**
Director

**Ruben O. Fruto**
Independent Director

**Marilou O. Adea**
Independent Director

**Gemma M. Santos**
Corporate Secretary

# BOARD OF DIRECTORS

**Manuel B. Villar, Jr.** Chairman of the Board. Mr. Villar, 71, was Senator of the Philippines from 2001 to June 2013. He served as Senate President from 2006 to 2008. He also served as a Congressman from 1992 to 2001 and as Speaker of the House of Representatives from 1998 to 2000. A Certified Public Accountant, Mr. Villar graduated from the University of the Philippines in 1970 with the degree of Bachelor of Science in Business Administration and in 1973 with the degree of Masters in Business Administration. He founded Camella Homes in the early 1970s and successfully managed said company over the years, to become the largest homebuilder in the Philippines now known as the Vista Land Group. Mr. Villar is also Chairman of the Board of Vistamalls, Inc. (formerly Starmalls, Inc.), AllHome Corp., AllValue Holdings Corp. and Golden MV Holdings, Inc. (formerly Golden Bria Holdings, Inc.).He is a member of the following organizations: Makati Business Club, Manila Golf Club, Management Association of the Philippines, Financial Executive Institute of the Philippines (FINEX), Philippine Institute of Certified Public Accountants, and the Villar Social Institute for Poverty Alleviation and Governance (SIPAG).

**Manuel Paolo A. Villar**, Vice Chairman of the Board and President & Chief Executive Officer. Mr. Villar, 44, graduated from the Wharton School of the University of Pennsylvania, Philadelphia, USA with a Bachelor of Science in Economics and Bachelor of Applied Science in 1999. He was an Analyst for McKinsey &Co. in the United States from 1999 to 2001. He joined the Vista Land Group in 2001 as Head of Corporate Planning then became the Chief Financial Officer of the Company in 2008. He was elected President and Chief Executive Officer of the Company in July 2011 and President of Vistamalls, Inc. (formerly Starmalls, Inc.) in June 2019. In addition, he is the CEO and Chairman of St. Augustine Gold and Copper Limited and Chairman of TVI Resources Development Philippines, Inc., Camella Homes, Inc., Communities Philippines, Inc., Crown Asia Properties, Inc., Brittany Corporation, Vista Residences, Inc. and Powersource Phils Development Corp. Mr. Villar is also the majority shareholder of Prime Asset Ventures, Inc., and director of Fine Properties, Inc, and AllHome Corp.

**Cynthia J. Javarez**, Director, Chief Operating Officer, Treasurer, and Chief Risk Officer. Ms. Javarez, 57, graduated from the University of the East with a degree in Bachelor of Science in Business Administration major in Accounting. She is a Certified Public Accountant. She completed a Management Development Program at the Asian Institute of Management in 2006. Ms. Javarez was previously the Chief Financial Officer of Polar Property Holdings Corp. until 2011 and the Tax & Audit Head in the MB Villar Group of Companies until 2007. She was the Controller and Chief Financial Officer of Vista Land since 2013 until she was elected as Chief Operating Officer in November 2018. She is also the current President of Fine Properties, Inc, Camella Homes, Inc., Communities Philippines, Inc., Crown Asia Properties, Inc., Brittany Corporation and Vista Residences, Inc.

**Camille A. Villar**, Managing Director, Vista Land Commercial Division. Ms. Villar, 35, graduated from Ateneo de Manila University with a degree in Bachelor of Science in Management. She took Management in Business Administration, Global Executive MBA Program in Instituto de Estudios Superiores de la Eprese (IESE) Business School, Barcelona, Spain. She joined the Corporate Communications Group of Brittany in 2007 until she assumed the position of Managing Director of Vista Land Commercial. She is a Director of Vistamalls, Inc. (formerly Starmalls, Inc.) and Golden MV Holdings, Inc. (formerly Golden Bria Holdings, Inc.). She is also the



Concurrent President of All Value Holdings Corp., and the Vice Chairman of AllHome Corp. Ms. Villar is currently a Congresswoman, representing Las Piñas City.

**Frances Rosalie T. Coloma**, Director. 58 graduated cum laude from the University of the Philippines with the degree of Bachelor of Science in Business Administration and Accountancy. She is a Certified Public Accountant. She was previously the Finance Manager of Alcatel Philippines, Inc. and Intel Philippines, Inc., Country Controller of Ericsson Telecommunications Philippines, Inc., Deal Finance Manager of Accenture Delivery Center, Philippines, and Assistant General Manager of Maersk Global Services, Philippines. Ms. Coloma was also the Chief Financial Officer and Chief Information Officer of Golden Bria Holdings, Inc. from 2016 to 2019. She was also the Chief Financial Officer of Vistamalls, Inc. (formerly Starmalls, Inc.) from 2012 to 2016. She is currently the Chief Financial Officer and Director of AllHome Corp. and Director of Golden MV Holdings, Inc. (formerly Golden Bria Holdings, Inc.).

**Ruben O. Fruto**, Independent Director. Mr. Fruto, 82, graduated with the degree of Bachelor of Laws from the Ateneo de Manila University in 1961. He was formerly a partner in the law firm of Feria, Feria, Lugtu& La O' and the Oben, Fruto& Ventura Law Office. In February 1987, he was the Chief Legal Counsel and Senior Vice President of the Development Bank of the Philippines and Director from 1991 to 1998. He was the Undersecretary of Finance from March 1990 to May 15, 1991. Presently aside from private practice in corporate and civil litigation, he is also of Counsel of Feria TantocoRobeniol Law Offices. He is also currently General Counsel of Wallem Philippines, Inc. and Wallem Philippines Shipping, Inc.; Vice-Chairman of Toyota Balintawak, Inc.; Director and Chairman of Padre Burgos Realty, Inc.

**Marilou O. Adea**, Independent Director. Ms. Adea, 69, is currently an Independent Director of FBO Management Network, Inc. and Malarayat Rural Bank of Lipa. She was until recently the Court Appointed Rehabilitation Receiver of Anna-Lynns, Inc., Manuela Corporation and 3N2J Shipping & Trading Services, Inc.. Ms. Adea served previously as Project Director for Site Acquisition Director of Digital Telecommunications Phils. Inc. from 2000 to 2002, Executive Director for FBO Management Network, Inc. from 1989 to 2000 and BF Homes Inc. in Receivership from 1988 to 1994 and Vice President for Finance & Administration for L&H Resources Management Corporation from 1986 to 1988. Ms. Adea worked with the Home Development Mutual Fund from 1978 to 1986. Ms. Adea holds a Degree in Bachelor of Science in Business Administration Major in Marketing Management from the University of the Philippines.

**Gemma M. Santos**, Corporate Secretary. Atty. Santos, 58, graduated cum laude with the degree of Bachelor of Arts, Major in History from the University of the Philippines in 1981, and with the degree of Bachelor of Laws also from the University of the Philippines in 1985. She is a practicing lawyer and Special Counsel in Picazo Buyco Tan Fider& Santos Law Offices. She is also the Corporate Secretary of Golden MV Holdings, Inc. (formerly Golden Bria Holdings, Inc.) and a director of Philippine Associated Smelting and Refining Corporation (PASAR) and Fine Properties, Inc.

# MANAGEMENT COMMITTE


*From Left to Right:*

**Manuel Paolo A. Villar**
President & Chief Executive Officer

**Cynthia J. Javarez**
Chief Operating Officer

**Brian N. Edang**
Chief Financial Officer & Head,
Investor Relations

**Camille A. Villar**
Managing Director- Vista Land Commercial

**Ma. Nalen S.J. Rosero**
Asst. Corporate Secretary

**Lorelyn D. Mercado**
Controller


MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

# REVIEW OF YEAR END 2020 VS YEAR END 2019

## RESULTS OF OPERATIONS

### Revenues

*Real Estate*

The Company recorded revenue from real estate sales amounting to ₱21,800.6 million for the year ended December 31, 2020, a decrease of 34% from ₱32,827.9 million in same period last year. This was primarily attributable to the decrease in the overall completion rate of sold inventories of its business units as a result of the enhanced community quarantine ("ECQ") implemented on March 17, 2020 that prohibited construction activities. 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.

- Real estate revenue from Vista Residences slightly increased by 2% to ₱2,467.1 million for the year ended December 31, 2020 from ₱2,418.6 million for the year ended December 31, 2019. This increase was principally attributable to the increase in the number of sold condominium units completed or under construction during the year including that of the prior years. Vista Residences is the business unit of Vista Land that develops and sells vertical projects across the Philippines.

- Real estate revenue of Crown Asia decreased by 25% to ₱793.1 million for the year ended December 31, 2020 from ₱1,062.0million for the year ended December 31, 2019. The decrease was principally attributable to the decrease in the number of completed units sold for the year of projects in the Mega Manila area in the middle-income housing segment.

- Real estate revenue of Communities Philippines decreased by 34% to ₱9,712.4 million for the year ended December 31, 2020 from ₱14,608.9million for the year ended December 31, 2019. This was principally attributable to the decrease in the number of sold homes completed or under construction outside the Mega Manila area in the affordable housing segment during the year.

- Real estate revenue of Camella Homes decreased by 38% to ₱8,808.9 million for the year ended December 31, 2020 from ₱4,284.7 million for the year ended December 31, 2019. This was principally attributable to the decrease in the number of sold homes completed or under construction in the Mega Manila area in the affordable housing segment during the year.

- Real estate revenue of Brittany decreased by 96% to ₱19.1 million for the year ended December 31, 2020 from ₱453.7million in the same period last year. The decrease was principally attributable to the decrease in the number of completed sold units for the year of projects in the Mega Manila area in the high-end housing segment.

*Rental income*

Rental income decreased by 7% from ₱7,748.4 million for the year ended December 31, 2019 to ₱7,196.7 million for the year ended December 31, 2020. The decrease was primarily attributable to the mall closures during lockdown starting March 16, 2020 but was offset by the tenant mix of the malls being majority essential thus they were allowed to operate as soon as the lockdown were gradually lifted. In addition, the group provided concession to tenants on a case by case rather than an across the board concessions.

*Interest income from installment contract receivable and investments*

Interest income from installment contract receivable and investments slightly decreased by 1% from ₱2,085.7 million for the year ended December 31, 2019 to ₱2,065.5 for the year ended December 31, 2020. The decrease was primarily attributable to the decrease in interest income from investments of 5% to ₱1,437.3 million for the year ended December 31, 2020 offset by the increase in the interest income from installment contract receivables of 9% to ₱628.2 million for the year ended December 31, 2020 as some of our buyers availed of the deferrals of payment (Bayanihan Law).

*Parking, hotel, mall administrative and processing fees and others*

Income from parking, hotel, mall administrative and processing fees and others decreased by 7% from ₱1,744.1 million for the year ended December 31, 2019 to ₱1,630.5 for the year ended December 31, 2020. The decrease was primarily attributable to the 74% decrease from our income from hotel operations to ₱48.5 million for the year ended December 31, 2020, a 39% decrease from parking fees from our malls to ₱117.6 million offset by a 21% increase from income from mall administrative and processing fees to ₱546.1 million.

### Costs and Expenses

Cost and expenses decreased by 23% to ₱21,105.6 million for the year ended December 31, 2020 from ₱27,255.6million for the year ended December 31, 2019.

- Cost of real estate sales decreased by 24% from ₱15,768.5 million for the year ended December 31, 2019 to ₱12,020.7 million for the year ended December 31, 2020 primarily due to the decrease in the overall recorded sales of Vista Land's business units. The company also recorded a non-cash adjustment to cost out borrowing costs previously capitalized on certain real estate inventories sold during the year.

- Operating expenses decreased by 21% from ₱11,487.1 million for the year ended December 31, 2019 to ₱9,084.9 million for the year ended December 31, 2020 primarily due to the following:

- a decrease in advertising and promotions from ₱1,428.0 million for the year ended December 31, 2019 to ₱714.0 million for the year ended December 31, 2020 resulting from subsequent decrease in marketing expenses due to the pandemic and shift to digital marketing.

- a decrease in occupancy costs from ₱1,167.3 million for the year ended December 31, 2019 to ₱499.7 million for the year ended December 31, 2020 due to the decrease in utilities expenses due to the implementation of telecommuting as a result of the implementation of the enhanced community quarantine in relation to the COVID-19 pandemic.

- a decrease in commission expenses from ₱1,566.7 million for the year ended December 31, 2019 to ₱1,031.5 million in the year ended December 31, 2020 due to decrease in real estate sales for the year and to the shift to digital marketing.

*Interest and other financing charges*

Interest and other financing charges increased by 11% from ₱3,567.9 million for the year ended December 31, 2019 to ₱3,971.9 million for the year ended December 31, 2020. The increase was primarily attributable to the full year recording of interest from loans acquired in December 2019 net of capitalization of interest.

### Provision for Income Tax

Provision for income tax decreased by 38% from ₱1,973.4 million for the year ended December 31, 2019 to ₱1,229.2 million for the year ended December 31, 2020 primarily due to a lower taxable base for the year.

### Net Income

As a result of the foregoing, the Company's net income decreased by 45% to ₱6,386.6 million for the year ended December 31, 2020 from P=11,609.2 million for the year ended December 31, 2019.

For the year ended December 31, 2020, except as discussed in Notes 36 – Other Matters of the 2020 Financial Statements on the impact of the COVID-19 pandemic, there were no other 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 did not arise from the Company's continuing operations.

## FINANCIAL CONDITION

As of December 31, 2020 vs. December 31, 2019

Total assets as of December 31, 2020 were ₱284,056.8 million compared to ₱272,538.6 million as of December 31, 2019, or a 4% increase. This was due to the following:

- Cash and cash equivalents including short term and long-term cash investments, available-for-sale financial assets (excluding equity securities), held-to-maturity investments and investments at amortized costs slightly increased by 3% from ₱47,948.2million as of December 31, 2019 to ₱49,596.0 million as of December 31, 2020 due primarily to the cash conversation measures especially on the cutting of capital expenditure program for the year.

- Investments at fair value through other comprehensive income slightly decreased from ₱117.5 million as of December 31, 2019 to ₱116.5 million as of December 31, 2020 due to the decrease in fair value of quoted equity securities for the year.

- Receivables including non-current portion thereof increased by 12% from ₱57,833.6 million as of December 31, 2019 to ₱64,627.8 million as of December 31, 2020 due to an increase in the various receivables of the company such as installment contracts receivable, accounts receivable from tenants, and accrued rental receivables primarily because of the availment of payment deferrals by some buyers and customers.

- Receivables from related parties - net increased by 10% from ₱5,155.6 million as of December 31, 2019 to ₱5,687.7 million as of December 31, 2020 due to payments made by the Group on certain advances from the Parent Company during the year.

- Real estate inventories including raw land for residential development and construction materials slightly increased by 1% from ₱43,908.7 million as of December 31, 2019 to ₱44,371.1 million as of December 31, 2020 due to the projects launched during the year.

- Project development costs decreased by 35% from ₱4,150.6 million as of December 31, 2019 to ₱2,681.4 million as of December 31, 2020 due settlements for the year.

- Property and equipment decreased by 9% from ₱2,547.3 million as of December 31, 2019 to ₱2,305.5 as of December 31, 2020 due to the corresponding depreciation and no new substantial acquisitions for the year.

- Investment properties increased by 4% from ₱101,434.9 million as of December 31, 2019 to ₱105,872.9 million as of December 31, 2020 due primarily to the additions to commercial developments during the year.

- Pension assets decreased by 39% to ₱164.0 million as of December 31, 2020 from ₱267.9 million as of December 31, 2019 as a result of actuarial adjustment for the company's retirement program.

- Other assets, cost to obtain contract including current portions thereof decreased by 3% from ₱8,542.8 million as of December 31, 2019 to ₱8,298.3 million as of December 31, 2020 due primarily the decrease in cost to obtain contract.

Total liabilities as of December 31, 2020 were ₱178.377.1 million compared to ₱172,586.0 million as of December 31, 2019, or a 3% increase. This was due to the following:

- Accounts and other payables increased by 27%to ₱16,770.3 million as of December 31, 2020 from ₱13,164.1 million as of December 31, 2019 due to the increase in trade payables and other payables specifically current portion of retention payable due to longer than usual completion of projects due to quarantine restrictions imposed by the Government.

- Current portion of security deposits and advance rent decreased by 43%to ₱839.8 million as of December 31, 2020 from ₱1,469.5 million as of December 31, 2019 due to renewal of contract that resulted to reclassification of the payables to noncurrent.

- Income tax payable increased by 63% from ₱67.1 million as of December 31, 2019 to ₱109.3 million as of December 31, 2020 due primarily to higher tax payable after the application of creditable withholding taxes for the year.

- Dividend payable decreased by 59% from ₱68.9 million as of December 31, 2019 to ₱28.1 as of December 31, 2020 due primarily to the lower dividends declared during the year.

- Notes payable including non-current portion increased by 6% from ₱93,190.2 million as of December 31, 2019 to ₱99,003.6 million as of December 31, 2020 due primarily to the issuance of dollar notes during the year.

- Bank loans including non-current portion decreased by 10% from ₱47,175.1 million as of December 31, 2019 to P=42,375.1 as of December 31, 2020 due primarily to the settlements during the year.

- Loans payable including non-current portion increased by 27% from₱3,405.0 million as of December 31, 2019 to ₱4,321.9 million as of December 31, 2020 due to increase in sold receivables during the year.

- Deferred tax liabilities – net increased by 9% from ₱3,523.5 million as of December 31, 2019 to₱3,837.6 million as of December 31, 2020 due to the additional deferred tax liabilities recognized for the year.

- Other noncurrent liabilities increased by 25% from ₱4,434.2 million as of December 31, 2019 to ₱5,551.1 million as of December 31, 2020 due primarily to the increase in the retention payable as well as increase in security deposits and advance rent for the year.

Total stockholder's equity increased by 6% from ₱99,952.7million as of December 31, 2019 to ₱105,679.6 million as of December 31, 2020 due to the net income recorded for the year ended December 31, 2020 and increase in non-controlling interest.

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

| Key Performance Indicators | 12/31/2020 | 12/31/2019 |
|---|---|---|
| Current ratio [(a)] | **3.16:1** | 3.96:1 |
| Liability-to-equity ratio [(b)] | **1.69:1** | 1.73:1 |
| Interest expense/Income before Interest expense [(c)] | **34.3%** | 20.8% |
| Return on assets [(d)] | **34.3%** | 4.3% |
| Return on equity [(e)] | **6.0%** | 11.6% |

*Notes:*
*(a) Current Ratio: This ratio is obtained by dividing the Current Assets of the Company by its Current liabilities. This ratio is used as a test of the Company's liquidity.*



*(b) Liability-to-equity ratio: This ratio is obtained by dividing the Company's Total Liabilities by its Total Equity. The ratio reveals the proportion of liability 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 December 31, 2020 decreased from that of December 31, 2019 due primarily to the increase in the current liabilities specifically the lease liabilities.

Liability-to-equity ratio slightly decreased due to the higher increase in total equity compared to increase in total liabilities for the year.

Interest expense as a percentage of income before interest expense increased in the year ended December 31, 2020 compared to the ratio for the year ended December 31, 2019 due to the higher interest expense for the year.

Return on asset decreased in the year ended December 31, 2020 compared to that on December 31, 2019 due the lower income recorded for the period.

Return on equity decreased due primarily to the lower income reported for the year ended December 31, 2020.

**Material Changes to the Company's Balance Sheet as of December 31, 2020 compared to December 31, 2019 (increase/decrease of 5% or more)**

Receivables including non-current portion thereof increased by 12% from ₱57,833.6 million as of December 31, 2019 to ₱64,627.8 million as of December 31, 2020 due to an increase in the various receivables of the company such as installment contracts receivable, accounts receivable from tenants, and accrued rental receivables primarily because of the availment of payment deferrals by some buyers and customers.

Receivables from related parties - net increased by 10% from ₱5,155.6 million as of December 31, 2019 to ₱5,687.7 million as of December 31, 2020 due to payments made by the Group on certain advances from the Parent Company during the year.

Project development costs decreased by 35% from ₱4,150.6 million as of December 31, 2019 to ₱2,681.4 million as of December 31, 2020 due settlements for the year.

Property and equipment decreased by 9% from ₱2,547.3 million as of December 31, 2019 to ₱2,305.5 as of December 31, 2020 due to the corresponding depreciation and no new substantial acquisitions for the year.

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Income tax payable increased by 63% from ₱67.1 million as of December 31, 2019 to ₱109.3 million as of December 31, 2020 due primarily to higher tax payable after the application of creditable withholding taxes for the year.

Dividend payable decreased by 59% from ₱68.9 million as of December 31, 2019 to ₱28.1 as of December 31, 2020 due primarily to the lower dividends declared during the year.

Notes payable including non-current portion increased by 6% from₱93,190.2 million as of December 31, 2019 to ₱99,003.6 million as of December 31, 2020 due primarily to the issuance of dollar notes during the year.

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Loans payable including non-current portion increased by 27% from ₱3,405.0

# MANAGEMENT'S AND DISCUSSION ANALYSIS

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Deferred tax liabilities – net increased by 9% from ₱3,523.5 million as of December 31, 2019 to ₱3,837.6 million as of December 31, 2020 due to the additional deferred tax liabilities recognized for the year.

Other noncurrent liabilities increased by 25% from ₱4,434.2 million as of December 31, 2019 to ₱5,551.1 million as of December 31, 2020 due primarily to the increase in the retention payable as well as increase in security deposits and advance rent for the year.

Total stockholder's equity increased by 6% from ₱99,952.7million as of December 31, 2019 to ₱105,679.6 million as of December 31, 2020 due to the net income recorded for the year ended December 31, 2020 and increase in non-controlling interest.

**Material Changes to the Company's Statement of Income for the year ended December 31, 2020 compared to the year ended December 31, 2019 (increase/decrease of 5%or more)**

Revenue from real estate sales amounting to ₱21,800.6 million for the year ended December 31, 2020, a decrease of 34% from ₱32,827.9 million in same period last year. This was primarily attributable to the decrease in the overall completion rate of sold inventories of its business units as a result of the enhanced community quarantine ("ECQ") implemented on March 16, 2020 that prohibited construction activities. 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.

Rental income decreased by 7% from ₱7,748.4 million for the year ended December 31, 2019 to ₱7,196.7 million for the year ended December 31, 2020. The decrease was primarily attributable to the mall closures during lockdown starting March 16, 2020 but was offset by the tenant mix of the malls being majority essential thus they were allowed to operate as soon as the lockdown were gradually lifted. In addition, the group provided concession to tenants on a case by case rather than an across the board concessions.

Income from parking, hotel, mall administrative and processing fees and others decreased by 7% from ₱1,744.1 million for the year ended December 31, 2019 to ₱1,630.5 for the year ended December 31, 2020. The decrease was primarily attributable to the 74% decrease from our income from hotel operations to₱48.5 million for the year ended December 31, 2020, a 39% decrease from parking fees from our malls to ₱117.6 million offset by a 21% increase from income from mall administrative and processing fees to ₱546.1 million.

Cost of real estate sales decreased by 24% from ₱15,768.5 million for the year ended December 31, 2019 to ₱12,020.7 million for the year ended December 31, 2020 primarily due to the decrease in the overall recorded sales of Vista Land's business units. The company also recorded a non-cash adjustment to cost out borrowing costs previously capitalized on certain real estate inventories sold during the year.

Operating expenses decreased by 21% from ₱11,487.1 million for the year ended December 31, 2019 to ₱9,084.9 million for the year ended December 31, 2020 primarily due to the following: a decrease in advertising and promotions from ₱1,428.0 million for the year ended December 31, 2019 to ₱714.0 million for the year ended December 31, 2020 resulting from subsequent decrease in marketing expenses due to the pandemic and shift to digital marketing; a decrease in occupancy costs from ₱1,167.3 million for the year ended December 31, 2019 to ₱499.7 million for the year ended December 31, 2020 due to the decrease in utilities expenses due to the implementation of telecommuting as a result of the implementation of the enhanced community quarantine in relation to the COVID-19 pandemic; and a decrease in commission expenses from ₱1,566.7 million for the year ended December 31, 2019 to ₱1,031.5 million in the year ended December 31, 2020 due to decrease in real estate sales for the year and to the shift to digital marketing.

Interest and other financing charges increased by 11% from ₱3,567.9 million for the year ended December 31, 2019 to ₱3,971.9 million for the year ended December 31, 2020. The increase was primarily attributable to the full year recording of interest from loans acquired in December 2019 net of capitalization of interest.

Provision for income tax decreased by 38% from ₱1,973.4 million for the year ended December 31, 2019 to ₱1,229.2 million for the year ended December 31, 2020 primarily due to a lower taxable base for the year.

Net income decreased by 45% to ₱6,386.6 million for the year ended December 31, 2020 from ₱11,609.2 million for the year ended December 31, 2019.

For the year ended December 31, 2020, except as discussed in Notes 36 – Other Matters of the 2020 Financial Statements on the impact of the COVID-19 pandemic, there were no other 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 did not arise from the Company's continuing operations.



# FINANCIAL STATEMENTS

# STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Management of **Vista Land & Lifescapes, Inc. and Subsidiaries (the "Group")** is responsible for the preparation and fair presentation of the consolidated financial for the years ended December 31, 2020 and 2019 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders or members.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

**MANUEL B. VILLAR, JR.**
Chairman of the Board

**MANUEL PAOLO A. VILLAR**
President and Chief Executive Officer

**BRIAN N. EDANG**
Chief Financial Officer and Head Investor Relations



SGV
Building a better working world

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ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

**INDEPENDENT AUDITOR'S REPORT**

The Stockholders and the Board of Directors
Vista Land & Lifescapes, Inc.

**Opinion**

We have audited the consolidated financial statements of Vista Land and Lifescapes, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

**Basis for Opinion**

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the *Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

***Real Estate Revenue Recognition***

The Group's revenue recognition process, policies and procedures are significant to our audit because these involve application of significant judgment and estimation in the following areas: (1) assessment of the probability that the entity will collect the consideration from the buyer; (2) determination of the transaction price; (3) application of the input method as the measure of progress (percentage of completion or POC) in determining real estate revenue; (4) determination of the actual costs incurred as cost of sales; and (5) recognition of cost to obtain a contract.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer's initial payments in relation to the total contract price (or buyer's equity). Collectability is also assessed by considering factors such as past history with the buyer, age and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs, after considering the impact of coronavirus pandemic, if it would still support its current threshold of buyers' equity before commencing revenue recognition.

In determining the transaction price, the Group considers the selling price of the real estate property and other fees and charges collected from the buyers that are not held on behalf of other parties. In measuring the progress of its performance obligation over time, the Group uses input method. Under this method, progress is measured based on actual costs incurred on materials, labor, and actual overhead relative to the total estimated development costs of the real estate project. The Group uses the cost accumulated by the accounting department to determine the actual costs incurred. The estimation of the total costs of the real estate project requires technical inputs by project engineers.

In determining the actual costs incurred to be recognized as cost of sales, the Group estimates costs incurred on materials, labor and overhead which have not yet been billed by the contractor.

The Group identifies sales commission after contract inception as the cost of obtaining the contract. For contracts which qualified for revenue recognition, the Group capitalizes the total sales commission due to sales agent as cost to obtain contract and recognizes the related commission payable. The Group uses percentage of completion method in amortizing sales commission consistent with the Group's revenue recognition policy.



The disclosures related to the real estate revenue are included in Note 7 to the consolidated financial statements.

*Audit Response*

We obtained an understanding of the Group's revenue recognition process.

For the buyers' equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales cancellations from buyers with accumulated payments above the collection threshold. We also considered the impact of the coronavirus pandemic to the level of cancellations during the year. We traced the analysis to supporting documents such as official receipts and buyers' subsidiary ledger.

For the determination of the transaction price, we obtained an understanding of the nature of other fees charged to the buyers. For selected contracts, we agreed the amounts excluded from the transaction price against the expected amounts required to be remitted to the government based on existing tax rules and regulations (e.g., documentary stamp taxes, transfer taxes and real property taxes).

For the application of the input method in determining real estate revenue and for determining cost of sales, we obtained an understanding of the Group's processes for determining the POC, including the cost accumulation process, and for determining and updating of total estimated costs, and performed tests of the relevant controls on these processes. We assessed the competence and objectivity of the project engineers by reference to their qualifications, experience and reporting responsibilities. For selected projects, we traced costs accumulated, including those incurred but not yet billed costs, to the supporting documents such as construction contracts, subsequent billings, and other documents evidencing receipt of materials and services from contractors. We visited selected project sites and made relevant inquiries, including inquiries on how the coronavirus pandemic affected the POC during the period, with project engineers. We performed test computation of the percentage of completion calculation of management. For selected projects, we obtained the approved total estimated costs and any revisions thereto and the supporting details such as opening fact sheet and addendum thereof for revisions. We likewise performed inquiries with the project engineers for the revisions.

For the recognition of cost to obtain a contract, we obtained an understanding of the sales commission process. For selected contracts, we agreed the basis for calculating the sales commission capitalized and portion recognized in profit or loss, particularly (a) the percentage of commission due against contracts with sales agents, (b) the total commissionable amount (e.g., net contract price) against the related contract to sell, and, (c) the POC against the POC used in recognizing the related revenue from real estate sales.

*Provision for Expected Credit Losses*

The Group applies simplified approach and general approach in calculating expected credit loss (ECL) of its installment contracts receivable and receivable from tenants, respectively. Allowance for credit losses and the provision for credit losses as of and for the year ended December 31, 2020 amounted to ₱134.84 million and ₱17.63 million, respectively. The use of ECL model is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include segmenting the Group's credit risk exposures; defining default; determining assumptions to be used in the ECL model such as timing and amounts of expected net recoveries from defaulted accounts; and impact of any financial support and credit enhancements extended by any party; and incorporating forward-looking information (called overlays), including the impact of coronavirus pandemic, in calculating ECL.

The disclosures related to the allowance for credit loss using ECL model are included in Note 5 to the consolidated financial statements.

*Audit Response*

We obtained an understanding of the methodologies and models used for the Group's different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, the time value of money, and the best available forward-looking information.

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) checked the methodology used in applying the ECL model by evaluating the key inputs, assumption and formula used; (c) compared the definition of default against historical analysis of accounts and credit risk management policies and practices in place and management's assessment of the impact of the coronavirus pandemic on the counterparties; (d) tested historical loss rates by inspecting historical recoveries including the timing, related direct costs and write-offs, and the effects of any financial support and credit enhancements provided by any party; (e) checked the classification of outstanding exposures to their corresponding aging buckets; (f) checked the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's receivable portfolios and the related industry of tenants, including the impact of the coronavirus pandemic and; (g) tested the effective interest rate, or an approximation thereof, used in discounting the expected loss.

Further, we checked the data used in the ECL models, such as the historical aging analysis and default and recovery data, by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with



similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis.

We recalculated impairment provisions on a sample basis and evaluated the adequacy of disclosures made in the consolidated financial statements on allowance for credit losses using the ECL model.

*Accounting for Lease Concessions*

In 2020, the Group granted various lease concessions such as lease payment holidays or lease reduction to the lessees of its commercial and office spaces as a response to the laws and regulations issued by the government mandating the granting of certain lease concession during the coronavirus pandemic. The Group evaluated that the lease concessions do not qualify as lease modification and accounted for these in the form of negative variable rent which the Group recorded when the concession is granted regardless of the period to which the concession pertains. The Group's accounting of lease concession under PFRS 16 is significant to our audit because the Group has high volume and different types of lease concessions granted during the period; the recorded amounts are material to the consolidated financial statements; and accounting for lease concession involves application of significant judgment in determining whether the lease concession will be accounted for as lease modification.

The disclosures related to the lease concessions granted by the Group are included in Note 7 to the consolidated financial statements.

*Audit Response*

We obtained an understanding of the type, extent and periods covered of the various lease concessions granted by the Group, including the determination of the population of the lease contracts covered by the lease concession granted by the Group during the period.

We tested the population of lease agreements by comparing the number of locations per operations report against lease contract master list used by the Group.

On a test basis, we inspected the communications of the Group in connection with the lease concessions granted to the lessees and traced these contractual terms and conditions to the calculation of the financial impact of lease concession prepared by the management. We test computed the lease concession impact prepared by management on a sample basis.

We obtained management assessment, and a legal opinion from the Group's internal legal counsel supporting the assessment that the lease concession granted does not qualify as a lease modification. We involved our internal specialist in evaluating the legal basis supporting the management assessment and legal position.

**Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cyril Jasmin B. Valencia.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia

Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
SEC Accreditation No. 1737-A (Group A),
January 24, 2019, valid until January 23, 2022
Tax Identification No. 162-410-623
BIR Accreditation No. 08-001998-074-2020,
December 3, 2020, valid until December 2, 2023
PTR No. 8534376, January 4, 2021, Makati City

April 16, 2021



## VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | December 31 | |
|---|---|---|
| | **2020** | 2019 |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents (Notes 9, 31 and 32) | **₱7,785,794,672** | ₱13,945,179,217 |
| Short-term cash investments (Notes 10, 31 and 32) | **116,928,301** | 210,815,745 |
| Current portion of: | | |
| Receivables (Notes 11, 31 and 32) | **43,139,999,134** | 38,438,297,623 |
| Cost to obtain contract (Note 7) | **821,407,092** | 1,033,806,908 |
| Receivables from related parties (Notes 29, 31 and 32) | **5,687,749,941** | 5,155,590,468 |
| Current portion of investments at amortized cost (Notes 10, 31, 32) | **7,721,198,593** | 2,103,609,760 |
| Real estate inventories (Note 12) | **44,371,142,367** | 43,908,654,706 |
| Other current assets (Note 13) | **5,829,970,067** | 5,519,006,862 |
| Total Current Assets | **115,474,190,167** | 110,314,961,289 |
| **Noncurrent Assets** | | |
| Investments at amortized cost - net of current portion (Notes 10, 31 and 32) | **33,972,092,854** | 31,688,609,333 |
| Investments at fair value through other comprehensive income (Notes 10, 31 and 32) | **116,499,183** | 117,499,183 |
| Receivables - net of current portion (Notes 11, 31 and 32) | **21,487,825,457** | 19,395,345,908 |
| Cost to obtain contract - net of current portion (Note 7) | **460,308,333** | 532,142,130 |
| Project development costs (Note 16) | **2,681,398,070** | 4,150,613,444 |
| Property and equipment (Note 15) | **2,305,499,656** | 2,547,288,193 |
| Investment properties (Note 14) | **105,872,918,268** | 101,434,876,870 |
| Goodwill (Note 8) | **147,272,020** | 147,272,020 |
| Pension assets (Note 26) | **164,009,307** | 267,877,592 |
| Deferred tax assets - net (Notes 6 and 27) | **188,105,929** | 484,269,708 |
| Other noncurrent assets (Note 17) | **1,186,652,006** | 1,457,887,929 |
| Total Noncurrent Assets | **168,582,581,083** | 162,223,682,310 |
| | **₱284,056,771,250** | ₱272,538,643,599 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts and other payables (Notes 18, 31 and 32) | **₱16,770,305,392** | ₱13,164,058,866 |
| Security deposits and advance rent (Note 19) | **839,837,210** | 1,469,498,981 |
| Income tax payable | **109,270,739** | 67,148,833 |
| Dividends payable (Notes 23 and 29) | **28,103,938** | 68,872,166 |
| Current portion of: | | |
| Contract liabilities (Note 7) | **2,545,171,590** | 1,726,139,479 |
| Notes payable (Notes 21, 31 and 32) | **5,647,208,388** | 2,440,675,895 |
| Bank loans (Notes 20, 31 and 32) | **7,177,334,341** | 5,731,434,292 |
| Loans payables (Notes 20, 31 and 32) | **3,195,007,367** | 3,131,443,081 |
| Lease liabilities (Notes 28 and 32) | **201,995,190** | 32,713,127 |
| Total Current Liabilities | **₱36,514,234,155** | ₱27,831,984,720 |

*(Forward)*

| | December 31 | |
|---|---|---|
| | **2020** | 2019 |
| **Noncurrent Liabilities** | | |
| Contract liabilities - net of current portion (Note 7) | **₱133,573,553** | ₱764,099,103 |
| Notes payable - net of current portion (Notes 21, 31 and 32) | **93,356,360,126** | 90,749,481,990 |
| Bank loans - net of current portion (Notes 20, 31 and 32) | **35,196,454,860** | 41,443,710,873 |
| Loans payable - net of current portion (Notes 20, 31 and 32) | **1,126,887,278** | 273,537,739 |
| Lease liabilities - net of current portion (Notes 28 and 32) | **2,472,857,192** | 3,081,221,025 |
| Deferred tax liabilities - net (Notes 6 and 27) | **4,025,688,100** | 4,007,773,052 |
| Other noncurrent liabilities (Notes 22 and 31) | **5,551,071,878** | 4,434,161,412 |
| Total Noncurrent Liabilities | **141,862,892,987** | 144,753,985,194 |
| Total Liabilities | **178,377,127,142** | 172,585,969,914 |
| **Equity** (Note 23) | | |
| Attributable to equity holders of the Parent Company | | |
| Common stock | **13,114,136,376** | 13,114,136,376 |
| Preferred stock | **33,000,000** | 33,000,000 |
| Additional paid-in capital | **30,655,429,349** | 30,655,429,349 |
| Treasury shares (Note 8) | **(7,740,264,387)** | (7,740,264,387) |
| Retained earnings | **66,411,673,066** | 60,952,947,290 |
| Other comprehensive income (Notes 10 and 26) | **585,601,339** | 633,485,331 |
| | **103,059,575,743** | 97,648,733,959 |
| Noncontrolling interest (Note 30) | **2,620,068,365** | 2,303,939,726 |
| Total Equity | **105,679,644,108** | 99,952,673,685 |
| | **₱284,056,771,250** | ₱272,538,643,599 |

*See accompanying Notes to Consolidated Financial Statements.*



## VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2020** | 2019 | 2018 |
| **REVENUE** | | | |
| Real estate (Notes 6 and 7) | **₱21,800,563,600** | ₱32,827,933,784 | ₱31,856,087,078 |
| Rental income (Notes 3, 6, 14 and 34) | **7,196,729,847** | 7,748,420,255 | 6,464,740,183 |
| Interest income from installment contracts receivable (Notes 6, 11 and 25) | **628,241,376** | 576,777,088 | 680,058,436 |
| Parking, hotel, mall administrative and processing fees, and others (Notes 6 and 25) | **1,630,546,121** | 1,744,139,138 | 1,260,519,593 |
| | **31,256,080,944** | 42,897,270,265 | 40,261,405,290 |
| **COSTS AND EXPENSES** | | | |
| Costs of real estate sales (Notes 6, 12, and 24) | **12,020,714,120** | 15,768,508,901 | 15,177,160,125 |
| Operating expenses (Notes 5, 6 and 24) | **9,084,928,241** | 11,487,124,921 | 9,558,527,842 |
| | **21,105,642,361** | 27,255,633,822 | 24,735,687,967 |
| **OTHER INCOME (EXPENSES)** | | | |
| Interest income from investments and other income (Notes 9, 10, 13 and 25) | **1,437,271,393** | 1,508,880,630 | 1,225,783,467 |
| Interest and other financing charges (Notes 20, 21, 25 and 28) | **(3,971,907,603)** | (3,567,882,228) | (4,169,762,915) |
| | **(2,534,636,210)** | (2,059,001,598) | (2,943,979,448) |
| **INCOME BEFORE INCOME TAX** | **7,615,802,373** | 13,582,634,845 | 12,581,737,875 |
| **PROVISION FOR INCOME TAX** (Note 27) | **1,229,190,504** | 1,973,422,333 | 2,047,274,160 |
| **NET INCOME** | **₱6,386,611,869** | ₱11,609,212,512 | ₱10,534,463,715 |
| **NET INCOME ATTRIBUTABLE TO:** | | | |
| Equity holders of the Parent Company | **₱6,056,015,749** | ₱11,266,164,165 | ₱10,238,356,840 |
| Noncontrolling interest | **330,596,120** | 343,048,347 | 296,106,875 |
| **NET INCOME** | **₱6,386,611,869** | ₱11,609,212,512 | ₱10,534,463,715 |
| **BASIC/DILUTED EARNINGS PER SHARE** (Note 30) | **₱0.507** | ₱0.889 | ₱0.798 |

*(Forward)*

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2020** | 2019 | 2018 |
| **NET INCOME** | **₱6,386,611,869** | ₱11,609,212,512 | ₱10,534,463,715 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | |
| *Other comprehensive gain (loss) to be reclassified to profit or loss in subsequent periods:* | | | |
| Cumulative translation adjustments (Note 32) | **3,850,321** | 71,480,611 | (145,712,074) |
| *Other comprehensive income not to be reclassified to profit or loss in subsequent periods:* | | | |
| Remeasurement gain (loss) on defined benefit obligation - net of tax (Note 26) | **(49,875,271)** | 16,409,781 | 80,423,397 |
| Changes in fair value on equity investments at fair value through other comprehensive income (Note 10) | **(1,000,000)** | 11,000,000 | 23,000,000 |
| | **(47,024,950)** | 98,890,392 | (42,288,677) |
| **TOTAL COMPREHENSIVE INCOME** | **₱6,339,586,919** | ₱11,708,102,904 | ₱10,492,175,038 |
| **TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:** | | | |
| Equity holders of the Parent Company | **₱6,008,131,757** | ₱11,365,110,977 | ₱10,194,965,582 |
| Noncontrolling interest | **331,455,162** | 342,991,927 | 297,209,456 |
| | **₱6,339,586,919** | ₱11,708,102,904 | ₱10,492,175,038 |

*See accompanying Notes to Consolidated Financial Statements.*



## VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Capital Stock (Note 23) | | | | Other Comprehensive Income | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Common Stock | Preferred Stock | Additional Paid-in Capital (Note 23) | Retained Earnings (Note 23) | Remeasurement Gains on Retirement Obligation (Note 26) | Cumulative Translation Adjustments (Note 32) | Other Comprehensive Income (Notes 10 and 23) | Treasury Shares (Notes 8 and 23) | Noncontrolling Interest (Notes 8, 23 and 30) | Total |
| **Balances as at January 1, 2020** | **₱13,114,136,376** | **₱33,000,000** | **₱30,655,429,349** | **₱60,952,947,290** | **₱531,393,616** | **(₱302,645,850)** | **₱404,737,565** | **(₱7,740,264,387)** | **₱2,303,939,726** | **₱99,952,673,685** |
| Net income | **–** | **–** | **–** | **6,056,015,749** | **–** | **–** | **–** | **–** | **330,596,120** | **6,386,611,869** |
| Other comprehensive income | **–** | **–** | **–** | **–** | **(50,734,313)** | **–** | **(1,000,000)** | **–** | **859,042** | **(50,875,271)** |
| Cumulative translation adjustments | **–** | **–** | **–** | **–** | **–** | **3,850,321** | **–** | **–** | **–** | **3,850,321** |
| Total comprehensive income (loss) for the year | **–** | **–** | **–** | **6,056,015,749** | **(50,734,313)** | **3,850,321** | **(1,000,000)** | **–** | **331,455,162** | **6,339,586,919** |
| Cash dividend declared | **–** | **–** | **–** | **(597,289,973)** | **–** | **–** | **–** | **–** | **(15,326,523)** | **(612,616,496)** |
| **Balances as at December 31, 2020** | **₱13,114,136,376** | **₱33,000,000** | **₱30,655,429,349** | **₱66,411,673,066** | **₱480,659,303** | **(₱298,795,529)** | **₱403,737,565** | **(₱7,740,264,387)** | **₱2,620,068,365** | **₱105,679,644,108** |
| **Balances as at January 1, 2019, as previously presented** | ₱13,114,136,376 | ₱33,000,000 | ₱30,655,429,349 | ₱52,736,780,731 | ₱514,927,415 | (₱374,126,461) | ₱393,737,565 | (₱7,184,331,182) | ₱2,017,046,802 | ₱91,906,600,595 |
| Effect of adoption of new standards | – | – | – | 110,860,931 | – | – | – | – | – | 110,860,931 |
| **Balances as at January 1, 2019, as restated** | 13,114,136,376 | 33,000,000 | 30,655,429,349 | 52,847,641,662 | 514,927,415 | (374,126,461) | 393,737,565 | (7,184,331,182) | 2,017,046,802 | 92,017,461,526 |
| Net income | – | – | – | 11,266,164,165 | – | – | – | – | 343,048,347 | 11,609,212,512 |
| Other comprehensive income | – | – | – | – | 16,466,201 | – | 11,000,000 | – | (56,420) | 27,409,781 |
| Cumulative translation adjustments | – | – | – | – | – | 71,480,611 | – | – | – | 71,480,611 |
| Total comprehensive income (loss) for the year | – | – | – | 11,266,164,165 | 16,466,201 | 71,480,611 | 11,000,000 | – | 342,991,927 | 11,708,102,904 |
| Acquisitions of treasury shares | – | – | – | – | – | – | – | (555,933,205) | – | (555,933,205) |
| Cash dividend declared | – | – | – | (3,160,858,537) | – | – | – | – | (56,099,003) | (3,216,957,540) |
| **Balances as at December 31, 2019** | ₱13,114,136,376 | ₱33,000,000 | ₱30,655,429,349 | ₱60,952,947,290 | ₱531,393,616 | (₱302,645,850) | ₱404,737,565 | (₱7,740,264,387) | ₱2,303,939,726 | ₱99,952,673,685 |
| **Balances as at January 1, 2018, as previously presented** | ₱13,114,136,376 | ₱33,000,000 | ₱30,655,429,349 | ₱44,136,812,797 | ₱435,606,599 | (₱228,414,387) | ₱1,073,768,146 | (₱6,980,294,580) | ₱ 1,767,898,281 | ₱84,007,942,581 |
| Effect of adoption of new standards | – | – | – | 1,080,837,556 | – | – | (703,030,581) | – | – | 377,806,975 |
| **Balances as at January 1, 2018, as restated** | 13,114,136,376 | 33,000,000 | 30,655,429,349 | 45,217,650,353 | 435,606,599 | (228,414,387) | 370,737,565 | (6,980,294,580) | 1,767,898,281 | 84,385,749,556 |
| Net income | – | – | – | 10,238,356,840 | – | – | – | – | 296,106,875 | 10,534,463,715 |
| Other comprehensive income | – | – | – | – | 79,320,816 | – | 23,000,000 | – | 1,102,581 | 103,423,397 |
| Cumulative translation adjustments | – | – | – | – | – | (145,712,074) | – | – | – | (145,712,074) |
| Total comprehensive income (loss) for the year | – | – | – | 10,238,356,840 | 79,320,816 | (145,712,074) | 23,000,000 | – | 297,209,456 | 10,492,175,038 |
| Acquisitions of treasury shares | – | – | – | – | – | – | – | (204,036,602) | – | (204,036,602) |
| Cash dividend declared | – | – | – | (2,719,226,462) | – | – | – | – | (48,060,935) | (2,767,287,397) |
| **Balances as at December 31, 2018** | ₱13,114,136,376 | ₱33,000,000 | ₱30,655,429,349 | ₱52,736,780,731 | ₱514,927,415 | (₱374,126,461) | ₱393,737,565 | (₱7,184,331,182) | ₱2,017,046,802 | ₱91,906,600,595 |

*See accompanying Notes to Consolidated Financial Statements.*

## VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2020** | 2019 | 2018 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income before income tax | **₱7,615,802,373** | ₱13,582,634,845 | ₱12,581,737,875 |
| Adjustments for: | | | |
| Interest and other financing charges (Note 25) | **3,971,907,603** | 3,567,882,228 | 4,169,762,915 |
| Depreciation and amortization (Notes 14, 15, 17 and 24) | **2,247,713,931** | 2,292,144,027 | 1,480,129,055 |
| Retirement expense (Note 26) | **34,390,695** | 15,194,370 | 42,072,681 |
| Unrealized foreign exchange loss (gain) | **3,068,988** | 5,188,263 | (5,206,818) |
| Interest income and other income from investments (Note 25) | **(1,437,271,393)** | (1,508,880,630) | (1,358,283,045) |
| Operating income before working capital changes | **12,435,612,197** | 17,954,163,103 | 16,910,212,663 |
| Decrease (increase) in: | | | |
| Receivables | **(6,735,973,798)** | (4,105,382,895) | (11,391,220,541) |
| Real estate inventories (excluding capitalized borrowing costs) | **2,965,977,897** | (5,674,371,681) | (1,641,460,236) |
| Other current assets and cost to obtain contract | **(50,013,646)** | (663,012,031) | (2,957,509,372) |
| Increase (decrease) in: | | | |
| Accounts and other payables | **3,612,848,381** | (6,251,354,999) | 2,983,828,071 |
| Contract liabilities | **188,506,561** | 165,351,501 | (144,735,898) |
| Security deposits and advance rent (including noncurrent portion) | **96,835,288** | 855,907,736 | 83,303,469 |
| Other noncurrent liabilities | **109,647,135** | 3,785,477,855 | (223,534,700) |
| Plan assets contributions paid (Note 26) | **(3,000,000)** | (60,652,837) | (52,782,529) |
| Net cash flows generated from operations | **12,620,440,015** | 6,006,125,752 | 3,566,100,927 |
| Income tax paid | **(880,393,483)** | (1,547,813,658) | (499,506,046) |
| Net cash flows provided by operating activities | **11,740,046,532** | 4,458,312,094 | 3,066,594,881 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from: | | | |
| Maturity of investments at amortized cost (Note 10) | **4,414,591,251** | 1,156,241,549 | 9,260,928,462 |
| Short-term cash investments | **93,887,444** | 135,942,753 | 205,696,807 |
| Disposal of investments in FVTPL (Note 10) | **–** | – | 6,623,861,354 |
| Disposal of investments in FVOCI (Note 10) | **–** | – | 38,081,160 |
| Interest received | **1,379,064,131** | 1,637,401,724 | 1,970,178,086 |
| Acquisitions of: | | | |
| Investments at amortized cost (Note 10) | **(14,358,230,661)** | (8,916,331,577) | (13,825,193,654) |
| Investment properties (excluding capitalized borrowing costs) (Note 14) | **(3,858,965,384)** | (13,599,382,405) | (12,270,155,313) |
| Property and equipment (excluding capitalized borrowing costs) (Note 15) | **(123,425,578)** | (1,110,906,992) | (817,353,180) |
| Short-term cash investments (Note 10) | **–** | (206,815,746) | – |
| System development costs | **–** | – | (67,917,997) |
| Deductions from (Additions to): | | | |
| Project development costs | **1,469,215,374** | 314,640,720 | (430,971,298) |
| Receivables from related parties | **(532,159,473)** | (448,682,202) | (1,070,156,204) |
| Restricted cash | **165,667,619** | 20,942,736 | – |
| Other noncurrent assets | **102,145,546** | (82,650,388) | 35,141,452 |
| Net cash flows used in investing activities | **(11,248,209,731)** | (21,099,599,828) | (10,347,860,325) |

*(Forward)*



| | Years Ended December 31 | | |
|---|---|---|---|
| | **2020** | 2019 | 2018 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from: | | | |
| Bank loans (Notes 20 and 33) | **₱4,002,692,725** | ₱7,469,971,167 | ₱11,880,116,880 |
| Notes payable (Notes 21 and 33) | **9,883,000,000** | 25,000,000,000 | 18,069,798,418 |
| Loans payable (Notes 20 and 33) | **2,066,281,574** | 3,333,732,526 | 1,727,577,197 |
| Payments of: | | | |
| Lease liabilities (Notes 28 and 33) | **(246,360,955)** | (212,813,304) | – |
| Dividends (Notes 23 and 33) | **(653,384,724)** | (3,181,453,513) | (2,762,878,873) |
| Loans payable (Notes 20 and 33) | **(1,149,367,749)** | (2,712,922,271) | (2,703,872,615) |
| Notes payable (Notes 21 and 33) | **(2,170,841,600)** | (4,784,605,401) | (193,056,183) |
| Interest and other financing charges (including capitalized borrowing cost) (Notes 12, 14 and 33) | **(9,514,967,781)** | (8,883,071,125) | (6,882,568,034) |
| Bank loans (Notes 20 and 33) | **(8,865,203,848)** | (4,826,906,268) | (3,203,876,393) |
| Acquisitions of treasury shares (Notes 23 and 33) | **–** | (632,462,984) | (127,506,826) |
| Net cash flows (used in) provided by financing activities | **(6,648,152,358)** | 10,569,468,827 | 15,803,733,571 |
| **EFFECT OF CHANGE IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS** | **(3,068,988)** | (5,188,263) | 5,206,818 |
| **NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS** | **(6,159,384,545)** | (6,077,007,170) | 8,527,674,945 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **13,945,179,217** | 20,022,186,387 | 11,494,511,442 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** (Note 9) | **₱7,785,794,672** | ₱13,945,179,217 | ₱20,022,186,387 |

*See accompanying Notes to Consolidated Financial Statements.*

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, with a corporate life of 50 years. The Parent Company's registered office address is at Lower Ground Floor, Building B, EVIA Lifestyle Center, Vista City, Daanghari, Almanza II, Las Piñas City. The Parent Company is a publicly-listed investment holding company which is 65.00% owned by Fine Properties, Inc., (Ultimate Parent Company), and the rest by the public.

The Parent Company is the holding company of the Vista Group (the Group) which is engaged in real estate activities. 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), and an 88.34% owned subsidiary, Vistamalls, Inc. (formerly Starmalls, Inc.) The Group is divided into horizontal, vertical and commercial and others segment. The Group caters on the development and sale of residential house and lot and residential condominium through its horizontal and vertical projects, respectively. Its commercial and others segment focuses on the development, leasing and management of shopping malls and commercial centers all over the Philippines and hotel operations.

## 2. Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for the financial assets measured at fair value through other comprehensive income (FVOCI) 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.

The consolidated financial statements provide comparative information in respect of the previous period. While there are recent signs of increased market activity with the easing of quarantine measures in key areas in the Philippines, management believes that the impact of COVID-19 situation remains fluid and evolving and the pace of recovery remains uncertain.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS), which include the availment of the reliefs granted by the Securities and Exchange Commission (SEC) under Memorandum Circulars (MC) Nos. 14-2018 and 3-2019, to defer the implementation of the following accounting pronouncements until December 31, 2020. These accounting



pronouncements address the issues of PFRS 15, *Revenue from Contracts with Customers* affecting the real estate industry.

- *Deferral of the following provisions of Philippine Interpretations Committee (PIC) Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry*

  a. Assessing if the transaction price includes a significant financing component (as amended by PIC Q&A 2020-04);
  b. Treatment of land in the determination of the percentage-of-completion (POC); and
  c. Treatment of uninstalled materials in the determination of the POC (as amended by PIC Q&A 2020-02).

- *Deferral of the adoption of PIC Q&A 2018-14: Accounting for Cancellation of Real Estate Sales (as amended by PIC Q&A 2020-05)*

The consolidated financial statements also include the availment of relief under SEC MC No. 4-2020 to defer the adoption of *IFRIC Agenda Decision on Over Time Transfers of Constructed Goods under PAS 23, Borrowing Cost* (the IFRIC Agenda Decision on Borrowing Cost) until December 31, 2020.

In December 2020, the SEC issued MC No. 34-2020, allowing the further deferral of the adoption of provisions (a) and (b) above of *PIC Q&A 2018-12* and the IFRIC Agenda Decision on Borrowing Cost, for another other three (3) years or until December 31, 2023.

The details and the impact of the adoption of the above financial reporting reliefs are discussed in the Adoption of New and Amended Accounting Standards and Interpretations section of Note 3 to the consolidated financial statements.

PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by the Philippine Interpretations Committee (PIC).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:
- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the noncontrolling interests (NCI), even if this results in the NCI having a deficit balance. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other similar events. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries. The voting rights held by the Group in these subsidiaries are in proportion of their ownership interest.

| | Percentage of Ownership | | |
|---|---|---|---|
| | **2020** | 2019 | 2018 |
| Brittany | **100.00%** | 100.00% | 100.00% |
| Balmoral Resources Corporation* | **36.93** | 36.93 | 36.93 |
| CAPI | **100.00** | 100.00 | 100.00 |
| Balmoral Resources Corporation* | **16.93** | 16.93 | 16.93 |
| VRI | **100.00** | 100.00 | 100.00 |
| Vista Leisure Club Corporation (VLCC) | **100.00** | 100.00 | 100.00 |
| Vista Hospitality Management Corp. | **100.00** | 100.00 | 100.00 |
| Malay Resorts Holdings, Inc. (MRHI) | **100.00** | 100.00 | 100.00 |
| Mella Hotel, Inc. | **100.00** | 100.00 | 100.00 |
| Vista Taft Ventures, Inc. | **100.00** | 100.00 | – |
| Balmoral Resources Corporation* | **37.22** | 37.22 | 37.22 |
| CHI | | | |
| Household Development Corporation (HDC) | **100.00** | 100.00 | 100.00 |
| Balmoral Resources Corporation* | **8.92** | 8.92 | 8.92 |
| Mandalay Resources Corp. | **100.00** | 100.00 | 100.00 |

*(Forward)*



| | Percentage of Ownership | | |
|---|---|---|---|
| | **2020** | 2019 | 2018 |
| C&P International Limited | **100.00** | 100.00 | 100.00 |
| Brittany Estates Corporation | **100.00** | 100.00 | 100.00 |
| Camella Sales Specialists, Inc. | **100.00** | 100.00 | 100.00 |
| Vista Towers, Inc. | **100.00** | 100.00 | 100.00 |
| Prima Casa Land & Houses, Inc. (PCLHI) | **100.00** | 100.00 | 100.00 |
| CPI | **100.00** | 100.00 | 100.00 |
| Communities Batangas, Inc. | **100.00** | 100.00 | 100.00 |
| Communities Bulacan, Inc. | **100.00** | 100.00 | 100.00 |
| Communities Cebu, Inc. | **100.00** | 100.00 | 100.00 |
| Communities Cagayan, Inc. | **100.00** | 100.00 | 100.00 |
| Communities Davao, Inc. | **100.00** | 100.00 | 100.00 |
| Communities General Santos, Inc. | **100.00** | 100.00 | 100.00 |
| Communities Isabela, Inc. | **100.00** | 100.00 | 100.00 |
| Communities Leyte, Inc. | **100.00** | 100.00 | 100.00 |
| Communities Naga, Inc. | **100.00** | 100.00 | 100.00 |
| Communities Iloilo, Inc. | **100.00** | 100.00 | 100.00 |
| Communities Negros, Inc. | **100.00** | 100.00 | 100.00 |
| Communities Pampanga, Inc. | **100.00** | 100.00 | 100.00 |
| Communities Pangasinan, Inc. | **100.00** | 100.00 | 100.00 |
| Communities Tarlac, Inc. | **100.00** | 100.00 | 100.00 |
| Communities Zamboanga, Inc. | **100.00** | 100.00 | 100.00 |
| Communities Ilocos, Inc. | **100.00** | 100.00 | 100.00 |
| Communities Bohol, Inc. | **100.00** | 100.00 | 100.00 |
| Communities Quezon, Inc. | **100.00** | 100.00 | 100.00 |
| Communities Palawan, Inc. | **100.00** | 100.00 | 100.00 |
| Communities Panay, Inc. | **100.00** | 100.00 | 100.00 |
| VII | **100.00** | 100.00 | 100.00 |
| Vistamalls, Inc. | **88.34** | 88.34 | 88.34 |
| Manuela Corporation | **99.85** | 98.40 | 98.40 |
| Vista One, Inc. | **100.00** | – | – |
| Masterpiece Asia Properties, Inc. | **100.00** | 100.00 | 100.00 |

**The Group effectively owns 100% of Balmoral Resources Corporation through Brittany, CAPI, VRI and HDC.*

On August 7, 2020, the Board of Directors (BOD) of VLLI approved the incorporation of Vista One, Inc. (VOI), to be the vehicle for the Group's intended Real Estate Investment Trust (REIT) registration under Republic Act 9856 (The REIT Act of 2009). VOI was incorporated in the Republic of the Philippines and was registered with the Philippine Securities and Exchange Commission (SEC) on August 24, 2020, primarily to own, manage, operate and engage in the leasing of income-generating real properties such as office buildings, shopping centers, hotels, resorts, residential buildings, condominium buildings, among others and to hold for investment or otherwise, real estate of all kind.

On July 23, 2019, Vista Taft Ventures, Inc., a wholly owned subsidiary of the Group was incorporated primarily to engage in real estate activities.

On November 20, 2018, Vista Hospitality Management Corp., a wholly owned subsidiary of the Group was incorporated primarily to engage in the hospitality activities.

On May 23, 2018, Mella Hotel, Inc., a wholly owned subsidiary of the Group which operates the Mella Hotel, was incorporated primarily to engage in the hospitality activities,

Noncontrolling Interests
Noncontrolling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Group.

Noncontrolling interests are presented separately in the consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from parent shareholder's equity. Any losses applicable to the noncontrolling interests are allocated against the interests of the noncontrolling interest even if this results to the noncontrolling interest having a deficit balance. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the noncontrolling interest is recognized in equity of the parent in transactions where the noncontrolling interest are acquired or sold without loss of control.

As at December 31, 2020 and 2019, percentage of noncontrolling interests pertaining to Vistamalls, Inc. (formerly Starmalls, Inc.) and its subsidiaries amounted to 11.66%. The voting rights held by the noncontrolling interests are in proportion of their ownership interest.

Vistamalls, Inc. (formerly Starmalls, Inc.) was incorporated in the Republic of the Philippines and duly registered with the Securities and Exchange Commission (SEC) on October 16, 1969, originally to pursue mineral exploration. After obtaining SEC approval on November 10, 2004, it later changed its primary business and is now presently engaged in holding investments in shares of stock and real estate business. On September 17, 2019, SEC approved the amended articles of incorporation for the change in name to Vistamalls, Inc. as amended and approved by the Board of Directors during its meeting held on May 2, 2019 and by the stockholders during its meeting held on June 24, 2019.

The Parent and the subsidiaries are all domiciled and incorporated in the Philippines and are in the business of real estate development, leasing of commercial centers and buildings and hotel and resorts operation, except for VII and C&P International Limited. The latter are incorporated in Grand Cayman Island and domiciled in Hong Kong and operates as holding companies.



## 3. Changes in Accounting Policies

Adoption of New and Amended Accounting Standards and Interpretations
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have significant impact on the consolidated financial statements of the Group.

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*

  The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Group enter into any business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments*, *Interest Rate Benchmark Reform*

  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

  The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted. The Group adopted the amendments to PFRS 16 using practical expedients beginning January 1, 2020 and recognized rent concession as variable lease payments. These rent concessions were presented in the consolidated statements of income as reduction in amortization expense under 'Operating expenses' amounting to ₱15.25 million in 2020.

- Adoption of PIC Q&A 2020-03, Q&A No. 2018-12-D: STEP 3 - *On the accounting of the difference when the percentage of completion is ahead of the buyer's payment*

  PIC Q&A 2020-03 was issued by the PIC on September 30, 2020. The latter aims to provide an additional option to the preparers of financial statements to present as receivables, the difference between the POC and the buyer's payment, with the POC being ahead. This PIC Q&A is consistent with the PIC guidance issued to the real estate industry in September 2019.

  The adoption of this PIC Q&A did not impact the consolidated financial statements of the Group since it has previously adopted the additional guidance issued by the PIC in September 2019.



<u>Standards Issued but not yet Effective</u>
Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements unless otherwise indicated.

*Effective beginning on or after January 1, 2021*

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Group shall also disclose information about:
  - The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively.

*Effective beginning on or after January 1, 2022*

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

    An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

*Effective beginning on or after January 1, 2023*

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

*Deferred effectivity*

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

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



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

- *Deferral of Certain Provisions of PIC Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)*

  On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 08, 2019, the Philippine Securities and Exchange Commission (SEC) issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023. A summary of the PIC Q&A provisions covered by the SEC deferral and the related deferral period follows:

| | Deferral Period |
|---|---|
| a. Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04) | Until December 31, 2023 |
| b. Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E | Until December 31, 2023 |
| c. Treatment of uninstalled materials in the determination of the POC discussed in PIC Q&A 2018-12-E (as amended by PIC Q&A 2020-02) | Until December 31, 2020 |
| d. Accounting for CUSA Charges discussed in PIC Q&A No. 2018-12-H | Until December 31, 2020 |

The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:
  a. The accounting policies applied.
  b. Discussion of the deferral of the subject implementation issues in the PIC Q&A.
  c. Qualitative discussion of the impact on the financial statements had the concerned application guidelines in the PIC Q&A been adopted.

d. Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

In November 2020, the PIC issued the following Q&As which provide additional guidance on the real estate industry issues covered by the above SEC deferrals:

- PIC Q&A 2020-04, which provides additional guidance on determining whether the transaction price includes a significant financing component
- PIC Q&A 2020-02, which provides additional guidance on determining which uninstalled materials should not be included in calculating the POC

After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

The Group availed of the SEC reliefs to defer the above specific provisions of PIC Q&A No. 2018-12. Had these provisions been adopted, the Group assessed that the impact would have been as follows:

a. The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. In case of the presence of significant financing component, the guidance should have been applied retrospectively and would have resulted in restatement of prior year financial statements. Adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, installment contracts receivable, provision for deferred income tax, deferred tax asset or liability for all years presented, and the opening balance of retained earnings. The Group has yet to assess if the mismatch constitutes a significant financing component for its contracts to sell.

b. The exclusion of land and uninstalled materials in the determination of POC would have reduced the percentage of completion of real estate projects. Adoption of this guidance would have reduced revenue from real estate sales, cost of sales and installment contracts receivable; increased real estate inventories and would have impacted deferred tax asset or liability and provision for deferred income tax for all years presented, and the opening balance of retained earnings.

   The above would have impacted the cash flows from operations and cash flows from financing activities for all years presented.



c. Accounting for CUSA Charges discussed in PIC Q&A No. 2018-12-H
   The Group's accounting policies had been consistent with the accounting treatment as contained in the interpretation and hence has no impact to the consolidated financial statements since the adoption on 2018.

- *IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost)*

  In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under paragraph 35(c) of IFRS 15 (PFRS 15). IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under Philippine Accounting Standards (PAS) 23, *Borrowing Costs,* considering that these inventories are ready for their intended sale in their current condition.

  The IFRIC Agenda Decision would change the Group's current practice of capitalizing borrowing costs on real estate projects with pre-selling activities.

  On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4-2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Further, on December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the Real Estate Industry until December 31, 2023. Effective January 1, 2024, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC Agenda Decision.

  The Group opted to avail of the relief as provided by the SEC. Had the Group adopted the IFRIC agenda decision, borrowing costs capitalized to real estate inventories related to projects with pre-selling activities should have been expensed out in the period incurred. This adjustment should have been applied retrospectively and would have resulted in restatement of prior year financial statements. Adoption of the IFRIC agenda decision would have impacted interest expense, cost of sales, provision for deferred income tax, real estate inventories, deferred tax liability and the opening balance of retained earnings. The above would have impacted the cash flows from operations and cash flows from financing activities for all years presented.

- *Deferral of PIC Q&A 2018-14, Accounting for Cancellation of Real Estate Sales (as amended by PIC Q&A 2020-05)*

  On June 27, 2018, PIC Q&A 2018-14 was issued providing guidance on accounting for cancellation of real estate sales. Under SEC MC No. 3-2019, the adoption of

PIC Q&A No. 2018-14 was deferred until December 31, 2020. After the deferral period, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

On November 11, 2020, PIC Q&A 2020-05 was issued which supersedes PIC Q&A 2018-14. This PIC Q&A adds a new approach where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost. PIC Q&A 2020-05 will have to be applied prospectively from approval date of the Financial Reporting Standards Council which was November 11, 2020.

The Group availed of the SEC relief to defer of adoption of this PIC Q&A until December 31, 2020. Currently, the Group records the repossessed inventory at cost. The Group has opted to implement approach 3 in its accounting for sales cancellation.

As prescribed by SEC MC No. 34-2020, for financial reporting periods beginning on or after January 1, 2021, the availment of the above deferral will impact the Group's financial reporting during the period of deferral as follows:

a. The financial statements are not considered to be in accordance with PFRS and should specify in the "*Basis of Preparation of the Financial Statements*" section of the financial statements that the accounting framework is:

   *PFRS, as modified by the application of the following financial reporting reliefs issued and approved by the Securities and Exchange Commission in response to the COVID-19 pandemic:*

   1) Assessing whether the transaction price includes a significant financing component
   2) Treatment of land in the determination of the percentage-of-completion
   *3)* Impact of implementing the IFRIC Agenda Decision on Over Time Transfers of Constructed Goods under PAS 23, *Borrowing Cost*

b. The Auditor's report will:
   i. reflect in the Opinion paragraph that the financial statements are prepared in accordance with the compliance framework described in the notes to the financial statements; and
   ii. include an Emphasis of Matter paragraph to draw attention to the basis of accounting that has been used in the preparation of the financial statements.

Upon full adoption of the above deferred guidance, the accounting policies will have to be applied using full retrospective approach following the guidance under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.*



## 4. Summary of Significant Accounting Policies

Current and Noncurrent Classification

The Group presents assets and liabilities in consolidated statement of financial position based on current/noncurrent classification.

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

All other assets are classified as noncurrent.

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

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

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

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

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

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

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

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

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 Cash Investments
Short-term cash investments consist of money market placements made for varying periods of more than three (3) months and up to twelve (12) months. These investments earn interest at the respective short-term rates.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

*Financial assets*
*Initial recognition and measurement*
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. For a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

*Subsequent measurement*
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

*Financial assets at amortized cost (debt instruments)*
The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash and cash equivalents, short-term cash investments, receivables (except for advances to contractors, suppliers and brokers), receivables from related parties, and restricted cash under "Other current assets", and "Other noncurrent assets" and investments at amortized cost.

*Financial assets designated at fair value through OCI (equity instruments)*
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group's equity instruments classified as financial assets designated at FVOCI includes investments in golf club shares and preferred shares of utility companies.

<u>Impairment of Financial Assets</u>
The Group recognizes expected credit losses (ECL) for the following financial assets that are not measured at FVTPL:
- debt instruments that are measured at amortized cost and FVOCI;
- loan commitments; and
- financial guarantee contracts.

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:
- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

*Stage 1: 12-month ECL*
For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

*Stage 2: Lifetime ECL - not credit-impaired*
For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.



*Stage 3: Lifetime ECL - credit-impaired*
Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

<u>Loss Allowance</u>
Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:
- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The loss allowance recognized in the period is impacted by a variety of factors, as described below:
- Transfers between Stage 1 and Stage 2 and 3 due to the financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL.
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments derecognized in the period;
- Impact on the measurement of ECL due to changes in PDs, LGDs and EADs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to passage of time, as ECL is measured on a present value basis;
- Financial assets derecognized during the period and write-offs of allowances related to assets that were written off during the period.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

*Determining the stage for impairment*
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that

is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

General Approach
Under the general approach, at each reporting date, the Group recognizes a loss allowance based on either 12-month ECLs or Lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition. The changes in the loss allowance balance are recognized in profit or loss as an impairment gain or loss. This approach was applied to the ECL calculation of cash and cash equivalents, short term cash investments, restricted cash, accounts receivable, accrued rental receivable, investments at amortized cost and receivables from related parties.

Simplified Approach
The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to installment contracts receivable. The Group has established a vintage analysis for installment contracts receivable that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

*Financial liabilities*
*Initial recognition and measurement*
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts and other payables, dividends payable, notes payable, bank loans, loans payable, lease liabilities and other noncurrent liabilities (except for deferred output tax and other statutory liabilities).

*Subsequent measurement*
*Loans and borrowings*
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.



Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statements of comprehensive income.

This category generally applies to accounts and other payables, dividends payable, notes payable, bank loans, loans payable, lease liabilities and other noncurrent liabilities (except for deferred output tax and other statutory liabilities) presented in the consolidated statements of financial position.

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 when, and only when: (a) the right to receive cash flows from the assets expires; (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.

*Modification of financial assets*
The Group derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in the consolidated profit or loss, to the extent that an impairment loss has not already been recorded.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the profit or loss.

*Financial liability*
A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. When 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.

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, residential houses and lots and condominium units; and
- Capitalized borrowing costs, planning and design costs, cost of site preparation, professional fees, property transfer taxes, construction materials, construction overheads and other related costs.

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

The cost of real estate inventory recognized in profit or loss 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.

Value-Added Tax
Input tax represents the VAT due or paid on purchases of goods and services subjected to VAT that the Group can claim against any future liability to the BIR for output VAT on sale of goods and services subjected to VAT. The input tax can also be recovered as tax credit under certain circumstances against future income tax liability of the Group upon approval of the BIR and/or Bureau of Customs. Input tax is stated at its estimated net realizable values. A valuation allowance is provided for any portion of the input tax that cannot be claimed against output tax or recovered as tax credit against future income tax liability. Input tax is recorded under current assets in the consolidated statement of financial position.



For its VAT-registered activities, when VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position up to the extent of the recoverable amount.

For its non-VAT registered activities, the amount of VAT passed on from its purchases of goods or service is recognized as part of the cost of goods/asset acquired or as part of the expense item, as applicable.

Creditable Withholding Tax
Creditable withholding tax pertains to taxes withheld on income payments and may be applied against income tax due. The balance of taxes withheld is recovered in future period.

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.

Project Development Costs
Project development costs consist of advances for socialized housing credits and advances on joint operations.

*Advances for socialized housing credits*
Advances for socialized housing credits pertain to advances made to a related party in relation to the Group’s purchase of socialized housing credits in compliance with the requirements of Republic Act No. 7279 (Urban Development and Housing Act of 1992). Upon receipt of socialized housing credits, the advances is reclassified to subdivision lot for sale and is recognized in profit or loss consistent with the cost of real estate inventory.

*Advances on joint operations*
Advances on joint operations pertain to costs incurred on various on-going projects under a joint venture agreements and memorandum of agreements entered into by the Group with individuals, private companies and entities under common control for the development of real estate projects.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have right to the assets, and obligations for the liabilities, relating to the arrangement. The Group recognize in relation to its interest in a joint operation its assets, including its share of any assets held jointly; liabilities, including its share of any liabilities incurred jointly; revenue from the sale of its share to the output arising from the joint operation; share of the revenue from the sale of the output by the joint operation; and expenses, including its share of any expenses incurred jointly.

Investment Properties

Investment properties comprise of completed property and property under construction or re-development that are held to earn rentals or for capital appreciation. 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. The initial cost of investment properties 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 and capitalized borrowing cost. Investment properties also include right-of-use assets involving real properties.

Effective January 1, 2019, it is the Group's policy to classify right-of-use assets as part of investment properties. Prior to that date, all of the Group's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the consolidated statement of financial position. The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. Right-of-use assets are subject for impairment.

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.

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.

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



| | Years |
|---|---|
| Land developments | 10 to 40 years or lease term, whichever is shorter |
| Buildings and building improvements | 10 to 40 years or lease term, whichever is shorter |
| Right-of-use assets | 11 to 27 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 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.

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

| | Years |
|---|---|
| Building and building improvements | 10 to 40 |
| 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 and 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 method are reviewed annually to ensure that the period and method of depreciation 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 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 is charged against current operations.

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
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 financial 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.

Security Deposits
Security deposits represent deposits required by lease agreements. These can be recovered upon termination of the lease agreement through refund or application to unpaid rent and/or other charges. These also include deposits of homeowners for their extension, fence construction and landscaping works which will be refunded after considering any charges.

Advance Rent
Advance rent includes three-month advance rental paid by lessee as required under lease contract. These will be applied to the first or last three months rental depending on the contract terms of the related lease contract. These also include overpayments made by lessee against its monthly billings which will applied to future billings.

Equity
Capital stock is measured at par value for all shares subscribed, issued and outstanding. When the shares are sold at premium, the difference between the proceeds and 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.

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

The retained earnings is restricted to payments of dividends to the extent of the cost of treasury shares.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in operating expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Revenue and Cost Recognition for Real Estate Sales

*Revenue from Contract with Customers*

The Group primarily derives its real estate revenue from the sale of developed horizontal and vertical real estate projects. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the provisioning of water and electricity services in its mall retail spaces and office leasing activities, wherein it is acting as agent.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 5.



*Real estate sales*

The Group derives its real estate revenue from sale of developed house and lot and condominium units. Revenue from the sale of these real estate project spread over time across the course of the construction since the Group's performance does not create an asset with an alternative use and the Group has an enforceable right for performance completed to date.

In measuring the progress of performance obligation over time, the Group uses input method. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation. Progress is measured based on actual resources consumed such as materials, labor hours expended and actual overhead incurred relative to the total expected inputs to the satisfaction of that performance obligation. The Group uses the cost accumulated by the accounting department to determine the actual resources used. Input method excludes the effects of any inputs that do not depict the entity's performance in transferring control of goods or services to the customer.

Estimated development costs include costs of land, land development, house construction costs, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis and is allocated between costs of sales and real estate inventories.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as installment contracts receivable, is included in the "Receivables" account in the asset section of the consolidated statement of financial position.

Any excess of collections over the total of recognized installment contracts receivable are included in the "contract liabilities" account in the liabilities section of the consolidated statement of financial position.

*Cost of real estate sales*

The Group recognizes costs relating to satisfied performance obligations as these are incurred. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of real estate sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

In addition, the Group recognizes cost as an asset only when it give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.

Contract Balances

*Installment Contracts Receivable*

An installment contracts receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). It also includes the difference between the consideration received from the customer and the transferred goods or services to a customer.

*Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

*Cost to obtain contract*

The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Operating expenses" account in the consolidated statement of comprehensive income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

*Amortization, derecognition and impairment of capitalized costs to obtain a contract*

The Group amortizes capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within operating expenses.

Capitalized costs to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Group determines whether there is an indication that cost to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract



transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgment is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Rental income

The Groups earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in the revenue in the consolidated statement of comprehensive income due to its operating nature, except for contingent rental income which is recognized when it arises.

Lease incentives that are paid or payable to the lessee are deducted from lease payments. Accordingly, tenant lease incentives are recognized as a reduction of rental income on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Group is reasonably certain that the tenant will exercise the option. For more information on the judgment involved, refer to Note 5.

The tenant lease incentives are considered in the calculation of "Accrued rental receivables" in the line item "Receivables" in the consolidated statement of financial position.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognized in the statement of comprehensive income when the right to received them arises.

For investment property held primarily to earn rental income, the Group enters as a lessor into lease agreements that fall within the scope of PFRS 16. These agreements include certain services offered to tenants (i.e., customers) including common area maintenance services (such as cleaning and security of common areas). The consideration charged to tenants for these services includes fees charged based on a fixed rate and reimbursement of certain expenses incurred. These services are specified in the lease agreements and separately invoiced.

In respect of the revenue component, these services represent a series of daily services that are individually satisfied over time because the tenants simultaneously receive and consume the benefits provided by the Group. The Group applies the time elapsed method to measure progress.

The consideration charged to tenants for these services is based on a fixed amount as agreed with the tenants.

The Group arranges for third parties to provide certain of these services to its tenants. The Group concluded that it acts as a principal in relation to these services as it controls the specified services before transferring them to the customer. Therefore, the Group records revenue on a gross basis. For more information, please refer to Note 5.

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 using the effective interest method and is shown as deduction for the financial assets.

Other revenue
Other revenue is recognized when earned.

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 Taxes
*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 at the reporting date.

The Group periodically evaluates the income tax positions taken in situations where the applicable tax regulations are subject to interpretation and considers these positions separately from other uncertainties. The Group assesses whether or not it is probable that those income tax positions will be accepted by the tax authorities, where if not, the Group recognizes additional income tax expense and liability relating to those positions.

*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 financial 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 financial 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.

<u>Borrowing Costs</u>
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” and “Investment properties” accounts in the consolidated statement of financial position). All other borrowing costs are expensed in the period in which these 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 of those borrowings.

Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of borrowing 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.

Borrowings originally made to develop a specific qualifying asset are transferred to general borrowings (a) when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete, and (b) the entity chooses to use its funds on constructing other qualifying assets rather than repaying the loan.

<u>Operating Expenses</u>
Operating expenses constitute costs of administering the business. These are recognized as expenses when incurred.

<u>Leases Effective January 1, 2019</u>
*Lease Liabilities*
At the commencement date of the lease, the Group recognizes the liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

*Short-term Leases and Leases of Low-value Assets*
The Group applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. The Group applies the low-value assets recognition exemption to leases of underlying assets with a value, when new, of ₱0.25 million and below. Lease payments on short-term leases and low-value assets are recognized as expense on a straight-line basis over the lease term.

*Lease Modification*
Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).

A lessee recognizes the right-of-use assets and lease liability as a separate new lease after assessing that the consideration for the lease increases by an amount commensurate with the stand-alone price and any adjustments to that stand-alone price reflects the circumstances of the particular contract. The Group recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use assets, without affecting profit or loss. For lease termination, the difference between the right-of-use assets and lease liability is recognized in the profit or loss.

Leases Prior to January 1, 2019
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 consolidated 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 under PFRS 16 and PAS 17
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.

Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).

A lessor shall account for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. If a change in lease payments does not meet the definition of a lease modification, that change would generally be accounted for as a negative variable lease payment. In the case of an operating lease, a lessor recognizes the effect of the rent concession by recognizing lower income from leases.

Foreign Currency Translation
Each entity in the Group determines its own functional currency and items included in the 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 VII 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 under “Cumulative Translation Adjustment”. On 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 attributable to equity holders of the Parent Company 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 attributable to the equity holders of the Parent Company 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 December 31, 2020, 2019 and 2018, the Group has no potential dilutive common shares
(Note 30).

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 6 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 consolidated 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 Financial 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. Any post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

5. **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.

Judgments and estimates 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 from contracts with customers*

*Existence of a contract*
The Group's primary document for a contract with a customer is a signed contract to sell. It has determined however, that in cases wherein contracts to sell are not signed by both parties, the combination of its other signed documentation such as reservation agreement, official receipts, quotation sheets and other documents, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as payment history of customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs after considering the impact of coronavirus pandemic, if it would still support its current threshold of customers' equity before commencing revenue recognition.

*Determining performance obligation*
With respect to real estate sales, the Group concluded the goods and services transferred in each contract constitute a single performance obligation. In particular, the promised goods and services in contracts for the sale of property under development mainly include design work, procurement of materials and development of the property. Generally, the Group is responsible for all of these goods and services and the overall management of the project. Although these goods and services are capable of being distinct, the Group accounts for them as a single performance obligation because they are not distinct in the context contract. The Group uses those goods and services as inputs and provides a significant service of integrating them into a combined output.

In relation to the services provided to tenants of investment property (such as cleaning, security, utilities, maintenance) as part of the lease agreements into which the Group enters as a lessor, the Group has determined that the promise is the overall property management service and that the service performed each day is distinct and substantially the same. Although the individual activities that comprise the performance obligation vary significantly throughout the day and from day to day, the nature of the overall promise to provide management service is the same from day to day. Therefore, the Group has concluded that the services to tenants represent a series of daily services that are individually satisfied over time, using a time-elapsed measure of progress, because tenants simultaneously receive and consumes the benefits provided by the Group.

*Revenue recognition method and measure of progress*
The Group concluded that revenue for real estate sales is to be recognized over time because (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date.

The Group has determined that input method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers.

*Principal versus agent considerations*
The contract for the commercial spaces leased out by the Group to its tenants includes the right to charge for the electricity usage, water usage, air conditioning charges and CUSA like maintenance, janitorial and security services.



For the electricity and water usage, the Group determined that it is acting as an agent because the promise of the Group to the tenants is to arrange for the electricity and water supply to be provided by a utility company. The utility company, and not the real estate developer, is primary responsible for the provisioning of the utilities while the Group, administers the leased spaces and coordinates with the utility companies to ensure that tenants have access to these utilities. The Group does not have the discretion on the pricing of the services provided since the price is based on the actual rate charged by the utility providers.

For the connection to air conditioning system and services in the CUSA, the Group acts as a principal. This is because it is the Group who retains the right to direct the service provider of CUSA as it chooses and the party responsible to provide proper ventilation and air conditioning to the leased premises. The right to the services mentioned never transfers to the tenant and the Group has the discretion on how to price the CUSA and air conditioning charges.

*Property lease classification – the Group as lessor*
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of this property and accounts for the contracts as operating leases

*Assessment on whether lease concessions granted constitute a lease modification*
In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Group waived its right to collect rent and other charges as part of various lease concessions it granted to lessees such as lease payment holidays or lease payment reductions.

The Group applies judgment when assessing whether the rent concessions granted is considered a lease modification under PFRS 16.

In making this judgment, the Group determines whether the rent concessions granted has changed the scope of the lease, or the consideration thereof, that was not part of the original terms and conditions of the lease. The Group assessed that the lease concessions it granted to lessees do not qualify as lease modifications since the terms and conditions under the corresponding lease contracts have not been modified by the waiver and therefore, is not a lease modification under PFRS 16. Consequently, this is treated as a variable lease.

The rent concessions granted by the Group for the year ended December 31, 2020 amounted to ₱1,544.82 million.

*Operating Lease Commitments - as Lessee (Before January 1, 2019)*
The Group has entered into various lease agreements as a lessee. Management has determined that all the significant risks and benefits of ownership of these properties, which the Group leases under operating lease arrangements, remain with the lessor. Accordingly, the leases were accounted for as operating leases. Rent expense amounted to ₱468.82 million in 2018 (see Notes 24 and 28).

*Determination of the lease term (On or after January 1, 2019)*
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

As a lessor, the Group enters into lease agreements that contain options to terminate or to extend the lease. At commencement date, the Group determines whether the lessee is reasonably certain to extend the lease term or not to terminate the lease. To make this analysis, the Group takes into account any difference between the contract terms and the market terms, any significant investments made by the lessee in the property, costs relating to the termination of the lease and the importance of the underlying asset to the lessee's operations. In many cases, the Group does not identify sufficient evidence to meet the required level of certainty.

As a lessee, the Group has a lease contract for the land where investment properties are situated that includes an extension and a termination option. The Group applies judgement in evaluating whether or not it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise, or not to exercise, the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

*Definition of default and credit-impaired installment contracts receivable*
The Group defines the account as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- *Quantitative criteria*
  The customer receives a notice of cancellation and does not continue the payments.

- *Qualitative criteria*
  The customer meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty. These are instances where:
  a. The customer is experiencing financial difficulty or is insolvent
  b. The customer is in breach of financial covenant(s)
  c. An active market for that financial assets has disappeared because of financial difficulties



  d. Concessions have been granted by the Group, for economic or contractual reasons relating to the customer's financial difficulty
  e. It is becoming probable that the customer will enter bankruptcy or other financial reorganization

The criteria above have been applied to the financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Group's expected loss calculation.

*Incorporation of forward-looking information*
The Group incorporates forward-looking information, including the impact of the COVID-19 pandemic into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. To do this, the Group considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Group's evaluation and assessment and after taking into consideration external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions. The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios. The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

*Significant increase in credit risk*
The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors. The Group's cash and cash equivalents, short term cash investments, investments at amortized cost, and restricted cash cost are graded in the top investment category by globally recognized credit rating agencies such as S&P, Moody's and Fitch and, therefore, are considered to be low credit risk investments. For the Group's accounts receivable and receivables from related parties, the Group performs an assessment, at the end of each reporting period, of whether the receivables' credit risk has increased significantly, considering the impact of COVID-19 pandemic, since initial recognition, by considering the change in the risk of default occurring over the remaining life of the receivables. It is the Group's policy to measure ECLs on such instruments on a 12-

month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from these credit rating agencies both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs. Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

*Determining Taxable Profit, Tax Bases, Unused Tax Losses, Unused Tax Credits and Tax Rates*
Upon adoption of the Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments,* the Group has assessed whether it has any uncertain tax position. The Group applies significant judgment in identifying uncertainties over its income tax treatments. The Group determined based on its assessment, in consultation with its tax counsel, that it is probable that its income tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statements of the Group.

<u>Management's Use of Estimates</u>
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.

*Measurement of progress when revenue is recognized over time*
The Group's real estate sales is recognized over time and the percentage-of-completion is determined using input method measured principally based on total actual cost of resources consumed such as materials, labor hours expended, and actual overhead incurred over the total expected project development cost. Actual costs also include incurred costs but not yet billed which are estimated by the project engineers. Total estimated project development cost involves significant estimate since it requires technical determination by management's specialists (project engineers). Estimated project development costs include costs of land, land development, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis and is allocated between costs of sales and real estate inventories.

See Notes 7, 11, and 12 for the related balances.

*Provision for expected credit losses of financial assets*
Cash and cash equivalents, short term cash investments, accounts receivable, accrued rent receivable, investments at amortized cost, receivables from related parties and restricted cash:



The Group recognizes a loss allowance based on either 12-month ECLs or Lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition. The changes in the loss allowance balance are recognized in profit or loss as an impairment gain or loss. The Group uses external credit rating approach to calculate ECL for cash and cash equivalents, accounts receivable, receivables from related parties and restricted cash. This approach leverages on available market data (i.e., S&P and Moody's and Fitch credit ratings for default rates). S&P, Moody's, Fitch and Reuters are reliable market data sources that provide default and recovery rate data. These information are widely used by investors and stakeholders in decision-making in terms of investment, credit activities, etc.

Further details are provided in Note 32.

Installment contracts receivables:

The Group uses vintage analysis to calculate ECLs for installment contracts receivable. The PD rates using vintage analysis are based on default counts of contract issuances in a given period for groupings of various customer segments that have similar loss patterns (e.g., by customer's type of financing and employment).

The vintage analysis is initially based on the Group's historical observed default rates. The Group will calibrate the matrices to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the real estate sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the relationship between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Group has determined that the COVID-19 pandemic has impacted the current operations of the Group and is expected to impact its future business activities.

The collectability of the significant portion of its receivables from real estate sales is impacted by the continuing employment of its customers, both the overseas contract workers and locally employed customers, particularly those working within the industry adversely affected by COVID-19 pandemic.

Tenants which belong to micro, small and medium enterprise and those operating under entertainment, non-essentials and food industries are also adversely affected due to temporary closure of mall operations. This increases the risk of non-collection of the remaining receivables.

Considering the above, the Group revisited the expected credit loss exercise as at December 31, 2020 for its receivables.

For the installment contracts receivable, the calculation of the probability of default (PD) was updated by further segmenting the buyers tagged as overseas Filipino workers based on location of employment (e.g., Middle East, Europe, East Asia, etc.).

For the receivables from tenants, certain tenants were moved from stage 1 to stage 2, hence, lifetime PD, instead of 12-months PD, was used in the calculation of ECL. The 12-months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the reporting date and future economic conditions that affect credit risk.

For installment contracts receivable and receivables from tenants, the PD scenario used in the calculation of ECL were 31% best, 33% base, and 35% worse and 25% best, 33% base, and 42% worst case probability scenario, respectively from the previous 33% equal probability of all scenarios as of December 31, 2019. The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes.

As a result of the loss estimation, management recognized an additional impairment loss for receivable from tenants and investments at amortized cost amounting to ₱17.63 million and ₱65.63 million, respectively, for the year ended December 31, 2020. The Group, however, did not identify an impairment for installment contracts receivable primarily because of the recoveries from resale of repossessed inventories that are higher than the exposure at default.

Further details are provided in Note 32.

*Fair value of financial instruments*
Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position or disclosed in the notes to the consolidated financial statements 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.

Further details about the fair value of financial instruments are provided in Note 32.

*Evaluation of net realizable value of real estate inventories*
Real estate inventories are valued at the lower of cost or NRV. This requires the Group to make an estimate of the estimated selling price of the real estate inventories 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 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. In line with the impact of COVID-19, the Group experienced limited selling activities that resulted to lower sales in 2020. In evaluating NRV, recent market conditions and current market prices have been considered.

Further details are provided in Note 12.

*Evaluation of impairment of nonfinancial assets*
The Group reviews project development cost, property and equipment, investment properties, goodwill, and other nonfinancial assets 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, considering the impact of COVID-19 pandemic.

The Group estimates the recoverable amount as the higher of the fair value less costs to sell and value in use. Fair value less costs to sell pertain to quoted prices and for fair values determined using discounted cash flows or other valuation technique such as multiples. 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 project development cost, property and equipment, investment properties, goodwill, and other nonfinancial assets.

For goodwill, this requires an estimation of the recoverable amount which is the fair value less costs to sell or value in use of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the future cash flows for the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of cash flows.

Further details are provided in Note 13, 14, 15, 16, and 17.

*Determining the fair value of investment properties*
The Group discloses the fair values of its investment properties. The Group engaged independent valuation specialists to assess fair value as at reporting date. The Group's investment properties consist of land and land developments and building and building improvements. These were valued by reference to market-based evidence using income approach, and comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Further details are provided in Note 14.

*Leases - Estimating the incremental borrowing rate*
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

*Useful lives of property and equipment and investment properties*
The Group estimated the useful lives of its property and equipment and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of 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 assets. For investment properties located in parcels of land that the Group leases, the Group also considers the non-cancellable term of the lease in determining the useful lives of the leasehold improvements.

*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.

Further details are provided in Note 27.

## 6. 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 development and sale of residential house and lot across the Philippines.



*Vertical Projects*
This segment caters on the development and sale of residential condominium projects across the Philippines.

*Commercial and others*
This segment pertains to rental of malls and office spaces, hotel operations, and activities of holding companies.

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. 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 based on the agreed terms between the related 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 segment assets are presented separately from the receivables from related parties, investments at FVOCI, investments at amortized cost and deferred taxes. Segment liability are presented separately from the deferred tax liabilities.

The financial information about the operations of these operating segments is summarized below:

| | December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | Horizontal | Vertical | Commercial and Others | Intersegment Adjustments | Consolidated |
| | (Amounts in thousands) | | | | |
| Real estate revenue | ₱17,943,287 | ₱3,857,277 | ₱– | ₱– | ₱21,800,564 |
| Rental income | – | – | 7,286,366 | (89,636) | 7,196,730 |
| Parking, hotel, tenant fees, and others | 721,440 | 170,838 | 890,745 | (152,477) | 1,630,546 |
| | 18,664,727 | 4,028,115 | 8,177,111 | (242,113) | 30,627,840 |
| Costs and operating expenses | 13,477,256 | 3,110,423 | 2,512,363 | (242,113) | 18,857,929 |
| Segment income (loss) before income tax | 5,187,471 | 917,692 | 5,664,748 | – | 11,769,911 |
| Interest income and other income from investments (Note 25) | 598,411 | 40,646 | 1,426,455 | – | 2,065,512 |
| Interest and other financing charges (Note 25) | (84,721) | (214,674) | (3,672,512) | – | (3,971,907) |
| Depreciation and amortization (Notes 14, 15, 17 and 24) | (240,738) | (35,642) | (1,971,333) | – | (2,247,713) |
| Income before income tax | 5,460,423 | 708,022 | 1,447,358 | – | 7,615,803 |
| Provision for income tax (Note 27) | 662,181 | 84,963 | 482,047 | – | 1,229,191 |
| Net income | ₱4,798,242 | ₱623,059 | ₱965,311 | ₱– | ₱6,386,612 |

*(Forward)*

| | December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | **Horizontal** | **Vertical** | **Commercial and Others** | **Intersegment Adjustments** | **Consolidated** |
| | **(Amounts in thousands)** | | | | |
| Other Information | | | | | |
| Segment assets | **₱95,288,403** | **₱25,616,912** | **₱115,537,982** | **(₱72,172)** | **₱236,371,125** |
| Receivables from related parties (Notes 29, 31 and 32) | **879,187** | **–** | **4,808,563** | **–** | **5,687,750** |
| Investments at FVOCI (Note 10) | **–** | **–** | **116,499** | **–** | **116,499** |
| Investments at amortized cost (Note 10) | **–** | **–** | **41,693,291** | **–** | **41,693,291** |
| Deferred tax assets - net (Note 27) | **188,106** | **–** | **–** | **–** | **188,106** |
| Total Assets | **₱96,167,590** | **₱25,616,912** | **₱162,156,335** | **(₱72,172)** | **₱284,056,771** |
| Segment liabilities | **₱15,018,896** | **₱7,647,351** | **₱151,757,364** | **(₱72,172)** | **₱174,351,439** |
| Deferred tax liabilities - net (Note 27) | **211,878** | **14,955** | **3,798,855** | **–** | **4,025,688** |
| Total Liabilities | **₱15,230,774** | **₱7,662,306** | **₱155,556,219** | **(₱72,172)** | **₱178,377,127** |
| Capital expenditures | **₱17,698,619** | **₱3,804,681** | **₱3,108,100** | **₱–** | **₱24,611,400** |

**For the year ended December 31, 2020, EBITDA amounts to ₱13,684.71 million.*

| | December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Horizontal | Vertical | Commercial and Others | Intersegment Adjustments | Consolidated |
| | (Amounts in thousands) | | | | |
| Real estate revenue | ₱28,432,942 | ₱4,394,992 | ₱– | ₱– | ₱32,827,934 |
| Rental income | – | – | 7,842,945 | (94,525) | 7,748,420 |
| Parking, hotel, tenant fees, and others | 769,065 | 158,606 | 1,044,867 | (228,399) | 1,744,139 |
| | 29,202,007 | 4,553,598 | 8,887,812 | (322,924) | 42,320,493 |
| Costs and operating expenses | 18,791,595 | 2,984,107 | 3,510,712 | (322,924) | 24,963,490 |
| Segment income (loss) before income tax | 10,410,412 | 1,569,491 | 5,377,100 | – | 17,357,003 |
| Interest income and other income from investments (Note 25) | 549,278 | 27,500 | 1,508,880 | – | 2,085,658 |
| Interest and other financing charges (Note 25) | (49,494) | (26,785) | (3,491,603) | – | (3,567,882) |
| Depreciation and amortization (Notes 14, 15, 17 and 24) | (230,503) | (21,129) | (2,040,512) | – | (2,292,144) |
| Income before income tax | 10,679,693 | 1,549,077 | 1,353,865 | – | 13,582,635 |
| Provision for income tax (Note 27) | 1,354,316 | 143,209 | 475,897 | – | 1,973,422 |
| Net income | ₱9,325,377 | ₱1,405,868 | ₱877,968 | ₱– | ₱11,609,213 |
| Other Information | | | | | |
| Segment assets | ₱90,577,519 | ₱23,820,733 | ₱118,779,272 | (₱188,458) | ₱232,989,066 |
| Receivables from related parties (Notes 29, 31 and 32) | 310,638 | – | 4,844,952 | – | 5,155,590 |
| Investments at FVOCI (Note 10) | – | – | 117,499 | – | 117,499 |
| Investments at amortized cost (Note 10) | – | – | 33,792,219 | – | 33,792,219 |
| Deferred tax assets – net (Note 27) | 484,270 | – | – | – | 484,270 |
| Total Assets | ₱91,372,427 | ₱23,820,733 | ₱157,533,942 | (₱188,458) | ₱272,538,644 |
| Segment liabilities | ₱14,450,732 | ₱5,856,540 | ₱148,459,383 | (₱188,458) | ₱168,578,197 |
| Deferred tax liabilities – net (Note 27) | 1,487,767 | 214,263 | 2,305,743 | – | 4,007,773 |
| Total Liabilities | ₱15,938,499 | ₱6,070,803 | ₱150,765,126 | (₱188,458) | ₱172,585,970 |
| Capital expenditures | ₱20,222,919 | ₱3,899,800 | ₱14,162,489 | ₱– | ₱38,285,208 |

**For the year ended December 31, 2019, EBITDA amounts to ₱17,933.78 million*

| | December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | Horizontal | Vertical | Commercial and Others | Intersegment Adjustments | Consolidated |
| | (Amounts in thousands) | | | | |
| Real estate revenue | ₱25,946,584 | ₱5,909,503 | ₱– | ₱– | ₱31,856,087 |
| Rental income | – | – | 6,511,882 | (47,142) | 6,464,740 |
| Parking, hotel, tenant fees, and others | 235,129 | 47,909 | 977,482 | – | 1,260,520 |
| | 26,181,713 | 5,957,412 | 7,489,364 | (47,142) | 39,581,347 |
| Costs and operating expenses | 16,181,477 | 4,118,920 | 3,002,304 | (47,142) | 23,255,559 |
| Segment income (loss) before income tax | 10,000,236 | 1,838,492 | 4,487,060 | – | 16,325,788 |
| Interest income and other income from investments (Note 25) | 660,056 | 32,935 | 1,212,850 | – | 1,905,841 |
| Interest and other financing charges (Note 25) | (46,398) | (27,658) | (4,095,707) | – | (4,169,763) |
| Depreciation and amortization (Notes 14, 15, 17 and 24) | (129,558) | (13,786) | (1,336,785) | – | (1,480,129) |
| Income before income tax | 10,484,336 | 1,829,983 | 267,418 | – | 12,581,737 |
| Provision for income tax (Note 27) | 1,809,577 | 122,472 | 115,225 | – | 2,047,274 |
| Net income | ₱8,674,759 | ₱1,707,511 | ₱152,193 | ₱– | ₱10,534,463 |

*(Forward)*



| | December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | Horizontal | Vertical | Commercial and Others | Intersegment Adjustments | Consolidated |
| Other Information | | | | | |
| Segment assets | ₱98,130,017 | ₱20,553,705 | ₱86,487,493 | (₱52,356) | ₱205,118,859 |
| Receivables from related parties (Notes 29, 31 and | (16,469,743) | (8,327,542) | 29,504,193 | – | 4,706,908 |
| Investments at FVOCI (Note 10) | – | – | 106,499 | – | 106,499 |
| Investments at amortized cost (Note 10) | – | – | 27,483,091 | – | 27,483,091 |
| Deferred tax assets – net (Note 27) | 613,613 | – | 233,068 | – | 846,681 |
| Total Assets | ₱82,273,887 | ₱12,226,163 | ₱143,814,344 | (₱52,356) | ₱238,262,038 |
| Segment liabilities | ₱17,868,400 | ₱5,908,655 | ₱118,710,414 | (₱52,356) | ₱142,435,113 |
| Deferred tax liabilities – net (Note 27) | 1,808,103 | 147,207 | 1,965,014 | – | 3,920,324 |
| Total Liabilities | ₱19,676,503 | ₱6,055,862 | ₱120,675,428 | (₱52,356) | ₱146,355,437 |
| Capital expenditures | ₱23,202,166 | ₱5,284,444 | ₱16,564,230 | ₱– | ₱45,050,840 |

**For the year ended December 31, 2018, EBITDA amounts to ₱17,005.85 million.*

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

Rent income amounting ₱4,802.06 million or 63.26%, ₱4,431.52 million or 57.19% and ₱2,662.41 million or 41.18% of the commercial segment of the Group was generated from anchor tenants as defined in Note 29 for the years ended December 31, 2020, 2019 and 2018, respectively. There is no cyclicality in the Group's operations.

## 7. Revenue from Contracts with Customers

a. Disaggregated Revenue Information

The Group derives revenue from the transfer of services and goods over time and at a point in time, respectively, in different product types and other geographical location within the Philippines.

The Group's disaggregation of each sources of revenue from contracts with customers are presented below:

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| | *(Amounts in Thousands)* | | |
| Type of Product | | | |
| Real estate sales | | | |
| Horizontal | **₱17,943,287** | ₱28,428,354 | ₱25,946,584 |
| Vertical | **3,857,277** | 4,399,580 | 5,909,503 |
| | **21,800,564** | 32,827,934 | 31,856,087 |
| Hotel operations | **48,933** | 184,357 | 42,171 |
| | **₱21,849,497** | ₱33,012,291 | ₱31,898,258 |

All of the Group's real estate sales are revenue from contracts with customers that are recognized over time except for hotel operation's sale of food and beverages which are at point in time. There are no inter-segment eliminations among revenue from contracts with customers, as these are all sold to external customers as disclosed in the segment information in 2020, 2019 and 2018 (Note 6).

Due to the impact of COVID-19 pandemic, buyer's appetite has softened and prefers to stay liquid amid the current recession, with layoffs, travel restrictions, repatriations, nationwide lockdowns beginning on the third week of March 2020, and uncertainty surrounding future economic recovery. The latter, coupled with the imposed quarantine which temporarily suspended construction activities and delivery of materials to sites, resulted to lower progress of work which impacted the real estate sales recognized in 2020.

*Contract Balances*

| | **December 31, 2020** | December 31, 2019 |
|---|---|---|
| Installment contracts receivable (Note 11) | **₱39,972,199,134** | ₱38,835,172,544 |
| Cost to obtain contract | **1,281,715,425** | 1,565,949,038 |
| Contract liabilities | **2,678,745,143** | 2,490,238,582 |

Installment contracts receivable are from real estate sales which are collectible in equal monthly principal installments with various terms up to a maximum of 15 years. These are recognized at amortized cost using the effective interest method. Interest rates, which vary depending on the term of the receivable, ranges from 5.37% to 19.00% per annum, 4.63% to 19.00% per annum and 4.35% to 19.00% per annum in 2020, 2019 and 2018, respectively. The corresponding titles to the residential units sold under this arrangement are transferred to the customers only upon full payment of the contract price.

Contract liabilities consist of collections from real estate customers which have not reached the equity threshold to qualify for revenue recognition and excess of collections over the goods and services transferred by the Group based on percentage of completion. The movement in contract liability is mainly due to reservation sales and advance payment of buyers less real estate sales recognized upon reaching the equity threshold and from increase in percentage of completion.

The amount of revenue recognized in 2020 and 2019 from amounts included in contract liabilities at the beginning of the year amounted to ₱447.20 million and ₱1,712.51 million, respectively.

b. Performance obligations

Information about the Group's performance obligations are summarized below:

*Real estate sales*
The Group entered into reservation agreements with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of



consideration indicated in the reservation agreement is fixed and has no variable consideration.

The sale of real estate unit covers subdivision land, residential house units, and condominium units and the Group concluded that there is one performance obligation in each of these contracts. The Group recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the reservation agreement and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include payment of 10% - 20% of the contract price to be paid over a maximum of 24 months at a fixed payment for horizontal developments and 20% - 40% of the contract price to be paid over a maximum of 60 months at a fixed payment for vertical developments with remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from 2 to 15 years with fixed monthly payment. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either an installment contracts receivable or contract liability.

After the delivery of the completed real estate unit, the Group provides one-year warranty to repair minor defects on the delivered serviced lot and house and condominium unit. This is assessed by the Group as a quality assurance warranty and not treated as a separate performance obligation.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at December 31, 2020 and 2019 are, as follows:

| | **2020** | 2019 |
|---|---|---|
| Within one year | **₱22,978,400,076** | ₱21,068,238,922 |
| More than one year | **16,075,541,120** | 16,922,174,076 |
| | **₱39,053,941,196** | ₱37,990,412,998 |

The remaining performance obligations expected to be recognized within one year and more than one year relate to the continuous development of the Group's real estate projects. The Group's condominium units are completed within three to five years from start of construction while serviced lots and serviced lots and house are expected to be completed within two to three years from start of development.

*Rental agreements*
The Group entered into lease agreements for its mall retail spaces and office spaces with the following identified performance obligations: (a) lease of space, (b) provisioning of water and electricity, and (c) connection to air conditioning system, (d) CUSA services, and (e) administration fee. Revenue from lease of space is recognized on a straight-line basis over the lease term while revenue for

the remaining performance obligations are recognized when services are rendered. The tenant is required to settle within 30 days upon receipt of the bill. In case of delay in payments, a penalty of 5% is charged for the amount due and shall be charged another 5% the following month of delay and every month thereafter inclusive of penalties previously charged. The lease arrangement would typically require a tenant to pay advance rental equivalent to three months and a security deposit equivalent to three months rental to cover any breakages after the rental period, with the excess returned to the tenant.

In various dates in 2020, certain third party and related party tenants of the Group operating within the entertainment, food and low-priced apparel retailing has requested for the termination of their lease contracts with the Group prior to the original end dates. The requests, as granted by the Group, are primarily due to the impact of COVID 19 pandemic to their business. As agreed with these tenants, all billed receivables up to termination date will be collected. As a result of this, the Group reversed the accrued rental receivable which is the effect of straight-line calculation of rental income of those tenants who pre-terminated the contracts, amounting to ₱1,560.95 million against rental income for the year ended December 31, 2020 (Note 11). The related deferred tax liability of ₱468.28 million for the reversed accrued rental receivable from tenants was reversed. The accrued rental receivables were previously included in "Receivable from tenants and accrued rental receivable". The specific portion relating to the termination of related party tenants are included in the related party transactions disclosure of the Group (Note 29).

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19 pandemic, the Group came up with its own waiver scheme that applies to different classifications of lessees based on their respective financial position and performance before and during the community quarantine, their status as an essential vis-à-vis non-essential service, and their growth projections. The Group waived its right to collect rent and other charges as part of various lease concessions it granted to lessees such as lease payment holidays or lease payment reductions. Granting of concessions were extended up to December 31, 2020 and beyond depending on the tenant's profile and credit. The rent concession granted by the Group for the year ended December 31, 2020 amounted to ₱1,544.82 million.



c. Cost to Obtain Contract

The balances below pertain to the cost to obtain contract presented in consolidated statements of financial position:

| | **2020** | 2019 |
|---|---|---|
| Balance at the beginning of the year | **₱1,565,949,038** | ₱1,276,514,512 |
| Additions | **1,424,588,131** | 2,123,639,958 |
| Amortization (Note 24) | **(1,324,091,172)** | (1,697,451,898) |
| Derecognition | **(384,730,572)** | (136,753,534) |
| | **₱1,281,715,425** | ₱1,565,949,038 |

Cost to obtain contract are derecognized if sales are subsequently cancelled.

## 8. Treasury Shares and Goodwill

The treasury shares of ₱5,378.29 million is attributable to the 752.21 million shares issued by VLLI to Manuela Corporation (Manuela) during the VLLI acquisition of Vistamalls Group (formerly, Starmalls Group) in 2015. Manuela still holds the VLLI shares as of December 31, 2020 and 2019.

On December 29, 2015, VLCC, a wholly owned subsidiary of VRI, acquired 100% ownership of MRHI for a total cash consideration of ₱157.00 million. MRHI owns and operates the Boracay Sands Hotel. The transaction was accounted for as a business combination under acquisition method. Fair values of identifiable net assets of MRHI amounted to ₱9.73 million, which resulted to recognition of goodwill of ₱147.27 million.

The Group included the impact of COVID-19 and the various community quarantine restricting movements and business operations in its annual impairment testing of goodwill for the year ended December 31, 2020.

The recoverable amount is based on value in use calculations using cash flow projections from financial budgets approved by the Group's management covering the period the CGU is expected to be operational. Based on the assessment, no impairment loss to be recognized as goodwill as at December 31, 2020 and 2019 despite temporary closure and reduction in operational capacity. On September 8, 2020, Mella Hotel has resumed its operations and is being used as a quarantine facility to Overseas Workers Welfare Administration returning Filipino residents. The pre-tax discount rate used in December 31, 2020 and 2019 is 11.26% and 7.18% respectively, which is based on weighted average cost of capital of comparable entities. The average growth rate used in December 31, 2020 and 2019 is 4.00% and 5.00%, respectively. The value-in-use computation is most sensitive to the discount rate and growth rate applies to the cash flow projection.

## 9. Cash and Cash Equivalents

This account consists of:

| | 2020 | 2019 |
|---|---|---|
| Cash on hand | **₱9,072,689** | ₱17,620,683 |
| Cash in banks | **6,680,152,399** | 6,810,814,823 |
| Cash equivalents | **1,096,569,584** | 7,116,743,711 |
| | **₱7,785,794,672** | ₱13,945,179,217 |

Cash in banks earn 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:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Philippine Peso | **0.25% to 1.00%** | 0.25% to 3.88% | 0.60% to 5.50% |
| US Dollar | **0.04% to 0.13%** | 0.13% to 1.33% | 0.13% to 1.33% |

Interest earned from cash in banks and cash equivalents for the years ended December 31, 2020, 2019 and 2018 amounted to ₱63.64 million, ₱91.27 million and ₱249.21 million, respectively (Note 25).

No cash and cash equivalents are used to secure the obligations of the Group.

## 10. Investments

*Short-term cash investments*

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

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Philippine Peso | **2.50% to 2.63%** | 3.00% to 3.25% | 2.50% to 3.00% |
| US Dollar | **–** | – | 1.50% to 2.50% |

As of December 31, 2020, and 2019, short-term cash investments amounted to ₱116.93 million and ₱210.82 million, respectively.

Interest earned from short-term cash investments for the years ended December 31, 2020, 2019 and 2018 amounted to ₱3.66 million, ₱11.37 million and ₱8.57 million, respectively (Note 25).

*Investments at amortized cost*

This account consists of the Group's investments in various US dollar-denominated debt securities with nominal interest rates ranging from 3.75% to 4.25% for the years ended December 31, 2020 and 2019.



In 2020, the Group made re-investments and acquired additional investments amounting to US$ 295.37 million (₱14,358.23 million), with effective interest ranging from 1.13% to 7.82%.

In 2019, the Group made re-investments amounting to US$171.22 million (₱8,916.33 million), with effective interest ranging from 2.86% to 7.46%.

Investments at amortized cost amounting to $439.03 million (₱21,083.55 million) and $490.61 million (₱24,844.51 million) are used to secure the bank loans of the Parent Company amounting to ₱19,665.90 million and ₱21,527.92 million as of December 31, 2020 and 2019, respectively.

The fair values of the investments used as collateral amounted to ₱22,394.43 million and ₱25,944.69 million as of December 31, 2020 and 2019 respectively (Note 20).

Interest income from these investments including amortization of premium amounted to ₱1,359.72 million, ₱1,394.38 million and ₱827.86 million in 2020, 2019 and 2018, respectively (Note 25).

Provision for expected credit loss amounting to ₱65.63 million was recognized in 2020 on these investments (nil in 2019 and 2018) (Note 24).

The following presents the breakdown of investments by contractual maturity dates as of December 31, 2020 and 2019.

| | 2020 | 2019 |
|---|---|---|
| Due in one (1) year or less | **₱7,721,198,593** | ₱2,103,609,760 |
| Due after one (1) year through five (5) years | **33,972,092,854** | 31,688,609,333 |
| | **₱41,693,291,447** | ₱33,792,219,093 |

The rollforward analysis of investments at amortized cost follow:

| | 2020 | 2019 |
|---|---|---|
| Balances at beginning of the year | **₱33,792,219,093** | ₱27,483,090,564 |
| Additions | **14,358,230,661** | 8,916,331,577 |
| Redemptions | **(4,253,660,916)** | (1,156,241,549) |
| Amortization of premium | **(160,930,335)** | (215,769,449) |
| Cumulative translation adjustment | **(2,042,567,056)** | (1,235,192,050) |
| Balances at end of the year | **₱41,693,291,447** | ₱33,792,219,093 |

*Investment at fair value through FVOCI*

The investment at fair value through FVOCI consists of quoted golf and country club shares carried at fair value which the Group irrevocably elected to measure at FVOCI.

| | 2020 | 2019 |
|---|---|---|
| Balances at beginning of year | **₱117,499,183** | ₱106,499,183 |
| Unrealized fair value gain (loss) during the year | **(1,000,000)** | 11,000,000 |
| Balances at end of year | **₱116,499,183** | ₱117,499,183 |

## 11. Receivables

This account consists of:

| | 2020 | 2019 |
|---|---|---|
| Installment contracts receivable (Notes 7 and 31) | **₱39,972,199,134** | ₱38,835,172,544 |
| Accounts receivable: | | |
| Tenants (Note 29) | **5,646,088,933** | 2,774,434,575 |
| Home Development Mutual Fund (HDMF) | **286,825,983** | 17,662,726 |
| Buyers | **221,933,975** | 224,188,330 |
| Others | **44,025,800** | 47,848,058 |
| Advances to: | | |
| Contractors | **7,451,248,103** | 8,861,433,847 |
| Private companies and banks | **1,763,004,946** | 1,038,401,813 |
| Suppliers | **1,539,200,640** | 1,461,872,557 |
| Brokers | **195,932,615** | 243,819,890 |
| Accrued rental receivable (Note 29) | **7,202,334,449** | 4,064,359,858 |
| Accrued interest receivable | **439,871,319** | 381,664,057 |
| | **64,762,665,897** | 57,950,858,255 |
| Less allowance for impairment losses | **134,841,306** | 117,214,724 |
| | **64,627,824,591** | 57,833,643,531 |
| Less noncurrent portion | **21,487,825,457** | 19,395,345,908 |
| | **₱43,139,999,134** | ₱38,438,297,623 |

Installment Contracts Receivable

Installment contracts receivable consist of accounts collectible in equal monthly installments with various terms up to a maximum of 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 receivables are interest-bearing except for those with installment terms within two years. Annual nominal interest rates on installment contracts receivables range from 12.00% to 19.00% in 2020 and 2019. Total interest income recognized amounted to ₱541.31 million, ₱478.57 million and ₱574.07 million in 2020, 2019 and 2018, respectively (Note 25).

In 2020 and 2019, installment contracts receivables with a total nominal amount of ₱972.64 million and ₱1,732.11 million, respectively, were recorded at amortized cost amounting to ₱917.93 million and ₱1,630.82 million, respectively. These are installment contracts receivables that are to be collected in two years which are noninterest-bearing. The fair value upon initial recognition is derived using discounted cash flow model at the discount rates ranging from 2.90% to 7.43% and 4.63% to 7.32% in 2020 and 2019, respectively.

Interest income recognized from these receivables amounted to ₱86.93 million, ₱98.21 million, and ₱105.99 million in 2020, 2019 and 2018, respectively (Note 25). The unamortized discount amounted to ₱47.14 million and ₱79.35 million as of December 31, 2020 and 2019, respectively.



Rollforward in unamortized discount arising from noninterest-bearing receivables is as follows:

| | 2020 | 2019 |
|---|---|---|
| Balance at beginning of year | **₱79,353,573** | ₱76,064,405 |
| Additions | **54,713,213** | 101,497,098 |
| Accretion (Note 25) | **(86,930,787)** | (98,207,930) |
| Balance at end of year | **₱47,135,999** | ₱79,353,573 |

In 2020 and 2019, the Group entered into various purchase agreements with financial institutions whereby the Group sold its installment contracts receivables on a with recourse basis. These installment contracts receivables on a with recourse basis are used as collateral to secure the corresponding loans payable obtained. The purchase agreements provide substitution of contracts which 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 20).

As of December 31, 2020, the carrying value of installment contracts receivables sold and the corresponding loans payable amounted to ₱3,103.17 million and ₱4,321.89 million, respectively.

As of December 31, 2019, the carrying value of installment contracts receivables sold and the corresponding loans payable amounted to ₱2,751.39 million and ₱3,404.98 million, respectively (Note 20).

Accounts Receivable:

The accounts receivables are noninterest-bearing and collectible within one year.

This consists of the following:

*Receivable from tenants*

Receivables from tenants represent the outstanding receivables arising from the lease of commercial centers relating to the Group's mall and offices and are collectible within 30 days from billing date. These are covered by security deposit of tenants' equivalent to three-month rental and three-month advance rental paid by the lessees. This includes both the fixed and contingent portion of lease.

*Receivable from buyers*

Receivables from buyers mainly consist of receivables from buyers of real estate arising from penalties for late payments. These are non-interest bearing and are due and demandable.

*Receivable from HDMF*

Receivable from HDMF pertains to amounts retained by HDMF from the proceeds of loans availed by real estate buyers. This amount is released by HDMF upon the release of the related title to the property by the Group to HDMF within a six-month to one year period from loan takeout date.

*Others*
Other receivables are noninterest-bearing and are due and demandable.

*Advances to contractors*
Advances to contractors are advance payments in relation to the Group's construction activities and are recouped through reduction against progress billings as the construction progresses. Recoupment occur within one to five years from the date the advances were made. Current portion of these advances are for the construction of inventories, while advance payments for the construction of investment properties are presented as noncurrent portion.

*Advances to suppliers*
Advances to suppliers are advance payments for the purchase of construction materials. These will be applied to billings for deliveries made within one year from financial reporting date.

*Advances to private companies and banks*
Advances to private companies pertain to advances made by the Group to third parties to facilitate the transfer of title to the buyers. These include expected charges for documentary stamp taxes, transfer fees, registration fees, city and business tax and notarial expenses. These advances are liquidated by the private companies once the purpose for which the advances were made had been accomplished and accordingly will be charged to miscellaneous customer charges.

In 2020, the balance includes ₱520.48 million advance payment to banks in the Group's role as a collecting agent of certain installment receivables that had been taken out by the respective banks. These will be collected by the Group from the buyers in the subsequent monthly amortizations or through mortgage loan takeout.

*Advances to brokers*
Advances to brokers are cash advances for operating use. These are applied to subsequent commission payout to brokers.

*Accrued rental receivable*
Accrued rental receivable pertains to the effect of straight-line calculation of rental income.

*Accrued interest receivable*
Accrued interest receivable pertains to income earned from investments at amortized cost.

On March 25, 2020, Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act ("Bayanihan 1 Act") was enacted. Bayanihan 1 Act provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the ECQ Period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act ("Bayanihan 2 Act"), was enacted. Under Bayanihan 2 Act, a one-time sixty (60)-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans. Furthermore, a minimum 30-day grace period shall also be granted by covered institutions to all payments due within the period of community quarantine on rent and utility-related expenditures without incurring penalties, interest and other charges.

In 2020, the Group, in addition to the reliefs provided under Bayanihan 1 Act and Bayanihan 2 Act, has offered temporary financial reliefs (e.g., short-term extension of payment terms) to its borrowers/counterparties as a response to the effect of the COVID-19 pandemic. Based on the Group's assessment, the modifications in the contractual cash flows as a result of the above reliefs are not significant.

## 12. Real Estate Inventories

The rollforward of the account follows:

| | 2020 | 2019 |
|---|---|---|
| Balance at beginning of year | **₱43,908,654,706** | ₱43,223,870,017 |
| Construction/development costs incurred | **7,756,481,884** | 16,480,600,750 |
| Purchases of construction materials and others | **1,231,129,040** | 2,285,765,112 |
| Additions to land | **1,195,632,838** | 3,805,022,259 |
| Borrowing costs capitalized (Note 25) | **2,299,958,019** | 2,728,684,896 |
| Transfers (Note 14) | **–** | (8,846,779,427) |
| Cost of real estate sales (Note 24) | **(12,020,714,120)** | (15,768,508,901) |
| | **₱44,371,142,367** | ₱43,908,654,706 |

The real estate inventories are carried at cost. No inventory is recorded at amount lower than its cost in 2020 and 2019.

This account consists of:

| | 2020 | 2019 |
|---|---|---|
| Subdivision land for sale | **₱19,101,187,551** | ₱19,861,654,690 |
| Subdivision land for development | **15,553,522,460** | 14,719,437,560 |
| Condominium units for sale and development | **7,323,285,872** | 6,040,917,705 |
| Residential house and lots for sale and development | **1,243,778,592** | 778,794,773 |
| Construction materials and others | **1,149,367,892** | 2,507,849,978 |
| | **₱44,371,142,367** | ₱43,908,654,706 |

Subdivision land (e.g. lot only for sale) for sale and development includes real estate subdivision projects in which the Group has been granted License to Sell (LTS) by the Housing and Land Use Regulatory Board of the Philippines. It also includes raw land inventories that are under development and those that are about to undergo development.

Construction materials pertain to supplies, such as but not limited to steel bars, cement, plywood and hollow blocks, used in the construction and development. These are to be utilized within one year and included in the cost of real estate inventories upon utilization.

Real estate inventories recognized as cost of sales amounted to ₱12,020.71 million in 2020, ₱15,768.51 million in 2019 and ₱15,177.16 million in 2018, and are included as cost of real estate sales in the consolidated statements of comprehensive income (Note 24).

Borrowing cost capitalized to inventories amounted to ₱2,299.96 million, ₱2,728.68 million and ₱1,468.61 million in 2020, 2019 and 2018, respectively (Note 25). The capitalization rate used to determine the borrowing costs eligible for capitalization is 6.51%, 7.04% and 6.48% in 2020, 2019 and 2018, respectively.

There are no inventories used to secure the borrowings of the Group.

In 2020, the Group reclassified the “Construction Materials and Others” from other current assets amounting to ₱2,507.85 million to real estate inventories since these are materials and supplies consumed in the construction of real estate inventories. The reclassification decreased other current assets by ₱ 2,507.85 million and increased real estate inventories by the same amount. The reclassification has no impact on the 2019 consolidated total current assets and consolidated total assets. No other line item of the consolidated statement of financial position, consolidated statement of comprehensive income, and consolidated statement of cash flow has been affected.

Management believes that the presentation of the consolidated statement of financial position as at the beginning of the earliest period presented is not necessary as the reclassifications have no significant impact on the Group’s total assets and total equity as of January 1, 2019.



The reclassifications did not impact the consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended December 31, 2018.

| | December 31, 2018 As previously Reported | Reclassification | December 31, 2018 As adjusted |
|---|---|---|---|
| Current Assets | | | |
| Real estate inventories | ₱41,946,866,699 | ₱1,277,003,318 | ₱43,223,870,017 |
| Other current assets | 6,012,527,034 | (1,277,003,318) | 4,735,523,716 |
| | ₱47,959,393,733 | ₱– | ₱47,959,393,733 |

13. **Other Current Assets**

This account consists of:

| | 2020 | 2019 |
|---|---|---|
| Input value added tax (VAT) | **₱3,356,967,997** | ₱3,219,181,281 |
| Creditable withholding taxes | **1,382,642,782** | 1,310,904,058 |
| Prepaid expenses | **716,594,486** | 691,088,761 |
| Restricted cash | **335,827,460** | 282,537,375 |
| Others | **37,937,342** | 15,295,387 |
| | **₱5,829,970,067** | ₱5,519,006,862 |

Input VAT is a tax imposed on purchases of goods, professional and consulting services and construction costs. These are available for offset against output VAT in future periods.

Creditable withholding taxes pertain to taxes withheld by the customer and are recoverable and can be applied against income tax in future periods. For the years ended December 31, 2020, and 2019, creditable withholding taxes applied to income tax payable amounting to ₱738.95 million and ₱870.50 million, respectively.

Prepaid expenses mainly include advertising and marketing fees, taxes and licenses, rentals and insurance paid in advance. These are to be fully amortized within one year.

Cash restricted for use are deposits restricted solely for payment of the principal amortization and interest of certain bank loans. These deposits bear prevailing interest rates and will be retained as deposits until the bank loans are fully paid. Deposit balance should be equivalent to two quarters of debt amortization. Interest income from cash restricted for use amounted to ₱10.25 million, ₱11.86 million and ₱7.64 million in 2020, 2019 and 2018, respectively (Note 25). The current and noncurrent portion of the restricted cash pertain to the two quarters of debt amortization for the bank loans maturing on or before December 31, 2021 and bank loans maturing beyond December 31, 2021, respectively. The noncurrent portion of this account is presented as noncurrent restricted cash under “Other noncurrent assets” in the Group’s consolidated statements of financial position (see Note 17).

## 14. Investment Properties

The rollforward of analysis of this account follows:

| | 2020 | | | | |
|---|---|---|---|---|---|
| | **Land and Land Developments** | **Building and Building Improvements** | **Construction in Progress** | **Right-of-use Assets** | **Total** |
| **Cost** | | | | | |
| Balances at beginning of year | **₱52,827,294,001** | **₱34,411,356,825** | **₱19,684,763,499** | **₱2,706,071,236** | **₱109,629,485,561** |
| Additions | **–** | **34,417,263** | **6,736,784,550** | **–** | **6,771,201,813** |
| Reclassifications (Note 12) | **–** | **2,200,623,863** | **(2,200,623,863)** | **–** | **–** |
| Termination (Note 28) | **–** | **–** | **–** | **(488,038,914)** | **(488,038,914)** |
| Balances at end of year | **52,827,294,001** | **36,646,397,951** | **24,220,924,186** | **2,218,032,322** | **115,912,648,460** |
| **Accumulated Depreciation and Amortization** | | | | | |
| Balances at beginning of year | **–** | **8,030,628,548** | **–** | **163,980,143** | **8,194,608,691** |
| Depreciation and amortization (Note 24) | **–** | **1,668,462,646** | **–** | **210,760,224** | **1,879,222,870** |
| Termination (Note 28) | **–** | **–** | **–** | **(34,101,369)** | **(34,101,369)** |
| Balances at end of year | **–** | **9,699,091,194** | **–** | **340,638,998** | **10,039,730,192** |
| **Net Book Value** | **₱52,827,294,001** | **₱26,947,306,757** | **₱24,220,924,186** | **₱1,877,393,324** | **₱105,872,918,268** |

| | 2019 | | | | |
|---|---|---|---|---|---|
| | Land and Land Developments | Building and Building Improvements | Construction in Progress | Right-of-use Assets | Total |
| Cost | | | | | |
| Balances at beginning of year | ₱40,226,070,790 | ₱29,586,209,146 | ₱10,292,515,505 | ₱2,387,967,718 | ₱82,492,763,159 |
| Additions | 3,754,256,284 | 55,093,935 | 14,162,489,238 | 318,103,518 | 18,289,942,975 |
| Transfers (Note 12) | 8,846,779,427 | – | – | – | 8,846,779,427 |
| Reclassifications | 187,500 | 4,770,053,744 | (4,770,241,244) | – | – |
| Balances at end of year | 52,827,294,001 | 34,411,356,825 | 19,684,763,499 | 2,706,071,236 | 109,629,485,561 |
| Accumulated Depreciation and Amortization | | | | | |
| Balances at beginning of year | – | 6,174,156,483 | – | – | 6,174,156,483 |
| Depreciation and amortization (Note 24) | – | 1,856,472,065 | – | 163,980,143 | 2,020,452,208 |
| Balances at end of year | – | 8,030,628,548 | – | 163,980,143 | 8,194,608,691 |
| Net Book Value | ₱52,827,294,001 | ₱26,380,728,277 | ₱19,684,763,499 | ₱2,542,091,093 | ₱101,434,876,870 |

Investment properties consist mainly of land and land developments while the building and building improvements, construction in progress and right of use asset pertain to leasehold improvements related to leasing activities as commercial centers. These include properties, currently being leased out, for future leasing or currently held for capital appreciation. The commercial centers include retail malls, commercial centers within residential projects, Vistamalls and Starmalls that are located in key cities and municipalities in the Philippines and office spaces.

As of December 31, 2020, the construction in progress represents capitalized costs arising from construction of commercial centers that are located in Cabanatuan, Sta Maria, Bacolod, Davao, Sto. Tomas, Las Pinas, Pampanga, Mactan, Tacloban and Subic which are due to be completed in 2021 to 2022. The percentage of completion of various constructions in progress ranges from 6.50% to 98.78% as of December 31, 2020.



As of December 31, 2019, the construction in progress represents capitalized costs arising from a construction of commercial centers that are located in Las Piñas, Cavite, Bulacan, Naga, Davao, Bacolod, Tacloban, Butuan, Cabanatuan, Isabela, Laguna, Cebu, Ilocos, Quezon and Zamboanga which are due to be completed in 2020 to 2021. The percentage of completion of various constructions in progress ranges from 1.81% to 99.69% as of December 31, 2019.

The transfer of ₱8,846.78 million from real estate inventories to investment properties in 2019 pertains to land which the Group identified to be used for commercial projects (see Note 12).

The reclassification of ₱2,200.62 million from construction in progress to building and improvements in 2020 represents completed office and retail malls in Taguig, Bulacan, Isabela, Cabanatuan and General Santos, with gross floor area of 95,575 sqm.

The reclassification of ₱4,770.24 million from construction in progress to building and improvements in 2019 represents completed retail malls in Iloilo, Naga, Cagayan De Oro, General Trias, Tanza and Talisay Cebu, with gross floor area of 211,892 sqm.

Rental income earned from investment properties amounted to ₱7,196.73 million, ₱7,748.42 million and ₱6,464.74 million in 2020, 2019 and 2018, respectively. Repairs and maintenance costs recognized under "Operating expenses" arising from investment properties amounted to ₱188.80 million, ₱173.70 million and ₱218.00 million for the years ended December 31, 2020, 2019 and 2018, respectively (Note 24). Cost of property operations amounted to ₱1,479.20 million, ₱1,570.85 million and ₱1,625.38 million for the years ended December 31, 2020, 2019 and 2018. For the terms and conditions on the lease, refer to Note 34.

As of December 31, 2020 and 2019, the aggregate fair values of investment properties amounted to ₱233,731.67 million and ₱165,142.82 million, respectively, using Level 3 (significant unobservable inputs).

In 2020, the fair values of the investment properties held for leasing were determined by independent professionally qualified appraisers while that for land and land developments were determined by management. In 2019, all fair values of the investment properties were determined by management.

In both years, in the determination of fair values, market value approach method was used for land and land development, income approach method was used for completed and substantially completed malls and office buildings for rent and cost approach method was used for construction in progress under early stage of construction and right-of-use asset.

The key assumptions used to determine the fair value of the investment properties held for leasing are the estimated rental value per sqm per year, rental growth rate per annum, and discount rate. The discount rate used in the valuation are discount rates of 8.67% and 7.13% in 2020 and 2019, respectively. Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate, and an opposite change in the long-term vacancy rate.

The parcels of land are located in cities and municipalities like Mandaluyong, Las Piñas, Taguig, Naga, Bacoor, Imus, San Jose del Monte, Sta. Rosa, Alabang and Kawit. The market price per square meter of the land ranges between ₱1,258 to ₱173,017. The fair value measurement using unobservable data in active market is Level 3 of the fair value hierarchy.

The estimated useful life of the investment properties other than land is 10 to 40 years.

Investment properties with carrying value of ₱5,610.90 million and ₱6,608.78 million are used to secure the bank loans of the Group as of December 31, 2020 and 2019, respectively (Note 20). The fair value of the investment properties used as collateral amounted to ₱52,956.21 million and ₱25,087.84 million under income approach as of December 31, 2020 and 2019, respectively.

Borrowing cost capitalized to investment properties amounted to ₱3,716.70 million, ₱3,183.43 million and ₱1,319.45 million for years ended December 31, 2020, 2019 and 2018, respectively (Note 25). The capitalization rates used to determine the borrowing costs eligible for capitalization is 6.51%, 7.04% and 6.48% in 2020, 2019 and 2018, respectively, for general borrowings and range from 5.70% to 8.25% for specific borrowings in 2020, 2019 and 2018. Amortization expense related to right-of-use asset amounted to ₱210.76 million and ₱163.98 million for the years ended December 31, 2020 and 2019, respectively. Right-of-use asset is amortized over a period of 11 to 27 years.

The total contractual obligations to either purchase or construct or develop investment properties or for repairs, maintenance and enhances amounted to ₱3,484.35 million and ₱5,009.73 million as of December 31, 2020 and 2019, respectively.



## 15. Property and Equipment

The rollforward analyses of this account follow:

| | 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Land** | **Building and Building Improvements** | **Transportation Equipment** | **Office Furniture, Fixtures and Equipment** | **Construction Equipment** | **Other Fixed Assets** | **Total** |
| **Cost** | | | | | | | |
| Balances at beginning of year | ₱83,333,600 | ₱1,151,480,420 | ₱923,529,838 | ₱996,927,982 | ₱1,176,113,971 | ₱284,888,135 | ₱4,616,273,946 |
| Additions | – | 27,927,982 | 11,076,174 | 4,646,101 | 25,257,141 | 1,925,126 | 70,832,524 |
| Balances at end of year | 83,333,600 | 1,179,408,402 | 934,606,012 | 1,001,574,083 | 1,201,371,112 | 286,813,261 | 4,687,106,470 |
| **Accumulated Depreciation and Amortization** | | | | | | | |
| Balances at beginning of year | – | 370,789,749 | 613,864,039 | 747,435,142 | 189,437,774 | 147,459,049 | 2,068,985,753 |
| Depreciation and amortization (Note 24) | – | 49,491,663 | 80,395,332 | 112,659,611 | 44,369,887 | 25,704,568 | 312,621,061 |
| Balances at end of year | – | 420,281,412 | 694,259,371 | 860,094,753 | 233,807,661 | 173,163,617 | 2,381,606,814 |
| **Net Book Value** | ₱83,333,600 | ₱759,126,990 | ₱240,346,641 | ₱141,479,330 | ₱967,563,451 | ₱113,649,644 | ₱2,305,499,656 |

| | 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Land | Building and Building Improvements | Transportation Equipment | Office Furniture, Fixtures and Equipment | Construction Equipment | Other Fixed Assets | Total |
| Cost | | | | | | | |
| Balances at beginning of year | ₱83,333,600 | ₱923,308,990 | ₱820,293,149 | ₱796,721,607 | ₱583,787,759 | ₱259,663,109 | ₱3,467,108,214 |
| Additions | – | 228,171,430 | 103,236,689 | 200,206,375 | 592,326,212 | 25,225,026 | 1,149,165,732 |
| Balances at end of year | 83,333,600 | 1,151,480,420 | 923,529,838 | 996,927,982 | 1,176,113,971 | 284,888,135 | 4,616,273,946 |
| Accumulated Depreciation and Amortization | | | | | | | |
| Balances at beginning of year | – | 360,486,037 | 536,991,515 | 649,227,217 | 160,036,957 | 146,420,828 | 1,853,162,554 |
| Depreciation and amortization (Note 24) | – | 10,303,712 | 76,872,524 | 98,207,925 | 29,400,817 | 1,038,221 | 215,823,199 |
| Balances at end of year | – | 370,789,749 | 613,864,039 | 747,435,142 | 189,437,774 | 147,459,049 | 2,068,985,753 |
| Net Book Value | ₱83,333,600 | ₱ 780,690,671 | ₱309,665,799 | ₱249,492,840 | ₱986,676,197 | ₱137,429,086 | ₱2,547,288,193 |

In 2019, additions to building and building improvements amounting to ₱193.16 million pertains to hotel building of VLCC.

Depreciation and amortization expense charged to operations amounted to ₱312.62 million, ₱215.82 million, and ₱173.01 million for the years ended December 31, 2020, 2019 and 2018, respectively (Note 24).

The Group has no contractual commitments arising from awarded contracts for the acquisition, development and construction of property and equipment as of December 31, 2020.

The Group performed impairment testing on its hotel property and equipment and right-of-use assets with carrying value of ₱618.19 million and ₱16.90 million, respectively as of December 31, 2020, by assessing its recoverable amount through estimation of its value-in-use (VIU). VIU is the present value of the future cash flows expected to be derived from an asset. The significant assumptions used in the valuation are discount rates of 11.26% with an average growth rate of 4.00%. The

Group also considered in its assumptions the impact of COVID-19 on the occupancy rate and room rates which are not expected to normalize until 2024. Based on the impairment testing, there is no impairment loss on the Group's hotel property and equipment, and right-of-use assets.

The Group's transportation equipment with a carrying value of ₱71.42 million and ₱133.83 million as of December 31, 2020 and 2019, respectively, were pledged as collateral under chattel mortgage to secure the car loans of the Group with various financial institutions (Note 20).

Borrowing cost capitalized to property and equipment amounted to ₱83.78 million in 2018 (nil in 2020 and 2019) (Note 25). The capitalization rate used to determine the borrowing costs eligible for capitalization is 6.48% in 2018.

## 16. Project Development Costs

Project development costs mainly pertain to advances to a related party, covered by memorandum of agreement for the purchase of socialized housing units. The requirement for socialized housing units is required by the Housing and Land Use Regulatory Board (HLURB) (Note 29). These advances are recouped upon receipt of the socialized housing units from the related party.

The account also includes deposits, cash advances and other charges in connection with joint venture agreements and memorandum of agreements entered into by the Group with individuals, corporate entities and related parties for the development of real estate projects. These agreements provide, among others, the following: a) the Group will undertake the improvement and development of the real estate project within a certain period, subject to certain conditions to be fulfilled by the real estate property owner; and b) the parties shall divide among themselves all saleable inventory and commercial development of the real estate project in accordance with the ratio mutually agreed. The real estate projects are in various stages of development from planning to ongoing construction.

On December 23, 2019, the Group entered into a Memorandum of Agreement with Bria Homes, Inc. that stipulated the allocated socialized housing units to the Group from the latter's ongoing and new projects.

On December 21, 2020, the Group executed an amended Memorandum of Agreement with Bria Homes, Inc. that stipulated the number of socialized housing credits to be delivered as final settlement of the advances from its on-going projects under different documentation stages.



## 17. Other Noncurrent Assets

This account consists of:

| | 2020 | 2019 |
|---|---|---|
| Deposits | **₱719,421,446** | ₱714,060,519 |
| Cash restricted for use - net (Note 13) | **272,019,451** | 490,977,155 |
| Model house accessories at cost | **167,591,636** | 185,527,313 |
| Systems development costs | **15,795,468** | 50,730,611 |
| Others | **11,824,005** | 16,592,331 |
| | **₱1,186,652,006** | ₱1,457,887,929 |

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

Amortization of system development costs amounted to ₱56.71 million, ₱55.87 million and ₱30.85 million for the years ended December 31, 2020, 2019 and 2018, respectively. These are included in the "Depreciation and amortization" account under "Operating expenses" in the consolidated statements of comprehensive income (Note 24).

## 18. Accounts and Other Payables

This account consists of:

| | 2020 | 2019 |
|---|---|---|
| Current portion of liabilities for purchased land | | |
| (Notes 22 and 31) | **₱2,195,422,411** | ₱2,382,652,065 |
| Commissions payable | **1,960,661,472** | 2,128,281,582 |
| Accounts payable | | |
| Contractors | **2,414,128,171** | 1,756,004,741 |
| Incidental costs | **2,700,160,528** | 1,314,344,013 |
| Suppliers | **1,996,391,484** | 1,245,936,521 |
| Buyers | **1,273,657,037** | 968,349,014 |
| Accrued expenses | **1,593,555,079** | 1,401,933,426 |
| Current portion of retention payable | | |
| (Notes 22 and 31) | **1,301,106,490** | 776,521,157 |
| Current portion of deferred output tax (Note 22) | **787,309,793** | 731,356,560 |
| Other payables | **547,912,927** | 458,679,787 |
| | **₱16,770,305,392** | ₱13,164,058,866 |

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

land that are payable beyond one year from reporting date are presented as noncurrent liabilities (Note 22).

*Commissions payable*
Commissions payable pertain to fees due to brokers for services rendered which are expected to be settled within one year.

*Accounts payable - contractors*
Accounts payable - contractors pertain to contractors' billings for construction services related to the development of various projects of the Group. These are expected to be settled within a year after the financial reporting date.

*Accounts payable - incidental costs*
Accounts payable - incidental costs pertain to liabilities incurred in relation to land acquired. This includes payable for titling costs, clearing, security and such other additional costs incurred.

*Accounts payable - suppliers*
Accounts payable - suppliers represent 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 from recognition date.

*Accounts payable - buyers*
Accounts payable - buyers pertain to refunds arising from the cancellation of contract to sell agreement which is determined based on the required refund under the Maceda Law.

*Accrued expenses*
Details of accrued expenses as follow:

| | **2020** | 2019 |
|---|---|---|
| Interest | **₱943,809,186** | ₱761,994,825 |
| Marketing | **368,545,878** | 335,649,060 |
| Security | **58,402,906** | 90,336,836 |
| Subdivision maintenance | **49,595,806** | 35,196,451 |
| Repairs and maintenance | **46,717,920** | 36,507,710 |
| Light and power | **29,341,329** | 17,725,867 |
| Management fees | **15,708,240** | 6,047,423 |
| Rental | **11,646,900** | 72,175,388 |
| 13th month/bonus | **9,747,667** | 4,264,287 |
| Contracted services | **9,637,454** | 11,380,114 |
| Others | **50,401,793** | 30,655,465 |
| | **₱1,593,555,079** | ₱1,401,933,426 |



*Current portion of retention payable*
Retention payable pertains to 10.00% retention from the contractors' progress billings which will be released after the completion of contractors' project and upon acceptance of the work by the Group. The retention serves as a holdout amount withheld from the contractor to cover for back charges that may arise from quality issues in affected projects. Retention payables that will be settled beyond one year from reporting date are presented as noncurrent liabilities (Note 22).

*Current portion of deferred output tax*
Deferred output tax pertains to the VAT charged to the buyers on installment upon contracting of real estate sale but were not yet collected as of reporting date. Further, upon collection of the VAT portion of installment receivables, the equivalent output tax is included in the current VAT payable of the month. Deferred output VAT pertaining to installment receivables that are beyond one year after reporting date are presented as noncurrent liabilities (Note 22).

*Other payables*
Other payables include statutory payables which are remitted on a monthly basis.

## 19. Security Deposits and Advance Rent

This account consists of:

| | **2020** | 2019 |
|---|---|---|
| Current portion of security deposits (Note 22) | **₱534,775,286** | ₱817,375,604 |
| Current portion of advance rent (Note 22) | **305,061,924** | 652,123,377 |
| | **₱839,837,210** | ₱1,469,498,981 |

*Current portion of security deposits*
Security deposits represent deposits required by lease agreements. These can be recovered upon termination of the lease agreement through refund or application to unpaid rent and/or other charges. Security deposit also include bond deposits of homeowners for their house extension, fence construction and landscaping works which will be refunded after considering any charges. Current portion are those to be settled within one year from financial reporting date.

*Current portion of advance rent*
Advance rent includes three-month advance rental paid by lessee as required under lease contract. These will be applied to the first or last three months rental depending on the contract terms of the related lease contract. These also include overpayments made by lessee against its monthly billings which will applied to future billings. Current portion are those to be settled within one year from financial reporting date.

## 20. Bank Loans and Loans Payable

*Bank Loans*

Bank loans pertain to the borrowings of the Group from various local financial institutions. These bank loans are obtained to finance capital expenditures and for general corporate purposes.

The rollforward analysis of this account follows:

| | **December 31, 2020** | December 31, 2019 |
|---|---|---|
| Balance at the beginning of year | **₱47,368,935,673** | ₱44,725,870,774 |
| Availment* | **21,973,981,100** | 13,465,197,418 |
| Payment* | **(26,836,492,223)** | (10,822,132,519) |
| Balance at end of year | **42,506,424,550** | 47,368,935,673 |
| Debt issue cost | | |
| Balance at the beginning of the year | **193,790,508** | 249,818,259 |
| Additions | **25,000,000** | 25,000,000 |
| Amortizations | **(86,155,159)** | (81,027,751) |
| Balance at end of the year | **132,635,349** | 193,790,508 |
| Carrying value | **42,373,789,201** | 47,175,145,165 |
| Less current portion | **(7,177,334,341)** | (5,731,434,292) |
| Noncurrent portion | **₱35,196,454,860** | ₱41,443,710,873 |

**Gross of bank loans that were rolled over during the period.*



Details of the bank loans as of December 31, 2020 and 2019 follow:

| Loan Type | Date of Availment | 2020 | 2019 | Maturity | Interest Rate | Payment Terms | Covenants/Collaterals |
|---|---|---|---|---|---|---|---|
| *VLLI* | | | | | | | |
| Bank Loan | September 2016 | **₱1,306,180,356** | ₱1,746,801,967 | September 2023 | 5.00% | Interest and principal payable quarterly | Current ratio of at least 1:1.00; Debt to Equity maximum of 2.50:1.00 and DSCR 1:1.00; unsecured |
| Bank loan | October 2016 | **2,199,702,833** | 3,000,000,000 | October 2023 | 5.00% | Interest and principal payable quarterly | Current ratio of at least 1:1.00; Debt to Equity maximum of 2.50:1.00 and DSCR 1:1.00; unsecured |
| Bank Loan | April 2018 | **3,600,000,000** | 4,400,000,000 | April 2025 | 6.99% | Interest and principal payable quarterly | Current ratio of at least 1:1.00; Debt to Equity maximum of 2.50:1.00 and DSCR 1:1.00; unsecured |
| Bank Loan | October 2018 | **1,490,803,909** | 1,980,500,000 | October 2023 | 7.593% | Interest and principal payable quarterly | Change of control provision wherein a material change of ownership of the major shareholder is not permitted; Current ratio of at least 1:1.00; Debt to Equity maximum of 2.50:1.00 and DSCR 1:1.00; unsecured; Guaranteed by subsidiaries |
| Bank Loan | November 2018 | **1,500,000,000** | 2,000,000,000 | November 2023 | 7.77% | Interest and principal payable quarterly | Current ratio of at least 1:1.00; Debt to Equity maximum of 2.50:1.00 and DSCR 1:1.00; unsecured; Guaranteed by subsidiaries |
| Bank loan | May 2019 | **1,388,144,450** | 1,778,333,333 | May 2024 | 7.15% | Interest and principal payable quarterly | Current ratio of at least 1:1.00; Debt to Equity maximum of 2.50:1.00 and DSCR 1:1.00; unsecured; Guaranteed by subsidiaries |
| Bank loan | October 2019 | **2,210,526,316** | 2,842,105,263 | May 2024 | 5.263% | Interest and principal payable quarterly | Current ratio of at least 1:1.00; Debt to Equity maximum of 2.50:1.00 and DSCR 1:1.00; unsecured; Guaranteed by subsidiaries |
| Bank loan | March 2020 | **4,455,643,122** | – | March 2025 | 4.89% | Interest and principal payable quarterly | Current ratio of at least 1:1.00; Debt to Equity maximum of 2.50:1.00 and DSCR 1:1.00; unsecured; Guaranteed by subsidiaries |
| Bank loan | July 2018 | **1,000,000,000** | 1,000,000,000 | April 2021; renewable upon maturity subject to changes in interest rate | 6.65% | Interest payable monthly, principal payable annually upon maturity | None |
| Bank loan | Availed and/or renewed in various dates in 2019 | **19,665,895,624** | 23,227,922,900 | Various maturities in 2021 and 2020, renewed upon maturity subject to change in interest rate | 4.085% to 4.75% | Interest payable monthly and quarterly, principal payable upon maturity | With collateral |
| | | **₱38,816,896,610** | ₱41,975,663,463 | | | | |

*(Forward)*

| Loan Type | Date of Availment | 2020 | 2019 | Maturity | Interest Rate | Payment Terms | Covenants/Collaterals |
|---|---|---|---|---|---|---|---|
| *MAPI* | | | | | | | |
| Bank loan | Availed in various dates in 2013 and 2014 | **₱–** | ₱356,964,140 | August 2020 | 5.75% to 6.12% | Interest and principal payable quarterly | Current ratio of at least 1:25:1.00 and debt to Equity maximum of 3:00:1.00; with collateral |
| Bank loan | Availed in various dates in 2015 | **567,287,594** | 1,023,129,626 | March 2022 | 5.46% | Interest and principal payable monthly | With collateral |
| Bank loan | July 2017 | **421,875,000** | 484,375,000 | June 2027 | 6.23% | Interest and principal payable monthly | Current ratio of at least 1:1.00; Debt to Equity maximum of 2.50:1.00 and DSCR 1:1.00 |
| | | **989,162,594** | 1,864,468,766 | | | | |
| *MC* | | | | | | | |
| Bank loan | July 2016 | **1,976,287,909** | 2,426,136,604 | July 2022 | 5.75% | Interest and principal payable quarterly | Current ratio of at least 1:1.00; Debt to Equity maximum of 3.00:1.00; with collateral |
| | | **1,976,287,909** | 2,426,136,604 | | | | |
| *Brittany* | | | | | | | |
| Bank loan | July 2019 | **1,613,289** | 857,990 | July 2021 | 9% | Interest and principal payable monthly | Chattel mortgage |
| | | **1,613,289** | 857,990 | | | | |
| *CAPI* | | | | | | | |
| Bank Loan | December 2019 | **1,009,280** | 2,220,416 | December 2021 | 9.33% | Interest and principal payable monthly | Chattel mortgage |
| | | **1,009,280** | 2,220,416 | | | | |
| *CHI* | | | | | | | |
| Bank loan | February 2010 | **3,264,507** | 6,748,274 | December 2019 | 10.50% | Interest and principal payable monthly | Chattel mortgage |
| Bank loan | July 2019 | **–** | 45,641,763 | March 2020 | 9.25% | Interest and principal payable monthly | Unsecured |
| Bank loan | November and December 2019 | **–** | 1,972,594 | October and November 2021 | 9.33% | Interest and principal payable monthly | Chattel mortgage |
| | | **3,264,507** | 54,362,631 | | | | |
| *CPI* | | | | | | | |
| Bank loan | March 2016 | **–** | 116,817,047 | March 2020 | 5.50% | Interest and principal payable quarterly | Unsecured |
| Bank loan | February 2010 | **4,288,792** | 15,220,840 | Various Dates up to 2021 | Various | Interest and principal payable monthly | Chattel mortgage |
| | | **4,288,792** | 132,037,887 | | | | |
| *VRI* | | | | | | | |
| Bank loan | December 2017 | **575,078,471** | 704,285,714 | December 2024 | 6.70% | Interest payable quarterly, principal payable upon maturity | Unsecured |
| Bank loan | May 2010 | **1,263,946** | 2,785,180 | August 2020 | 10.50% | Interest and principal payable monthly | Chattel mortgage |
| | | **576,342,417** | 707,070,894 | | | | |
| *PCLHI* | | | | | | | |
| Bank loan | February 2013 | **4,923,803** | 12,326,514 | December 2020 | Various | Interest and principal payable monthly | Chattel mortgage |
| | | **42,373,789,201** | 47,175,145,165 | | | | |
| Less current portion | | **7,177,334,341** | 5,731,434,292 | | | | |
| Bank loans, net of current portion | | **₱35,196,454,860** | ₱41,443,710,873 | | | | |



In March 2020, the Parent Company obtained a 5-year unsecured peso denominated loan amounting to ₱5,000.00 million which bears annual fixed interest of 4.89%, payable quarterly. The principal balance of the loan will be paid in 19 equal quarterly installments commencing September 2020.

In May 2019, the Parent Company obtained a 5-year unsecured peso denominated loan amounting to ₱2,000.00 million which bears annual fixed interest of 7.15%, payable quarterly. The principal balance of the loan will be paid in 20 equal quarterly installments that commenced on August 2019.

In October 2019, the Parent Company obtained an additional 5-year unsecured peso denominated loan amounting to ₱3,000.00 million which bears annual fixed interest of 5.26%, payable quarterly. The principal balance of the loan will be paid in 19 equal quarterly installments that commenced on November 2019.

The Parent Company has various peso-denominated bank loans with fixed interest-rates ranging from 4.08% to 4.75% per annum. In 2020 and 2019, these bank loans are renewable upon maturity subject to change in interest rates and/or hold-out amount of the investments in debt securities investments of VII. These loans are secured by hold-out of the investments in debt securities of VII amounting to US$439.03 million as of December 31, 2020.

The Group has complied with the covenants required by the bank loans as at December 31, 2020, and 2019. The compliance of the Parent Company to the covenants of its bank loans is based on the consolidated financial statements balances of the Group. The compliance of MAPI and MC to the covenants of their respective bank loans are based on their standalone financial statement balances.

As disclosed in Notes 10, 14, and 15, certain investments at amortized cost, property and equipment, and investment properties are used as collateral to bank loans.

Subsidiaries of the Parent Company namely, Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc., Communities Philippines, Inc., Vistamalls, Inc. (formerly Starmalls, Inc.) and Vista Residences Inc. acted as guarantors for selected bank loans of the Parent Company. No fees are charged for these guarantee agreements.

*Loans Payable*
These loans bear annual fixed interest rates ranging from 6.00% to 8.00% as at December 31, 2020 and 6.50% to 8.00% as at December 31, 2019, payable on equal monthly installment over a maximum period of 3 to 15 years. Other than the installment contracts receivable that serve as collateral, the loans payable has no other restrictions, requirements or covenants (Note 11).

Movement of loans payable follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Balance at beginning of year | **₱3,404,980,820** | ₱2,784,170,565 |
| Availments | **2,066,281,574** | 3,333,732,526 |
| Payments | **(1,149,367,749)** | (2,712,922,271) |
| Balance at end of year | **4,321,894,645** | 3,404,980,820 |
| Less current portion | **3,195,007,367** | 3,131,443,081 |
| | **₱1,126,887,278** | ₱273,537,739 |

Interest expense on bank loans and loans payable amounted to ₱2,685.36 million, ₱3,372.14 million, ₱3,368.51 million in 2020, 2019 and 2018, respectively (Note 25).

## 21. Notes Payable

This account consists of:

| | 2020 | 2019 |
|---|---|---|
| Dollar denominated bonds | **₱43,567,135,154** | ₱35,703,087,488 |
| Corporate note facility | **29,969,713,712** | 32,066,708,294 |
| Retail bonds | **25,466,719,648** | 25,420,362,103 |
| | **99,003,568,514** | 93,190,157,885 |
| Less current portion | **5,647,208,388** | 2,440,675,895 |
| Noncurrent portion | **₱93,356,360,126** | ₱90,749,481,990 |

A. Dollar Denominated Bonds

a. US$200.00 million Notes (Due July 2027)
On July 20, 2020, VII (the Issuer) issued US$ 200.00 million notes ("Notes") with a term of seven years from initial drawdown date. The interest rate is 7.25% per annum, payable semi-annually in arrears on January 20 and July 20 of each year beginning on January 20, 2021. The Notes were used to refinance existing debt as a result of a liability management exercise and excess proceeds were used to refinance existing debt and for general corporate purposes. There are no properties owned by the Group that were pledged as collateral to this note. As of December 31, 2020, outstanding balance of the note amounted to US$198.07 million (₱9,511.86 million).

*Redemption at the option of the Issuer*
At any time, the Issuer may on any one or more occasions redeem all or a part of the Notes on any business day or after July 20, 2024 and up to but excluding the Maturity date, the Issuer may on one or more occasions redeem all or part of the Notes, at the redemption price, plus accrued and unpaid interest, if any, to (but not including) the date of redemption, if redeemed during the 12-month period commencing on July 20 of the years set forth below:



| Period | Price |
|---|---|
| 2024 | 103.6250% |
| 2025 | 101.8125% |
| 2026 and thereafter | 100.0000% |

The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

As part of the issuance of the Notes, the subsidiaries of the Issuer that acted as guarantors, irrevocably and unconditionally, are: Vista Land & Lifescapes, Inc., Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc., Communities Philippines, Inc., Vistamalls, Inc. (formerly Starmalls, Inc.) and Vista Residences Inc. No fees are charged for these guarantee agreements.

*Covenants*
The Notes provide for the Group to comply with certain covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers, acquisitions and disposals; and certain other covenants. These were complied with by the Group as at December 31, 2020.

The incurrence test for additional debt requires the Group to have a (Fixed Charge Coverage Ratio) FCCR of not less than 2.25x.

b. US$350.00 million Notes (Due November 2024)
On November 28, 2017, VII (the Issuer) issued US$350.00 million notes ("Notes") with a term of seven years from initial drawdown date. The interest rate is 5.75% per annum, payable semi-annually in arrears on May 28 and November 28 of each year beginning on November 28, 2017. The Notes were used to refinance existing debt as a result of a liability management exercise and excess proceeds were used to refinance existing debt and for general corporate purposes. There are no properties owned by the Group that were pledged as collateral to this note. As of December 31, 2020, and 2019, outstanding balance of the note amounted to US$343.81million (₱16,510.73 million) and US$342.67 million (₱17,351.21 million), respectively.

*Redemption at the option of the Issuer*
At any time, the Issuer may on any one or more occasions redeem all or a part of the Notes on any business day or after November 28, 2021 and up to but excluding the Maturity date, the Issuer may on one or more occasions redeem all or part of the Notes, at the redemption price, plus accrued and unpaid interest, if any, to (but not including) the date of redemption, if redeemed during the 12-month period commencing on November 28 of the years set forth below:

| Period | Price |
|---|---|
| 2021 | 102.8750% |
| 2022 | 101.4375% |
| 2023 and thereafter | 100.0000% |

The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

As part of the issuance of the Notes, the subsidiaries of the Issuer that acted as guarantors, irrevocably and unconditionally, are: Vista Land & Lifescapes, Inc., Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc., Communities Philippines, Inc., Vistamalls, Inc. (formerly Starmalls, Inc.) and Vista Residences Inc. No fees are charged for these guarantee agreements.

*Covenants*
The Notes provide for the Group to comply with certain covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers, acquisitions and disposals; and certain other covenants. These were complied with by the Group as at December 31, 2020 and 2019.

The incurrence test for additional debt requires the Group to have a (Fixed Charge Coverage Ratio) FCCR of not less than 2.25x.

c. <u>US$425.00 million Notes (Due June 2022)</u>
On June 18, 2015, VII (the Issuer) issued US$300.00 million notes ("Notes") with a term of seven years from initial draw down date. The interest rate is 7.375% per annum, payable semi-annually in arrears on June 18 and December 17 of each year beginning on December 17, 2015. The Notes were used to refinance existing debt and for general corporate purposes. There are no properties owned by the Group that were pledged as collateral to this note. As of December 31, 2020, and 2019, outstanding balance of the note amounted to US$240.47million (₱11,547.94 million) and US$237.57 million (₱12,029.30 million), respectively.

On February 2, 2016, an additional unsecured note, with the same terms and conditins with the above notes, were issued by the Group amounting to US$125.0 million. The notes were issued at 102% representing yield to maturity of 6.979%. There are no properties owned by the Group that were pledged as collateral to this note. As of December 31, 2020, and 2019, outstanding balance of the note amounted to US$124.87 million (₱5,996.60 million) and US$124.87 million (₱6,322.58 million), respectively.

*Redemption at the option of the Issuer*
At any time, the Issuer may on any one or more occasions redeem all or a part of the Notes, by giving notice, 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 redemption, subject to the rights of the person in whose name the Notes is registered on the relevant record date to receive interest due on the relevant interest payment date.



The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

As part of the issuance of the Notes, the subsidiaries of the Issuer that acted as guarantors, irrevocably and unconditionally, are: Vista Land & Lifescapes, Inc., Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc., Communities Philippines, Inc., and Vista Residences Inc. No fees are charged for these guarantee agreements.

*Covenants*
The Notes provide for the Group to comply with certain covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers and acquisitions and disposals; and certain other covenants. These were complied with by the Group as at December 31, 2020, and 2019.

The incurrence test for additional debt requires the Group to have a (Fixed Charge Coverage Ratio) FCCR of not less than 2.25x.

B. <u>Corporate Note Facility</u>

a. <u>₱15,000.00 million Corporate Notes (Due July 2024)</u>
On July 15, 2019, the Parent Company (the Issuer) entered into a Corporate Notes Facility Agreement for the issuance of a long-term corporate notes consisting of Five-Year Corporate Notes due 2024 amounting to ₱14,500.00 million at a fixed rate of 6.77% per annum, payable quarterly.

On October 17, 2019, an additional issuance of Corporate Notes was made in the amount of ₱500.00 million due 2024, at a fixed interest of 6.77% per annum, payable quarterly.

The proceeds of the corporate notes were utilized for the 2019 capital expenditures for commercial property projects, and to fund other general corporate expenses of the Group. The issue cost amounted to ₱159.91 million. This was capitalized as debt issue cost and amortized over the life of the liability and was offset to the carrying value of the liability.

As of December 31, 2020, and 2019, the outstanding balance of the Corporate Notes is ₱13,973.50 million and ₱14,861.46 million, respectively.

The Corporate Notes provide early Redemption at the option of the Issuer as follows:

| Early Redemption Date | Early Redemption Amount |
|---|---|
| 3rd anniversary from issue date and interest payment thereafter | 101.00% |
| 4th anniversary from issue date and interest payment thereafter | 100.50% |

The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

As part of the issuance of the Corporate Notes, the subsidiaries of the Parent Company that acted as guarantors, irrevocably and unconditionally, are: Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc., Communities Philippines, Inc., Vistamalls, Inc. (formerly Starmalls, Inc.) and Vista Residences Inc. No fees are charged for these guarantee agreements.

*Covenants*
The Corporate Notes requires the Issuer to maintain the pari passu ranking with all and future unsecured and unsubordinated indebtedness except for obligations mandatorily preferred or in respect of which a statutory preference is established by law.

The Issuer is also required to maintain at all times the following financial ratios: current ratio at 1.00, debt to equity at 2.50 and debt service coverage ratio of at least 1.00. These were complied with by the Group as at December 31, 2020 and 2019.

b. ₱8,200.00 million Corporate Notes (Due July 2025 and 2028)
On July 11, 2018, the Parent Company (the Issuer) entered into a Corporate Notes Facility Agreement for the issuance of a long term corporate notes consisting of Seven-Year Corporate Notes due 2025 amounting to ₱1,700.00 million at a fixed rate of 7.4913% per annum, payable quarterly and Ten-Year Corporate Notes due 2028 amounting to ₱6,000.00 million at a fixed rate of 7.7083% per annum, payable quarterly.

On July 25, 2018, an additional issuance of Corporate Notes was made in the amount of ₱500.00 million due 2025, at a fixed interest of 7.4985% per annum.

The proceeds of the corporate notes were utilized for the 2018 capital expenditures for commercial property projects, and to fund other general corporate expenses of the Group. The issue cost amounted to ₱105.30 million. This was capitalized as debt issue cost and amortized over the life of the liability and was offset to the carrying value of the liability.

As of December 31, 2020, and 2019, the outstanding balance of the Corporate Notes is ₱6,847.66 million and ₱7,863.84 million, respectively.



The Corporate Notes provide early Redemption at the option of the Issuer as follows:

Seven Year Notes:

| Early Redemption Date | Early Redemption Amount |
|---|---|
| 5th anniversary from issue date and interest payment thereafter | 101.00% |
| 6th anniversary from issue date and interest payment thereafter | 100.50% |

Ten Year Notes:

| Early Redemption Date | Early Redemption Amount |
|---|---|
| 7th anniversary from issue date and interest payment thereafter | 102.00% |
| 8th anniversary from issue date and interest payment thereafter | 101.00% |
| 9th anniversary from issue date and interest payment thereafter | 100.50% |

The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

As part of the issuance of the Corporate Notes, the subsidiaries of the Parent Company that acted as guarantors, irrevocably and unconditionally, are: Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc., Communities Philippines, Inc., Vistamalls, Inc. (formerly Starmalls, Inc.) and Vista Residences Inc. No fees are charged for these guarantee agreements.

*Covenants*
The Corporate Notes requires the Issuer to maintain the pari passu ranking with all and future unsecured and unsubordinated indebtedness except for obligations mandatorily preferred or in respect of which a statutory preference is established by law.

The Issuer is also required to maintain at all times the following financial ratios: current ratio at 1.00, debt to equity at 2.50 and debt service coverage ratio of at least 1.00. These were complied with by the Group as at December 31, 2020 and 2019.

c. ₱10,000.00 million Corporate Notes (Due December 2026)
On December 28, 2016, the Parent Company (the Issuer) entered into a Corporate Notes Facility Agreement for the issuance of a long-term corporate notes with a principal amount of up to ₱8,000.00 million. On April 21, 2017, a consent solicitation was made for amendments to include among others, increasing the Corporate Notes principal amount to up to ₱10,000.00 million in respect to the second drawdown. Such amendments were consented by Note Holders representing at least fifty one percent (51%) of the outstanding Corporate Notes.

On April 27, 2017, the Issuer made such amendments to the Corporate Note Facility dated December 28, 2016. The first drawdown was at ₱5,150.00 million in 2016, at fixed interest of 6.19% per annum, payable quarterly. On May 3, 2017, the Issuer made its second drawdown at ₱4,850.00 million, at fixed interest of 6.23% per annum, payable quarterly.

The proceeds of the Corporate Notes were utilized for the 2017 capital expenditures, refinancing of existing indebtedness and to fund other general corporate expenses. The issue cost amounted to ₱38.72 million. This was capitalized as debt issue cost and amortized over the life of the liability and was offset to the carrying value of the liability.

As of December 31, 2020, and 2019, the outstanding balance of the Corporate Notes is ₱9,148.55 million and ₱9,341.41 million, respectively.

The Corporate Notes provide early Redemption at the option of the Issuer as follows:

| Early Redemption Date | Early Redemption Amount |
|---|---|
| 7th anniversary from issue date and interest payment thereafter | 102.00% |
| 8th anniversary from issue date and interest payment thereafter | 101.00% |
| 9th anniversary from issue date and interest payment thereafter | 100.50% |

The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

As part of the issuance of the Corporate Notes, the subsidiaries of the Parent Company that acted as guarantors, irrevocably and unconditionally, are: Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc., Communities Philippines, Inc., Vistamalls, Inc. (formerly Starmalls, Inc.) and Vista Residences Inc. No fees are charged for these guarantee agreements.

*Covenants*
The Corporate Notes requires the Issuer to maintain the pari passu ranking with all and future unsecured and unsubordinated indebtedness except for obligations mandatorily preferred or in respect of which a statutory preference is established by law.

The Issuer is also required to maintain at all times the following financial ratios: current ratio at 1.00, debt to equity at 2.50 and debt service coverage ratio of at least 1.00. These were complied with by the Group as at December 31, 2020 and 2019.



C. Retail Bonds

a. 2019 Fixed-rate Peso Retail Bonds
On December 18, 2019, the Parent Company (the Issuer) issued an unsecured fixed-rate Peso Retail Bonds with an aggregate principal amount of ₱10,000.00 million. The proceeds of the issuance were used to fund the construction and completion of the various malls and condominium projects, redevelopment of existing malls, as well as general corporate purposes. The issue costs amounted ₱91.07 million. This was capitalized as debt issue cost and amortized over the life of the liability and was offset to the carrying value of the liability.

The offer is comprised of 5-year Retail Bonds due on June 18, 2025 with interest rate of 5.70% per annum. This is the third and last tranche offered out of the shelf registration of Peso Retail Bonds in the aggregate principal amount of up to ₱20,000.00 million and initial tranche offered out of the shelf registration of Retail Bonds in the aggregate principal amount of up to ₱30,000.00 million to be offered within a period of three (3) years. Interest on the Retail Bonds is payable quarterly in arrears starting on March 18, 2020, for the first interest payment date and on June 18, September 18, December 18 each year for each subsequent payment date.

As of December 31, 2020, and 2019, the outstanding balance of the Corporate Notes is ₱9,925.08 million and ₱9,910.83 million, respectively.

*Redemption at the option of the Issuer*
The Issuer may redeem in whole, the outstanding Retail Bonds on the following relevant dates. The amount payable to the bondholders upon the exercise of the early redemption option by the Issuer shall be calculated, based on the principal amount of Retail Bonds being redeemed, as the sum of: (i) accrued interest computed from the last interest payment date up to the relevant early redemption option date; and (ii) the product of the principal amount of the Retail Bonds being redeemed and the early redemption price in accordance with the following schedule:

i. Three (3) years from issue date at early redemption price of 101.00%
ii. Four (4) years from issue date at early redemption price of 100.50%

The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

*Covenants*
The Retail Bonds provide for the Issuer to comply with covenants including, among others, incurrence or guarantee of additional indebtedness; prepayment or redemption of subordinate debt and equity; making certain investments and capital expenditures; consolidation or merger with other entities; and certain other covenants. The Retail Bonds requires the Issuer to maintain a current

ratio of at least 1.00:1.00, a maximum debt-to-equity ratio of 2.50:1.00 and a DSCR of at least 1.00:100. These were complied with by the Group as at December 31, 2020 and 2019.

b. <u>2018 Fixed-rate Peso Retail Bonds</u>
On December 21, 2018, the Parent Company (the Issuer) issued unsecured fixed-rate Peso Retail Bonds with an aggregate principal amount of ₱10,000.00 million. The proceeds of the issuance were used to fund the construction and completion of the various malls and for general corporate purposes. The issue costs amounted to ₱130.20 million. This was capitalized as debt issue cost and amortized over the life of the liability and was offset to the carrying value of the liability.

The offer is comprised of 5-year Retail Bonds due on December 21, 2023 with interest rate of 8.00% per annum and 7-year Retail Bonds due on December 21, 2025 with interest rates.25% per annum. This is the second tranche offered out of the shelf registration of Retail Bonds in the aggregate principal amount of up to ₱20,000.00 million to be offered within a period of three (3) years. Interest on the Retail Bonds is payable quarterly in arrears starting on March 21, 2019 for the first interest payment date and on March 21, June 21, September 21 and December 21 each year for each subsequent payment date.

As of December 31, 2020, and 2019, the outstanding balance of the Corporate Notes is ₱9,909.80 million and ₱9,887.90 million, respectively.

*Redemption at the option of the Issuer*
The Issuer may redeem in whole, the outstanding Retail Bonds on the following relevant dates. The amount payable to the bondholders upon the exercise of the early redemption option by the Issuer shall be calculated, based on the principal amount of Retail Bonds being redeemed, as the sum of: (i) accrued interest computed from the last interest payment date up to the relevant early redemption option date; and (ii) the product of the principal amount of the Retail Bonds being redeemed and the early redemption price in accordance with the following schedule:

a) 5-year Bonds:
   i. Three (3) years from issue date at early redemption price of 101.00%
   ii. Four (4) years from issue date at early redemption price of 100.50%
b) 7-year Bonds:
   i. Five (5) years from issue date at early redemption price of 101.00%
   ii. Six (6) years from issue date at early redemption price of 100.50%

The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.



*Covenants*
The Retail Bonds provide for the Issuer to comply with covenants including, among others, incurrence or guarantee of additional indebtedness; prepayment or redemption of subordinate debt and equity; making certain investments and capital expenditures; consolidation or merger with other entities; and certain other covenants. The Retail Bonds requires the Issuer to maintain a current ratio of at least 1.00:1.00, a maximum debt-to-equity ratio of 2.50:1.00 and a DSCR of at least 1.00:100. These were complied with by the Group as at December 31, 2020, and 2019.

c. <u>2017 Fixed-rate Peso Retail Bonds</u>
On August 8, 2017, the Parent Company (the Issuer) issued unsecured fixed-rate Peso Retail Bonds with an aggregate principal amount of ₱5,000.00 million. The proceeds of the issuance were used to partially finance certain commercial development projects and for general corporate purposes. The issue costs amounted to ₱64.87 million. This was capitalized as debt issue cost and amortized over the life of the liability and was offset to the carrying value of the liability.

The offer is comprised of 7-year Retail Bonds due on August 8, 2024 with interest rate of 5.75% per annum and 10-year Retail Bonds due on August 9, 2027 with interest rate of 6.23% per annum. This is the initial tranche offered out of the shelf registration of Retail Bonds in the aggregate principal amount of up to ₱20,000.00 million to be offered within a period of three (3) years. Interest on the Retail Bonds is payable quarterly in arrears starting on November 8, 2017 for the first interest payment date and on February 8, May 8, August 8 and November 8 each year for each subsequent payment date.

As of December 31, 2020, and 2019, the outstanding balance of the Corporate Notes is ₱4,959.06 million and ₱4,951.44 million, respectively.

*Redemption at the option of the Issuer*
The Issuer may redeem in whole, the outstanding Retail Bonds on the following relevant dates. The amount payable to the bondholders upon the exercise of the early redemption option by the Issuer shall be calculated, based on the principal amount of Retail Bonds being redeemed, as the sum of: (i) accrued interest computed from the last interest payment date up to the relevant early redemption option date; and (ii) the product of the principal amount of the Retail Bonds being redeemed and the early redemption price in accordance with the following schedule:

a) 7-year Bonds:
   i. Five (5) years and six (6) months from issue date at early redemption price of 101.00%
   ii. Six (6) years from issue date at early redemption price of 100.50%

b) 10-year Bonds:
   i. Seven (7) years from issue date at early redemption price of 102.00%
   ii. Eight (8) years from issue date at early redemption price of 101.00%
   iii. Nine (9) years from issue date at early redemption price of 100.50%

The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

*Covenants*
The Retail Bonds provide for the Issuer to comply with covenants including, among others, incurrence or guarantee of additional indebtedness; prepayment or redemption of subordinate debt and equity; making certain investments and capital expenditures; consolidation or merger with other entities; and certain other covenants. The Retail Bonds requires the Issuer to maintain a current ratio of at least 1.00:1.00, a maximum debt-to-equity ratio of 2.50:1.00 and a DSCR of at least 1.00:100. These were complied with by the Group as at December 31, 2020 and 2019.

d. 2014 Fixed-rate Peso Retail Bonds
On May 9, 2014, the Parent Company (the Issuer) issued unsecured fixed-rate Peso Retail Bonds with an aggregate principal amount of ₱3,000.00 million and an overallotment option of up to ₱2,000.00 million. The proceeds of the issuance were used to partially finance certain commercial development projects of CPI and its subsidiaries. The issue costs amounted to ₱98.77 million. This was capitalized as debt issue cost and amortized over the life of the liability and was offset to the carrying value of the liability.

The offer is comprised of 5-year Retail Bonds due on November 9, 2019 with interest rate of 5.65% per annum and seven-year fixed rate bonds due on May 9, 2021 with interest rates of 5.94% per annum. Interest on the Retail Bonds shall be payable quarterly in arrears starting on August 9, 2014 for the first interest payment date and on February 9, May 9, August 9 and November 9 each year for each subsequent interest payment date. On November 9, 2019, the Issuer fully paid the 5-year Retail Bonds amounting to ₱4,326.27 million.

As of December 31, 2020, and 2019, the outstanding balance of the Corporate Notes is ₱672.78 million and ₱670.19 million, respectively.

*Redemption at the option of the Issuer*
The Issuer may redeem in whole, the outstanding Retail Bonds on the following relevant dates. The amount payable to the bondholders upon the exercise of the early redemption option by the Issuer shall be calculated, based on the principal amount of Retail Bonds being redeemed, as the sum of: (i) accrued interest computed from the last interest payment date up to the relevant early redemption option date; and (ii) the product of the principal amount of the Retail Bonds being redeemed and the early redemption price in accordance with the following schedule:



a) 5-year Bonds:
   i. Three (3) years and six (6) months from issue date at early redemption price of 101.00%
   ii. Four (4) years from issue date at early redemption price of 100.50%

b) 7-year Bonds:
   i. Five (5) years and six (6) months from issue date at early redemption price of 101.00%
   ii. Six (6) years from issue date at early redemption price of 100.50%

The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

As part of the issuance of the Retail Bonds, the subsidiaries of the Parent Company that acted as guarantors, irrevocably and unconditionally, are: Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc., Communities Philippines, Inc., Vistamalls, Inc. (formerly Starmalls, Inc.) and Vista Residences Inc. No fees are charged for these guarantee agreements.

*Covenants*
The Retail Bonds provide for the Issuer to comply with covenants including, among others, incurrence or guarantee of additional indebtedness; prepayment or redemption of subordinate debt and equity; making certain investments and capital expenditures; consolidation or merger with other entities; and certain other covenants. The Retail Bonds requires the Issuer to maintain a current ratio of at least 1.00:1.00, a maximum debt-to-equity ratio of 2.50:1.00 and a debt-service coverage ratio (DSCR) of at least 1.00:100. These were complied with by the Group as at December 31, 2020 and 2019.

Movement of notes payable follows:

| | **December 31, 2020** | December 31, 2019 |
|---|---|---|
| Principal | | |
| Balance at beginning of year | **₱94,495,734,794** | ₱75,681,629,060 |
| Drawdown | **9,883,000,000** | 25,000,000,000 |
| Principal payments | **(2,170,841,600)** | (4,784,605,400) |
| Translation adjustment | **(1,881,833,684)** | (1,401,288,866) |
| Balance at end of year | **100,326,059,510** | 94,495,734,794 |
| Debt issue cost | | |
| Balance at January 1 | **1,305,576,909** | 1,394,633,537 |
| Addition | **278,399,999** | 250,985,401 |
| Debt issue cost amortization | **(122,311,613)** | (306,949,630) |
| Translation adjustment | **(139,174,299)** | (33,092,399) |
| Balance at end of year | **1,322,490,996** | 1,305,576,909 |
| Carrying value | **99,003,568,514** | 93,190,157,885 |
| Less current portion | **5,647,208,388** | 2,440,675,895 |
| | **₱93,356,360,126** | ₱90,749,481,990 |

## 22. Other Noncurrent Liabilities

This account consists of:

| | 2020 | 2019 |
|---|---|---|
| Retentions payable - net of current portion (Notes 18 and 31) | **₱1,588,460,373** | ₱1,086,856,296 |
| Liabilities for purchased land - net of current portion (Notes 18 and 31) | **1,546,089,225** | 1,826,855,497 |
| Deferred output tax - net of current portion (Note 18) | **1,005,777,048** | 836,201,446 |
| Security deposits - net of current portion (Note 19) | **855,059,280** | 515,278,306 |
| Advance rent - net of current portion (Note 19) | **555,685,952** | 168,969,867 |
| | **₱5,551,071,878** | ₱4,434,161,412 |

## 23. Equity

Capital Stock
The details of the Parent Company's capital stock as at December 31 follow:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| *Common* | | | |
| Authorized shares | **17,900,000,000** | 17,900,000,000 | 17,900,000,000 |
| Par value per share | **₱1.00** | ₱1.00 | ₱1.00 |
| Issued shares | **13,114,136,376** | 13,114,136,376 | 13,114,136,376 |
| Outstanding shares | **11,945,799,461** | 11,945,799,461 | 12,035,916,361 |
| Value of shares issued | **₱13,114,136,376** | ₱13,114,136,376 | ₱13,114,136,376 |
| *Preferred Series 1* | | | |
| Authorized shares | **8,000,000,000** | 8,000,000,000 | 10,000,000,000 |
| Par value per share | **₱0.01** | ₱0.01 | ₱0.01 |
| Issued and outstanding shares | **3,300,000,000** | 3,300,000,000 | 3,300,000,000 |
| Value of shares issued | **₱33,000,000** | ₱33,000,000 | ₱33,000,000 |
| *Preferred Series 2* | | | |
| Authorized shares | **200,000,000** | 200,000,000 | – |
| Par value per share | **₱0.10** | ₱0.10 | ₱– |
| Issued and outstanding shares | **–** | – | – |
| Value of shares issued | **₱–** | ₱– | ₱– |

*Preferred Series 1*
Voting, non-cumulative, non-participating, non-convertible and non-redeemable. The BOD may determine the dividend rate which shall in no case be more than 10.00% per annum.

*Preferred Series 2*
On June 17, 2019, the Stockholders approved the reclassification of the unissued preferred capital stock of the Parent Company to create Two Hundred Million (200,000,000) non-voting, cumulative, non-participating, non-convertible and redeemable Series 2 preferred shares with par value of ₱0.10 each and the corresponding amendment of the Articles of Incorporation of the Parent Company.



The Board likewise approved the shelf registration and listing of such redeemable Series 2 preferred shares.

The terms and conditions of any offering of the Series 2 preferred shares, including the dividend rate, redemption prices, and similar matters will be determined by the Board of Directors at a later date. None of these reclassified preferred shares are issued as of December 31, 2020 and 2019.

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.

Below is the summary of the Parent Company's track record of registration of securities with the SEC as of December 31, 2020:

| | Number of Shares Registered | Number of holders of securities as of year end |
|---|---|---|
| December 31, 2018 | 13,114,136,376 | 956 |
| Add/(Deduct) Movement | – | (10) |
| December 31, 2019 | 13,114,136,376 | 946 |
| Add/(Deduct) Movement | – | 3 |
| **December 31, 2020** | **13,114,136,376** | **949** |

Treasury Shares
For the year ended December 31, 2019, the Parent Company has bought back from the market a total of 90,116,900 shares or ₱555.93 million value. There was no share bought back for the year ended
December 31, 2020.

Treasury shares totaling 416,128,700 of the Parent Company amounting to ₱2,361.98 million as of December 31, 2020 and 2019, respectively, represents the shares of stock held by the Parent Company, while treasury shares (752,208,215) amounting to ₱5,378.29 million for both 2020 and 2019 represents Parent Company stocks held by Manuela. These treasury shares are recorded at cost.

On November 5, 2018, the BOD of the Parent Company approved the extension of the Share Buyback Program up to November 5, 2020 subject to the prevailing market price at the time of the buyback over a 24-month period but subject to periodic review by the management.

The movement in the Parent Company's treasury shares follows:

| | **2020** | | 2019 | | 2018 | |
|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Shares | Amount |
| At January 1 | **1,168,336,915** | **₱7,740,264,387** | 1,078,220,015 | ₱7,184,331,182 | 1,039,418,515 | ₱6,980,294,580 |
| Additions | **–** | **–** | 90,116,900 | 555,933,205 | 38,801,500 | 204,036,602 |
| At December 31 | **1,168,336,915** | **₱7,740,264,387** | 1,168,336,915 | ₱7,740,264,387 | 1,078,220,015 | ₱7,184,331,182 |

Retained Earnings

In accordance with Revised SRC Rule 68, Annex 68-D, the Parent Company's retained earnings available for dividend declaration as at December 31, 2020, after reconciling items, amounted to ₱797.91 million.

Retained earnings include the accumulated equity in undistributed earnings of consolidated subsidiaries of ₱63,192.49 million and ₱53,068.04 million as at and December 31, 2020 and 2019, respectively.

Also, the retained earnings is restricted to payments of dividends to the extent of cost of treasury shares in the amount of ₱2,361.98 million as at December 31, 2020 and 2019.

On September 28, 2018, the BOD of the Parent Company approved the change of dividend policy from an annual cash dividend payment ratio of approximately 20% of its consolidated net income from preceding fiscal year to a minimum of 20% of its consolidated net income from preceding fiscal year.

The BOD of the Parent Company approved the declaration of regular cash dividend amounting to ₱597.29 million or ₱0.05 per share, ₱3,160.86 million or ₱0.26 per share and ₱2,719.23 million or ₱0.23 per share on September 30, 2020, September 30, 2019 and September 28, 2018, respectively. The dividend declarations are in favor of all stockholders of record as of October 16, 2020, October 16, 2019 and October 15, 2018 paid on October 30, 2020, October 31, 2019 and October 29, 2018, respectively.

As at December 31, 2020 and 2019, the Group's dividends payable amounted to ₱28.10 million and ₱68.87 million, respectively.

Noncontrolling Interest

The BOD of the Vistamalls, Inc. (formerly Starmalls, Inc.) approved the declaration of regular cash dividend amounting to ₱131.82 million or ₱0.02 per share, ₱481.12 million or ₱0.06 per share and ₱412.19 million or ₱0.05 per share on September 30, 2020, September 30, 2019 and September 26, 2018, respectively. The dividend declarations are in favor of all stockholders of record as of October 15, 2020, October 15, 2019 and October 11, 2018 paid on October 29, 2020, October 23, 2019 and October 25, 2018, respectively. Consequently, dividends to noncontrolling interest amounted to ₱15.33 million and ₱56.10 million in 2020 and 2019, respectively.



Capital Management

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

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

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both a gross debt and net debt basis. As of December 31, 2020, 2019 and 2018, the Group had the following ratios:

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Current ratio | **316%** | 395% | 376% |
| Debt-to-equity ratio | **134%** | 140% | 129% |
| Net debt-to-equity ratio | **87%** | 92% | 77% |
| Asset-to-equity ratio | **269%** | 273% | 259% |

As of December 31, 2020, 2019 and 2018, the Group had complied with all externally imposed capital requirements (Notes 20 and 21). No changes were made in the objectives, policies or processes for managing capital for the years ended December 31, 2020, 2019 and 2018.

The Group considers as capital the equity attributable to equity holders of the Parent Company. The following table shows the component of the Group's equity which it manages as capital as of December 31, 2020, 2019 and 2018:

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Total paid-up capital | **₱43,802,565,725** | ₱43,802,565,725 | ₱43,802,565,725 |
| Retained earnings | **66,411,673,066** | 60,952,947,290 | 52,736,780,731 |
| Treasury shares | **(7,740,264,387)** | (7,740,264,387) | (7,184,331,182) |
| Other comprehensive income | **585,601,339** | 633,485,331 | 534,538,519 |
| | **₱103,059,575,743** | ₱97,648,733,959 | ₱89,889,553,793 |

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 counterparties remain diverse and outstanding balance of selected related parties are guaranteed by Fine Properties, Inc., ultimate parent company. Out of the total rental income, ₱4,802.06 million or 63.26% are transactions with related parties.

Exposure to changes in interest rates is reduced by regular availment of short-term loans which is collateralized by the installment contracts receivables in order to cushion the impact of potential increase in loan interest rates.

The Parent Company has a formal foreign exchange and interest risk management policy. The Parent Company actively monitors foreign exchange exposure and interest rate changes. And in addition, the Parent Company ensures that all loan covenants and regulatory requirements are complied with.

Exposure to foreign currency holdings are as follows:

| | 2020 | 2019 |
|---|---|---|
| Cash and cash equivalents | **US$28,597,247** | US$10,541,743 |
| Investments in amortized cost | **868,248,468** | 667,302,905 |
| Notes payable | **907,213,942** | 705,106,892 |

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

## 24. Costs and Expenses

*Cost of real estate sales*
Cost includes acquisition cost of land, materials, labor, and overhead in construction and development and capitalized borrowing costs. Cost of real estate sales recognized for the years ended December 31, 2020, 2019 and 2018 amounted to ₱ 12,020.71 million, ₱15,768.51 million and ₱15,177.16 million, respectively (Note 12).

*Operating expenses*
This account consists of:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Depreciation and amortization (Notes 14, 15 and 17) | **₱2,247,713,931** | ₱2,292,144,027 | ₱1,480,129,055 |
| Salaries, wages and employees benefits (Note 26) | **1,276,763,379** | 1,255,630,815 | 1,197,692,866 |
| Repairs and maintenance | **1,071,070,828** | 1,233,598,714 | 1,144,118,499 |
| Commissions | **1,031,485,162** | 1,566,701,544 | 1,759,339,528 |
| Taxes and licenses | **923,735,133** | 945,745,362 | 658,148,818 |
| Contracted services | **833,238,872** | 794,600,896 | 486,865,898 |
| Advertising and promotions | **713,971,409** | 1,427,965,332 | 1,064,275,880 |
| Occupancy costs (Note 28) | **499,686,169** | 1,167,255,083 | 1,173,064,414 |
| Provision for impairment losses on receivables and investments (Notes 10 and 11) | **83,259,949** | 52,629,873 | – |
| Transportation and travel | **65,996,106** | 170,225,728 | 143,105,154 |
| Office expenses | **42,048,881** | 62,889,123 | 59,897,743 |
| Representation and entertainment | **24,851,714** | 66,514,673 | 64,429,190 |
| Miscellaneous | **271,106,708** | 451,223,751 | 327,460,797 |
| | **₱9,084,928,241** | ₱11,487,124,921 | ₱9,558,527,842 |



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

*Occupancy cost*
Occupancy cost consists of utilities expense such as light, power, and telephone charges. It also includes rent expense in 2018.

Rent expenses, prior to adoption of PFRS 16, included under “Occupancy costs” amounted to ₱468.82 million in 2018, while amortization of right-of-use assets of ₱210.76 million and ₱163.98 million is included under “Depreciation and amortization” in 2020 and 2019, respectively (Note 14).

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

## 25. Interest and Other Income from Investments, Parking, Hotel, Mall Administrative and Processing Fees, and Other Revenue, and Interest and Other Financing Charges

Interest and other income from investments consist of:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Installment contracts receivable (Note 11) | **₱541,310,589** | ₱478,569,158 | ₱574,065,753 |
| Accretion of unamortized discount (Note 11) | **86,930,787** | 98,207,930 | 105,992,683 |
| | **628,241,376** | 576,777,088 | 680,058,436 |
| Interest income from: | | | |
| Cash and cash equivalents, short-term investments and cash restricted for use (Notes 9, 10 and 13) | **77,554,532** | 114,502,399 | 265,422,693 |
| Investments at amortized cost (Note 10) | **1,359,716,861** | 1,394,378,231 | 827,861,196 |
| Gain on disposal of investment in FVTPL (Note 10) | **–** | – | 132,499,578 |
| | **1,437,271,393** | 1,508,880,630 | 1,225,783,467 |
| | **₱2,065,512,769** | ₱2,085,657,718 | ₱1,905,841,903 |

Parking, hotel, mall administrative and processing fee, and other revenue consist of:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Mall administrative and processing fee | **₱546,104,024** | ₱452,787,766 | ₱371,869,206 |
| Parking | **117,585,865** | 193,166,256 | 160,682,045 |
| Hotel | **48,511,184** | 184,357,086 | 42,171,297 |
| Others | **918,345,048** | 913,828,030 | 685,797,045 |
| | **₱1,630,546,121** | ₱1,744,139,138 | ₱1,260,519,593 |

Others is comprised primarily of forfeited reservation fees and partial payments from customers whose sales contracts are cancelled before completion of required down payment.

Interest and other financing charges consist of:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Interest incurred on: | | | |
| Bank loans and loans payable (Note 20) | **₱2,685,358,656** | ₱3,372,136,766 | ₱3,368,505,643 |
| Notes payable | **6,754,934,909** | 5,790,121,886 | 3,357,845,704 |
| Lease liabilities (Note 28) | **386,720,482** | 268,913,565 | – |
| Other bank charges | **161,555,350** | 48,820,634 | 315,254,366 |
| | **9,988,569,397** | 9,479,992,851 | 7,041,605,713 |
| Amounts capitalized (Notes 12, 14 and 15) | **(6,016,661,794)** | (5,912,110,623) | (2,871,842,798) |
| | **₱3,971,907,603** | ₱3,567,882,228 | ₱4,169,762,915 |

## 26. Retirement Plan

The Group has noncontributory defined benefit pension plan covering substantially all of its regular employees. The benefits are based on current salaries and years of service and related compensation on the last year of employment. The retirement benefit is the only long-term employee benefit.

The principal actuarial assumptions used to determine the pension benefits with respect to the discount rate, salary increases and return on plan assets were based on historical and projected normal rates.

The components of pension expense follow:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Current service cost | **₱44,743,319** | ₱32,702,479 | ₱48,241,302 |
| Interest cost (income) | **(10,352,624)** | (17,508,109) | (6,168,621) |
| Total pension expense | **₱34,390,695** | ₱15,194,370 | ₱42,072,681 |

Pension expense is included in "Salaries, wages and employee benefits" under Operating expenses in the consolidated statements of comprehensive income.

Funded status and amounts recognized in the consolidated statements of financial position for the pension plan follow:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Plan assets | **₱681,936,788** | ₱616,020,191 | ₱537,582,047 |
| Defined benefit obligation | **(517,927,481)** | (348,142,599) | (324,320,751) |
| Pension assets recognized in the consolidated statements of financial position | **₱164,009,307** | ₱267,877,592 | ₱213,261,296 |



Changes in the combined present value of the combined defined benefit obligation are as follows:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Balance at beginning of year | **₱348,142,599** | ₱324,320,751 | ₱419,039,645 |
| Current service cost | **44,743,319** | 32,702,479 | 48,241,302 |
| Interest cost | **20,729,711** | 22,880,158 | 23,371,962 |
| Benefits paid | **–** | (13,400,000) | (39,870,064) |
| Actuarial losses (gains) due to: | | | |
| Experience adjustments | **7,505,584** | (81,118,963) | (25,922,242) |
| Changes in demographic assumptions | **(3,146,246)** | (21,708,402) | (6,928,995) |
| Changes in financial assumptions | **99,952,514** | 84,466,576 | (93,610,857) |
| Balance at end of year | **₱517,927,481** | ₱348,142,599 | ₱324,320,751 |

Changes in the fair value of the combined plan assets are as follows:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Balance at beginning of year | **₱616,020,191** | ₱537,582,047 | ₱506,700,526 |
| Contributions | **3,000,000** | 60,652,837 | 52,782,529 |
| Interest income included in net interest cost | **31,082,335** | 40,388,267 | 29,540,583 |
| Actual gains (losses) on return of plan assets excluding amount included in net interest cost | **31,834,262** | (9,202,960) | (11,571,527) |
| Benefits paid | **–** | (13,400,000) | (39,870,064) |
| Balance at end of year | **₱681,936,788** | ₱616,020,191 | ₱537,582,047 |

The movements in the combined net pension assets follow:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Balance at beginning of year | **(₱267,877,592)** | (₱213,261,296) | (₱87,660,881) |
| Pension expense | **34,390,695** | 15,194,370 | 42,072,681 |
| Total amount recognized in OCI | **72,477,590** | (9,157,829) | (114,890,567) |
| Contributions | **(3,000,000)** | (60,652,837) | (52,782,529) |
| Balance at end of year | **(₱164,009,307)** | (₱267,877,592) | (₱213,261,296) |

The assumptions used to determine the pension benefits for the Group are as follows:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Discount rates | **4.21%** | 5.52% | 7.53% |
| Salary increase rate | **7.75%** | 7.75% | 7.75% |

The turn-over rate used to compute the retirement liability is ranging from 10% at age 18 to 0% at age 60 in 2020 and 2019.

The distribution of the plan assets at year-end follows:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | **₱109,508,011** | ₱113,925,155 | ₱96,090,930 |
| Investments in private companies | **451,232,452** | 433,356,248 | 429,071,376 |
| Investments in government securities | **118,611,794** | 65,073,689 | 8,905,188 |
| Receivables | **4,276,416** | 4,490,637 | 4,244,718 |
| | **683,628,673** | 616,845,729 | 538,312,212 |
| **Liabilities** | | | |
| Trust fee payables | **1,674,175** | 771,428 | 730,165 |
| Other payable | **17,710** | 54,109 | – |
| Net plan assets | **₱681,936,788** | ₱616,020,192 | ₱537,582,047 |

The carrying amounts disclosed above reasonably approximate fair value at reporting date. The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The net unrealized gains on investments in government securities amounted to ₱5.20 million, ₱1.51 million and ₱1.11 million in 2020, 2019 and 2018, respectively.

The Group does not expect to contribute to its retirement fund in 2021.

The composition of the fair value of the Fund includes:

- *Cash* - include savings and time deposit with various banks and special deposit account.
- *Investments in private companies* - include investments in long-term debt notes and corporate bonds.
- *Investments in government securities* - include investment in Philippine RTBs.
- *Receivables* - includes interest and dividends receivable generated from investments included in the plan.
- *Trust fee payable* - pertain mainly to charges of trust or in the management of the plan.

The Group retirement benefit fund is in the form of a trust being maintained by a trustee bank. The fund includes investment in the form of fixed-rate peso retail bonds issued by the Parent Company due 2021 and 2027 with interest rates of 5.94% and 6.23%, respectively. As of December 31, 2020 and 2019, the fair value of investment amounted to ₱20.74 million and ₱19.54 million, respectively. Interest income earned from the investments in bonds amounted to ₱1.27 million, ₱0.91 million and ₱1.32 million in 2020, 2019 and 2018, respectively.



The allocation of the fair value of plan assets follows:

| | 2020 | 2019 |
|---|---|---|
| Deposits | **16.02%** | 18.47% |
| Corporate bonds | **66.01%** | 70.25% |
| Government bonds | **17.35%** | 10.55% |

The funds are administered by a trustee bank under the supervision of the Board of Directors of the plan. The Board of Directors is responsible for investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the plans' objectives, benefit obligations and risk capacity.

Shown below is the maturity analysis of the undiscounted benefit payments:

| Plan Year | 2020 | 2019 |
|---|---|---|
| Less than 1 year | **₱14,703,960** | ₱4,304,178 |
| More than 1 year to 5 years | **55,571,315** | 69,442,373 |
| More than 5 years to 10 years | **152,390,811** | 167,286,002 |
| More than 10 years to 15 years | **317,500,445** | 288,505,782 |
| More than 15 years to 20 years | **412,931,845** | 413,598,029 |
| 20 years and beyond | **2,905,351,723** | 3,377,303,426 |
| | **₱ 3,858,450,099** | ₱ 4,320,439,790 |

The average duration of the expected benefit payments at the end of the reporting period is 27.82 years.

*Sensitivity analysis on the actuarial assumptions*

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the Defined Benefit Obligation (DBO) at the reporting date after adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged. The sensitivities were expressed as the corresponding change in the DBO.

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

| | | Increase (decrease) on Defined Benefit Obligation | |
|---|---|---|---|
| | Rates | 2020 | 2019 |
| Discount rate | +1% | **(₱75,816,781)** | (₱55,737,948) |
| | -1% | **88,724,297** | 68,474,956 |
| Salary increase | +1% | **86,885,515** | 68,019,261 |
| | -1% | **(76,050,455)** | (56,514,018) |

Each year, an Asset-Liability Matching Study (ALM) is performed with the result being analyzed in terms of risk-and-return profiles with mandate of management. Union Bank's (UB) current strategic investment strategy consists of 9.36% of cash, 4.09% of investments in government securities, 85.73% of investment in private companies and 0.81% receivables.

## 27. Income Tax

Provision for income tax consists of:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Current: | | | |
| RCIT/MCIT | **₱922,515,389** | ₱1,570,600,208 | ₱1,458,477,330 |
| Final | **14,339,565** | 27,420,374 | 12,696,484 |
| Deferred | **292,335,550** | 375,401,751 | 576,100,346 |
| | **₱1,229,190,504** | ₱1,973,422,333 | ₱2,047,274,160 |

The components of the Group's deferred taxes are as follows:

Net deferred tax assets:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Deferred tax assets on: | | | |
| Excess of tax basis over book basis of deferred gross profit on real estate sales | **₱236,520,715** | ₱665,711,928 | ₱891,537,645 |
| Accrual of retirement costs | **31,109,061** | 37,909,542 | 12,143,979 |
| Unamortized discount on receivables | **6,411,938** | 7,887,917 | 9,695,728 |
| Unrealized foreign exchange losses | **920,696** | 1,556,479 | – |
| Remeasurement loss on defined benefit obligation | **–** | – | 19,036,200 |
| | **274,962,410** | 713,065,866 | 932,413,552 |
| Deferred tax liabilities on: | | | |
| Capitalized interest and other expenses | **56,133,986** | 55,034,375 | 45,495,976 |
| Remeasurement gain on defined benefit obligation | **30,722,495** | 46,445,657 | 35,567,808 |
| Excess of book basis over tax basis of deferred gross profit on real estate sales | **–** | 127,253,489 | – |
| Accrual of retirement costs | **–** | 62,637 | 4,669,105 |
| | **86,856,481** | 228,796,158 | 85,732,889 |
| | **₱188,105,929** | ₱484,269,708 | ₱846,680,663 |



Net deferred tax liabilities:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Deferred tax assets on: | | | |
| Lease liabilities | **₱802,455,715** | ₱934,180,246 | ₱– |
| NOLCO | **502,153,590** | 365,295,377 | 66,578,426 |
| Accrual of retirement costs | **125,684,991** | 137,845,865 | 51,549,200 |
| Allowance for probable losses | **40,452,392** | 18,177,031 | 19,375,455 |
| MCIT | **26,385,483** | 46,744,581 | 1,907,452 |
| Excess of tax basis over book basis of deferred gross profit on real estate sales | **12,427,164** | 6,954,380 | – |
| Unamortized discount on receivables | **10,282,438** | 21,583,845 | 5,353,242 |
| Straight line lease adjustment on rent expense | **–** | – | 136,504,044 |
| | **1,519,841,773** | 1,530,781,325 | 281,267,819 |
| Deferred tax liabilities on: | | | |
| Straight line lease adjustment on rent income | **2,160,700,335** | 1,219,307,957 | 893,099,243 |
| Capitalized interest and other expenses | **1,819,593,645** | 1,406,390,397 | 1,339,552,546 |
| Excess of book basis over tax basis of deferred gross profit on real estate sales | **800,138,769** | 1,914,309,222 | 1,741,272,915 |
| Right-of-use assets | **563,217,997** | 762,627,328 | – |
| Remeasurement gain on defined benefit obligation | **175,274,349** | 181,294,464 | 136,750,578 |
| Fair value adjustments from business combination | **21,257,292** | 23,619,214 | 23,619,214 |
| Discount on rawland payable | **5,347,486** | 2,689,869 | 14,170,079 |
| Accrual of retirement costs | **–** | 28,315,926 | 51,565,520 |
| Unrealized foreign exchange gain | **–** | – | 1,562,045 |
| | **5,545,529,873** | 5,538,554,377 | 4,201,592,140 |
| | **(₱4,025,688,100)** | (₱4,007,773,052) | (₱3,920,324,321) |

Out of the ₱314.08 million movement in net deferred tax liabilities, ₱21.74 million was booked as movement in OCI in 2020.

Out of the ₱449.86 million movement in net deferred tax liabilities, ₱74.46 million was booked as movement in OCI in 2019.

As of December 31, 2020, 2020 and 2019, the Group has deductible temporary differences, NOLCO and MCIT that are available for offset against future taxable income for which no deferred tax assets have been recognized as follows:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| NOLCO | **₱11,069,296,116** | ₱9,096,968,632 | ₱8,013,546,456 |
| MCIT | **11,715,152** | 10,104,745 | 48,501,903 |

The related unrecognized deferred tax assets on these deductible temporary differences, NOLCO and MCIT amounted to ₱3,332.51 million, ₱2,739.20 million and ₱2,452.57 million as of December 31, 2020, 2019 and 2018, respectively. These are mostly coming from holding companies namely, VLL, Vistamalls, Inc., CHI and CPI.

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. The subsidiaries recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2020, the Company has incurred NOLCO before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

NOLCO

| Inception Year | Amount | Used/Expired | Balance | Expiry Year |
|---|---|---|---|---|
| 2017 | ₱2,697,322,118 | (₱2,697,322,118) | ₱– | 2020 |
| 2018 | 3,809,370,770 | – | 3,809,370,770 | 2021 |
| 2019 | 3,807,927,000 | (202,100,695) | 3,605,826,305 | 2022 |
| | ₱10,314,619,888 | (₱2,899,422,813) | ₱7,415,197,075 | |

As of December 31, 2020, the Company has incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

| Inception Year | Amount | Used/Expired | Balance | Expiry Year |
|---|---|---|---|---|
| 2020 | ₱5,327,944,341 | ₱– | ₱5,327,944,341 | 2025 |

MCIT

| Inception Year | Amount | Used/Expired | Balance | Expiry Year |
|---|---|---|---|---|
| 2017 | ₱20,335,617 | (₱20,335,617) | ₱– | 2020 |
| 2018 | 6,929,443 | – | 6,929,443 | 2021 |
| 2019 | 29,584,266 | (18,106,773) | 11,477,493 | 2022 |
| 2020 | 19,699,060 | – | 19,699,060 | 2023 |
| | ₱76,548,386 | (₱38,442,390) | ₱38,105,996 | |



The reconciliation of the provision for income tax computed at the statutory income tax rate to the provision for income tax shown in profit or loss follows:

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Provision for income tax computed at the statutory income tax rate | **30.00%** | 30.00% | 30.00% |
| Additions to (reductions in) income tax resulting from: | | | |
| Nondeductible interest and other expenses | **12.02** | 9.79 | 3.32 |
| Expired MCIT and NOLCO | **9.87** | 3.92 | 1.14 |
| Change in unrecognized deferred tax assets | **7.79** | 2.15 | 0.52 |
| Tax-exempt income on BOI-projects | **(40.62)** | (20.13) | (8.50) |
| Tax-exempt interest income | **(5.36)** | (5.67) | – |
| Interest income already subjected to final tax | **(0.10)** | (0.10) | (0.19) |
| Others | **2.54** | (5.43) | (10.02) |
| Provision for income tax | **16.14%** | 14.53% | 16.27% |

Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE"

On March 26, 2021, President Rodrigo Duterte signed into law the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations.

Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

Imposition of improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2011 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Company would have been subjected to lower regular corporate income tax rate of 27.50% effective July 1, 2020.

This will result in lower provision for current income tax for the year ended December 31, 2020 and lower income tax payable as of December 31, 2020, which will be reflected in the Company's 2020 annual income tax return but will only be recognized for financial reporting purposes in its 2021 financial statements. Applying the provisions of the CREATE Act, the Company would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020.

Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate of the Group for CY2020 is 27.50%. This will result in lower provision for current income tax for the year ended December 31, 2020 and lower income tax payable as of December 31, 2020, amounting to ₱889.79 million and ₱242.18 million, respectively, or a reduction of ₱22.73 million and ₱15.25 million, respectively. The reduced amounts will be reflected in the Company's 2020 annual income tax return. However, for financial reporting purposes, the changes will only be recognized in the 2021 financial statements.

This will result in lower deferred tax assets and liabilities as of December 31, 2020 and provision for deferred tax for the year then ended by ₱319.80 million and ₱18.76 million, respectively. These reductions will be recognized in the 2021 financial statements.

Board of Investments (BOI) Incentives
The BOI issued in favor of certain subsidiaries in the Group a Certificate of Registration as Developer of Mass Housing Projects for its 84 projects in 2020, 11 projects in 2019 and 14 projects in 2018, in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the projects have been granted an Income Tax Holiday for a period of either three years for new projects, or four years for expansion projects, commencing from the date of issuance of the Certificate of Registration.

The Group availed of tax incentive in the form of ITH on its income under registered activities amounting to ₱321.08 million, ₱357.66 million and ₱656.92 million in 2020, 2019 and 2018, respectively.

## 28. Lease Liabilities

The Group, as lessee, has lease contracts for parcels of land where its commercial centers are situated with the lease term of 11 - 27 years. Rental due is based on prevailing market conditions. Generally, the Group is not restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options, which are further discussed below.



The following are the amounts recognized in consolidated statements of comprehensive income:

| | **2020** | 2019 |
|---|---|---|
| Depreciation expense of right-of-use assets included in investment properties (Note 14) | **₱210,760,224** | ₱163,980,143 |
| Interest expense on lease liabilities | **386,720,482** | 268,913,565 |
| Expenses relating to short-term leases (included in operating expenses) | **92,674,563** | 50,303,734 |
| Expenses relating to leases of low-value assets (included in operating expenses) | **1,364,522** | 740,662 |
| Total amount recognized in statement of comprehensive income | **₱691,519,791** | ₱483,938,104 |

The rollforward analysis of lease liabilities follows:

| | **2020** | 2019 |
|---|---|---|
| Balances at beginning of year | **₱3,113,934,152** | ₱2,757,504,156 |
| Additions | **–** | 300,329,735 |
| Termination | **(579,441,297)** | – |
| Interest expense (Note 25) | **386,720,482** | 268,913,565 |
| Payments | **(246,360,955)** | (212,813,304) |
| Balances at end of year | **2,674,852,382** | 3,113,934,152 |
| Less current portion | **201,995,190** | 32,713,127 |
| Noncurrent portion | **₱2,472,857,192** | ₱3,081,221,025 |

On September 30, 2020, the Group terminated two lease contracts with third party lessors covering parcels of land previously used as open space parking facility. This resulted to reversal of the related right-of-use asset and lease liability and gain on pre termination amounting to ₱74.16 million presented under other income in the consolidated statements of comprehensive income.

The Group has no lease contract that contains variable payments. The Group's fixed payments amounted to ₱340.40 million and ₱263.86 million in 2020 and 2019, respectively.

The Group's lease contracts include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (Note 5).

Shown below is the maturity analysis of the undiscounted lease payments:

| | **December 31, 2020** | December 31, 2019 |
|---|---|---|
| Within 1 year | **₱296,152,952** | ₱266,207,005 |
| More than 1 year to 2 years | **359,507,916** | 300,128,973 |
| More than 2 years to 3 years | **370,907,752** | 367,629,213 |
| More than 3 years to 4 years | **385,827,095** | 379,088,971 |
| More than 5 years | **6,221,717,323** | 6,901,915,920 |
| | **₱7,634,113,038** | ₱8,214,970,082 |

## 29. 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. Entities under common control are those entities outside the Group but are related parties of Fine Properties, Inc. Related parties may be individuals or corporate entities.

All publicly-listed and certain member companies of the Group have Material Related Party Transactions Policies containing the approval requirements and limits on amounts and extent of related party transactions in compliance with the requirement under Revised SRC Rule 68 and SEC Memorandum Circular 10, series 2019.

The Parent Company has an approval requirement such that material related party transaction (RPT) shall be reviewed by the Risk Management Committee (the Committee) and endorsed to the BOD for approval. Material RPTs are those transactions that meet the threshold value as approved by the Committee amounting to 10% or higher of the Group's total consolidated assets based on its latest audited financial statements. The Group in their regular conduct of business has entered into transactions with related parties principally consisting of trade transactions from mall leasing, advances, reimbursement of expenses and purchase and sale of real estate properties. Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties.

The Group in their regular conduct of business has entered into transactions with related parties principally consisting of trade transactions from mall leasing, advances, reimbursement of expenses and purchase and sale of real estate properties. Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties.

The consolidated statements of financial position include the following amounts resulting from the foregoing transactions which represent amounts receivable from (payable to) related parties as of December 31, 2020 and 2019:

### December 31, 2020

| Relationship | Nature of Transaction | Net Amount/ Volume | Outstanding Balance | Terms | Conditions |
|---|---|---|---|---|---|
| ***Receivable from tenants and accrued rental receivable** (Note 11)* | | | | | |
| **Entities under Common Control** | **a) Rental of mall spaces** | **₱3,736,521,267** | **₱9,314,866,273** | **Non-interest bearing** | **With guarantee from Fine Properties Inc., No impairment** |
| **Ultimate Parent** | **a) Rental of office spaces** | **(1,005,835)** | **477,604** | **Non-interest bearing** | **Unsecured, No impairment** |
| | | **₱3,735,515,432** | **₱9,315,343,877** | | |
| ***Receivable from related parties*** | | | | | |
| **Ultimate Parent** | **f) Sale of VLLI shares** | **₱–** | **₱1,960,071,562** | **Noninterest-bearing; Due and demandable** | **Unsecured, No impairment** |
| **Ultimate Parent** (Note 14) | **c) Advances** | **833,898,865** | **2,848,491,219** | **Non-interest bearing** | **Unsecured, No impairment** |
| **Entities under Common Control** | **c) Advances** | **565,597,650** | **879,187,160** | **Non-interest bearing** | **Unsecured, No impairment** |
| | | **₱1,399,496,515** | **₱5,687,749,941** | | |



| Relationship | Nature of Transaction | Net Amount/ Volume | Outstanding Balance | Terms | Conditions |
|---|---|---|---|---|---|
| ***Advances in project development cost** (Note 16)* | | | | | |
| **Ultimate Parent** | **g) Joint venture advances** | **₱1,450,686** | **₱1,018,871,798** | **Non-interest bearing** | **Unsecured, No impairment** |
| **Entities under Common Control** | **b) Purchase and return of advances for housing credits** | **(1,971,016,970)** | **879,549,034** | **Non-interest bearing** | **Unsecured, No impairment** |
| | | **(₱1,969,566,284)** | **₱1,898,420,832** | | |
| ***Accounts payable to contractors*** | | | | | |
| **Ultimate Parent** | **c) Payables for construction contrac** | **₱914,085,171** | **(₱426,045,294)** | **Due and demandable; noninterest-bearing** | **Unsecured** |
| ***Lease liabilities (Note 28)*** | | | | | |
| **Ultimate Parent** | **d) Rental of parcels of land** | **(₱109,716,598)** | **(₱245,635,931)** | **Interest-bearing** | **Unsecured** |
| ***Interest expense (Note 28)*** | | | | | |
| **Ultimate Parent** | **d) Rental of parcels of land** | **(₱25,294,927)** | **₱–** | **Interest-bearing** | **Unsecured** |
| ***Dividends Declared/Payable*** | | | | | |
| **Stockholders** | **e) Dividends** | **₱612,616,496** | **₱28,103,938** | | |

### December 31, 2019

| Relationship | Nature of Transaction | Net Amount/ Volume | Outstanding Balance | Terms | Conditions |
|---|---|---|---|---|---|
| *Receivable from tenants and accrued rental receivable (Note 11)* | | | | | |
| Entities under Common Control | a) Rental of mall spaces | ₱4,366,454,822 | ₱5,578,345,006 | Non-interest bearing | With guarantee from Fine Properties Inc., No impairment |
| Ultimate Parent | a) Rental of office spaces | 325,488 | 1,483,439 | Non-interest bearing | Unsecured, No impairment |
| | | ₱4,366,780,310 | ₱5,579,828,445 | | |
| *Receivable from related parties* | | | | | |
| Ultimate Parent | f) Sale of VLLI shares | ₱– | ₱1,960,071,562 | Noninterest-bearing; Due and demandable | Unsecured, No impairment |
| Ultimate Parent (Note 14) | c) Advances | ₱583,745,031 | 2,881,929,396 | Non-interest bearing | Unsecured, No impairment |
| Entities under Common Control | c) Advances | (135,062,830) | 313,589,510 | Non-interest bearing | Unsecured, No impairment |
| | | ₱448,682,201 | ₱5,155,590,468 | | |
| *Advances in project development cost (Note 16)* | | | | | |
| Ultimate Parent | g) Joint venture advances | ₱– | ₱1,017,421,112 | Non-interest bearing | Unsecured, No impairment |
| Entities under Common Control | b) Purchase of housing credits | 2,425,972,653 | 2,850,566,004 | Non-interest bearing | Unsecured, No impairment |
| | | ₱2,425,972,653 | ₱3,867,987,116 | | |
| *Accounts payable to contractors* | | | | | |
| Ultimate Parent | c) Payables for construction contracts | ₱– | (₱1,340,130,465) | Due and demandable; noninterest-bearing | Unsecured |
| *Lease liabilities (Note 28)* | | | | | |
| Ultimate Parent | d) Rental of parcels of land | ₱355,352,529 | (₱355,352,529) | Interest-bearing | Unsecured |
| *Interest expense (Note 28)* | | | | | |
| Ultimate Parent | d) Rental of parcels of land | ₱27,335,964 | ₱– | Interest-bearing | Unsecured |
| *Dividends Declared/Payable* | | | | | |
| Stockholders | e) Dividends | ₱3,216,957,540 | ₱68,872,166 | | |

a) The Group has operating lease agreements with All Value Group, anchor tenant, which is comprised of AllHome Corp., AllDay Marts, Inc., Family Shoppers Unlimited, Inc., and CM Star Management, Inc. for the leases of commercial centers. All Value Group is engaged in retail businesses covering supermarkets, retail of apparel, construction materials and home/building appliances and furnishings. The lease agreements are with renewal options and contains escalation clauses.

Rental income and receivables from All Value Group including the effect of future lease rate escalation amounted to ₱4,802.02 million and ₱7,678.29 million, respectively, as of December 31, 2020 and ₱4,431.53 million and ₱3,109.51

million, respectively, as of December 31, 2019. These receivables from All Value Group which are recognized as 'Accrued rental receivable' under 'Receivables' are not impaired (Note 11).

Rental income and receivables from All Value Group without the effect of future escalation amounted to ₱1,732.23 million and ₱2,731.82 million, respectively, as of December 31, 2020 and ₱3,250.15 million and ₱1,418.91 million, respectively, as of December 31, 2019. These receivables from All Value Group which are recognized as 'Receivable from tenants' under 'Receivables' are noninterest-bearing and are not impaired (Note 11).

Outstanding rent receivables without the effect of future escalation amounting to ₱ 1,732.23 million and ₱725.26 million are guaranteed by Fine Properties, Inc. as of December 31, 2020 and 2019, respectively. The guaranteed amount in 2019 excludes those rent receivables pertaining to AllHome Corp.

As discussed in Note 5, certain related party tenants who are entities under common control requested to terminate certain lease contracts in various malls in 2020. Accrued rent receivable from anchor tenants from straight-lining of rental income of ₱1,569.91 million was reversed against rental income for the year ended December 31, 2020.

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19 pandemic, the Group based on its scheme waived its right to collect rent and other charges as part of various lease concessions it granted to its related party lessees such as lease payment holidays or lease payment reductions. The rent concession granted by the Group for the year ended December 31, 2020 amounted to ₱975.17 million.

In May and November 2019, the Group amended certain lease contracts with All Value Group. The amendments of the lease contracts are as follow:

a. Extension of the lease term by 10-15 years commencing from the lease modification date; and
b. From annual fixed rent to variable rent based on agreed percentage on gross sales or agreed minimum guaranteed rent (MGR) with annual escalation, whichever is higher

In September 2018, Fine Properties, Inc. assumed certain liabilities of All Value Group from the Group in relation to its lease agreement amounting ₱2,010.00 million. The liabilities assumed were under accounts receivable from tenants.

The Ultimate Parent Company also has lease agreements with the Group for the lease of its office spaces. The rental due is based on prevailing market conditions.



b) On December 23, 2017, the Group entered into a Memorandum of Agreement (MOA) with Bria Homes, Inc.(Bria), a developer of socialized housing projects located in various areas in the Philippines, to assign portions of the socialized housing projects to various entities in the Group in compliance with the requirements of Republic Act No. 7279 (Urban Development and Housing Act of 1992). On November 23, 2018, the Group entered into another MOA with Bria to include vertical residential projects in the assignment of socialized housing projects. As such, the Group makes cash advances to Bria Homes, Inc. for the construction of socialized housing units which are recorded under project development costs (Note 16).

   On December 2019, another MOA was executed with Bria to specify the details of the housing credits to be delivered by Bria equivalent to the advances provided by VLL. On December 21, 2020, the Group executed an amendment updating the number of housing credit that Bria will deliver to the Group to settle its outstanding balance.

c) These are advances for working capital and investment requirements of the related parties and are due and demandable.

   On December 28, 2018, MGS Construction, Inc. assigned its receivables from Vista Residences, Inc. in the total amount of ₱1,340.13 million in favor of Fine Properties, Inc. This resulted to recognition of payable to Fine Properties, Inc. of the same amount. The liability was offset with the receivables from Fine Properties, Inc. in 2018.

d) The Group entered into lease agreements with Fine Properties, Inc. pertaining to parcels of land wherein the Group's commercial centers are situated. These leases have terms of 25 years, with rental escalation clauses and renewal options.

e) Details of dividends declared to stockholders are discussed in Note 23.

f) In May 2013, VMI sold the remaining 399,397,000 shares of its investments in VLLI, with a carrying amount of ₱1,906.22 million, for a total consideration of ₱2,772.30 million to Fine Properties Inc. The outstanding receivables as at December 31, 2019 and 2018 amounted to ₱1,960.07 million. These are noninterest bearing receivables that are due and demandable.

g) The Group entered into a joint venture agreement with Fine Properties, Inc. for the development of real estate projects. Details are discussed in Note 16.

On September 28, 2018, the Group acquired from Fine Properties parcels of land amounting to ₱4,525.94 million. The land is where the office spaces and commercial center of MAPI are currently situated. The consideration of ₱2,515.94 million was paid in cash while the remaining ₱2,010.00 million was offset against the receivables of the Group from Fine Properties Inc.

As of December 31, 2020 and 2019, the retirement plan asset includes investment in fixed-rate peso retail bonds of the Parent Company with fair value amounting to ₱20.74 million and ₱19.54 million, respectively (Note 26).

The compensation of key management personnel by benefit type follows:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Short-term employee benefits | **₱133,520,360** | ₱127,602,314 | ₱136,832,739 |
| Post-employment benefits | **30,088,552** | 29,546,896 | 27,638,019 |
| | **₱163,608,912** | ₱157,149,210 | ₱164,470,758 |

## 30. Earnings Per Share and Noncontrolling Interest

The following table presents information necessary to compute the EPS:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Net income attributable to equity holders of Parent | **₱6,056,015,749** | ₱11,266,164,165 | ₱10,238,356,840 |
| Weighted average common shares* | **11,945,799,461** | 12,670,318,529 | 12,823,692,618 |
| Basic/Diluted Earnings per share | **₱0.507** | ₱0.889 | ₱0.798 |

**Weighted average common shares consider the effect of treasury shares*

The basic and dilutive earnings per share are the same due to the absence of potentially dilutive common shares for the years ended December 31, 2020, 2019 and 2018.

The summarized financial information of Vistamalls, Inc. and Subsidiaries, for which there are noncontrolling interests, are provided below. The information is based on amounts before inter-company eliminations.

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Assets | **₱73,715,364,620** | ₱73,721,559,667 | ₱52,916,882,705 |
| Liabilities | **47,381,253,239** | 47,826,891,287 | 30,674,911,186 |
| Equity | **26,334,111,381** | 25,894,668,380 | 22,241,971,519 |
| Net income | **2,757,777,147** | 2,880,877,472 | 2,126,721,726 |

As of December 31, 2020, 2019 and 2018, the accumulated balances of and net income attributable to noncontrolling interests follows:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Accumulated balances: | | | |
| Noncontrolling interest share in equity | **₱2,209,859,776** | ₱1,893,731,137 | ₱1,672,764,657 |
| Share in dividend | **15,326,523** | 56,099,003 | 48,060,935 |
| Net income attributable to noncontrolling interests | **330,596,120** | 277,025,981 | 170,268,543 |
| Other comprehensive income | **859,042** | 39,503 | 570,430 |



## 31. Fair Value Determination

The Group uses the following 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: 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, short-term cash investments, accrued interest receivable, receivables from tenants, buyers and others, receivables from related parties and accounts and other payables except for deferred output VAT and other statutory payables:* Due to the short-term nature of the accounts, the fair value approximate the carrying amounts in the consolidated statements of financial position.

*Installment contracts receivable*: The fair value of installment contracts receivable due within one year approximates its carrying amount. Noncurrent portion of installment contracts receivable are discounted using the applicable discount rates for similar types of instruments. The discount rates used range from 2.90% to 19.00% and 4.63% to 19.00% as of December 31, 2020 and 2019, respectively.

*Investments at FVOCI:* Fair values of equity securities are based on quoted market prices.

*Investments at amortized cost:* The fair value of these listed bonds is determined by reference to quoted market bid prices, at the close of business on the reporting date.

*Bank loans, loans payable, notes payable, liabilities for purchased land and retention payable*:
Estimated fair values 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 ranged from 3.29% to 10.75% in 2020 and 4.28% to 10.75% in 2019 using the remaining terms to maturity.

The following table provides the fair value measurement and the hierarchy of the Group's financial assets and liabilities recognized as of December 31, 2020 and 2019:

| | | December 31, 2020 | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | Carrying values | Total | Quoted prices in active markets for identical assets (Level 1) | Significant offer observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **Assets** | | | | | |
| **Financial assets measured at fair value:** | | | | | |
| Investments at FVOCI | **₱116,499,183** | **₱116,499,183** | **₱–** | **₱ 116,499,183** | **₱–** |
| **Financial assets for which fair values are disclosed:** | | | | | |
| Installment contracts receivable | **39,972,199,134** | **43,100,029,647** | **–** | **–** | **43,100,029,647** |
| Investments at amortized cost | **41,693,291,447** | **42,801,968,911** | **42,801,968,911** | **–** | **–** |
| **Liabilities** | | | | | |
| **Financial liabilities for which fair values are disclosed** | | | | | |
| Bank loans | **42,373,789,201** | **43,016,458,095** | **–** | **–** | **43,016,458,095** |
| Notes payable | **99,003,568,514** | **105,493,361,353** | **–** | **–** | **105,493,361,353** |
| Loans payable | **4,321,894,645** | **4,178,628,139** | **–** | **–** | **4,178,628,139** |
| Liabilities for purchased land | **3,741,511,636** | **3,555,944,597** | **–** | **–** | **3,555,944,597** |
| Retention payable | **2,889,566,863** | **2,757,591,995** | **–** | **–** | **2,757,591,995** |

| | | December 31, 2019 | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | Carrying values | Total | Quoted prices in active markets for identical assets (Level 1) | Significant offer observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Assets | | | | | |
| Financial assets measured at fair value: | | | | | |
| Investments at FVOCI | ₱117,499,183 | ₱117,499,183 | ₱– | ₱117,499,183 | ₱– |
| Financial assets for which fair values are disclosed: | | | | | |
| Installment contracts receivable | 38,835,172,544 | 38,933,380,474 | – | – | 38,933,380,474 |
| Investments at amortized cost | 33,792,219,093 | 34,626,570,211 | 34,626,570,211 | – | – |
| Liabilities | | | | | |
| Financial liabilities for which fair values are disclosed | | | | | |
| Bank loans | 47,175,145,165 | 48,119,854,814 | – | – | 48,119,854,814 |
| Notes payable | 93,190,157,885 | 96,850,502,172 | – | – | 96,850,502,172 |
| Loans payable | 3,404,980,820 | 3,348,728,437 | – | – | 3,348,728,437 |
| Liabilities for purchased land | 4,209,507,562 | 4,060,123,574 | – | – | 4,060,123,574 |
| Retention payable | 1,863,377,453 | 1,651,309,696 | – | – | 1,651,309,696 |

In 2020 and 2019, there were no transfers between Levels of fair value measurements.

Significant increases (decreases) in discount rate would result in significantly higher (lower) fair value of the installment contracts receivable, notes payable, loans payable, bank loans, retention payable and lease liabilities.



Description of significant unobservable inputs to valuation follows:

| Account | Valuation Technique | Significant Unobservable Inputs |
|---|---|---|
| Installment contracts receivable | Discounted cash flow analysis | Discount rate |
| Bank loans | Discounted cash flow analysis | Discount rate |
| Notes payable | Discounted cash flow analysis | Discount rate |
| Loans payable | Discounted cash flow analysis | Discount rate |

## 32. Financial Assets and Liabilities

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 (except for deferred output VAT and other statutory 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 receivable, cash and cash equivalents, short-term and long-term cash investments, investments at fair value through other comprehensive income and investments at amortized cost which arise directly from its operations. The main risks arising from the use of financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

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

The Group's risk management policies are summarized below. The exposure to risk and how they arises, 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 with its installment contracts receivables as collateral to cushion the impact of potential increase in loan interest rates.

The table below shows the financial assets and liabilities that are interest-bearing:

| | December 31, 2020 | |
|---|---|---|
| | **Effective Interest Rate** | **Amount** |
| **Financial assets** | | |
| ***Fixed rate*** | | |
| Cash and cash equivalents in Philippine Peso (excluding cash on hand) | **0.25% to 1.00%** | **₱6,400,427,516** |
| Cash and cash equivalents in US Dollar | **0.04% to 0.13%** | **1,376,294,467** |
| Short-term cash investments | **2.50% to 2.63%** | **116,928,301** |
| Investments at amortized cost | **2.23% to 10.18%** | **41,693,291,447** |
| Installment contracts receivable | **2.90% to 19.00%** | **39,972,199,134** |
| | | **₱89,559,140,865** |
| **Financial liabilities** | | |
| ***Fixed rate*** | | |
| Notes payable | **5.75% to 8.86%** | **₱99,003,568,514** |
| Bank loans | **4.09% to 10.50%** | **42,373,789,201** |
| Loans payable | **3.29% to 5.04%** | **4,321,894,645** |
| Lease liabilities | **7.51% to 10.66%** | **2,674,852,382** |
| | | **148,374,104,742** |

| | December 31, 2019 | |
|---|---|---|
| | Effective Interest Rate | Amount |
| Financial assets | | |
| *Fixed rate* | | |
| Cash and cash equivalents in Philippine Peso (excluding cash on hand) | 0.25% to 3.88% | ₱13,334,812,879 |
| Cash and cash equivalents in US Dollar | 0.13% to 1.33% | 592,745,655 |
| Short-term cash investments | 3.00% to 3.25% | 210,815,745 |
| Investments at amortized cost | 2.23% to 10.18% | 33,792,219,093 |
| Installment contracts receivable | 4.63% to 19.00% | 38,835,172,544 |
| | | ₱86,765,765,916 |
| Financial liabilities | | |
| *Fixed rate* | | |
| Notes payable | 5.89% to 8.86% | ₱93,190,157,885 |
| Bank loans | 4.28% to 10.75% | 47,175,145,165 |
| Loans payable | 5.08% to 6.24% | 3,404,980,820 |
| Lease liabilities | 7.51% to 10.66% | 3,113,934,152 |
| | | ₱146,884,218,022 |

As of December 31, 2020, and 2019, the Group's leasing income and operating cash flows are substantially independent of changes in market interest rates.

*Foreign exchange risk*
The Group's foreign exchange risk is limited to certain USD denominated cash and cash equivalents, resulting primarily from movements of the Philippine Peso against the United States Dollar (USD). Below is the carrying amount of USD-denominated cash and cash and sensitivity analysis on exchange rate for effect on income before income tax.

| | December 31, 2020 | | |
|---|---|---|---|
| | **Amount** | **Increase/Decrease in US Dollar rate** | **Effect on income before tax** |
| Cash and cash equivalents | **US$1,013,258** | **+0.73%** | **₱357,045** |
| | **(US$1,013,258)** | **-0.73%** | **(357,045)** |



| | December 31, 2019 | | |
|---|---|---|---|
| | Amount | Increase/Decrease in US Dollar rate | Effect on income before tax |
| Cash and cash equivalents | US$1,156,182 | +2.16% | ₱1,264,660 |
| | (US$1,156,182) | -2.16% | (1,264,660) |

The functional currency of VII, a wholly owned subsidiary is USD. VII has Cash and cash equivalents, Investments at amortized costs and Notes payable in USD. VII's financial assets and liabilities are translated into Philippine peso, the presentation currency of the Group, using closing exchange rate prevailing at the reporting date, and the respective income and expenses at the weighted average rates for the period. The exchange differences arising on the translation are recognized in OCI under "Cumulative Translation Adjustments" (CTA).

See below for the carrying amounts and sensitivity analysis on Other comprehensive income.

| | December 31, 2020 | | |
|---|---|---|---|
| | **Amount** | **Increase/Decrease in US Dollar rate** | **Effect on Other Comprehensive Income** |
| **Assets** | | | |
| Cash and cash equivalents | **US$28,659,069** | **+0.73%** | **₱10,098,682** |
| | **(US$28,659,069)** | **-0.73%** | **(10,098,682)** |
| Investments at amortized costs | **US$710,279,672** | **+0.73%** | **249,001,253** |
| | **(US$710,279,672)** | **-0.73%** | **(249,001,253)** |
| **Liabilities** | | | |
| Notes payable | **(US$907,213,942)** | **+0.73%** | **(318,040,086)** |
| | **US$907,213,942** | **-0.73%** | **318,040,086** |

| | December 31, 2019 | | |
|---|---|---|---|
| | Amount | Increase/Decrease in US Dollar rate | Effect on Other Comprehensive Income |
| Assets | | | |
| Cash and cash equivalents | US$10,547,818 | +2.16% | ₱11,537,456 |
| | (US$10,547,818) | -2.16% | (11,537,456) |
| Investments at amortized costs | US$667,368,798 | +2.16% | 729,984,008 |
| | (US$667,368,798) | -2.16% | (729,984,008) |
| Liabilities | | | |
| Notes payable | (US$705,106,892) | +2.16% | (₱771,262,841) |
| | US$705,106,892 | -2.16% | 771,262,841 |

In translating the foreign currency- denominated monetary assets and liabilities in peso amounts, the Philippine Peso - US dollar exchange rates as at December 31, 2020 and 2019 used were ₱48.02 to US$1.00 and ₱50.64 to US$1.00, respectively.

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

*Credit Risk*
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily installment contracts receivables and receivables from tenants) and from its investing activities, including deposits with banks and financial institutions.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Receivables are regularly monitored.

In respect of installment contracts receivable from the sale of real estate inventories, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to credit risk is not significant given that title of the real estate property is only transferred to the customer if the consideration had been fully paid. In case of default, after enforcement activities, the Group has the right to cancel the sale and enter into another contract to sell to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed.

The Group evaluates the concentration of risk with respect to non-related party trade receivables as low, as its customers are located in several jurisdictions and various income brackets, and operate in largely independent markets.

The Group evaluates the concentration of risk with respect to receivable from related parties (refer to Note 29). This is discussed in Note 6. The related parties have a strong capacity to meet their contractual cash flows and collectability is guaranteed by Fine Properties, Inc., ultimate parent company.

Credit risk arising from receivable from tenants - third parties is primarily managed through a screening of tenants based on credit history and financial information submitted. Tenants are required to pay security deposits equivalent to 3-months lease payment to cover any defaulting amounts and advance rentals also equivalent to 3-month rent.

Credit risk arising from receivables from related parties is minimal as they have a low risk of default and have a strong capacity to meet their contractual cash flows in the near term.



Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The Group's maximum exposure to credit risk as of December 31, 2020 and 2019 is equal to the carrying values of its financial assets.

Applying the expected credit risk model resulted to recognition of impairment loss of ₱17.63 million and ₱52.63 million from receivables in 2020 and 2019, respectively.

*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 in 2020 and 2019.

Maturity Profile Financial Liabilities
The tables below summarize the maturity profile of the Group's financial liabilities as of December 31, 2020 and 2019 based on undiscounted contractual payments, including interest payable.

**December 31, 2020**

| | On Demand | 1 to 3 Months | 3 to 12 Months | More than 1 year | Total |
|---|---|---|---|---|---|
| **Financial Liabilities** | | | | | |
| *Financial liabilities at amortized cost* | | | | | |
| Bank loans | ₱– | ₱2,014,667,557 | ₱6,617,853,803 | ₱36,076,248,867 | ₱44,708,770,227 |
| Loans payable | 292,107,732 | 1,249,912,506 | 1,652,987,129 | 1,226,960,524 | 4,421,967,891 |
| Liabilities for purchased land | 276,929,894 | 691,197,330 | 1,227,295,187 | 1,567,493,280 | 3,762,915,691 |
| Accounts payable and other payables* | 4,282,000,573 | 2,732,598,027 | 6,342,611,236 | 1,588,460,373 | 14,945,670,209 |
| Dividends payable | 28,103,938 | – | – | – | 28,103,938 |
| Notes payable | – | 2,911,163,242 | 9,348,820,640 | 110,632,717,923 | 122,892,701,805 |
| Lease liabilities | – | 72,811,078 | 223,341,874 | 7,337,960,086 | 7,634,113,038 |
| Total undiscounted financial liabilities | ₱4,879,142,137 | ₱9,672,349,740 | ₱25,412,909,869 | ₱158,429,841,053 | ₱198,394,242,799 |

**excluding statutory payables and including noncurrent portion of retention payable*

December 31, 2019

| | On Demand | 1 to 3 Months | 3 to 12 Months | More than 1 year | Total |
|---|---|---|---|---|---|
| Financial Liabilities | | | | | |
| *Financial liabilities at amortized cost* | | | | | |
| Bank loans | ₱– | ₱2,696,452,150 | ₱5,482,656,060 | ₱43,709,673,143 | ₱51,888,781,353 |
| Loans payable | 461,997,319 | 1,305,643,219 | 1,363,802,543 | 373,044,915 | 3,504,487,996 |
| Liabilities for purchased land | 261,167,492 | 636,471,309 | 1,485,013,264 | 1,859,324,441 | 4,241,976,506 |
| Accounts payable and other payables* | 7,609,093,848 | 607,481,589 | 1,643,346,875 | 1,086,856,296 | 10,946,778,608 |
| Dividends payable | 68,872,166 | – | – | – | 68,872,166 |
| Notes payable | – | 1,270,218,892 | 7,202,654,578 | 112,701,911,965 | 121,174,785,435 |
| Lease liabilities | – | 65,779,876 | 197,339,629 | 7,607,906,818 | 7,871,026,323 |
| Total undiscounted financial liabilities | ₱8,401,130,825 | ₱6,582,047,035 | ₱17,374,812,949 | ₱167,338,717,578 | ₱199,696,708,387 |

**excluding statutory payables and including noncurrent portion of retention payable.*

## 33. Notes to Consolidated Statements of Cash Flows

Details of the movement in cash flows from financing activities follow:

| | | | Non-cash Change | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **January 1, 2020** | **Cash flows** | **Lease liabilities** | **Debt issue cost** | **Interest and other financing charges (including capitalized borrowing cost)** | **Foreign exchange movement** | **Dividends declared** | **December 31, 2020** |
| Notes payable | **₱93,190,157,885** | **₱7,712,158,400** | **₱–** | **(₱278,399,999)** | **₱122,311,613** | **(₱1,742,659,385)** | **₱–** | **₱99,003,568,514** |
| Bank loans | **47,175,145,165** | **(4,862,511,123)** | **–** | **(25,000,000)** | **86,155,159** | **–** | **–** | **42,373,789,201** |
| Loans payable | **3,404,980,820** | **916,913,825** | **–** | **–** | **–** | **–** | **–** | **4,321,894,645** |
| Lease liabilities | **3,113,934,152** | **(246,360,955)** | **(579,441,297)** | **–** | **386,720,482** | **–** | **–** | **2,674,852,382** |
| Dividends payable | **68,872,166** | **(653,384,724)** | **–** | **–** | **–** | **–** | **612,616,496** | **28,103,938** |
| Accrued interest expense | **761,994,827** | **(9,514,967,781)** | **–** | **303,399,999** | **9,393,382,143** | **–** | **–** | **943,809,188** |
| Total liabilities from financing activities | **₱147,715,085,015** | **(₱6,648,152,358)** | **(₱579,441,297)** | **₱–** | **₱9,988,569,397** | **(₱1,742,659,385)** | **₱612,616,496** | **₱149,346,017,868** |

| | | | Non-cash Change | | | | | |
|---|---|---|---|---|---|---|---|---|
| | January 1, 2019 | Cash flows | Lease liabilities | Debt issue cost | Interest and other financing charges (including capitalized borrowing cost) | Foreign exchange movement | Dividends declared | December 31, 2019 |
| Notes payable | ₱74,286,995,523 | ₱20,215,394,599 | ₱– | (₱250,985,401) | ₱306,949,630 | (₱1,368,196,466) | ₱– | ₱93,190,157,885 |
| Bank loans | 44,476,052,515 | 2,643,064,899 | – | (25,000,000) | 81,027,751 | – | – | 47,175,145,165 |
| Loans payable | 2,784,170,565 | 620,810,255 | – | – | – | – | – | 3,404,980,820 |
| Lease liabilities | 2,757,504,156 | (212,813,304) | 300,329,736 | – | 268,913,564 | – | – | 3,113,934,152 |
| Dividends payable | 33,368,139 | (3,181,453,513) | – | – | – | – | 3,216,957,540 | 68,872,166 |
| Accrued interest expense | 545,978,645 | (8,883,071,125) | – | 275,985,401 | 8,823,101,906 | – | – | 761,994,827 |
| Treasury shares | – | (632,462,984) | – | – | – | – | – | – |
| Total liabilities from financing activities | ₱124,884,069,543 | ₱10,569,468,827 | ₱300,329,736 | ₱– | ₱9,479,992,851 | (₱1,368,196,466) | ₱3,216,957,540 | ₱147,715,085,015 |



The Group's noncash investing and financing activities pertain to the following:

a) The Parent Company presented in the consolidated statements of cash flow the availments and payments, net of bank loans that were rolled over during the period (loans against deposit hold-outs) amounting to ₱17,971.29 million and ₱5,995.23 million in 2020 and 2019;
b) Unpaid acquisition costs of treasury shares amounting to ₱76.53 million in 2018, which is presented under "Accounts and other payables" line item in the consolidated statements of financial position, was paid in 2019;
c) Unpaid additions to investment properties amounted to ₱1,885.51 million and ₱1,241.10 million as of December 31, 2020 and 2019, respectively;
d) Unpaid additions to property and equipment amounted to ₱18.96 million and ₱38.26 million as of December 31, 2020 and 2019, respectively;
e) In 2019, there was a transfer of ₱8,846.78 million from real estate inventories to investment properties pertaining to land which the Group identified to be used for commercial projects;
f) In 2018, the Group acquired land from Fine Properties, Inc. amounting to ₱2,010.00 million which was offset against receivable from Fine Properties Inc.; and
g) Liabilities for purchased land is comprised of unpaid additions to land improvements classified as:

| | **2020** | 2019 |
|---|---|---|
| Real estate inventories | **₱3,122,559,473** | ₱3,550,879,359 |
| Investment properties | **618,952,163** | 658,628,203 |
| | **₱3,741,511,636** | ₱4,209,507,562 |

## 34. Lease Commitments

The Group as Lessor

The Group has entered into non-cancellable property leases on its investment property portfolio, consisting of retail mall spaces and BPO commercial centers which generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as of December 31, 2020 and 2019 follow:

| | **2020** | 2019 |
|---|---|---|
| Within one year | **₱4,346,040,290** | ₱6,273,307,232 |
| After one year but not more than five years | **19,946,890,845** | 26,749,850,683 |
| More than five years | **84,274,571,759** | 58,355,251,522 |
| | **₱108,567,502,894** | ₱91,378,409,437 |

Rental income included in the consolidated statements of comprehensive income for the years ended December 31, 2020, 2019 and 2018 amounted to ₱7,196.73 million, ₱7,748.42 million and ₱6,464.74 million, respectively.

Contingent rent included in rental income for the years ended December 31, 2020, 2019 and 2018 amounted to ₱1,492.01 million, ₱2,179.51 million and ₱987.09 million, respectively.

## 35. Commitments and Contingencies

The Group has entered into several contracts with contractors for the development of its real estate properties. As at December 31, 2020 and 2019, these contracts have an estimated aggregate cost of ₱10,368.55 million and ₱9,112.84 million, respectively. These contracts are due to be completed on various dates up to December 2020.

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.

## 36. Other Matters

COVID-19 Pandemic

The declaration of COVID-19 by the World Health Organization (WHO) as a pandemic and declaration of nationwide state of calamity and implementation of community quarantine measures in various levels throughout the country has caused disruption in the Group's business activities.

The Group has adjusted its operations in accordance with the required measures and safety protocols. Commercial spaces have opened and construction and real estate development activities have resumed at various level of activities following safety protocols mandated by the national government.

## 37. Approval of the Financial Statements

The consolidated financial statements of the Group as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 were authorized for issue by the BOD on April 16, 2021.



# VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

## VISTA LAND & LIFESCAPES, INC.
## RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
### AS OF DECEMBER 31, 2020

| | |
|---|---|
| Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning | ₱3,582,334,313 |
| Add: Net income actually earned/realized during the period | |
| Net income during the period closed to retained earnings | 174,246,004 |
| Less: Non-actual/unrealized income net of tax | |
| Equity in net income of associate/joint venture | – |
| Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents) | – |
| Unrealized actuarial gain | – |
| Fair value adjustment (M2M gains) | – |
| Fair value adjustment of Investment Property resulting to gain | – |
| Adjustment due to deviation from PFRS/GAAP-gain | – |
| Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS | – |
| Add: Non-actual losses | |
| Depreciation on revaluation increment (after tax) | – |
| Adjustment due to deviation from PFRS/GAAP-loss | – |
| Loss on fair value adjustment of investment property (after tax) | – |
| Net income actually earned during the period | 3,756,580,317 |
| Add (Less): | |
| Dividend declarations during the period | (597,289,973) |
| Appropriations of retained earnings during the period | – |
| Reversals of appropriations | – |
| Effects of prior period adjustments | – |
| Treasury shares | (2,361,375,653) |
| **TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION** | ₱797,914,691 |



## VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
## SCHEDULE A: FINANCIAL ASSETS
### DECEMBER 31, 2020

| Name of issuing entity and association of each issue | Number of shares or principal amount of bonds and notes | Amount shown in the balance sheet | Value based on market quotation at end of reporting period | Income received and accrued |
|---|---|---|---|---|
| Cash and cash equivalents and Short-term cash investments | N/A | ₱6,670,529,609 | ₱6,670,529,609 | ₱77,554,532 |
| Installment contracts receivables | N/A | 40,024,164,591 | 40,024,164,591 | 628,241,376 |
| Quoted equity securities | 100 | 75,000,000 | 75,000,000 | – |
| Unquoted equity securities | 4,149,918 | 41,499,183 | 41,499,183 | – |
| UBS Portfolio I | ₱1,234,677,524,967 | 4,139,007,415 | 4,289,681,080 | |
| UBS Portfolio II | 1,692,582,832,842 | 5,953,202,016 | 6,214,950,379 | |
| UBS Portfolio III | 2,008,988,899,470 | 8,708,080,577 | 9,157,223,447 | |
| UBS Portfolio IV | 874,164,349,805 | 2,609,431,031 | 2,752,160,432 | |
| UBS Portfolio V | 1,968,697,746,539 | 6,547,648,909 | 6,798,380,941 | 1,359,716,861 |
| UBS Portfolio VI | 798,369,408,790 | 2,337,191,560 | 2,443,828,040 | |
| HSBC Porfolio I | 459,580,110,000 | 1,894,644,735 | 1,957,023,307 | |
| HSBC Porfolio II | 292,940,300,000 | 2,005,132,260 | 2,118,178,026 | |
| CREDIT SUISSE | 1,155,961,633,000 | 1,899,216,049 | 1,930,584,293 | |
| J.SAFFRRA SARASSIN | 870,421,725,323 | 4,734,576,049 | 4,848,161,821 | |
| Total Financial Assets | | ₱87,639,323,984 | ₱89,321,365,149 | ₱2,065,512,769 |

See Notes 9, 10, 11 and 25 of the Consolidated Financial Statements

## VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
### SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDER (OTHER THAN RELATED PARTIES)
**DECEMBER 31, 2020**

| Designation of debtor | Balance at beginning of period | Additions | Amounts collected | Amounts written off | Current | Noncurrent | Balance at end of period |
|---|---|---|---|---|---|---|---|
| Officers | ₱30,766,784 | ₱351,925,226 | (₱338,820,996) | ₱– | ₱43,871,014 | ₱– | ₱43,871,014 |
| Employees | 154,786 | – | – | – | 154,786 | – | 154,786 |
| Advances to employees | ₱30,921,570 | ₱351,925,226 | (₱338,820,996) | ₱– | ₱44,025,800 | ₱– | ₱44,025,800 |

See Note 11 of the Consolidated Financial Statements



## VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
### SCHEDULE C: AMOUNTS RECEIVABLES/PAYABLES FROM/TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
**DECEMBER 31, 2020**

| Name and Designation of Debtor | Balance at Beginning of Period | Additions | Amounts Collected | Amounts Converted to APIC/Capital Stock | Current | Noncurrent | Balance at end of period |
|---|---|---|---|---|---|---|---|
| Vista Land and Lifescapes, Inc. | 89,056,587,166 | 126,288,477,768 | (125,925,560,546) | – | (36,506,056,158) | – | (36,506,056,158) |
| Prima Casa Land & Houses, Inc. | (4,459,343,646) | (1,274,518,461) | 2,615,909,022 | – | (502,044,062) | – | (502,044,062) |
| VLL International, Inc. | (6,869,717,376) | (2,342,928,920) | | – | (9,212,646,296) | – | (9,212,646,296) |
| Crown Asia Properties, Inc. | (7,063,435,396) | (389,101,653) | 671,242,344 | – | (6,110,052,361) | – | (6,110,052,361) |
| Vista Residences, Inc. | (10,368,232,773) | (1,092,023,267) | 2,402,925,375 | – | (6,654,405,290) | – | (6,654,405,290) |
| Camella Homes, Inc. | (8,220,487,415) | (29,470,654,145) | 27,441,905,929 | – | 17,192,670,298 | – | 17,192,670,298 |
| Brittany Corporation | (13,845,631,823) | (922,162,891) | 780,423,614 | – | (13,206,947,485) | – | (13,206,947,485) |
| Communities Philippines, Inc. | (10,376,178,842) | (16,627,959,804) | 19,460,289,532 | – | 11,916,440,418 | – | 11,916,440,418 |
| Vistamalls, Inc. | (27,853,559,896) | (74,169,128,627) | 72,552,864,730 | – | 43,083,040,937 | – | 43,083,040,937 |

## VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
### SCHEDULE D: LONG TERM DEBT
### DECEMBER 31, 2020

| Title of issue and type of obligation | Amount authorized by indenture | Amount shown under caption "Current portion of long-term debt" in related balance sheet | Amount shown under caption "Long-term debt" in related balance sheet | Interest rates | Amount | Number of periodic installments | Maturity date |
|---|---|---|---|---|---|---|---|
| Notes payable | ₱5,000,000,000 | ₱672,785,780 | ₱– | 5.94% in 7yrs | ₱672,785,780 | Quarterly interest payments | May 2021 |
| Notes payable | 5,150,000,000 | 99,032,996 | 4,613,049,947 | 6.19% | 4,712,082,943 | Quarterly interest payments; 0.5% principal payment for 36 quarter and 82% principal on maturity date | December 2026 |
| Notes payable | 4,850,000,000 | 93,268,920 | 4,343,199,838 | 6.23% | 4,436,468,758 | Quarterly interest payments; 1% principal payment for the 1st quarter following the issuance, 0.5% and 82% principal on maturity date | December 2026 |
| Notes payable | 6,000,000,000<br>1,700,000,000<br>500,000,000 | 665,303,310<br>280,042,236<br>82,216,650 | 4,453,919,203<br>1,055,589,582<br>310,591,274 | 7.71%<br>7.49%<br>7.50% | 5,119,222,513<br>1,335,631,818<br>392,807,924 | Quarterly interest payments; 4.1667% principal payments 1 year after issuance for 24 quarters | July 2025 |
| Notes payable | 15,000,000,000 | 3,708,666,603 | 10,264,823,984 | 6.77% | 13,973,490,587 | Quarterly interest payments; 5% principal payment 1 year after issuance for 20 quarters | July 2024 |
| Notes payable | 5,000,000,000 | 5,676,235<br>2,389,480 | 2,972,287,141<br>1,978,706,697 | 5.75% in 7 yrs<br>6.23% in 10 yrs | 2,977,963,376<br>1,981,096,177 | Quarterly interest payments | August 2024<br>August 2027 |
| Notes payable | 10,000,000,000 | 16,826,582<br>5,913,712 | 6,428,227,100<br>3,458,835,212 | 8.00% in 5 yrs<br>8.25% in 7 yrs | 6,445,053,682<br>3,464,748,924 | Quarterly interest payments | December 2023<br>December 2025 |
| Notes payable | 10,000,000,000 | 15,085,884 | 9,909,994,994 | 5.70% | 9,925,080,878 | Quarterly interest payments | June 2025 |
| Notes payable | $200,000,000 | – | 198,165,019 | 7.25% | 198,165,019 | Semi-annually interest payments; bullet on principal | July 2027 |
| Notes payable | $350,000,000 | – | 344,003,001 | 5.75% | 344,003,001 | Semi-annually interest payments; bullet on principal | Nov 2024 |
| Notes payable | $425,000,000.00 | – | 365,478,359 | 7.375% | 365,478,359 | Semi-annually interest payments; bullet on principal | June 2022 |
| Bank Loans | Not Applicable | 7,177,334,341 | 35,196,454,860 | 4.25% to 10.50% | 42,373,789,201 | Various payment terms (i.e., monthly and quarterly) of interest and principal | Various dates |
| Loans Payable | Not Applicable | 3,195,007,367 | 1,126,887,278 | 5.50% to 8.00% | 4,321,894,645 | Interest and principal payable monthly | Various dates |
| | | ₱16,019,550,096 | ₱87,020,213,489 | | ₱103,039,763,585 | | |

See Notes 20 and 21 of the Consolidated Financial Statements



## VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
### SCHEDULE E: INDEBTEDNESS TO RELATED PARTIES
### DECEMBER 31, 2020

| Name of related party | Balance at beginning of period | Balance at end of period |
|---|---|---|

Not Applicable

## VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
## SCHEDULE F: GUARANTEES OF SECURITIES OF OTHER ISSUERS
### DECEMBER 31, 2020

| Name of issuing entity of securities guaranteed by the company for which this statement is filed | Title of issue of each class of securities guaranteed | Total amount guaranteed and outstanding | Amount of owned by person for which statement is filed | Nature of guarantee |
|---|---|---|---|---|
| Not Applicable | | | | |



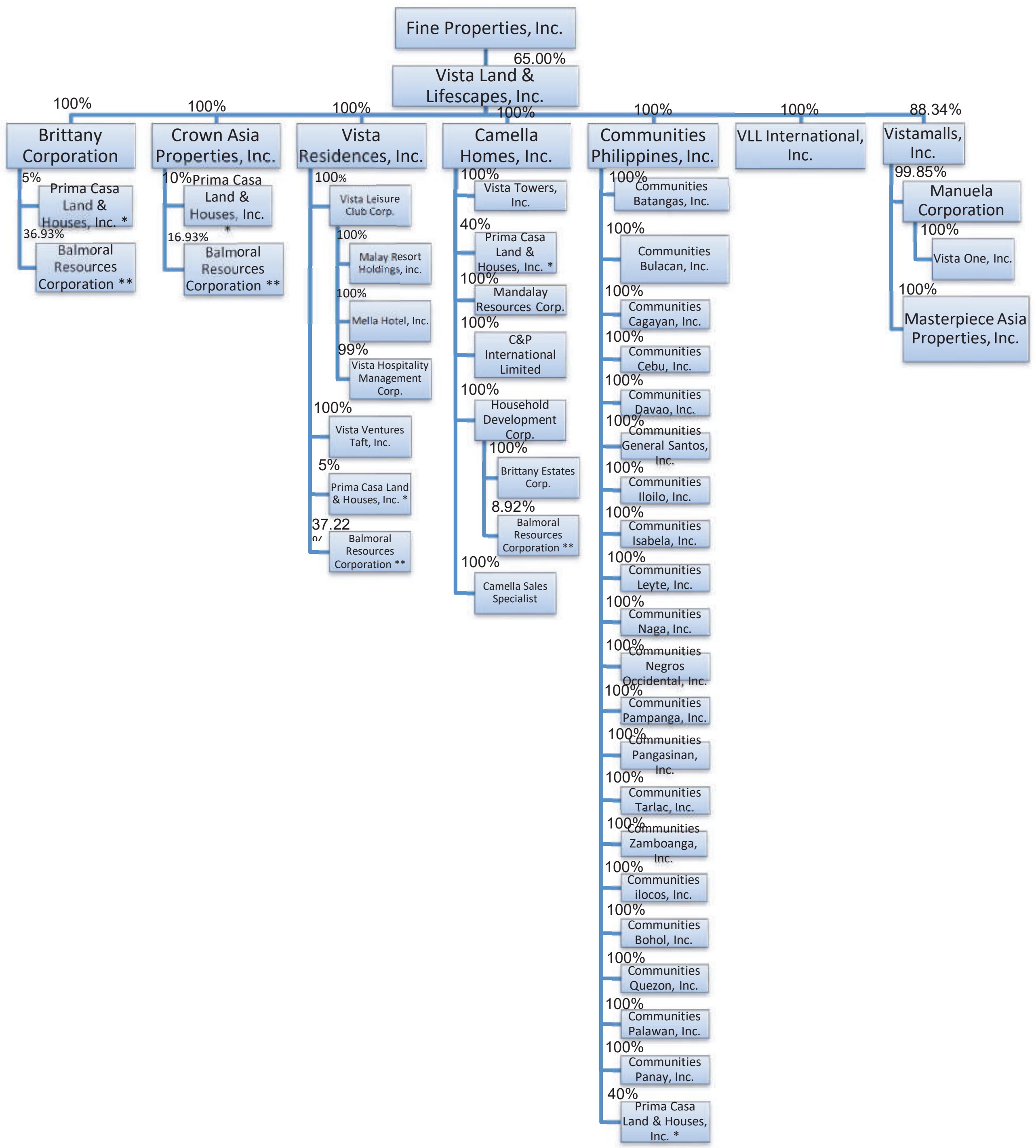
## VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
## SCHEDULE G: CAPITAL STOCK
### DECEMBER 31, 2020

| Title of issue | Number of shares authorized | Number of shares issued and outstanding at shown under related balance sheet caption | Number of shares reserved for options, warrants, conversion and other rights | Number of shares held by | | |
|---|---|---|---|---|---|---|
| | | | | Related parties | Directors, officers and employees | Others |
| Common Stock, ₱1 par value | 17,900,000,000 | 13,114,136,376 shares issued; 11,945,799,461 shares outstanding | – | 9,086,231,649 | 516,774,386 | 2,342,794,526 |
| Preferred Stock Series 1, ₱0.01 par value | 8,000,000,000 | 3,300,000,000 shares issued and outstanding | – | 3,300,000,000 | – | – |
| Preferred Stock Series 2, ₱0.10 par value | 200,000,000 | – | – | – | – | – |

See Note 23 of the Consolidated Financial Statements.

## VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
## GROUP STRUCTURE

Below is the map showing the relationship between and among group and its Ultimate parent company, and its subsidiaries as of December 31, 2020.




*Vista Land's combined ownership in Prima Casa Land & Houses, Inc. is 99.8%.
**Vista Land's combined ownership in Balmoral Resources Corporation is 100%.



## SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

## VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
### AS OF DECEMBER 31, 2020 AND 2019

Below are the financial ratios that are relevant to the Group for the years ended December 31, 2020, 2019 and 2018

| Ratios | Formula | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Current ratio | Current assets / Current liabilities | **3.16** | 3.96 | 3.77 |
| Acid test ratio | Quick asset[1] / Current liabilities | **1.55** | 1.89 | 1.94 |
| Solvency ratio | Net income + Depreciation / Total liabilities | **0.05** | 0.08 | 0.08 |
| Debt ratio | Interest bearing debt[2] / Total assets | **0.50** | 0.52 | 0.50 |
| Asset to equity ratio | Total assets / Total equity | **2.69** | 2.73 | 2.59 |
| Interest service coverage ratio | EBITDA[3] / Total interest paid[4] | **1.69** | 2.41 | 2.59 |
| Return on equity | Net income / Total equity | **0.06** | 0.12 | 0.11 |
| Return on assets | Net income / Average total assets | **0.02** | 0.05 | 0.05 |
| Net profit margin | Net income / Net revenue | **0.20** | 0.27 | 0.26 |

[1]Includes Cash and Cash Equivalents, Short-term Investments, Investment at FVTPL and Current Receivables
[2]Includes Bank loans and Notes Payable
[3] EBITDA less Interest Income from Investments
[4]Total interest paid less Interest Income from Investments

SHAREHOLDER INFORMATION

## VISTA LAND & LIFESCAPES, INC.
Registered Address
Lower Ground Floor, Building B, Evia Lifestyle Center,
Vista City, Daanghari, Almanza II, Las Piñas City,
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## BRITTANY CORPORATION
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## CROWN ASIA PROPERTIES, INC.
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## SHAREHOLDER SERVICES AND ASSISTANCE
For inquiries regarding dividend payments,
change of address and account status, lost or
damaged stock certificates, please write or call:
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Concept & Design

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