COVER SHEET

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S.E.C. Registration Number

VISTA LAND & LIFESCAPES, INC.

(Company's Full Name)

LOWER GROUND FLOOR, BUILDING B, EVIA LIFESTYLE CENTER, VISTA CITY, DAANGHARI, ALMANZA II, LAS PIÑAS CITY

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

Brian N. Edang
Contact Person

226-3552 ext. 0088
Company Telephone Number

1	2		3	1
Month			*Day*	

Calendar Year

17-Q
FORM TYPE

0	6		1	5
Month			*Day*	

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarter ended **September 30, 2019**

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

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

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

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

6. Industry Classification Code (SEC Use Only)

7. **Lower Ground Floor, Building B, Evia Lifestyle Center, Vista City, Daanghari, Almanza II, Las Piñas City** **1747**
Address of Principal Office Postal Code

8. **(632) 874-5758 / (632) 872-6947 / (632) 226-3552**
Registrant's telephone number, including area code

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

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

Title of each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common stock (as of 09/30/2019 net of 416,128,700 treasury shares)	**12,698,007,676**
VLL Retail Bonds issued in 2014 (as of 09/30/2019)	**P5,000,000,000.00**
VLL Retail Bonds issued in 2017 (as of 09/30/2019)	**P5,000,000,000.00**
VLL Retail Bonds issued in 2018 (as of 09/30/2019)	**P10,000,000,000.00**

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

Yes [x] No [ ]

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Section 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period of the registrant was required to file such reports.)

Yes [x] No [ ]

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

Yes [x] No [ ]

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Vista Land & Lifescapes, Inc.
Consolidated Statements of Financial Position
As of September 30, 2019 and December 31, 2018
(In Million Pesos)

	Unaudited 09/30/2019	Audited 12/31/2018
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7 and 28)	**12,089**	20,022
Short-term cash investments (Notes 8 and 28)	**173**	140
Investments at amortized cost (Note 8)	**1,562**	-
Current portion of:		
Receivables (Notes 9 and 28)	**42,167**	36,306
Cost to obtain (Note 5)	**638**	747
Receivables from related parties (Notes 26)	**4,714**	4,707
Real estate inventories (Note 10)	**40,486**	41,947
Other current assets (Note 11)	**8,380**	6,013
Total Current Assets	**110,209**	109,882
Noncurrent Assets		
Investments at amortized cost (Note 8)	**32,327**	27,483
Investments at fair value through other comprehensive income (Note 8)	**117**	107
Receivables – net of current portion (Note 9)	**15,704**	17,335
Cost to obtain – net of current portion (Note 5)	**709**	529
Project development cost (Note 13)	**4,894**	4,465
Property and equipment	**2,757**	1,614
Investment properties (Note 12)	**97,467**	73,931
Goodwill	**147**	147
Pension Assets (Note 23)	**249**	213
Deferred tax assets - net (Note 24)	**1,629**	847
Other noncurrent assets (Note 14)	**1,752**	1,709
Total Noncurrent Assets	**157,752**	128,380
	267,961	238,262
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 15 and 28)	**16,650**	15,650
Security deposits (Note 16)	**1,544**	1,298
Income tax payable (Note 24)	**45**	44
Dividends payable	**3,229**	33
Contract liabilities	**1,639**	1,617
Current portion of:		
Bank loans (Notes 17 and 27)	**5,228**	5,333
Loans payables (Notes 17 and 28)	**85**	337
Notes payable (Notes 18 and 28)	**5,524**	4,761
Lease liabilities (Note 25 and 28)	**24**	87
Total Current Liabilities	**33,968**	29,160

(Forward)

Vista Land & Lifescapes, Inc.
Consolidated Statements of Financial Position
As of September 30, 2019 and December 31, 2018
(In Million Pesos)

	Unaudited 09/30/2019	Audited 12/31/2018
Noncurrent Liabilities		
Contract liabilities - net of current portion	**1,079**	708
Bank loans - net of current portion (Notes 17 and 28)	**38,087**	39,143
Loans payable - net of current portion (Notes 17 and 28)	**3,349**	2,447
Notes payable - net of current portion (Notes 18 and 28)	**82,655**	69,526
Lease liabilities – net of current portion (Notes 25 and 28)	**2,723**	
Deferred tax liabilities - net (Note 24)	**5,467**	3,920
Other noncurrent liabilities (Note 19)	**3,298**	1,451
Total Noncurrent Liabilities	**136,658**	117,195
Total Liabilities	**170,626**	146,355
Equity (Note 21)		
Attributable to equity holders of the Parent Company		
Capital stock	**13,147**	13,147
Additional paid-in capital	**30,655**	30,655
Other comprehensive income	**564**	535
Treasury shares	**(7,740)**	(7,184)
Retained earnings	**58,517**	52,737
	95,143	89,890
Non-controlling interest	**2,192**	2,017
Total Equity	**97,335**	91,907
	267,961	238,262

See accompanying Notes to Consolidated Financial Statements.

Vista Land & Lifescapes, Inc.
Consolidated Statements of Comprehensive Income
For the nine months ended September 30, 2019 and 2018 (In Million Pesos)

	Unaudited Jul-Sept Q3-2019	**Unaudited Jan-Sept 2019**	Unaudited Jul-Sept Q3-2018	Unaudited Jan-Sept 2018
REVENUE				
Real estate	**8,186**	**26,212**	7,927	24,583
Rental income	**1,586**	**5,197**	1,656	4,765
Interest income	**663**	**1,641**	346	1,196
Miscellaneous income (Note 21)	**529**	**1,309**	330	854
	10,964	**34,359**	10,259	31,398
COSTS AND EXPENSES				
Costs of real estate sales (Note 22)	**4,008**	**12,624**	3,620	11,581
Operating expenses (Note 22)	**2,975**	**8,510**	2,636	7,272
	6,983	**21,134**	6,256	18,853
OTHER EXPENSES				
Interest and financing charges	**187**	**2,872**	591	3,233
Other	**(4)**	**-**	13	-
	183	**2,872**	604	3,233
INCOME BEFORE INCOME TAX	**3,798**	**10,353**	3,399	9,312
PROVISION FOR INCOME TAX (Note 24)	**558**	**1,291**	522	1,193
NET INCOME	**3,240**	**9,062**	2,877	8,119
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company	**3,165**	**8,831**	2,803	7,899
Noncontrolling interest	**75**	**231**	74	220
	3,240	**9,062**	2,877	8,119
Weighted average common shares	**12,703**	**12,703**	12,827	12,827
Basic/Diluted earnings per share	**0.249**	**0.695**	0.219	0.616

Vista Land & Lifescapes, Inc.
Consolidated Statements of Comprehensive Income
For the nine months ended September 30, 2019 and 2018
(In Million Pesos)

	Unaudited Jul-Sept Q3-2019	**Unaudited Jan-Sept 2019**	Unaudited Jul-Sept Q3-2018	Unaudited Jan-Sept 2018
NET INCOME	**3,240**	**9,062**	2,877	8,119
OTHER COMPREHENSIVE INCOME				
Cumulative translation adjustments	2	30	248	189
TOTAL COMPREHENSIVE INCOME	**2**	**30**	248	189
	3,242	**9,092**	3,125	8,308
Total comprehensive income attributable to:				
Equity holders of Vista Land & Lifescapes, Inc.	**3,167**	**8,861**	3,051	8,088
Minority interest	**75**	**231**	74	220
	3,242	**9,092**	3,125	8,308
Weighted average common shares	**12,703**	**12,703**	12,827	12,827
Basic/Diluted earnings per share	**0.249**	**0.695**	0.219	0.616

Vista Land & Lifescapes, Inc.
Consolidated Statements of Changes in Equity
For the nine months ended September 30, 2019 and 2018
(In Million Pesos)

	Unaudited 09/30/2019	Unaudited 09/30/2018
CAPITAL STOCK		
Common – P1 par value		
Authorized – 4,000,000 shares in February 28, 2007		
12,000,000,000 shares in May 23, 2007 and		
11,000,000,000 shares in November 24, 2010		
11,900,000,000 shares in October 5, 2012		
17,900,000,000 shares in November 11, 2015		
Issued – 1,000,000 shares as of February 28, 2007;		
8,538,740,614 shares as of September 30, 2011;		
10,038,740,614 shares as of November 10, 2015;		
12,654,891,753 shares as of December 22, 2015;		
13,114,136,376 shares as of February 23, 2016;	13,114	13,114
Preferred – P0.01 par value		
Authorized – P10,000,000,000 shares in October 5, 2012		
Issued – P3,300,000,000 shares in March 31, 2013 (Note 18)	33	33
Balance at end of period	**13,147**	**13,147**
ADDITIONAL PAID-IN CAPITAL		
Balance at beginning of period	30,655	30,655
Adjustment	-	-
Balance at end of period	**30,655**	**30,655**
RETAINED EARNINGS		
Balance at beginning of period	52,737	44,137
Effect of adoption of PRFS 16	111	1,081
Net income	8,830	7,898
Cash dividends declared	(3,161)	(2,720)
Balance at end of period	**58,517**	**50,396**
OTHER COMPREHENSIVE INCOME		
Balance at beginning of period	534	578
Adjustment	30	189
Balance at end of period	**564**	**767**
TREASURY SHARES		
Balance at beginning of period	(7,184)	(6,980)
Acquisition of treasury shares	(556)	-
Balance at end of period	**(7,740)**	**(6,980)**

(Forward)

NON-CONTROLLING INTEREST		
Balance at beginning of period	2,017	1,768
Net income	231	220
Adjustment	(56)	(48)
Balance at end of period	**2,192**	**1,940**
	97,335	**89,925**

Vista Land & Lifescapes, Inc.
Consolidated Statements of Cash Flows
For the nine months ended September 30, 2019 and 2018 (In Million Pesos)

	Unaudited Jul-Sept 3Q-2019	Unaudited Jan-Sept 2019	Unaudited Jul-Sept 3Q-2018	Unaudited Jan-Sept 2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	3,797	10,352	3,087	9,000
Adjustments for:		-	-	-
Interest and other financing charges	187	2,872	581	3,222
Depreciation and amortization	586	1,627	362	1,073
Unrealized foreign exchange gains	(3)	(3)	(11)	(11)
Retirement expense, net of benefits paid and contribution to retirement plan	(35)	(35)	(50)	(50)
Interest income and other income from installment contracts receivable and investments	(662)	(1,641)	(346)	(1,196)
Operating income before working capital changes	3,869	13,172	3,622	12,039
Decrease (increase) in:				
Receivables	39	(4,156)	(2,813)	(10,032)
Real estate inventories (excluding capitalized borrowing costs)	5,089	3,364	3,969	1,244
Other current assets and cost to obtain contract	391	(2,265)	(1,044)	(1,864)
Increase (decrease) in:	-	-	-	-
Accounts and other payables	(2,813)	2,166	(5,181)	1,019
Security deposits	63	245	(710)	-
Contract liabilities	67	393	2,737	2,737
Net cash flows provided by operations	6,705	12,920	579	5,143
Income tax paid	(378)	(574)	86	(169)
Net cash flows provided by operating activities	6,327	12,346	665	4,974
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from:				
Maturity of investments at amortized cost	8,534	1,187	12,398	6,427
Short-term cash investments	103	103	174	174
Interest received	1,621	1,621	1,002	1,002
Acquisitions of:	-	-	-	-
Short-term cash investments	(162)	(136)	(310)	-
Investments at amortized cost	(8,016)	(8,016)	(9,746)	(9,746)
Investment properties and property and equipment excluding	(6,525)	(20,552)	(4,877)	(12,203)
capitalized borrowing cost	-	-	-	-
Decrease (increase) in:	-	-	-	-
Receivables from related parties	(803)	(7)	1,324	(1,352)
Other noncurrent assets	(986)	(43)	190	76
Project development costs	(9)	(428)	(278)	(222)
Net cash flows used in investing activities	(6,243)	(26,272)	(122)	(15,845)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from (Payments of):				
Notes payable - net	14,196	14,260	5,842	8,133
Loans payable - net	1,146	650	(450)	(681)
Bank loans - net	(4,705)	(1,161)	(2,229)	5,508
Payments of:				
Dividends paid	(21)	(21)	-	-
Lease liabilities	(138)	(138)	-	-
Interest and other financing charges including capitalized borrowing cost	(4,283)	(6,969)	(2,564)	(5,205)
Acquisition of treasury shares	(77)	(632)	-	-
Net cash flows provided by financing activities	6,118	5,990	600	7,755
EFFECT OF CHANGE IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	3	3	11	11
NET DECREASE IN CASH AND CASH EQUIVALENTS	6,205	(7,933)	1,154	(3,105)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5,884	20,022	7,235	11,495
CASH AND CASH EQUIVALENTS AT END OF PERIOD	12,089	12,089	8,390	8,390

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. Formerly, the registered office address is at 3rd Level Starmall Las Piñas, CV Starr Avenue, Philamlife Village, Pamplona, Las Piñas City. The change in address was approved by the Board of Directors (BOD) and SEC on May 15, 2017 and on December 29, 2017, respectively. The Parent Company is a publicly-listed investment holding company which is 55.90% owned by Fine Properties, Inc., (Ultimate Parent Company), 44.10% owned by PCD Nominee Corporations and the other entities and individuals.

The Parent Company is the holding company of the Vista Group (the Group) which is engaged in real estate industry. 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 Parent and all entities within the Group, except VII and C&P International Limited , are all domiciled and incorporated in the Philippines and caters on the development and sale of residential lots and units and residential high-rise and mid-rise 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.

VII and C&P International Limited are incorporated in Grand Cayman Island and domiciled in Hong Kong and operates as holding companies.

2. Summary of Significant Accounting Principles

Basis of Preparation

The interim condensed consolidated financial statements as at September 30, 2019 and for the nine-month periods ended September 30, 2019 and 2018 have been prepared on a historical cost basis, except for financial assets which have been measured at fair value.

The interim condensed 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 million ₱, unless otherwise indicated.

Statement of Compliance

The interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, Interim Financial Reporting. Accordingly, the interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended December 31, 2018 which have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation
The interim condensed consolidated financial statements comprise the financial statements of the Group. For the nine-month period ended September 30, 2019, there was no significant change in the Parent Company's ownership interest in its subsidiaries.

Reclassifications

On September 27, 2019, the Philippine Interpretations Committee (PIC) issued a Letter to the various organization in the real estate industry in response to the PFRS 15 Implementation Issues and other accounting issues affecting real estate industry. These include the conclusion of PIC Q&A 2018-12D Step 3 on the recording of contract asset for the difference between the consideration received from the customer and the transferred goods or services to a customer. In the said letter, for the meantime, the PIC would allow the recording for the difference as either a contract asset or unbilled receivable. If presented as contract asset, the disclosures required under PFRS 15 should be complied with. Otherwise, the disclosures required under PFRS 9 should be followed.

The Group adopted the recording for the difference between the consideration received from the customer and the transferred goods or services to a customer as unbilled receivable.

Changes in Accounting Policies and Disclosures

A. Adoption of PFRS 15 and 9 in 2018
The Group made necessary adjustments to the transition adjustments as of January 1, 2018 as presented in its December 31, 2018 consolidated financial statements to reflect the changes made by management in adoption of PFRS 15, *Revenue from Contracts with Customers* and PFRS 9, *Financial Instruments*. Likewise, adjustments were made to the September 30, 2018 consolidated statements of comprehensive income for the implementation of PFRS 15 and PFRS 9.

The other changes to classification and measurement of financial assets did not impact the statements of comprehensive income.

There were no changes to the classification and measurement of financial liabilities.

Impairment testing under expected credit loss (ECL) model

There is no re-measurement loss recognized in the consolidated statements of comprehensive income for September 30, 2018. The use of ECL upon adoption of PFRS 9, did not result to any additional impairment loss.

A. Adoption of new accounting policy as of January 1, 2019

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as at and for the year ended December 31, 2018, except for the following amendments which the Group adopted starting January 1, 2019.

- Amendments to *PFRS 9, Prepayment Features with Negative Compensation*

  These amendments have no impact on the interim condensed consolidated financial statements of the Group.

- PFRS 16, *Leases*

  PFRS 16 supersedes PAS 17, *Leases*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

  The Group has lease contracts for office spaces as a lessee. Before the adoption of PFRS 16, the Group classified each of its leases at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in the condensed consolidated statements of comprehensive income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under other current assets and accounts and other payables, respectively.

  Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transaction requirements and practical expedients, which have been applied by the Group.

  The Group has elected to apply the following practical expedients provided by the standard:
  - Use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
  - The Group relied on its assessment of whether leases are onerous immediately before the date of initial application.
  - The Group did not apply the requirements of PFRS 16 to leases for which the lease term ends within 12 months from the date of initial application.
  - The Group use hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  The Group adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, PFRS 16 is applied retrospectively with the cumulative effect of initially applying PFRS 16 recognized at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying PAS 17 at the date of initial application. The Group recognized deferred tax on both the right-of-use asset and lease liability under PAS 12.24-4 and 12.15-2, *Deferred Taxation on Leases.*

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  These amendments have no impact to the interim condensed consolidated financial statements of the Group.

- Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures

  These amendments have no impact to the interim condensed consolidated financial statements of the Group.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Returns*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax position. The Group determined, based on its assessment, that it is probable that its tax treatments will be accepted by the taxation authorities. The interpretation did not have an impact on the interim condensed consolidated financial statements of the Group.

- *Annual Improvements to PFRSs 2015 - 2017 Cycle*

  - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

    These amendments have no impact to the interim condensed consolidated financial statements of the Group.

  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

    These amendments are not relevant to the Group because dividends declared by the Group to domestic corporations do not give rise to tax obligations under the current tax laws.

  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

    The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

    An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

    The amendments do not have material effect on the Group's interim condensed consolidated financial statements since the Group's current practice is in line with these amendments.

Pronouncement issued but not yet effective is listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncement will have a significant impact on its interim condensed financial statements. The Group intends to adopt the following pronouncement when they become effective.

<u>March 2019 IFRIC Agenda Decision on Over Time Transfer of Constructed Good (PAS 23, *Borrowing Costs*)</u>

In March 2019, the IFRS Interpretations Committee (the Committee) issued IFRIC Update summarizing the decisions reached by the Committee in its public meetings. The March 2019 IFRIC Update includes the Committee's Agenda Decision on the capitalization of borrowing cost on over time transfer of constructed goods. The IFRIC Agenda Decision clarified whether borrowing costs may be capitalized in relation to the construction of a residential multi-unit real estate development (building) which are sold to customers prior to start of construction or completion of the development.

Applying Paragraph 8 of PAS 23, *Borrowing Cost*, an entity capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Paragraph 5 of Pas 23 defines a qualifying asset as ‘an asset that necessarily takes a substantial period of time to get ready for its intended use or sale’. Under the March 2019 IFRIC Update, the Committee clarified that the related assets that might be recognized in the real estate company’s financial statements (i.e., installment contract receivable, contract asset, or inventory) will not qualify as a qualifying asset and the corresponding borrowing cost may no longer capitalized.

The Group performed its initial impact assessment and assessed that it will impact the classification and measurement of its borrowing costs. The Group is currently assessing the impact of adopting this amendment as it needs sufficient time to implement changes in its accounting policy.

Set out below are the new accounting policies of the Group upon adoption of new standards and amendments:

Right-of-use Assets
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 cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and 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 lease term.

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.

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 applied the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applied the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

3. Changes in Significant Judgments and Estimates

Except as previously discussed in Note 2 on PFRS 16 adoption, the significant accounting judgments, estimates and assumptions used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements as at and for the year ended December 31, 2018.

4. Segment Information

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

Horizontal Projects
This segment pertains to the development and sale of residential lots and housing units across the Philippines.

Vertical Projects
This segment caters on the development and sale of residential high-rise and mid-rise condominium projects across the Philippines.

Commercial and others
This segment pertains to rental of malls and commercial spaces 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.

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, AFS financial assets, HTM investments and deferred taxes. Segment liability are presented separately from the deferred tax liabilities.

The financial information about the operations of these business segments for the nine months ended September 30, 2019 is summarized below (in Php Millions):

	Horizontal	Vertical	Commercial & Others	Intersegment Adjustments	Consolidated
Real estate revenue	22,739	3,473	-	-	26,212
Rental income	(0)	-	5,235	(39)	5,197
Miscellaneous Income	518	100	690	-	1,309
	23,257	**3,573**	**5,926**	**(39)**	**32,718**
Costs and operating expenses	(14,947)	(2,388)	(2,211)	39	(19,507)
Segment income before income tax	8,310	1,185	3,714	-	13,210
Interest income	486	14	1,141	-	1,641
EBITDA	**8,796**	**1,200**	**4,855**	-	**14,851**
Interest and other financing charges	(290)	(54)	(2,528)	-	(2,872)
Depreciation and amortization	(170)	(14)	(1,442)	-	(1,626)
Income before income tax	**8,336**	**1,132**	**885**	-	**10,353**
Provision for income tax	(946)	(79)	(265)	-	(1,291)
Net income	**7,390**	**1,053**	**619**	-	**9,062**
Segment assets	89,643	22,950	115,018	-	227,611
Due from related parties	(29,027)	(8,507)	42,248	-	4,714
Investment at FVOCI	-	-	117		117
Investment at amortized cost	-	-	33,889		33,889
Deferred tax assets - net	1,334	-	295	-	1,629
Total Assets	**61,950**	**14,443**	**191,568**	-	**267,961**
Segment liability	109,366	5,582	50,211	-	165,159
Deferred tax liabilities - net	2,293	214	2,959	-	5,467
Total Liability	**111,660**	**5,796**	**53,170**	-	**170,626**

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

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

The Group has no revenue from transactions with a single external customer amounting 10% or more of the Group's revenue. There is no cyclicality of operations in interim operations.

5. 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:

	September 30, 2019
Type of Product	
Real estate sales	
Horizontal	**₱22,739**
Vertical	**3,473**
	₱26,212
Hotel Operations	**129**
	₱26,341

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 is at point in time. There are no inter-segment eliminations among revenue from contracts with customers, as there are all sold to external customers as disclosed in the segment information.

Contract Balances

	September 30, 2019
Installment contracts receivable (Note 9)	**38,773**
Cost to obtain contract	**1,347**
Contract liabilities	**2,718**

Installment contracts receivable from real estate sales which are collectible in equal monthly principal installments with various terms up to a maximum of 10 years. These are recognized at amortized cost using the effective interest method. Interest ranges from 4.82% to 7.32% per annum in 2019. 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 equitythreshold to qualify for revenue recognition and excess of collections over the good and services transferred by 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.

b. Performance obligations

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

Real estate sales

The Group entered into contracts to sell 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 contract to sell is fixed and has no variable consideration.

The sale of real estate unit covers subdivision land, condominium units and residential house 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 contract to sell 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 18 months at a fixed monthly payment 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 a contract asset 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 remaining performance obligations expected to be recognized within one year and in 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 years and five years, respectively, 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) provision of air conditioning and CUSA services (d) 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.

6. Business Combinations

Acquisition of Starmalls Group
Starmalls, Inc. was incorporated in the Philippines and duly registered with the SEC on October 16, 1969, originally to pursue mineral exploration. After obtaining SEC approval, Starmalls, Inc. later changed its primary business and is now presently engaged in holding investments in shares of stock and real estate business. Prior to the acquisition of VLLI, Starmalls, Inc. is 30.50% owned by Fine Properties, Inc. (Fine) and 69.50% owned by PCD Nominee Corporation and other entities and individuals. The shares of stock of Starmalls, Inc. are listed at the PSE.

On November 10, 2015, VLLI signed an agreement with the existing shareholders of Starmalls Group and acquired approximately 88.34% or 7,443.19 million shares of the outstanding capital stock of Starmalls, Inc. for a total consideration of ₱33,537.36 million. Starmalls, Inc. has subsidiaries namely Manuela Corporation and Masterpiece Asia Properties, Inc. with the following percentages of ownership:

Masterpiece Asia Properties, Inc. (MAPI)	100.00%
Manuela Corporation (Manuela)	98.36%

Upon execution of the agreement, VLLI paid ₱2,681.25 million to Fine. As a condition to the acquisition of Starmalls Group, Fine invested the 97.50% of the total consideration from the disposal or ₱32,698.93 million representing 4,573.28 million shares of VLLI at ₱7.15 per share. The shares were issued out of VLLI's increase in its authorized capital stock which was approved by the SEC on November 11, 2015.

Starmalls, Inc. and its subsidiaries became subsidiaries of VLLI as at December 31, 2015.

Both VLLI and Starmalls Group are entities under common control of Fine. Accordingly, VLLI accounted for the acquisition of Starmalls Group under the pooling-of-interest method of accounting.

Under the pooling-of-interest method, VLLI accounted the acquisition as follows:

- Assets and liabilities reflected as at reporting date is the combined assets and liabilities of Starmalls Group and Vista Group using their existing historical carrying values prior to the acquisition;
- Retained earnings reflects the accumulated earnings of Vista Group and the earnings of Starmalls Group as if the entities had always been combined;
- Capital stock represents the legal capital of VLLI;
- The difference between the consideration for the acquisition and the legal capital of Starmalls that amounted to ₱22,859.08 million is accounted for as "equity reserve" which was eventually closed to additional paid-in capital.

The ₱752.21 million VLLI shares in the amount of ₱5,378.29 million issued to Manuela which it held as of December 31, 2015 have been presented as treasury shares in the consolidated statements of financial position and consolidated statements of changes in equity as of and for the year ended December 31, 2015. Manuela still holds the VLLI shares as of September 30, 2019.

Acquisition of Malay Resorts Holdings, Inc.
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 ₱9.71 million, which resulted to recognition of goodwill of ₱147.27 million.

7. Cash and Cash equivalents

This account consists of (in Php Millions):

Cash on hand and in banks	5,857
Cash equivalents	6,232
	12,089

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to six (6) months depending on the immediate cash requirements of the Group and earn interest as follows:

	Sept 30, 2019	Dec 31, 2018
Philippine Peso	**0.10% to 4.00%**	0.60% to 5.50%
US Dollar	**0.10% to 2.50%**	0.10% to 2.50%

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

8. Investments

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

(in Php Millions)	**Sept 30, 2019**	Dec 31, 2018
Philippine Peso	**1.00% to 3.40%**	2.50% to 3.00%
US Dollar	**1.00% to 2.00%**	1.50% to 2.50%

The following are the breakdown of investment in financial asset at amortized cost and FVOCI

	Sept 30, 2019
Investment at amortized cost	**₱33,889**
Investment at fair value through other comprehensive income	**117**

9. Receivables

This account consists of:

Installment contracts receivable at amortized cost	₱ 38,812
Accrued interest receivable	386
Accrued rent receivable	3,517
Accounts receivable at amortized cost:	
Tenants	3,706
Buyers of joint venture projects	225
Contractors	8,465
Brokers	246
Suppliers	1,388
Others	1,191
	57,936
Less: Allowance for impairment losses	65
Total Receivables	**57,871**
Less: Noncurrent portion at amortized cost	15,704
	₱ 42,167

Installment contracts receivable at amortized cost
Installment contracts receivable consist of accounts collectible in equal monthly installments with various terms up to a maximum of fifteen (15) years. These are carried at amortized cost. The corresponding titles to the subdivision or condominium units sold under this arrangement are transferred to the buyers only upon full payment of the contract price. The installment contracts receivable are interest-bearing except for those with installment terms within two years. Annual interest rates on installment contracts receivables range from 12.00% to 19.00%.

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

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

Others
Other receivables consist mainly of receivables from various individuals and private entities and other nontrade receivables. These are non-interest bearing and are due and demandable.

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

10. Real Estate Inventories

This account consists of:

Subdivision land for sale and development	₱ 31,231
Condominium units for sale and development	8,424
Residential house units for sale and development	831
	₱ 40,486

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

Subdivision land for sale and development represents real estate subdivision projects in which the Group has been granted license to sell by the Housing and Land Use Regulatory Board of the Philippines. It also includes raw land inventories that are under development and those that are about to undergo development.

Real estate inventories recognized as cost of sales are included as cost of real estate sales in the consolidated statements of comprehensive income. Cost of real estate sales includes acquisition cost of subdivision land, amount paid to contractors, development costs, capitalized borrowing costs and other costs attributable to bringing the real estate inventories to its intended condition.

Construction and development costs represent approximately 80% to 90% of the cost of sales.

Except as stated, there are no other real estate inventories used as collateral or pledged as security to secure the borrowings of the Group.

11. Other Current Assets

This account consists of:

Input VAT	₱ 3,119
Creditable withholding taxes	1,849
Prepaid expenses	880
Construction materials and others	2,455
Hotel Inventories and others	14
Restricted cash	63
	₱ 8,380

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.

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

Construction materials pertain to supplies used in the constructions and developments.

Deposits for real estate purchases represent the Group's advances to real estate property owners for the acquisition of real estate properties which will be applied against the selling price once the Group attains control over the property.

12. Investment Properties

The investment properties consist mainly of land and commercial centers that are held to earn rental income. These include Vista Malls and Starmalls that are located in key cities and municipalities in the Philippines and BPO commercial centers in Greater Manila. The construction in progress represents capitalized costs arising from construction of commercial centers that are located in Taguig City, Las Pinas City, Pampanga, Cavite, Davao, Iloilo, Naga, and Cagayan de Oro which is due to be completed in 2018 to 2020.

Right of use assets (ROUA) amounting to P1,547 million were recognized under "Investment properties - net in the unaudited interim consolidated balance sheet as at 01 January 2019. The ROUA are initially measured at an amount equal to the lease liability and subsequently depreciated over the lease term.

Except as stated, there are no other investment properties used as collateral or pledged as security to secure the borrowings of the Group (Note 18).

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

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

The market price per square meter of the land ranged ₱1,258 to ₱173,017, while building and improvements ranged from ₱17,701 to ₱209,304. The estimated useful life of the investment properties other than land is 40 years.

13. Project Development Costs

This account consists of interests in project development cost.

Project development costs mainly pertain to cash advances to Bria Homes, Inc., a real estate developer of affordable house and lot, contracted by the Group for the construction of socialized housing units as required by the Housing and Land Use Regulatory Board (HLURB). These advances for project development costs are included in the total cost of project development which eventually forms part of the cost of sales. This account also includes advances made to joint venture partners.

14. Other Noncurrent Assets

This account consists of:

Cash restricted for use	₱	736
Deposits		751
Model house accessories at cost		188
Systems development costs - net of accumulated amortization		63
Other assets		14
	₱	**1,752**

Noncurrent portion of 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.

Model house accessories pertain to the furniture and fixture and other interior decorations used and displayed in the model house inventory.

15. **Accounts and Other Payables**

This account consists of:

Current portion of liabilities of purchased land	₱ 2,591
Accounts Payable	
Contractors	5,079
Suppliers	1,235
Buyers	1,001
Incidental Costs	325
Accrued Expenses	2,228
Commission Payable	2,132
Retention Payable	956
Deferred output tax	829
Other payables	274
	₱ 16,650

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 year end date are reported as noncurrent liabilities.

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 - 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.

Accounts payable - incidental costs
Accounts payable - incidental costs pertain to liabilities incurred in relation to land acquisitions. This includes payable for titling costs, clearing, security and such other additional costs incurred.

Accrued expenses
Accrued expenses consist mainly of accruals for project cost which are incurred but not yet billed, interest on bonds and bank loans, light and power, marketing costs, professional fees, postal and communication, supplies, repairs and maintenance, transportation and travel, security and insurance. These are noninterest- bearing.

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 installment receivables, the equivalent output tax from collected installment receivables are included in the current VAT payable of the month when collection is made. Deferred output VAT pertaining to installment receivables that are beyond one year after report date are presented as noncurrent liabilities.

Commissions payable
Commissions payable pertain to fees due to brokers for services rendered which are expected to be settled within one year.

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. The 10.00% 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 are payable beyond one year from year end date are presented as noncurrent liability.

Other payables
Other payables include dues from remittance to Social Security System, Philippine Health Insurance Corporation, Home Development Mutual Fund, withholding taxes, payables to JV partners and various payables. These are noninterest-bearing and are normally settled within one year.

16. **Security Deposits**

Security deposits pertain to the three-month rental and three-month advance rental paid by the lessees as required under lease contracts, which will be refunded upon termination of the lease term or applied to unpaid rentals and damages.

17. **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.

Details follow:

	Bank Loans	Loans Payable
Parent company	₱ 37,520	₱ -
Subsidiaries	5,795	3,434
	43,315	3,434
Less current portion	5,228	85
	₱ 38,087	**₱ 3,349**

On May 6, 2019, the Parent Company obtained a 5-year unsecured peso denominated loan from a local bank amounting to ₱2,000.00 million which bears annual fixed interest of 7.146%. The principal balance of the loan will be paid in twenty (20) equal quarterly installments. The loan requires the Company 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 of at least 1.00:1.00.

On various dates in 2019, the Parent Company obtained various peso-denominated bank loans amounting to ₱5,000.00 million from different local banks with fixed interest-rates ranging from 5.88% to 7.98% per annum. These bank loans are renewable upon maturity subject to change in interest rates and/or hold-out amount of the investments at amortized cost of VII. These loans are secured by hold-out of the investments at amortized cost of VII amounting to US$105.21 million.

On April 16, 2018, the Parent Company obtained a 7-year unsecured peso denominated loan from a local bank amounting ₱5,000.00 million which bears annual fixed interest rate of 6.9943%. The principal balance of the loan will be paid in twenty five (25) equal quarterly installments commencing on the fourth interest payment date. The loan requires the Company to comply with certain covenants such as change of control provision wherein a material change of ownership of the major shareholder is not permitted and 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 September 30, 2019.

Loans Payable
Loans payable pertains to the remaining balance of "Installment contracts receivable" of subsidiaries that were sold on a with recourse basis. These loans bear annual fixed interest rates ranging from 5.50% to 7.50% and 7.00% to 12.00% in 2019 and 2018, respectively, payable on equal monthly installments over a maximum period of 3 to 15 years. The installment contracts receivables serve as the collateral for the loans payable. These will mature on various dates up to December 2027.

18. Notes Payable

This account consists of:

Dollar denominated bonds	₱ 36,491
Retail bonds	19,826
Corporate note facility	31,862
	88,179
Less current portion	5,524
	₱ 82,655

Dollar Denominated Bonds

US$350.00 million Notes (Due November 2024)
On November 28, 2017, VII (the Issuer) issued US$350.00 million (₱17,724.00 million) notes ("Notes") with a term of seven years from initial draw down 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. Said notes were used to fund tender offer for existing Notes due October 4, 2018 and April 29, 2019. Some of the proceeds was 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 September 30, 2019, outstanding balance of note amounted to US$342 million (₱17,744 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 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 (expressed in percentages of principal amount on the date of redemption), 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%

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. The incurrence test for additional debt requires the Group to have a proforma (Fixed Charge Coverage Ratio) FCCR of not less than 2.25x. These were complied with by the Group as at September 30, 2019.

US$425.00 million Notes (Due June 2022)
On June 18, 2015, VII (the Issuer) issued US$300.00 million (₱13,541.40 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. Said notes were used to refinance notes issued notes issued October 2013 due 2018

and April 2014 due 2019. As of September 30, 2019 outstanding balance of note amounted to US$237 million (₱12,276 million). There are no properties owned by the Group that were pledged as collateral to this note.

On February 2, 2016, an additional unsecured note, with the same terms and conditions with the above notes, were issued by the Group amounting to USD$125.00 million (₱5,996.25). The notes were issued at 102% representing a yield to maturity of 6.979%. As of September 30, 2019 outstanding balance of note amounted to US$125 million (₱6,471 million). There are no properties owned by the Group that were pledged as collateral to this note.

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 Note is registered on the relevant record date to receive interest due on the relevant interest payment date.

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. The incurrence test for additional debt requires the Group to have a proforma FCCR of not less than 2.5x. These were complied with by the Group as at June 30, 2019.

On September 29, 2016, VII repurchased US$54.54 million out of the US$425.00 million notes outstanding balance prior to the repurchase date.

On January 10, 2018, the Issuer announce a solicitation of consent to holders of the Notes to approve proposed amendments to certain terms and conditions of the Notes with the intention of aligning those terms and conditions of the Notes issued in November 28, 2017. Amendment include among others the proforma FCCR to be not less than 2.25x from the previous requirement of not less than 2.5x. In a meeting of Noteholders on February 1, 2018, Noteholders holding 90.12% of the aggregate amount of principal amount of the Notes outstanding voted in favor and approved the amendments of the terms of the Notes. The consent solicitation cost amounted to US$1.95 million.

Peso Retail Bonds

2018 Fixed-rate Peso Retail Bonds
On December 21, 2018, the Group issued unsecured fixed-rate Peso Retail Bonds with an aggregate principal amount of ₱10,000.00 million. The proceeds of the issuance was used to fund the construction and completion of the various malls and for general corporate purposes. There are no securities pledged as collateral for these bonds. The issue costs amounted to ₱130 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 fixed rate bonds due on December 21, 2023 and 7-year fixed rate bonds due on December 21, 2025 with interest rates of 8.00% and 8.25% per annum, respectively. This is the second tranche offered out of the shelf registration of fixed rate 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 September 30, 2019, outstanding balance of the bonds amounted to ₱9,882 million.

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:

Five Year Bonds:
a) Three (3) years from issue date at early redemption price of 101.00%
Four (4) years from issue date at early redemption price of 100.50%
Seven Year Bonds:
Five (5) years from issue date at early redemption price of 101.00%
Six (6) years from issue date at early redemption price of 100.50%

Covenants
The Retail Bonds provide for the Group 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 Group 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 September 30, 2019.

<u>2017 Fixed-rate Peso Retail Bonds</u>
On August 8, 2017, the Group issued unsecured fixed-rate Peso Retail Bonds with an aggregate principal amount of ₱5,000.00 million. The proceeds of the issuance was used to partially finance certain commercial development projects of the Group and for general corporate purposes. There are no securities pledged as collateral for these bonds. The issue costs amounted to ₱64.87 million.

The offer is comprised of 7-year fixed rate bonds due on August 8, 2024 and 10-year fixed rate bonds due on August 9, 2027 with interest rates of 5.75% and 6.23% per annum, respectively. This is the initial tranche offered out of the shelf registration of fixed rate 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 September 30, 2019, outstanding balance of the bonds amounted to ₱4,950 million.

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:

b) Seven 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%
c) Ten 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%

Covenants
The Retail Bonds provide for the Group 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 Group 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 September 30, 2019.

2014 Fixed-rate Peso Retail Bonds

On May 9, 2014, the Parent Company issued unsecured fixed-rate Peso Retail Bonds with an aggregate principal amount of ₱5,000.00 million. The proceeds of the issuance was used to partially finance certain commercial development projects of CPI and its subsidiaries. The issue costs amounted to ₱ 114.15 million.

The offer is comprised of 5-year fixed rate bonds due on November 9, 2019 and 7-year fixed rate bonds due on May 9, 2021 with interest rate of 5.65% and 5.94% per annum, respectively. Interest on the Retail Bonds is 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.

The Retail Bonds shall be repaid at maturity at par plus any outstanding interest, unless the Parent Company exercises its early redemption option.

As of September 30, 2019 outstanding balance of the bonds amounted to ₱4,994 million.

Redemption at the option of the issuer

The Group 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 Group 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) Five 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) Seven 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%

Covenants

The Retail Bonds provide for the Group to comply with certain 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 require the Group to maintain a current ratio of at least 1.00:1.00, a maximum debt-to-equity ratio of 1.50:1.00 and a DSCR of at least 1.00:100. These were complied with by the Group as of September 30, 2019.

Corporate Note Facility

a. ₱15,000.00 million Corporate Notes (Due July 2024)

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 7.125% per annum.

The proceeds of the corporate notes were utilized for the 2019 capital expenditures for commercial property projects, and to fund other general corporate expenses.

As of September 30, 2019, the outstanding balance of the corporate note is ₱14,354 million.

The corporate notes provide early redemption at the option of the Issuer as follows:

Five Year Notes:

Early Redemption Date	Early Redemption Amount
3th anniversary from issue date and interest payment thereafter	101.00%
4th anniversary from issue date and interest payment thereafter	100.50%

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. and Vista Residences Inc.

Covenants
The Corporate Notes Facility requires the Parent Company 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 Parent Company 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 September 30, 2019.

b. ₱8,200.00 million Corporate Notes (Due July 2025 and 2018)

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 and Ten-Year Corporate Notes due 2028 amounting to ₱6,000.00 million at a fixed rate of 7.7083% per annum.

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.

The corporate notes provide early redemption at the option of the Issuer as follows:

a. 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%

b. 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%

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. Starmalls, Inc. and Vista Residences, Inc.

Covenants
The Corporate Notes Facility requires the Parent Company 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 Parent Company 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 September 30, 2019.

c. ₱10,000.00 million Corporate Notes

On December 28, 2016, the Parent Company (the Issuer) entered into a Corporate Notes Facility Agreement with China Bank Capital Corporation for the issuance of a long term corporate notes with a principal amount of up to ₱8,000.0 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 and the appointment of RCBC Capital Corporation as Co-Lead Arranger together with the China Bank Capital Corporation in respect to the second draw down. Such amendments were consented by Note Holders representing at least fifty one percent (51%) of the outstanding corporate notes. On April 27, 2017, the Group made such amendments to the Corporate Note Facility dated December 28, 2016. The first drawdown was at ₱5,150.00 million in 2016. On May 3, 2017, the Issuer made its second drawdown at ₱4,850.00 million.

The proceeds for the first and second drawdown will be utilized for the 2017 capital expenditures, refinancing of existing indebtedness and to fund other general corporate expenses. The interests at the first drawdown at 6.1879% per annum and 6.2255% per annum for the second drawdown are payable quarterly in arrears while the principal amounts are payable in 2.00% annual amortizations on each principal repayment date with 82.00% to be repaid on maturity date. In case of default on the notes, interest and any amount payable due to the lender, the borrower will pay a default interest. The issue cost amounted to ₱38.72 million.

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%

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. Starmalls, Inc. and Vista Residences, Inc.

Covenants
The Corporate Notes Facility requires the Parent Company 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 Parent Company 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. No dividends may be declared or paid if the Parent Company is in default and it will not provide any loans or advances to third parties nor issue guarantees other than the benefit of any of its subsidiaries and in the ordinary course of business. These were complied with by the Parent Company as at September 30, 2019.

19. **Other Noncurrent Liabilities**

This account consists of:

Liabilities for purchased land	₱ 1,667
Retentions payable	848
Deferred output tax	783
	₱ 3,298

20. **Equity**

Capital Stock

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

	Sept 30, 2019	Dec 31, 2018
Common		
Authorized shares	17,900,000,000	17,900,000,000
Par value per share	₱1.00	₱1.00
Issued shares	13,114,136,376	13,114,136,376
Treasury shares	(₱7,740,264,387)	(₱7,184,331,182
Value of shares issued	₱13,114,136,376	₱13,114,136,376
Preferred		
Authorized shares	10,000,000,000	10,000,000,000
Par value per share	₱0.01	₱0.01
Issued shares	3,300,000,000	3,300,000,000
Value of shares issued	₱33,000,000	₱33,000,000

Common shares
In February 2016, the Parent Company issued 459.24 million new common shares out of the unissued portion of its authorized capital stock at issue price of ₱7.15 per share or ₱3,283.60 million, out of which additional paid-in capital amounted to ₱2,824.35 million (Note 7).

In November 2015, the Securities and Exchange Commission approved the increase in the authorized capital stock of the Company from ₱12,000,000,000 divided into: (i) 11,900,000,000 common shares with par value of ₱1.00 per share, or an aggregate par value of ₱11,900,000,000; and (ii) 10,000,000,000 preferred shares with par value of ₱0.01 per share, or an aggregate par value of ₱100,000,000, to ₱18,000,000,000 divided into: (i) 17,900,000,000 common shares with par value of ₱1.00 per share, or an aggregate par value of ₱17,900,000,000; and (ii) 10,000,000,000 preferred shares with par value of ₱0.01 per share, or an aggregate par value of ₱100,000,000.

As of December 31, 2016, the Company issued 4,116,151,139 common shares out of the increase in the authorized capital stock. The issuance of the common shares pertains to the Company's acquisition of Starmalls Group.

The common shares issued at ₱1.00 par value per share totaled ₱13,114,136,376 as of September 30, 2019.

Preferred shares
On March 21, 2013, the Parent Company issued in favor of Fine Properties, Inc. ("Fine Properties"), 3,300.00 million new preferred shares out of the unissued portion of its authorized capital stock at par or an aggregate issue price of ₱33.00 million. The subscription price was fully paid on the same date.

The preferred shares are 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% per annum.

Registration Track Record

On July 26, 2007, the Parent Company launched its follow-on offer where a total of 8,538,740,614 common shares were offered at an offering price of ₱6.85 per share. The registration statement was approved on June 25, 2007. After the listing in 2007, there have been subsequent issuances on November 10, 2015 and December 22, 2015 covering a total of 4,116,151,139 shares. The Parent Company has 952 and 956 existing certified shareholders as of June 30, 2019 and December 31, 2018, respectively.

Treasury Shares

Treasury shares (416,128,700) as of September 30, 2019 of the Parent Company amounting to P2,362 million represents the shares of stock held by the Parent Company, while treasury shares (752,208,215) amounting to P5,378 million 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.

On March 17, 2015, the BOD of the Parent Company approved the buyback of its common shares up to the extent of the total purchase price of ₱1.5 billion subject to the prevailing market price at the time of the buyback over a 24-month period but subject to periodic review by the management.

On June 15, 2011, the BOD of the Parent Company approved the buyback of its common shares up to the extent of the total purchase price of ₱1.5 billion subject to the prevailing market price at the time of the buyback over a 24-month period but subject to periodic review by the management. The treasury stocks acquired represent 133,910,000 common shares that amounted to ₱509.61 million.

On January 3, 2013, the Parent Company sold, as authorized by the BOD, all of its existing 133,910,000 treasury shares at ₱4.75 per share or ₱636.07 million. The cost of the treasury shares and the related additional paid-in capital recognized in 2013 amounted to ₱509.61 million and ₱126.47 million, respectively.

Retained Earnings

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.

On September 28, 2018, the BOD of the Parent Company approved the declaration of a regular cash dividend amounting to ₱2,719.23 million or ₱0.2252 per share, in favor of all stockholders of record as of October 15, 2018, with payment date on October 29, 2018.

On September 30, 2019, the BOD of the Parent Company approved the declaration of a regular cash dividend amounting ₱3,160.86 million or ₱0.2646 per share, in favor of all stockholders of record as at October 16, 2019, which was paid on October 31, 2019.

Non-controlling interest

In 2016, the Vista Group acquired additional 750,265,955 shares of Starmalls, Inc. for a total consideration of ₱3,383.70 million. The transaction was accounted for as an equity transaction since there was no change in control. The movements within equity are accounted as follows:

FV of consideration paid	₱3,383,699,457
BV of shares	1,500,705,403
Difference charged to equity	1,882,994,054
Attributable to OCI	119,711,596
Equity reserves recognized in additional paid in capital	₱1,763,282,458

Capital Management

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

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

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both a gross debt and net debt basis. As of September 30, 2019 and December 31, 2018, the Group had the following ratios:

	Sept 30, 2019	Dec 31, 2018
Current ratio	324%	377%
Debt-to-equity ratio	135%	129%
Net debt-to-equity ratio	88%	77%
Asset-to-equity ratio	275%	259%

As of September 30, 2019 and December 31, 2018, the Group had complied with all externally imposed capital requirements (Notes 18 and 19). No changes were made in the objectives, policies or processes for managing capital during the period ended June 30, 2019 and December 31, 2018.

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

Financial Risk Assessment

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

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

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

Exposure to foreign currency holdings are as follows:

	Sept 30, 2019	**Dec 31, 2018**
Cash and cash equivalents	US$21	US$142
Investments at amortized cost	654	522
Notes payable-net	(704)	(701)

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

21. Miscellaneous Income

Miscellaneous income mostly pertains to income from forfeited reservation fees and partial payments from customers whose sales contracts are cancelled before completion of required down payment.

This also includes the operating income from the malls such as reimbursable expenses.

22. Cost and Expenses

Cost of real estate sales
Cost includes acquisition cost of subdivision land, construction and development cost and capitalized borrowing costs. Cost of real estate sales recognized for the period ended June 30, 2019 and 2018 amounted to ₱8,616 million and ₱7,961 million, respectively.

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

Rent expenses
The Group entered into various lease agreements for administrative and selling purposes. These agreements are renewed on an annual basis with advanced deposits. Rent expenses included under "Occupancy costs" amounted to ₱1,627 million in September 30, 2019.

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

23. 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 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 Group immediately recognized to OCI any actuarial gains and losses.

Each year, an Asset-Liability Matching Study (ALM) is performed with the result being analyzed in terms of risk-and-return profiles. 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. For the Group other than UB, the principal technique of the Group's ALM is to ensure the expected return on assets to be sufficient to support the desired level of funding arising from the defined benefit plans.

24. Income Tax

Provision for income tax consists of:

Current:	
RCIT/MCIT	₱574
Final	20
Deferred	697
	₱1,291

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 will 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.

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 14 projects in 2018, 43 projects in 2017 and 11 projects in 2016, 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.

25. Lease liabilities

The Group has lease contracts for various office spaces with lease terms of two (2) to three (3) years. Rental due is based on prevailing market conditions.

The rollforward of this account is as follows:

	September 30, 2019 (Unaudited)
Effect of adoption of PFRS 16 (Note 2)	₱2,758
Accretion for the year (Note 22)	127
Payment	(138)
Balance at the end of the period	2,747
Less current portion	24
Noncurrent portion	₱2,723

The carrying value of right-of-use assets amounted to ₱2,265 million as of September 30, 2019

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows (Note 2):

Operating lease commitments as at December 31, 2018	₱6,006
Weighted average incremental borrowing rate as at January 1, 2019	5.26%
Discounted operating lease commitments as at December 31, 2018	₱1,893
Commitments relating to short-term and low value leases	862
Lease liabilities as at January 1, 2019	₱2,757

Shown below is the maturity analysis of the future undiscounted lease payments:

	September 30, 2019 (Unaudited)
Within one year	₱210
After one year but not more than five years	1,381
More than five years	3,415
	₱5,006

26. 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. Related parties may be individuals or corporate entities.

The Group in their regular conduct of business has entered into transactions with affiliates and other related parties principally consisting of advances and reimbursement of expenses and purchase and sale of real estate properties. Except as indicated otherwise, the outstanding accounts with related parties shall be settled on cash.

Terms and conditions of transactions with related parties
The US$125 million Notes on February 3, 2016, the US$300 million Notes on June 18, 2015 and the US$350 million Notes on November 28, 2017, all issued by VLL International, Inc. are unconditionally and irrevocably guaranteed by the Parent Company and its subsidiaries. No fees are charged for these guarantee agreements.

The Parent Company issued ₱8,200.00 million Corporate Notes on July 2018, ₱5,150.00 million Corporate Notes on December 28, 2016 and ₱4,850.00 million Corporate Notes on May 3, 2017 which were unconditionally and irrevocably guaranteed by Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc., Communities Philippines, Inc., Starmalls, Inc. and Vista Residences Inc. No fees are charged for these guarantee agreements. Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash, unless otherwise stated. As at September 30, 2019 and December 31, 2018, the Group has not made any provision for impairment loss relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

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 7.125% per annum which were unconditionally and irrevocably guaranteed by Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc., Communities Philippines, Inc., Starmalls, Inc. and Vista Residences Inc. No fees are charged for these guarantee agreements. Outstanding balances at period-end are unsecured, interest free and settlement occurs in cash, unless otherwise stated. As at September 30, 2019, the Group has not made any provision for impairment loss relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Except as stated in Notes 17 and 18 to the consolidated financial statements, there have been no guarantees provided or received for any related party receivables or payables.

27. 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, installment contracts receivable (effective January 1, 2018), 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.

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.

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 4.82% to 7.32% and 4.35% to 7.56% as of September 30, 2019 and December 31, 2018, respectively.

Bank loans, loans payable, notes payable 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 5.50% to 8.25% in 2019 and 5.41% to 7.07% in 2018 using the remaining terms to maturity.

28. **Financial Asset 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 and liabilities for purchased land. The main purpose of the Group's financial liabilities is to raise financing for the Group's operations. The Group has various financial assets such as installment contracts receivables, cash and cash equivalents and short-term, long-term cash investments, HTM investments and AFS financial assets which arise directly from its operations. The main risks arising from the use of financial instruments are interest rate risk, foreign currency risk, credit risk, equity price risk and liquidity risk.

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

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

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

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

The table below shows the financial assets and liabilities that are interest-bearing:

	September 30, 2019		December 31, 2018	
	Effective Interest Rate	**Amount**	Effective Interest Rate	Amount
Financial assets				
Fixed rate				
Cash and cash equivalents (excluding cash on hand)	**0.10% to 5.50%**	₱ 12,072	0.60% to 5.50%	₱ 12,532
Short-term cash investments	**1.00% to 3.40%**	173	1.50% to 3.00%	140
Investment at amortized cost	**3.36% to 7.46%**	33,889	2.69% to 5.56%	27,483
Installment contracts receivable	**4.82% to 7.32%**	43,717	4.35% to 7.56%	14,491
		₱ 89,851		₱ 54,646
Financial liabilities				
Fixed rate				
Notes payable	**5.65% to 8.25%**	₱ 88,179	5.65% to8,25%	₱ 74,287
Bank loans	**3.88% to 9.25%**	43,315	3.88% to 10.75%	44,476
Loans payable	**6.06% to 6.34%**	8,339	5.50% to 7.50%	2,784
Lease liabilities	**5.40% to 8.26%**	2,747	**5.40% to 8.26%**	87
		₱ 142,580		₱ 121,634

As of September 30, 2019 and December 31, 2018, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

Foreign exchange risk
The Group's foreign exchange risk results primarily from movements of the Philippine peso against the United States Dollar (USD). Approximately 28.00% and 37.11% of the debt of the Group as of September 30, 2019 and December 31, 2018, respectively, are denominated in USD. The Group's foreign currency-denominated debt comprises of the notes payable in September 30, 2019 and December 31, 2018.

Below are the carrying values and the amounts in US$ of these foreign currency denominated financial assets and liabilities.

	September 30, 2019		December 31, 2018	
	Peso	**US$**	Peso	US$
Cash and cash equivalents	₱1,079	US$ 21	₱ 7,476	US$ 142
Investment at amortized cost	33,889	654	27,483	523
Notes payable	(36,491)	(704)	(36,859)	(701)

In translating the foreign currency- denominated monetary assets in peso amounts, the Philippine Peso - US dollar exchange rates as of September 30, 2019 and December 31, 2018 used were ₱51.83 to US$1.00 and ₱52.58 to US$1.00, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) as of June 30, 2019:

	September 30, 2019 (Unaudited)	
	Increase/Decrease in US Dollar rate	Effect on income before tax
Cash and cash equivalents	+1	₱21
	-1	(21)
Investments at amortized cost	+1	654
	-1	(654)
Notes payable	-1	(704)
	+1	704

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

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

Credit risk
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 and contract assets are regularly monitored.

For installment contracts receivable and contract assets, 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 trade receivables and contract assets as low, as its customers are located in several jurisdictions and various income brackets, and operate in largely independent markets.

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 receivable from tenants - related parties, aside from the same terms of security deposit and advance rental, is minimal due to the guarantee provided by Fine Properties, Inc., ultimate parent company.

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 June 30, 2019 and December 31, 2018 is equal to the carrying values of its financial assets.

Applying the expected credit risk model did not result in the recognition of an impairment loss for all financial assets at amortized cost in 2019.

Liquidity Risk
The Group monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash deemed sufficient to finance its cash requirements. Operating expenses and working capital requirements are sufficiently funded

through cash collections. The Group's loan maturity profile is regularly reviewed to ensure availability of funding through adequate credit facilities with banks and other financial institutions.

The extent and nature of exposures to liquidity risk and how they arise as well as the Group's objectives, policies and processes for managing the risk and the methods used to measure the risk are the same for 2019 and 2018.

29. Commitments and Contingencies

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

30. Subsequent Events

On October 10, 2019, an additional issuance of Corporate Notes was made in the amount ₱500.00 million due 2024, at a fixed interest of 7.125%.

The proceeds of the corporate notes were utilized for the 2019 capital expenditures for commercial property projects, and to fund other general corporate expenses.

The corporate notes provide early redemption at the option of the Issuer as follows:

<u>Five Year Notes:</u>

Early Redemption Date	Early Redemption Amount
3th anniversary from issue date and interest payment thereafter	101.00%
4th anniversary from issue date and interest payment thereafter	100.50%

On October 24, 2019, the Parent Company obtained an additional 5-year unsecured peso denominated loan from a local bank amounting to ₱3,000.00 million which bears annual fixed interest of 5.5397%. The principal balance of the loan will be paid in 19 equal quarterly installments that will commence on November 2019. The loan requires the Company 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 of at least 1.00:1.00.

On October 30, 2019, Starmall, Inc. paid its outstanding dividends payable to non-controlling interest amounting to ₱56.09 million as of September 30, 2019.

On October 31, 2019, the Parent Company paid its outstanding dividends payable amounting to ₱3,160.86 million as of September 30, 2019.

Financial Soundness Indicator

Below are the financial ratios that are relevant to the Group for the period ended September 30, 2019 and 2018.

	Formula	**Sept-30-19**	Dec-31-18
Current Ratio	Current assets / Current liabilities	3.24	3.77
Long-term debt-to-equity ratio	Long-term debt[1] / Equity	1.24	1.18
Debt ratio	Interest bearing debt[2] / Total assets	0.49	0.50
Debt to equity ratio	Interest bearing debt / Total equity	1.35	1.29
Net debt to equity	Net debt[3] / Total equity	0.88	0.77
Asset to equity ratio	Total assets / Total equity	2.75	2.59

	Formula	**Sept-30-19**	Sept-30-18
EBITDA to total interest	EBITDA / Total interest	2.51	3.20
Price Earnings Ratio	Market Capitalization[4] / Net Income[5]	8.11	7.22
Asset to liability ratio	Total assets / Total liabilities	1.57	1.63
Net profit margin	Net profit / Sales	35%	33%
Return on assets	Net income[5] / Total assets	4.5%	4.5%
Return on equity	Net income[5] / Total equity	12.4%	11.8%
Interest Service Coverage Ratio	EBITDA / Total interest	2.51	3.20

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

[2] Includes Bank Loans and Notes Payable

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

[4] Based on closing price at September 30, 2019 and 2018

[5] Annualized

P5B RETAIL BONDS (2014)

Schedule and Use of Proceeds

As of September 30, 2019

	PER PROSPECTUS	ACTUAL
Estimated proceeds from the sale of the Bonds	5,000,000,000.00	5,000,000,000.00
Less: Estimated expenses		
Arranger's Fee	53,763,441.00	53,763,441.00
Documentary Stamp Tax	25,000,000.00	25,000,000.00
SEC Registration Fee	1,812,500.00	1,830,625.00
SEC Legal Research Fee	18,125.00	18,125.00
Publication Fee	150,000.00	150,000.00
Rating Agency Fee	3,360,000.00	3,000,000.00
Legal Fees (excluding OPE)	3,000,000.00	3,075,867.29
Trustee's Opening Fee	20,000.00	20,000.00
Listing Fee	150,000.00	150,000.00
Marketing and Signing Ceremony Expenses	800,000.00	1,255,214.84
Bond-related Expenses	-	261,670.76
Audit Fee	-	-
	88,074,066.00	88,524,943.89
Net proceeds to Vista Land & Lifescapes, Inc.	**4,911,925,934.00**	**4,911,475,056.11**
Amortization of Bond Issue Cost		**82,063,569.72**
Balance as of September 30, 2019		**4,993,538,625.83**

Vista Land sold P5 billion of the Bonds. After issue-related expenses, actual net collection amounted to P4.911 billion.

P5B RETAIL BONDS (2017)

Schedule and Use of Proceeds

As of September 30, 2019

	PER PROSPECTUS	ACTUAL
Estimated proceeds from the sale of the Bonds	5,000,000,000.00	5,000,000,000.00
Less: Estimated expenses		
Arranger's Fee	25,000,000.00	25,589,000.00
Documentary Stamp Tax	25,000,000.00	25,000,000.00
SEC Registration Fee	1,830,625.00	1,830,625.00
Publication Fee	150,000.00	329,961.60
Rating Agency Fee	3,360,000.00	3,250,000.00
Legal Fees (excluding OPE)	8,100,000.00	8,205,554.50
Listing Fee	300,000.00	300,000.00
Marketing and Signing Ceremony Expenses	300,000.00	419,409.14
Bond-related Expenses	3,942,000.00	3,950,000.00
	67,982,625.00	68,874,550.24
Net proceeds to Vista Land & Lifescapes, Inc.	**4,932,017,375.00**	**4,931,125,449.76**
Amortization of Bond Issue Cost		**18,483,146.29**
Balance as of September 30, 2019		**4,949,608,596.05**

Vista Land sold P5 billion of the Bonds. After issue-related expenses, actual net collection amounted to P4.931 billion.

P10B Retail Bonds (2018)

Schedule and Use of Proceeds

As of September 30, 2019

	PER PROSPECTUS	ACTUAL
Estimated proceeds from the sale of the Bonds	10,000,000,000.00	**10,000,000,000.00**
Less: Estimated expenses		
Arranger's Fee	50,000,000.00	50,000,000.00
Documentary Stamp Tax	75,000,000.00	75,000,000.00
SEC Registration Fee and Legal Research Fee	3,093,125.00	3,093,125.00
Publication Fee	150,000.00	526,730.40
Rating Agency Fee	3,360,000.00	3,500,000.00
Legal Fees (excluding OPE)	8,100,000.00	1,862,093.96
Listing Fee	200,000.00	-
Marketing and Signing Ceremony Expenses	-	223,034.00
Bond-related Expenses	100,000.00	1,650,000.00
	140,003,125.00	135,854,983.36
Net proceeds to Vista Land & Lifescapes, Inc.	**9,859,996,875.00**	**9,864,145,016.64**
Amortization of Bond Issue Cost		18,686,767.32
Balance as of September 30, 2019		**9,882,831,783.96**

Vista Land sold P10 billion of the Bonds. After issue-related expenses, actual net collection amounted to P9.860 billion.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations covering 9-months of 2019 vs. 9-months of 2018

Revenues

Real Estate
The Company recorded revenue from real estate sales of ₱26,212 million for the nine months ended 30 September 2019, an increase of 7% from ₱24,583 million for the nine months ended 30 September 2018. This was primarily attributable to the increase in the overall completion rate of sold inventories of all its business units

- Real estate revenue of Camella increased by 18% to ₱10,612 million for the nine months ended 30 September 2019 from ₱9,026 million for the nine months ended 30 September 2018. This increase was principally attributable to the increase in the number of sold homes completed or under construction in the Mega Manila area in the affordable housing segment during the period.

- Real estate revenue of Communities Philippines increased by 17% to ₱12,489 million for nine months ended 30 September 2019 from ₱10,647 million for the nine months ended 30 September 2018. This increase was principally attributable to the increase 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 Brittany increased by 15% to ₱343 million for the nine months ended 30 September 2019 from ₱298 million in the same period last year. This increase was principally attributable to the decrease in the number of sold homes completed or under construction in the Mega Manila area in the high-end housing segment.

- Real estate revenue of Crown Asia increase by 11% to ₱853 million for the nine months ended 30 September 2019 from ₱765 million for the nine months ended 30 September 2018. This increase was principally attributable to the increase in the number of sold homes completed or under construction in the Mega Manila area in the middle-income housing segment during the year.

- Real estate revenue from Vista Residences decreased by 50% to ₱1,916 million for the nine months ended 30 September 2019 from ₱3,847 million for the nine months ended 30 September 2018. This decrease was principally attributable to the decrease in the number of sold condominium units completed or under construction during the period. Vista Residences is the business unit of Vista Land that develops and sells vertical projects across the Philippines.

Rental income
Rental income increased by 9% from ₱4,765 million for the nine months ended 30 September 2018 to ₱5,197 million for the nine months ended 30 September 2019. The increase was primarily attributable the additional gross floor area leased out of our investment properties during the period as well as increase in rental rates of our existing malls.

Interest income
Interest income from investments and installment contracts receivable increased by 37% from ₱1,196 million for the nine months ended 30 September 2018 to ₱1,641 million for the nine months ended 30 September 2019. The increase was primarily attributable the increase in interest income from deposits, investments and installment contracts for the period.

Costs and Expenses

Cost and expenses increased by 12% to ₱21,134 million for the nine months ended 30 September 2019 from ₱18,853 for the nine months ended 30 September 2018.

- Cost of real estate sales increased by 9% from ₱11,581 million for the nine months ended 30 September 2018 to ₱12,624 million for the nine months ended 30 September 2019 primarily due to the increase in the overall recorded sales of Vista Land's business units.

- Operating expenses increased by 17% from ₱7,272 million for the nine months ended 30 September 2018 to ₱8,510 million for the nine months ended 30 September 2019 with increases of the following:

  - an increase in depreciation and amortization from ₱1,073 million for the nine months ended 30 September 2018 to ₱1,627 million in the nine months ended 30 September 2019 due to the increase in investment properties and additions to property and equipment for the period, as well as additional depreciation from Right of Use Assets as part of the adoption of PRFS 16 for the period.

  - an increase in taxes and licenses from ₱510 million for the nine months ended 30 September 2018 to ₱612 million for the nine months ended 30 September 2019 resulting from the increase in miscellaneous administrative expenses for various activities of the company;

  - an increase in repairs and maintenance from ₱827 million for the nine months ended 30 September 2018 to ₱1,009 million for the nine months ended 30 September 2019 resulting from the increase in maintenance of residential projects;

Interest and other financing charges

Interest and other financing charges decreased by 11% from ₱3,233 million for the nine months ended 30 September 2018 to ₱2,872 million for the nine months ended 30 September 2019. The decrease was primarily attributable the higher capitalization for the period.

Provision for Income Tax

Provision for income tax increased by 8% from ₱1,193 million for the nine months ended 30 September 2018 to ₱1,291 million for the nine months ended 30 September 2019 primarily due to a higher taxable base for the period.

Net Income

As a result of the foregoing, the Company's net income increased by 12% to ₱9,062 million for the nine months ended 30 September 2019 from ₱8,119 million for the nine months ended 30 September 2018.

For the 9-months of 2019, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

There are no significant elements of income or loss that did not arise from the Company's continuing operations.

FINANCIAL CONDITION

As of September 30, 2019 vs. December 31, 2018

Total assets as of September 30, 2019 were ₱267,961 million compared to ₱238,262 million as of December 31, 2018, or a 12% increase due to the following:

- Cash and cash equivalents including short term and investments at amortized costs decreased by 3% from ₱47,645 million as of December 31, 2018 to ₱46,151 million as of September 30, 2019 primarily due to higher cash outflow for the period used for the construction of investments properties and acquisition of land.

- Receivables including current portions thereof increased by 8% from ₱53,641 million as of December 31, 2018 to ₱57,871 million as of September 30, 2019 due primarily to increase in real estate sales as well as rental revenue.

- Project development costs increased by 10% from ₱4,465 million as of December 31, 2018 to ₱4,894 million as of September 30, 2019 due to the advances made to project development agreement (joint venture).

- Property and equipment increased by 71% from ₱1,614 million as of December 31, 2018 to ₱2,757 million as of September 30, 2019 due to the acquisitions made for the period.

- Investment properties increased by 31% from ₱73,931 million as of December 31, 2018 to ₱97,467 million as of September 30, 2019 due to the expansion of the company's leasable properties and the effect of the PFRS 16 adoption which resulted to the recognition of Right of Use of Assets.

- Pension assets increased by 17% from P213 million as of December 31, 2018 to P249 million as of September 30, 2019 due to the actuarial adjustments for the Company's retirement plan for the period.

- Other assets, goodwill and cost to obtain contract including current portions thereof increased by 27% from ₱9,145 million as of December 31, 2018 to ₱11,626 million as of September 30, 2019 due primarily to increase creditable withholding taxes and deposit for real estate purchases during the period.

Total liabilities as of September 30, 2019 were ₱170,626 million compared to ₱146,355 million as of December 31, 2018, or a 17% increase. This was due to the following:

- Accounts and other payables increased by 6% from ₱15,650 million as of December 31, 2018to ₱16,650 million as of September 30, 2019 due to the increase payables to contractors and accruals for the period.

- Security deposits increased by 19% from ₱1,298 million as of December 31, 2018 to ₱1,544 million as of September 30, 2019 due to the increase in security deposits and advances rentals from new tenants.

- Contract liabilities including noncurrent portion increased by 17% from ₱2,325 million as of December 31, 2018 to ₱2,718 million as of September 30, 2019 due primarily to the higher reservation sales for the period. Contract liabilities pertains to payments received from buyers where construction has not yet commenced.

- Loans payable including current portion increased by 23% from ₱2,784 million as of December 31, 2018 to ₱3,434 million as of September 30, 2019 due primarily to proceeds from the sale of receivables of the group for the period.

- Lease liabilities including current portion increased by 3,059% from ₱87 million as of December 31, 2018 to ₱2,747 million as of September 30, 2019 as an effect of the PFRS 16 adoption. Before the adoption of PFRS 16, the Group classified each of its leases at the inception lease date as either finance lease or an operating lease.

- Deferred tax liabilities – net increased by 25% to ₱3,838 million as of September 30, 2019 from ₱ 3,073 million as of December 31, 2018 due to an increase in temporary difference that will result to a potential tax liability for the period.

- Other noncurrent liabilities increased by 127% from ₱1,451 million as of December 31, 2018 to ₱ 3,298 million as of September 30, 2019 due primarily to the increase in noncurrent portion of liabilities for purchase land, retention payable and deferred output tax.

Total stockholder's equity increased by 6% from ₱91,907 million as of December 31, 2018 to ₱97,335 million as of September 30, 2019 due mainly to the net income recorded for the period reduced by the increase in treasury shares for the period.

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

Key Performance Indicators	09/30/2019	12/31/2018
Current ratio [(a)]	3.24:1	3.77:1
Liability-to-equity ratio [(b)]	1.75 :1	1.59:1
	09/30/2019	09/30/2018
Interest expense/Income before Interest expense [(c)]	21.7%	25.8%
Return on assets [(d)]	4.5%	4.5%
Return on equity [(e)]	12.4%	11.8%

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 decreased slightly due primarily to a lower cash and cash equivalents as of September 30, 2019 compared to the December 31, 2018.

Liability-to-equity ratio increased due primarily to a higher debt as of September 30, 2019 compared to the December 31, 2018.

Interest expense to Income before interest expense decreased slightly due to the lower interest expenses recorded during the period compared to the same period last year.

Return on equity increased due primarily to a higher income recorded for the period.

Material Changes to the Company's Balance Sheet as of September 30, 2019 compared to December 31, 2018 (increase/decrease of 5% or more)

Receivables including current portions thereof increased by 8% from ₱53,641 million as of December 31, 2018 to ₱57,871 million as of September 30, 2019 due primarily to increase in real estate sales as well as rental revenue.

Project development costs increased by 10% from ₱4,465 million as of December 31, 2018 to ₱4,894 million as of September 30, 2019 due to the advances made to project development agreement (joint venture).

Property and equipment increased by 71% from ₱1,614 million as of December 31, 2018 to ₱2,757 million as of September 30, 2019 due to the acquisitions made for the period.

Investment properties increased by 31% from ₱73,931 million as of December 31, 2018 to ₱97,467 million as of September 30, 2019 due to the expansion of the company's leasable properties and the effect of the PFRS 16 adoption which resulted to the recognition of Right of Use of Assets.

Pension assets increased by 17% from P213 million as of December 31, 2018 to P249 million as of September 30, 2019 due to the actuarial adjustments for the Company's retirement plan for the period.

Other assets, goodwill and cost to obtain contract including current portions thereof increased by 27% from ₱9,145 million as of December 31, 2018 to ₱11,626 million as of September 30, 2019 due primarily to increase creditable withholding taxes and deposit for real estate purchases during the period.

Accounts and other payables increased by 6% from ₱15,650 million as of December 31, 2018to ₱16,650 million as of September 30, 2019 due to the increase payables to contractors and accruals for the period.

Security deposits increased by 19% from ₱1,298 million as of December 31, 2018 to ₱1,544 million as of September 30, 2019 due to the increase in security deposits and advances rentals from new tenants.

Contract liabilities including noncurrent portion increased by 17% from ₱2,325 million as of December 31, 2018 to ₱2,718 million as of September 30, 2019 due primarily to the higher reservation sales for the period. Contract liabilities pertains to payments received from buyers where construction has not yet commenced.

Loans payable including current portion increased by 23% from ₱2,784 million as of December 31, 2018 to ₱3,434 million as of September 30, 2019 due primarily to proceeds from the sale of receivables of the group for the period.

Lease liabilities including current portion increased by 3,059% from ₱87 million as of December 31, 2018 to ₱2,747 million as of September 30, 2019 as an effect of the PFRS 16 adoption. Before the adoption of PFRS 16, the Group classified each of its leases at the inception lease date as either finance lease or an operating lease.

Deferred tax liabilities – net increased by 25% to ₱3,838 million as of September 30, 2019 from ₱ 3,073 million as of December 31, 2018 due to an increase in temporary difference that will result to a potential tax liability for the period.

Other noncurrent liabilities increased by 127% from ₱1,451 million as of December 31, 2018 to ₱ 3,298 million as of September 30, 2019 due primarily to the increase in noncurrent portion of liabilities for purchase land, retention payable and deferred output tax.

Material Changes to the Company's Statement of income for the 9-months of 2019 compared to the 9-months of 2018 (increase/decrease of 5% or more)

Revenue from real estate sales of ₱26,212 million for the nine months ended 30 September 2019, an increase of 7% from ₱24,583 million for the nine months ended 30 September 2018. This was primarily attributable to the increase in the overall completion rate of sold inventories of all its business units

Rental income increased by 9% from ₱4,765 million for the nine months ended 30 September 2018 to ₱5,197 million for the nine months ended 30 September 2019. The increase was primarily attributable the additional gross floor area leased out of our investment properties during the period as well as increase in rental rates of our existing malls.

Interest income from investments and installment contracts receivable increased by 37% from ₱1,196 million for the nine months ended 30 September 2018 to ₱1,641 million for the nine months ended 30 September 2019. The increase was primarily attributable the increase in interest income from deposits, investments and installment contracts for the period.

Cost of real estate sales increased by 9% from ₱11,581 million for the nine months ended 30 September 2018 to ₱12,624 million for the nine months ended 30 September 2019 primarily due to the increase in the overall recorded sales of Vista Land's business units.

Operating expenses increased by 17% from ₱7,272 million for the nine months ended 30 September 2018 to ₱8,510 million for the nine months ended 30 September 2019 with increase in depreciation and amortization, taxes and licenses, and repairs and maintenance.

Interest and other financing charges decreased by 11% from ₱3,233 million for the nine months ended 30 September 2018 to ₱2,872 million for the nine months ended 30 September 2019. The decrease was primarily attributable the higher capitalization for the period.

Provision for income tax increased by 8% from ₱1,193 million for the nine months ended 30 September 2018 to ₱1,291 million for the nine months ended 30 September 2019 primarily due to a higher taxable base for the period.

The Company's net income increased by 12% to ₱9,062 million for the nine months ended 30 September 2019 from ₱8,119 million for the nine months ended 30 September 2018.

There are no other material changes in the Company's financial position (changes of 5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would impact or change reported financial information and condition on the Company.

COMMITMENTS AND CONTINGENCIES

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

PART II - OTHER INFORMATION

Item 3. 9-months of 2019 Developments

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

None

B. Composition of Board of Directors

Manuel B. Villar, Jr.	Chairman of the Board
Manuel Paolo A. Villar	Vice Chairman, President & CEO
Cynthia J. Javarez	Director, COO, Treasurer & CRO
Frances Rosalie T. Coloma	Director
Camille A. Villar	Director
Ruben O. Fruto	Independent Director
Marilou O. Adea	Independent Director
Gemma M. Santos	Corporate Secretary

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

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

D. Declaration of Dividends.

P0.2646 per share Regular Cash Dividend
Declaration Date: September 30, 2019
Record date: October 16, 2019
Payment date: October 31, 2019

P0.2252 per share Regular Cash Dividend
Declaration Date: September 28, 2018
Record date: October 15, 2018
Payment date: October 29, 2018

P0.1342 per share Regular Cash Dividend
Declaration Date: September 29, 2017
Record date: October 16, 2017
Payment date: October 30, 2017

P0.1185 per share Regular Cash Dividend
Declaration Date: September 28, 2016
Record date: October 13, 2016
Payment date: October 28, 2016

P0.1357 per share Regular Cash Dividend
Declaration Date: September 15, 2015
Record date: September 30, 2015
Payment date: October 15, 2015

P0.11858 per share Regular Cash Dividend
Declaration Date: September 15, 2014
Record date: March 31, 2015
Payment date: October 24, 2014

₱0.102 per share Regular Cash Dividend
Declaration Date: September 11, 2013

Record date: September 26, 2013
Payment date: October 22, 2013

₱0.0839 per share Regular Cash Dividend
Declaration Date: September 17, 2012
Record date: October 02, 2012
Payment date: October 26, 2012

₱0.04 per share Special Cash Dividend
Declaration Date: June 15, 2012
Record date: July 02, 2012
Payment date: July 26, 2012

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

None.

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

None.

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

Not Applicable.

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

None.

Transferring of assets, except in normal course of business.

None.

Item 4. Other Notes as of 9-months of 2019 Operations and Financials.

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

None.

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

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

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

See Notes to Financial Statements and Management Discussion and Analysis.

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

See Notes to Financial Statements and Management Discussion and Analysis.

M. The effect of changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long term investments, restructurings, and discontinuing operations.

None.

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

None.

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

None.

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

None.

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

None.

R. Material commitments for capital expenditures, general purpose and expected sources of funds.

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

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

As of September 30, 2019, no known trends, events or uncertainties that are reasonably expected to have impact on sales/revenues/income from continuing operations except for those being disclosed in the 9-months of 2019 financial statements.

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

None.

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

None.

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

None.

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

None.

SIGNATURES

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

Vista Land & Lifescapes, Inc.
Issuer

By:

BRIAN N. EDANG
CFO & Head Investor Relations

Date: 08 November 2019