



November 13, 2020

PHILIPPINE STOCK EXCHANGE

9th Floor, Philippine Stock Exchange Tower,
28th Street corner 5th Avenue, BGC Taguig City

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

PHILIPPINE DEALING AND EXCHANGE CORPORATION

29th Floor, BDO Equitable Tower
Paseo de Roxas, Makati City

Attention: Atty. Marie Rose M. Magallen-Lirio
Head, Issuer Compliance and Disclosure Department

Subject: Vista Land & Lifescapes, Inc.: **SEC 17Q – September 30, 2020**

Gentlemen:

Please see attached SEC Form 17Q for the nine months ended September 30, 2020 filed with the Securities and Exchange Commission today.

Very truly yours,

A handwritten signature in black ink, appearing to read 'B. Edang' with a flourish at the end.

Brian N. Edang
Officer-in-Charge

COVER SHEET

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S.E.C. Registration Number										

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I	N	C	.																					

(Company's Full Name)

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L	A	S		P	I	Ñ	A	S		C	I	T	Y																

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

Brian N. Edang
Contact Person

226-3552 ext. 0088
Company Telephone Number

1	2		3	1
<i>Month</i>			<i>Day</i>	

17-Q
FORM TYPE

0	6		1	5
<i>Month</i>			<i>Day</i>	

Calendar Year

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings		
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, 2020**

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**

Address of Principal Office

1747
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 09/30/2020 net of 416,128,700 treasury shares)	12,698,007,676
VLL Retail Bonds issued in 2014 (as of 09/30/2020)	P5,000,000,000.00
VLL Retail Bonds issued in 2017 (as of 09/30/2020)	P5,000,000,000.00
VLL Retail Bonds issued in 2018 (as of 09/30/2020)	P10,000,000,000.00
VLL Retail Bonds issued in 2019 (as of 09/30/2020)	P10,000,000,000.00

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

Yes No

12. Check whether the registrant:

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

Yes No

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

Yes No

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Vista Land & Lifescapes, Inc.
Consolidated Statements of Financial Position
As of September 30, 2020 and December 31, 2019
(In Million Pesos)

	Unaudited 09/30/2020	Audited 12/31/2019
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7 and 28)	14,755	13,945
Short-term cash investments (Notes 8 and 28)	532	211
Investments at amortized cost (Note 8)	6,219	2,104
Current portion of:		
Receivables (Notes 9 and 28)	46,386	38,438
Cost to obtain (Note 5)	1,001	1,034
Receivables from related parties (Notes 26)	5,475	5,156
Real estate inventories (Note 10)	44,530	41,401
Other current assets (Note 11)	6,227	8,026
Total Current Assets	125,125	110,315
Noncurrent Assets		
Investments at amortized cost (Note 8)	26,174	31,689
Investments at fair value through other comprehensive income (Note 8)	117	117
Long-term cash investments	41	
Receivables – net of current portion (Note 9)	20,684	19,395
Cost to obtain – net of current portion (Note 5)	429	532
Project development cost (Note 13)	4,266	4,151
Property and equipment	2,379	2,547
Investment properties (Note 12)	105,336	101,435
Goodwill	147	147
Pension assets (Note 23)	271	268
Deferred tax assets - net (Note 24)	485	484
Other noncurrent assets (Note 14)	1,454	1,459
Total Noncurrent Assets	161,783	162,224
	286,908	272,539
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 15 and 28)	16,853	13,164
Security deposits and advance rent (Note 16)	1,454	1,469
Income tax payable (Note 24)	4	68
Dividends payable	673	69
Current portion of:		
Contract liabilities	1,899	1,726
Bank loans (Notes 17 and 27)	5,529	5,731
Loans payables (Notes 17 and 28)	2,092	3,131
Notes payable (Notes 18 and 28)	5,654	2,441
Lease liabilities (Notes 25 and 28)	26	33
Total Current Liabilities	34,184	27,832

(Forward)



Vista Land & Lifescapes, Inc.
Consolidated Statements of Financial Position
 As of September 30, 2020 and December 31, 2019
 (In Million Pesos)

	Unaudited 09/30/2020	Audited 12/31/2019
Noncurrent Liabilities		
Contract liabilities - net of current portion	1,022	764
Bank loans - net of current portion (Notes 17 and 28)	38,396	41,444
Loans payable - net of current portion (Notes 17 and 28)	1,654	274
Notes payable - net of current portion (Notes 18 and 28)	94,959	90,749
Lease liabilities – net of current portion (Notes 25 and 28)	3,160	3,081
Deferred tax liabilities - net (Note 24)	4,719	4,008
Other noncurrent liabilities (Note 19)	3,945	4,434
Total Noncurrent Liabilities	147,855	144,754
Total Liabilities	182,039	172,586
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	642	633
Treasury shares	(7,740)	(7,740)
Retained earnings	65,677	60,953
Non-controlling interest	2,488	2,304
Total Equity	104,869	99,953
	286,908	272,539

See accompanying Notes to Consolidated Financial Statements.



Vista Land & Lifescapes, Inc.
 Consolidated Statements of Comprehensive Income
 For the nine months ended September 30, 2020 and
 2019 (In Million Pesos)

	Unaudited Jul-Sept Q3-2020	Unaudited Jan-Sept 2020	Unaudited Jul-Sept Q3-2019	Unaudited Jan-Sept 2019
REVENUE				
Real estate	5,241	18,014	8,186	26,212
Rental income	1,403	4,943	1,586	5,480
Interest income from installment contracts receivable	211	519	247	505
Parking, hotel, mall administrative and processing fees, and others (Note 21)	69	1,065	529	1,026
	6,924	24,541	10,548	33,223
COSTS AND EXPENSES				
Costs of real estate sales (Note 22)	2,420	8,932	4,008	12,624
Operating expenses (Note 22)	1,938	6,758	2,975	8,510
	4,358	15,690	6,983	21,134
OTHER EXPENSES				
Interest and other income from investments	431	1,128	416	1,136
Interest and other financing charges	(856)	(3,589)	(187)	(2,872)
Others	(1)	(11)	4	-
	(426)	(2,472)	233	(1,736)
INCOME BEFORE INCOME TAX	2,140	6,379	3,798	10,353
PROVISION FOR INCOME TAX (Note 24)	170	873	558	1,291
NET INCOME	1,970	5,506	3,240	9,062
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company	1,926	5,322	3,165	8,831
Noncontrolling interest	44	184	75	231
	1,970	5,506	3,240	9,062
Weighted average common shares	12,698	12,698	12,661	12,661
Basic/Diluted earnings per share	0.419	0.419	0.697	0.697



Vista Land & Lifescapes, Inc.
 Consolidated Statements of Comprehensive Income
 For the nine months ended September 30, 2020 and 2019
 (In Million Pesos)

	Unaudited Jul-Sept Q3-2020	Unaudited Jan-Sept 2020	Unaudited Jul-Sept Q3-2019	Unaudited Jan-Sept 2019
NET INCOME	1,970	5,506	3,240	9,062
OTHER COMPREHENSIVE INCOME				
Cumulative translation adjustments	(2)	8	2	30
Changes in fair value of investments at fair value through other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME	(2)	8	2	30
	1,968	5,514	3,242	9,092
Total comprehensive income attributable to:				
Equity holders of Vista Land & Lifescapes, Inc.	1,924	5,330	3,167	8,861
Minority interest	44	184	75	231
	1,968	5,514	3,242	9,092
Weighted average common shares	12,698	12,698	12,661	12,661
Basic/Diluted earnings per share	0.419	0.419	0.697	0.697



Vista Land & Lifescapes, Inc.
Consolidated Statements of Changes in Equity
For the nine months ended September 30, 2020 and 2019
(In Million Pesos)

	Unaudited 09/30/2020	Unaudited 09/30/2019
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 – 10,000,000,000 shares in October 5, 2012;		
Series 1 - P0.01 par value		
8,000,000,000 shares in January 27, 2020;		
Series 2 - P0.10 par value		
200,000,000 shares in January 27, 2020;		
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	60,953	52,737
Effect of adoption of PFRS 16	-	111
Net income	5,321	8,830
Cash dividends declared	(597)	(3,161)
Balance at end of period	65,677	58,517
OTHER COMPREHENSIVE INCOME		
Balance at beginning of period	633	534
Adjustment	9	30
Balance at end of period	642	564
TREASURY SHARES		
Balance at beginning of period	(7,740)	(7,184)
Acquisition of treasury shares	-	(556)
Balance at end of period	(7,740)	(7,740)

NON-CONTROLLING INTEREST

Balance at beginning of period	2,304	2,017
Net income	184	231
Adjustment	-	(56)
Balance at end of period	2,488	2,192
	104,869	97,335



Vista Land & Lifescapes, Inc.
Consolidated Statements of Cash Flows
For the nine months ended September 30, 2020 and
2019 (In Million Pesos)

	Unaudited Jul-Sept 3Q-2020	Unaudited Jan-Sept 2020	Unaudited Jul-Sept 3Q-2019	Unaudited Jan-Sept 2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	2,140	6,379	3,798	10,353
Adjustments for:				
Interest and other financing charges	856	3,589	187	2,872
Depreciation and amortization	560	1,746	586	1,627
Retirement Expense, net of benefits paid and contribution to contribution plan	-	-	(35)	(35)
Unrealized foreign exchange losses (gains)	(10)	-	(3)	(3)
Interest income from investments and other income	(211)	(519)	(662)	(1,641)
Operating income before working capital changes	3,334	11,195	3,870	13,173
Decrease (increase) in:				
Receivables	(612)	(9,237)	39	(4,156)
Receivables from related parties	250	(319)	(803)	(7)
Real estate inventories	(2,369)	(3,129)	5,089	3,364
Other current assets and cost to obtain contract	14	1,833	391	(2,265)
Pension assets	(0)	(3)	-	-
Increase (decrease) in:				
Accounts and other payables	3,132	3,689	(917)	2,166
Security deposits and advance rent	179	(16)	63	245
Contract Liabilities	153	430	67	393
Other noncurrent liabilities	(744)	(489)	-	-
Net cash flows provided by operations	3,339	3,954	7,800	12,914
Interest received	211	519	643	1,621
Income tax paid	(40)	(226)	(378)	(574)
Net cash flows provided by operating activities	3,510	4,247	8,064	13,961
CASH FLOWS FROM INVESTING ACTIVITIES				
Increase in project development costs	134	(116)	(10)	(429)
Disposal (acquisition) of short-term cash investments	(281)	(321)	(59)	(33)
Acquisition of long-term cash investments	(41)	(41)	-	-
Acquisitions of:				
Investment properties and Property and Equipment	(3,409)	(5,478)	(6,525)	(20,552)
Disposal (acquisition) of Investments at amortized cost	84	1,399	518	(6,829)
Decrease in other noncurrent assets	(175)	107	(986)	(43)
Net cash flows used in investing activities	(3,688)	(4,450)	(7,063)	(27,887)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from (Payments of):				
Notes payable - net	10,881	10,263	14,196	14,260
Bank loans - net	(1,714)	(3,250)	(4,705)	(1,161)
Loans payable- net	597	342	1,146	650
Payment of Interest	(2,204)	(6,429)	(4,283)	(6,969)
Increase in lease liabilities	(29)	72	(138)	(138)
Dividends paid	7	7	(21)	(21)
Acquisition of treasury shares	-	-	(77)	(632)
Net cash flows provided by financing activities	7,538	1,005	6,118	5,990
EFFECT OF CHANGE IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS				
	8	8	3	3
NET DECREASE IN CASH AND CASH EQUIVALENTS	7,368	810	7,123	(7,933)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,387	13,945	4,966	20,022
CASH AND CASH EQUIVALENTS AT END OF YEAR	14,755	14,755	12,089	12,089

VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Vista Land & Lifescapes, Inc. (the Parent Company) was incorporated in the Republic of the Philippines and registered with the Securities and Exchange Commission (SEC) on February 28, 2007 with a corporate life of 50 years. The Parent Company's registered office address is at Lower Ground Floor, Building B, EVIA Lifestyle Center, Vista City, Daanghari, Almanza II, Las Piñas City. The Parent Company is a publicly-listed investment holding company which is 65.00% owned by Fine Properties, Inc., (Ultimate Parent Company), 35.00% 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 Group caters on the development and sale of residential house and lot and residential condominium through its horizontal and vertical projects, respectively. Its commercial and others segment focuses on the development, leasing and management of shopping malls and commercial centers all over the Philippines and hotel operations.

2. Summary of Significant Accounting Policies

Basis of Preparation

The interim condensed consolidated financial statements as at September 30, 2020 and for the nine-month periods ended September 30, 2020 and 2019 have been prepared on a historical cost basis, except for investments at fair value through other comprehensive income 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 Philippine Peso, unless otherwise indicated.

Statement of Compliance

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*.

New Standards, Interpretations and Amendments adopted by the Group

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 for the year ended December 31, 2019, except for the adoption of new standards effective as at January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective except for the amendment to PFRS 16, *Leases*.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*
The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no

impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

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

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no significant impact on the consolidated financial statements of the Group.

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

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

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the content of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

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

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

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

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

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

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

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

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

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted. The amendments were early adopted by the Group beginning January

1, 2020 but has no impact to the interim condensed consolidated financial statements as of September 30, 2020.

Basis of Consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Group. For the nine-month period ended September 30, 2020, there was no change in the Parent Company's ownership interest in its subsidiaries.

3. Significant Judgements Estimates and Assumptions

The preparation of the interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the consolidated financial statements and related notes at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

There were no significant changes in the significant accounting judgments, estimates, and assumptions used by the Company for the nine-month period ended September 30, 2020 except, as a consequence of COVID-19 pandemic, for the impairment testing of goodwill and expected credit losses determination for installment contracts receivable and accounts receivable from tenants.

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 house and lot across the Philippines.

Vertical Projects

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

Commercial and others

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

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

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

from related parties, investments at FVOCI, investments at amortized cost and deferred taxes. Segment liability are presented separately from the deferred tax liabilities.

The financial information about the operations of these business segments for the nine months ended September 30, 2020 is summarized below (in Php Millions):

	Horizontal	Vertical	Commercial and Others	Intersegment Adjustments	Total
Real Estate Revenue	14,755	3,259	-	-	18,014
Cost of Real Estate Sales	7,229	1,703	-	-	8,932
Gross Profit	7,526	1,556	-	-	9,082
Rental Income	-	-	4,943	-	4,943
Operating Expenses	3,334	731	2,693	-	6,758
Segment income	4,192	825	2,250	-	7,267
Interest Income	1,573	23	51	-	1,647
Parking, Hotel, mall administrative and processing fees, and others	443	93	529	-	1,065
Interest & other financing charges	(1,282)	(158)	(2,160)	-	(3,600)
Income before Income Tax	4,926	783	670	-	6,379
Income Tax	477	196	200	-	873
Net Income	4,449	587	470	-	5,506
Segment assets	184,987	17,625	45,824	-	248,437
Receivable from related parties	275	-	5,201	-	5,475
Investments at FVOCI	-	-	117	-	117
Investments at Amortized Cost	-	-	32,393	-	32,393
Deferred tax asset	485	-	-	-	485
Total Assets	185,747	17,625	83,535	-	286,908
Segment liabilities	61,035	7,334	108,952	-	177,320
Deferred tax liabilities	849	244	3,627	-	4,719
Total Liabilities	61,884	7,578	112,579	-	182,039
Depreciation and amortization	249	26	1,476	-	1,746

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 cyclical 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:

	Sept 30, 2020
Type of Product	
Real estate sales	
Horizontal	₱14,755
Vertical	3,259
	₱18,014
Hotel Operations	552
	₱18,566

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.

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

Contract Balances

	Sept 30, 2020
Installment contracts receivable	50,864
Cost to obtain contract	1,429
Contract liabilities	2,921

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

Contract liabilities consist of collections from real estate customers which have not reached the equity threshold to qualify for revenue recognition and excess of collections over the 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 reservation agreements with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the 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 reservation agreement and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include payment of 10% - 20% of the contract price to be paid over a maximum of 24 months at a fixed payment for horizontal developments and 20% - 60% of the contract price to be paid over a maximum of 60 months at a fixed payment for vertical developments with remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from 2 to 15 years with fixed monthly payment. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either an installment contracts receivable or contract liability.

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

The 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 to five years from start of construction while serviced lots and serviced lots and house are expected to be completed within two to three years from start of development.

Rental agreements

The Group entered into lease agreements for its mall retail spaces and office spaces with the following identified performance obligations: (a) lease of space, (b) provisioning of water and electricity, and (c) connection to air conditioning system, (d) CUSA services, and (e) administration fee. Revenue from lease of space is recognized on a straight-line basis over the lease term while revenue for the remaining performance obligations are recognized when services are rendered. The tenant is required to settle within 30 days upon receipt of the bill. In case of delay in payments, a penalty of 5% is charged for the amount due and shall be charged another 5% the following month of delay and every month thereafter inclusive of penalties previously charged. The lease arrangement would typically require a tenant to pay advance rental equivalent to three months and a security deposit equivalent to three months rental to cover any breakages after the rental period, with the excess returned to the tenant.

6. Goodwill

The goodwill of the Group came from the purchase of MRHI which owns and operate Boracay Sands Hotel located at Boracay Island, Philippines.

7. Cash and Cash equivalents

This account consists of (in Php Millions):

Cash on hand	11
Cash in banks	13,781
Cash equivalents	963
	<u>14,755</u>

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn interest as follows:

	Sept 30, 2020	Dec 31, 2019
Philippine Peso	0.25% to 1.25%	0.25% to 3.88%
US Dollar	0.10% to 0.75%	0.13% to 1.33%

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:

<u>(in Php Millions)</u>	Sept 30, 2020	Dec 31, 2019
Philippine Peso	1.00% to 2.625%	3.00% to 3.25%
US Dollar	-	-

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

	Sept 30, 2020
Investment at amortized cost	₱32,393
Investment at fair value through other comprehensive income	117

9. Receivables

This account consists of:

Installment contracts receivable	₱ 50,864
Accrued interest receivable	357
Accrued rent receivable	5,687
Accounts receivable	
Tenants	3,238
Buyers	226
Contractors	4,026
Brokers	219
Suppliers	1,411
Others	1,147
	<u>67,175</u>
Less: Allowance for impairment losses	105
Total Receivables	67,070
Less: Noncurrent portion at amortized cost	<u>20,684</u>
	₱ 46,386

Installment contracts receivable

Installment contracts receivable consist of accounts collectible in equal monthly installments with various terms up to a maximum of fifteen (15) years. These are carried at amortized cost. The corresponding titles to the subdivision or condominium units sold under this arrangement are transferred to the buyers only upon full payment of the contract price. The installment contracts receivable are interest-bearing

except for those with installment terms within two years. Annual interest rates on installment contracts receivables range from 12.00% to 19.00%.

Accounts Receivable

The accounts receivables are noninterest-bearing and collectible within one year.

This consists of the following:

Receivable from tenants

Receivables from tenants represent the outstanding receivables arising from the lease of commercial centers relating to the Group's mall and offices and are collectible within 30 days from billing date. These are covered by security deposit of tenants' equivalent to three-month rental and three-month advance rental paid by the lessees. This includes both the fixed and contingent portion of lease.

Receivable from buyers

Receivables from buyers mainly consist of receivables from buyers of real estate arising from penalties for late payments. These are non-interest bearing and are due and demandable.

Receivable from contractors

Receivable from contractors are advance payments in relation to the Group's construction activities and are recouped through reduction against progress billings as the construction progresses. Recoupment occur within one to five years from the date the advances were made.

Receivable from brokers

Receivable from brokers are cash advances for operating use. These are applied to subsequent commission payout to brokers.

Receivable from suppliers

Receivable from suppliers are advance payments for the purchase of construction materials. These will be applied to billings for deliveries made within one year from financial reporting date.

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.

Expected Credit Loss Estimation

The Group assesses at each financial reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. The fact that title of the real estate properties are transferred only to the buyer upon full payment of the contract price is considered in the evaluation of impairment. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. The latest key assumptions used to determine the recoverable amount were disclosed in the annual consolidated financial statements for the year ended December 31, 2019.

The Group has determined that the COVID-19 pandemic have adversely impacted the current operations of the Group and is expected to impact its future business activities. The collectability of the significant portion of its receivables from real estate sales is impacted by the continuing employment of its customers, both the overseas contract workers and locally employed customers, particularly working within the industry adversely affected by COVID-19.

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

As the above are indicators of increase in credit risk, the Group revisited the expected credit loss exercise as at September 30, 2020 for its receivables and incorporated quantitative changes in probability of default, recoveries and qualitative factors.

For the installment contracts receivables and receivable from tenants, the Group put more weight on the pessimistic outcome in its calculation of probability of default. In addition, for the installment contracts receivable, the Group considered a 15% and 5% decline in the resale value of inventory recoveries including the longer period of resale in the determination of the loss given default.

As a result of the loss estimation, management did not identify an impairment for installment contracts receivable but recognized an additional impairment loss for receivable from tenants of ₱47 million for the nine months period September 30, 2020.

10. Real Estate Inventories

This account consists of:

Subdivision land for sale and development	₱ 37,568
Condominium units for sale and development	6,202
Residential house units for sale and development	760
	<u>₱ 44,530</u>

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

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

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	₱ 2,154
Creditable withholding taxes	1,956
Prepaid expenses	728
Construction materials and others	1,375
Hotel Inventories and others	5
Deposits on real estate	9
	<u>₱ 6,227</u>

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, such as but not limited to steel bars, cement, plywood and hollow blocks, used in the construction and development. These are to be utilized within one year and included in the cost of real estate inventories upon utilization.

Cash restricted for use are deposits restricted solely for payment of the principal amortization and interest of certain bank loans.

12. Investment Properties

Investment properties consist mainly of land and land developments and commercial centers. These include properties, currently being leased out, for future leasing or currently held for capital appreciation. The commercial centers include retail malls, Vistamalls and Starmalls that are located in key cities and municipalities in the Philippines and office spaces.

As of September 30, 2020, the construction in progress represents capitalized costs arising from a construction of commercial centers that are located in Las Piñas, Cavite, Bulacan, Naga, Davao, Bacolod, Tacloban, Butuan, Cabanatuan, Isabela, Laguna, Cebu, Ilocos, Quezon and Zamboanga which are due to be completed in 2020 to 2021. The percentage of completion of various constructions in progress ranges from 6.5% to 99.69% in 2020.

For the nine-month period ended September 30, 2020 and for the year ended December 31, 2019, unpaid additions to investment properties amounted to ₱1,220 million and ₱1,241 million, respectively.

Investment properties with cost of ₱2,952 million and ₱6,609 million are used to secure the bank loans of the Group as of September 30, 2020 and December 31, 2019, respectively. The fair value of the investment properties used as collateral amounted to ₱12,663 million and ₱25,088 million as of September 30, 2020 and December 31, 2019, respectively.

13. Project Development Costs

Project development costs mainly pertain to advances to a related party, covered by memorandum of agreement for the purchase of socialized housing units. The requirement for socialized housing units is required by the Housing and Land Use Regulatory Board (HLURB). These advances are recouped upon receipt of the socialized housing units from the related party.

The accounts also includes deposits, cash advances and other charges in connection with joint venture agreements and memorandum of agreements entered into by the Group with individuals, corporate entities and related parties for the development of real estate projects. These agreements provide, among others, the following: a) the Group will undertake the improvement and development of the real estate project within a certain period, subject to certain conditions to be fulfilled by the real estate property owner; and b) the parties shall divide among themselves all saleable inventory and commercial development of the real estate project in accordance with the ratio mutually agreed. The real estate projects are in various stages of development from planning to ongoing construction.

On December 23, 2019, the Group entered into a Memorandum of Agreement with Bria Homes, Inc. that stipulated the allocated socialized housing units to the Group from the latter's ongoing and new projects.

14. Other Noncurrent Assets

This account consists of:

Cash restricted for use	₱ 530
Deposits	726
Model house accessories at cost	172
Systems development costs - net of accumulated amortization	20
Other assets	6
	₱ 1,454

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	₱ 2,672
Accounts Payable	
Contractors	2,922
Suppliers	2,059
Buyers	903
Incidental Costs	1,277
Accrued Expenses	2,242
Commission Payable	2,035
Retention Payable	1,084
Deferred output tax	911
Other payables	748
	₱ 16,853

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 and Advance Rent

Current portion of security deposits

Security deposits represent deposits required by lease agreements. These can be recovered upon termination of the lease agreement through refund or application to unpaid rent and/or other charges. Security deposit also include bond deposits of homeowners for their house extension, fence construction

and landscaping works which will be refunded after considering any charges. Current portion are those to be settled within one year from financial reporting date.

Current portion of advance rent

Advance rent includes three-month advance rental paid by lessee as required under lease contract. These will be applied to the first or last three months rental depending on the contract terms of the related lease contract. These also include overpayments made by lessee against its monthly billings which will be applied to future billings. Current portion are those to be settled within one year from financial reporting date.

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	₱ 40,093	₱ -
Subsidiaries	3,832	3,746
	43,925	3,746
Less current portion	5,529	2,092
	₱ 38,396	₱1,654

In March 2020, the Parent Company obtained a 5-year unsecured peso denominated loan amounting to ₱5,000.00 million which bears annual fixed interest of 4.89%, payable quarterly. The principal balance of the loan will be paid in 19 equal quarterly installments commencing December 2020.

The Parent Company is required to maintain at all times the following ratios: current ratio at 1.00, debt to equity at 2.50 and debt service coverage ratio of at least 1.00. The bank loan also includes a change of control provision wherein a material change of ownership of the major shareholder is not permitted during the term of the liability.

In October 2019, the Parent Company obtained an additional 5-year unsecured peso denominated loan amounting to ₱3,000.00 million which bears annual fixed interest of 5.26%, payable quarterly. The principal balance of the loan will be paid in 19 equal quarterly installments that commenced on November 2019.

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, 2020.

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 6.06% to 6.34% as at September 30, 2020, respectively, payable on equal monthly installments over a maximum period of 3 to 15 years. Other than the installment contracts receivable that serve as collateral, the loans payable has no other restrictions, requirements or covenants.

18. Notes Payable

This account consists of:

Dollar denominated bonds	₱ 43,962
Retail bonds	25,455
Corporate note facility	31,196
	<u>100,613</u>
Less current portion	5,654
	<u>₱ 94,959</u>

Dollar Denominated Bonds

US\$200.00 million Notes (Due July 2027)

On July 20, 2020, the Company’s wholly-owned subsidiary, VLL International, Inc. (the Issuer) issued US\$200.00 million notes (“Notes”) with a term of seven years from initial draw down date. The interest rate is 7.25% per annum payable semi-annually in arrears on January 20 and July 20 of each year. The proceeds will be used to refinance existing indebtedness, purchase, develop, construct or improve assets, property and equipment, 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, 2020, outstanding balance of note amounted to US\$198 million (₱9,607 million).

Redemption at the option of the issuer

At any time, the Issuer may on any one or more occasions redeem all or a part of the Notes on any business day or after July 20, 2024 and up to but excluding the Maturity date, the Issuer may on one or more occasions redeem all or part of the Notes, at the redemption price (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 July 20 of the years set forth below:

<u>Period</u>	<u>Price</u>
2024	103.6250%
2025	101.8125%
2026 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, 2020.

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, 2020, outstanding balance of note amounted to US\$344 million (₱16,666 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:

<u>Period</u>	<u>Price</u>
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, 2020.

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, 2020 outstanding balance of note amounted to US\$240 million (₱11,631 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, 2020 outstanding balance of note amounted to US\$125 million (₱6,057 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 September 30, 2020.

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

2019 Fixed-rate Peso Retail Bonds

On December 18, 2019, the Parent Company (the Issuer) issued an unsecured fixed-rate Peso Retail Bonds with an aggregate principal amount of ₱10,000.00 million. The proceeds of the issuance were used to fund the construction and completion of the various malls and condominium projects, redevelopment of existing malls, as well as general corporate purposes. The issue costs amounted ₱ 91.07 million. This was capitalized as debt issue cost and amortized over the life of the liability and was offset to the carrying value of the liability.

The offer is comprised of 5-year Retail Bonds due on June 18, 2025 with interest rate of 5.70% per annum. This is the third and last tranche offered out of the shelf registration of Peso Retail Bonds in the aggregate principal amount of up to ₱20,000.00 million and initial tranche offered out of the shelf registration of Retail Bonds in the aggregate principal amount of up to ₱30,000.00 million to be offered within a period of three (3) years. Interest on the Retail Bonds is payable quarterly in arrears starting on March 18, 2020, for the first interest payment date and on June 18, September 18, December 18 each year for each subsequent payment date.

As of September 30, 2020, outstanding balance of the Retail Bonds amounted to ₱9,921 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:

- i. Three (3) years from issue date at early redemption price of 101.00%
- ii. Four (4) years from issue date at early redemption price of 100.50%

Covenants

The Retail Bonds provide for the Issuer to comply with covenants including, among others, incurrence or guarantee of additional indebtedness; prepayment or redemption of subordinate debt and equity; making certain investments and capital expenditures; consolidation or merger with other entities; and certain other covenants. The Retail Bonds requires the Issuer to maintain a current ratio of at least 1.00:1.00, a maximum debt-to-equity ratio of 2.50:1.00 and a DSCR of at least 1.00:100. These were complied with by the Group as at September 30, 2020.

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, 2020, outstanding balance of the bonds amounted to ₱9,904 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:

- i. Three (3) years from issue date at early redemption price of 101.00%
- ii. Four (4) years from issue date at early redemption price of 100.50%

Seven Year Bonds:

- i. Five (5) years from issue date at early redemption price of 101.00%
- ii. Six (6) years from issue date at early redemption price of 100.50%

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, 2020.

2017 Fixed-rate Peso Retail Bonds

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, 2020, outstanding balance of the bonds amounted to ₱4,957 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:

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%

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, 2020.

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, 2020 outstanding balance of the bonds amounted to ₱672 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:

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%

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, 2020.

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, 2020, the outstanding balance of the corporate note is ₱14,898 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, 2020.

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.

As of September 30, 2020, the outstanding balance of the corporate note is ₱7,102 million.

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, 2020.

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
7 th anniversary from issue date and interest payment thereafter	102.00%
8 th anniversary from issue date and interest payment thereafter	101.00%
9 th 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, 2020.

19. Other Noncurrent Liabilities

This account consists of:

Liabilities for purchased land – net of current portion	₱ 1,293
Retention payable - net of current portion	860
Deferred output tax - net of current portion	946
Security deposits - net of current portion	526
Advance rent - net of current portion	320
	₱ 3,945

20. Equity

Capital Stock

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

	Sept 30, 2020	Dec 31, 2019
<i>Common</i>		
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)	(₱7,740,264,387)
Value of shares issued	₱13,114,136,376	₱13,114,136,376
<i>Preferred Series 1</i>		
Authorized shares	10,000,000,000	8,000,000,000
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
<i>Preferred Series 2</i>		
Authorized shares	200,000,000	200,000,000
Par value per share	₱0.10	₱0.10
Issued shares	-	-
Value of shares issued	₱-	₱-

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, 2020.

Preferred shares

On June 17, 2019, the Stockholders approved the reclassification of the unissued preferred capital stock of the Parent Company to create Two Hundred Million (200,000,000) non-voting, cumulative, non-participating, non-convertible and redeemable Series 2 preferred shares with par value of ₱0.10 each and the corresponding amendment of the Articles of Incorporation of the Parent Company. The Board likewise approved the shelf registration and listing of such Series 2 preferred shares.

The terms and conditions of any offering of the Series 2 preferred shares, including the dividend rate, redemption prices, and similar matters will be determined by the Board of Directors at a later date. None of these reclassified preferred shares are issued as of September 30, 2020.

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 946 existing certified shareholders as of periods September 30, 2020 and December 31, 2019.

Treasury Shares

Treasury shares (416,128,700) as of September 30, 2020 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 30, 2020, the BOD of the Parent Company approved the declaration of a regular cash dividend amounting ₱597.29 million or ₱0.0500 per share, in favor of all stockholders of record as at October 16, 2020, which was paid on October 30, 2020.

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.

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.

Non-controlling interest

In 2016, the Vista Group acquired additional 750,265,955 shares of Vistamalls (formerly 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, 2020 and December 31, 2019, the Group had the following ratios:

	Sept 30, 2020	Dec 31, 2019
Current ratio	366%	396%
Debt-to-equity ratio	138%	140%
Net debt-to-equity ratio	92%	92%
Asset-to-equity ratio	274%	273%

As of September 30, 2020 and December 31, 2019, 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 September 30, 2020 and December 31, 2019.

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, 2020	Dec 31, 2019
Cash and cash equivalents	US\$5	US\$11
Investments at amortized cost	668	667
Notes payable-net	(907)	(705)

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

21. Parking, Hotel, Mall Administrative and Processing Fees, and Other Revenue, Interest and Other Financing Charges

This account consists of:

Mall administrative and processing fee	₱ 587
Parking	13
Hotel	32
Others	433
	<hr/>
	₱ 1,065
	<hr/>

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 September 30, 2020 and 2019 amounted to ₱8,932 million and ₱12,624 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.

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 with mandate of management. Union Bank's (UB) current strategic investment strategy consists of 9.36% of cash, 4.09% of investments in government securities, 85.73% of investment in private companies and 0.81% receivables. 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	₱142
Final	14
Deferred	717
	<hr/>
	₱ 873
	<hr/>

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 2019, 14 projects in 2018 and 43 projects in 2017, 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 parcels of land where its commercial centers are situated with the lease term of 20 - 35 years and 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:

	Sept 30, 2020
Balance at the beginning of the period	₱3,094
Additions	-
Interest	271
Payment	(179)
Balance at the end of the period	3,186
Less current portion	26
Noncurrent portion	₱ 3,160

The carrying value of right-of-use assets amounted to ₱2,348 million as of September 30, 2020.

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. Entities under common control are those entities outside the Group but are related parties of Fine Properties, Inc. Related parties may be individuals or corporate entities.

All publicly-listed and certain member companies of the Group have Material Related Party Transactions Policies containing the approval requirements and limits on amounts and extent of related party transactions in compliance with the requirement under Revised SRC Rule 68 and SEC Memorandum Circular 10, series 2019.

The Parent Company has an approval requirement such that material related party transaction (RPT) shall be reviewed by the Risk Management Committee (the Committee) and endorsed to the BOD for approval. Material RPTs are those transactions that meet the threshold value as approved by the Committee amounting to 10% or higher of the Group's total consolidated assets based on its latest audited financial statements. The Group in their regular conduct of business has entered into transactions with related parties principally consisting of trade transactions from mall leasing, advances, reimbursement of expenses and purchase and sale of real estate properties. Except as otherwise

indicated, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties.

The Group in their regular conduct of business has entered into transactions with related parties principally consisting of trade transactions from mall leasing, advances, reimbursement of expenses and purchase and sale of real estate properties. Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties.

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, 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 5.03% to 19.00% and 4.63% to 19.00% as of June 30, 2020 and December 31, 2019, 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 4.25% to 10.28% in 2020 and 4.28% to 10.75% in 2019 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 (except for deferred output VAT and other statutory payables) and liabilities for purchased land. The main purpose of the Group's financial liabilities is to raise financing for the Group's operations. The Group has various financial assets such as installment contracts receivables, cash and cash equivalents and short-term, long-term cash investments, investments at fair value through

other comprehensive income and investments at amortized cost which arise directly from its operations. The main risks arising from the use of financial instruments are interest rate risk, foreign currency risk, credit risk, 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 with its installment contracts receivables as collateral to cushion the impact of potential increase in loan interest rates.

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

	September 30, 2020		December 31, 2019	
	Effective Interest Rate	Amount	Effective Interest Rate	Amount
Financial assets				
<i>Fixed rate</i>				
Cash and cash equivalents (excluding cash on hand)	0.10% to 2.50%	₱ 14,744	0.25% to 3.88%	₱ 13,928
Short-term cash investments	2.625%	532	3.00% to 3.25%	211
Investment at amortized cost	2.125% to 10.18%	32,393	2.23% to 10.18%	33,793
Installment contracts receivable	5.93% to 19.00%	50,864	4.63% to 19.00%	38,835
		₱ 98,533		₱ 86,767
Financial liabilities				
<i>Fixed rate</i>				
Notes payable	5.70% to 8.25%	₱ 100,612	5.89% to 8.86%	₱ 93,190
Bank loans	4.20% to 8.174%	43,925	4.28% to 10.75%	47,175
Loans payable	6.06% to 6.34%	3,746	5.08% to 6.24%	3,405
Lease liabilities	7.51% to 10.66%	3,186	7.51% to 10.66%	3,114
		₱ 151,469		₱ 146,884

As of September 30, 2020 and December 31, 2019, 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 is limited to certain USD denominated cash and cash equivalents, resulting primarily from movements of the Philippine Peso against the United States Dollar (USD). Below is the carrying amount of USD-denominated cash and cash and sensitivity analysis on exchange rate for effect on income before income tax.

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

	September 30, 2020		December 31, 2019	
	Peso	US\$	Peso	US\$
Cash and cash equivalents	₱252	US\$ 5	₱ 557	US\$ 11
Investment at amortized cost	32,393	668	33,777	667
Notes payable	(43,961)	(907)	(35,701)	(705)

In translating the foreign currency- denominated monetary assets in peso amounts, the Philippine Peso - US dollar exchange rates as of September 30, 2020 and December 31, 2019 used were ₱48.495 to US\$1.00 and ₱50.64 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 September 30, 2020:

	September 30, 2020 (Unaudited)	
	Increase/Decrease in US Dollar rate	Effect on income before tax
Cash and cash equivalents	+1	₱5
	-1	(5)
Investments at amortized cost	+1	668
	-1	(668)
Notes payable	-1	(907)
	+1	907

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, exposure to credit risk is not significant given that title of the real estate property is only transferred to the customer if the consideration had been fully paid. In case of default, after enforcement activities, the Group has the right to cancel the sale and enter into another contract to sell to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed.

The Group evaluates the concentration of risk with respect to non-related party trade receivables as low, as its customers are located in several jurisdictions and various income brackets, and operate in largely independent markets.

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 September 30, 2020 and December 31, 2019 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 2020.

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 2020 and 2019.

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. Impact of COVID-19 Pandemic and Events After Reporting Period

On March 16, 2020, Presidential Proclamation No. 929 was issued declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon. ECQ was likewise imposed in provinces outside the island of Luzon as imposed by their respective local government units. When the quarantine was imposed, our offices and showrooms were closed so work-from-home arrangements for employees were adopted. Since physical gatherings were no longer possible, marketing efforts shifted to digital platforms to resume promotional campaigns.

Construction activities for houses, condominium buildings and new commercial spaces were also suspended during the quarantine period. However, delays in completion will be tempered by the shorter duration of construction period for houses (average of 4 months). Our strong presence outside Metro Manila is a factor that lessens the impact of the lockdown, as most areas especially in the provinces have already transitioned to Modified General Community Quarantine (MGCQ) and we can ramp up construction in those areas.

The Group is continuously evaluating potential impact of the pandemic to the company's financial assets including our assumptions in the calculation of the Expected Credit Loss and impairment testing for goodwill and other non-financial assets.

To date, the Company has not made any modification in its existing debt and have not availed of any extension in debt servicing.

The Group is closely monitoring the situation and the changes in our target market's behaviour as a result of the "new normal". Management will revisit the planned capital expenditures, project launches and our leasing expansion program for the year.

Residential Property

As discussed above, the pandemic situation has tempered home buyer's appetite. As a result, housing reservation sales dipped by around 35% in first nine months of 2020 compared to the same period in the prior year which will impact sales to be booked subsequent to first nine months of 2020.

We expect to see improvement as restrictions are gradually lifted, with most cities and provinces already in MGCQ. Additionally, majority of our buyers are end users, families who buy homes for their own use; compared to investors, end users value the house more, so their demand is more stable and their ability to meet payments more resilient. The diversity of our product portfolio, which caters to a wide range of income segments, likewise helps ensure sales in any economic condition. We have seen improvement in the level of reservation sales starting May and such upward trend was sustained in the third quarter. Third quarter reservation sales are now at 70% of pre-COVID levels as we increased our sales activity online.

Overseas Filipino Workers (OFW) historically account for approximately 50-60% of our residential sales. Slower global economic growth and the decrease in the number of Filipinos deployed overseas for seafarers during the period has led to lower OFW remittances in March, with a view of a projected decline in total remittance up to 5% for the full year, however, so far remittance is only down 2% year to date. Nonetheless, we expect remittances to continue given strong demand for Filipino nurses and frontline healthcare workers abroad as well as ongoing investments in the Philippines, including housing and education. We plan to just shift our marketing initiatives for OFWs towards those with jobs that are in demand at this time. There are 10 million OFWs, and even if a number will be repatriated, we are still behind in addressing the demand for this market.

Commercial Property

As of September 30, 2020 we have a total of 1,514, 210 square meters of Gross Floor Area of Investment properties which consists of 31 malls, 7 office buildings and 63 commercial centers. Most of our malls were closed with the implementation of ECQ. Only tenants providing essential services and basic necessities, including restaurants with food delivery capability, remained open. In areas that have already moderated the extent of their quarantine, malls reopened non-leisure shops at 50% capacity, in addition to essential stores. Most of our office buildings on the other hand remained operational during the period. As of September 30, 2020, our operational GFA is at about 90%.

Our malls are typically around 30,000 square meters in GFA and a significant portion is occupied by essential retail formats, such as AllDay, drug stores, and food establishments. We do not have a significant space for department stores, which will be a drag for most of the other malls.

We have seen decline in our rental revenues in the 2nd quarter compared to our 1st quarter for the year as our malls were closed except for the essential stores, from March 17, 2020 to May 15, 2020 and we only started to open malls in some areas around May 16, 2020. Another factor that may impact our rental revenue are the government mandated rental payments deferral and additional rental concessions that we are negotiating with our tenants. We are currently working with our tenants on the rental concessions to be provided to them. Generally, we are not giving a uniform rental concession to all our tenants. We extend concessions depending on the tenant's profile and credit.

Financial Soundness Indicator

Below are the financial ratios that are relevant to the Group for the period ended September 30, 2020 and 2019 and as at September 30, 2020 and December 31, 2019.

		<u>Sept-30-20</u>	Dec-31-19
Current Ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	3.66	3.96
Long-term debt-to-equity ratio	$\frac{\text{Long-term debt}^1}{\text{Equity}}$	1.27	1.32
Debt ratio	$\frac{\text{Interest bearing debt}^2}{\text{Total assets}}$	0.50	0.52
Debt to equity ratio	$\frac{\text{Interest bearing debt}}{\text{Total equity}}$	1.38	1.40
Net debt to equity	$\frac{\text{Net debt}^3}{\text{Total equity}}$	0.92	0.92
Asset to equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	2.74	2.73
		<u>Sept-30-20</u>	Sept-30-19
EBITDA to total interest	$\frac{\text{EBITDA}}{\text{Total interest}}$	2.17	2.28
Price Earnings Ratio	$\frac{\text{Market Capitalization}^4}{\text{Net Income}^5}$	5.90	8.20
Asset to liability ratio	$\frac{\text{Total assets}}{\text{Total liabilities}}$	1.58	1.58
Net profit margin	$\frac{\text{Net profit}}{\text{Sales}}$	31%	35%
Return on assets	$\frac{\text{Net income}^5}{\text{Total assets}}$	2.6%	4.4%
Return on equity	$\frac{\text{Net income}^5}{\text{Total equity}}$	7.0%	12.1%
Interest Service Coverage Ratio ⁶	$\frac{\text{EBITDA}}{\text{Total interest}}$	2.17	2.28

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, 2020 and 2019

⁵ Annualized

⁶ Trailing EBITDA and Total Interest

P5B RETAIL BONDS (2014)*Schedule and Use of Proceeds**As of September 30, 2020*

	PER PROSPECTUS	ACTUAL
Estimated proceeds from the sale of the Bonds	<u>5,000,000,000.00</u>	<u>5,000,000,000.00</u>
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	-	-
	<u>88,074,066.00</u>	<u>88,524,943.89</u>
Net proceeds to Vista Land & Lifescapes, Inc.	<u>4,911,925,934.00</u>	<u>4,911,475,056.11</u>
Payment of Principal due 2019 with bond issue cost		(4,323,969,261.64)
Amortization of Bond Issue Cost		<u>84,601,324.51</u>
Balance as of September 30, 2020		<u>672,107,118.98</u>

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, 2020*

	PER PROSPECTUS	ACTUAL
Estimated proceeds from the sale of the Bonds	<u>5,000,000,000.00</u>	<u>5,000,000,000.00</u>
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
	<u>67,982,625.00</u>	<u>68,874,550.24</u>
Net proceeds to Vista Land & Lifescapes, Inc.	<u>4,932,017,375.00</u>	<u>4,931,125,449.76</u>
Amortization of Bond Issue Cost		<u>25,971,031.00</u>
Balance as of September 30, 2020		<u>4,957,096,480.76</u>

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, 2020*

	PER PROSPECTUS	ACTUAL
Estimated proceeds from the sale of the Bonds	<u>10,000,000,000.00</u>	<u>10,000,000,000.00</u>
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
	<u>140,003,125.00</u>	<u>135,854,983.36</u>
Net proceeds to Vista Land & Lifescapes, Inc.	<u>9,859,996,875.00</u>	<u>9,864,145,016.64</u>
Amortization of Bond Issue Cost		40,207,276.41
Balance as of September 30, 2020		<u>9,904,352,293.05</u>

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

P10B Retail Bonds (2019)*Schedule and Use of Proceeds**As of September 30, 2020*

	PER PROSPECTUS	ACTUAL
Estimated proceeds from the sale of the Bonds	<u>10,000,000,000.00</u>	<u>10,000,000,000.00</u>
Less: Estimated expenses		
Arranger's Fee	50,000,000.00	73,684,210.53
Documentary Stamp Tax	75,000,000.00	75,000,000.00
SEC Registration Fee and Legal Research Fee	2,761,718.75	2,525,150.00
Publication Fee	150,000.00	556,604.50
Rating Agency Fee	3,360,000.00	5,821,428.57
Legal Fees (excluding OPE)	8,100,000.00	7,219,151.86
Listing Fee	200,000.00	-
Marketing and Signing Ceremony Expenses	-	219,054.54
Bond-related Expenses	300,000.00	10,100.00
	<u>139,871,718.75</u>	<u>165,035,700.00</u>
Net proceeds to Vista Land & Lifescapes, Inc.	<u>9,860,128,281.25</u>	<u>9,834,964,300.00</u>
Amortization of Bond Issue Cost		86,448,033.00
Balance as of September 30, 2020		<u>9,921,412,333.00</u>

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 2020 vs. 9-months of 2019

Revenues

Real Estate

The Company recorded revenue from real estate sales of ₱18,014 million for the nine months ended 30 September 2020, a decrease of 31% from ₱26,212 million for the six months ended 30 September 2019. This was primarily attributable to the decrease in the overall completion rate of sold inventories of all its business units as a result of the enhanced community quarantine (“ECQ”) implemented on March 16, 2020 that prohibited construction activities:

- Real estate revenue from Vista Residences increased by 4% to ₱2,002 million for the nine months ended 30 September 2020 from ₱1,916 million for the nine months ended 30 September 2019. This decrease was principally attributable to the increase 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.
- Real estate revenue of Communities Philippines decreased by 31% to ₱8,595 million for nine months ended 30 September 2020 from ₱12,489 million for the nine months ended 30 September 2019. This decrease was principally attributable to the decrease in the number of sold homes completed or under construction outside the Mega Manila area in the affordable housing segment during the year.
- Real estate revenue of Camella decreased by 36% to ₱6,777 million for the nine months ended 30 September 2020 from ₱10,612 million for the nine months ended 30 September 2019. This decrease was principally attributable to the decrease in the number of sold homes completed or under construction in the Mega Manila area in the affordable housing segment during the period.
- Real estate revenue of Crown Asia decrease by 29% to ₱603 million for the nine months ended 30 September 2020 from ₱853 million for the nine months ended 30 September 2019. This decrease was principally attributable to the decrease 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 of Brittany decreased by 89% to ₱37 million for the nine months ended 30 September 2020 from ₱343 million in the same period last year. This decrease 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.

Rental income

Rental income decreased by 10% from ₱5,480 million for the nine months ended 30 September 2019 to ₱4,943 million for the nine months ended 30 September 2020. The decrease was primarily attributable the mall closures during the lockdown starting March 16, 2020.

Interest income from installment contract receivable and investments

Interest income from installment contract receivable and investments was flat from ₱1,641 million for the nine months ended 30 September 2019 to ₱1,647 for the nine months ended 30 September 2020. Majority of the interest income comes from investments.

Parking, hotel, mall administrative and processing fees and others

Income from parking, hotel, mall administrative and processing fees and others increased by 4% from ₱1,026 million for the nine months ended 30 September 2019 to ₱1,065 million for nine months ended 30

September 2020. The increase was primarily attributable to the 26% increase from mall administrative and processing fee as well as parking fees from our investment properties to ₱600 million for the nine months ended 30 September 2020 from ₱475 million for the nine months ended September 30, 2019, offset by the 75% decrease from hotel operations.

Costs and Expenses

Cost and expenses decreased by 26% to ₱15,690 million for the nine months ended 30 September 2020 from ₱21,134 million for the nine months ended 30 September 2019.

- Cost of real estate sales decreased by 29% from ₱12,624 million for the nine months ended 30 September 2019 to ₱8,932 million for the nine months ended 30 September 2020 primarily due to the decrease in the overall recorded sales of Vista Land's business units.
- Operating expenses decreased by 21% from ₱8,510 million for the nine months ended 30 September 2019 to ₱6,758 million for the nine months ended 30 September 2020 with decreases of the following:
 - a decrease in commission from ₱1,257 million for the nine months ended 30 September 2019 to ₱619 million for the nine months ended 30 September 2020 resulting from the decrease in real estate sales this period and the shift to digital marketing.
 - a decrease in advertising and promotions from ₱1,144 million for the nine months ended 30 September 2019 to ₱525 million for the nine months ended 30 September 2020 resulting from subsequent decrease in marketing expenses due to the pandemic and shift to digital marketing.
 - a decrease in occupancy cost from ₱857 million for the nine months ended 30 September 2019 to ₱417 million in the nine months ended 30 September 2020 due to the decrease in utilities expenses due to the implementation of telecommuting as a result of the implementation of the enhance community quarantine in relation to the COVID-19 pandemic.

Interest and other financing charges

Interest and other financing charges increased by 25% from ₱2,872 million for the nine months ended 30 September 2019 to ₱3,589 million for the nine months ended 30 September 2020. The increase was primarily attributable higher level of debt for the nine months ended 30 September 2020 compared to the same period last year.

Unrealized foreign exchange losses

Unrealized foreign exchange losses increased to ₱11 million for the nine months ended 30 September 2020 from nil for the same period last year due to translation adjustments.

Provision for Income Tax

Provision for income tax decreased by 32% from ₱1,291 million for the nine months ended 30 September 2019 to ₱873 million for the nine months ended 30 September 2020 primarily due to the lower taxable base for the period.

Net Income

As a result of the foregoing, the Company's net income decreased by 39% to ₱5,506 million for the nine months ended 30 September 2020 from ₱9,062 million for the nine months ended 30 September 2019.

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued,

declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, which was subsequently extended to April 30, 2020. Enhanced community quarantine was likewise imposed in provinces outside the island of Luzon as imposed by their respective local government unit. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. On May 16, 2020, the Enhanced Community Quarantine was downgraded to Modified Enhanced Community Quarantine (MECQ) in Metro Manila and to General Community Quarantine in most provinces.

For the 9-months of 2020, except for the COVID-19 impact as discussed above, there were no other seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

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

FINANCIAL CONDITION

As of September 30, 2020 vs. December 31, 2019

Total assets as of September 30, 2020 were ₱286,908 million compared to ₱272,539 million as of December 31, 2019, or a 5% increase due to the following:

- Cash and cash equivalents including short term and long term investments and investments at amortized costs was flat from ₱47,948 million as of December 31, 2019 to ₱47,721 million as of September 30, 2020 .
- Receivables including current portions thereof increased by 16% from ₱57,834 million as of December 31, 2019 to ₱67,071 million as of September 30, 2020 due primarily to due to an increase in the various receivables of the company such as installment contracts receivable and accrued rental receivables as part of the adjustment in compliance with PAS 17.
- Receivables from related parties increased by 6% from ₱5,156 million as of December 31, 2019 to ₱5,475 million as of September 30, 2020 due to advances made to the affiliates during the period.
- Real estate inventories increased by 8% from ₱41,401 million as of December 31, 2019 to ₱44,530 million as of September 30, 2020 due to the increase in project launches for the period.
- Property and equipment decreased by 7% from ₱2,547 million as of December 31, 2019 to ₱2,379 million as of September 30, 2020 due to the corresponding depreciation and no new acquisitions for the period.
- Other assets, cost to obtain contract including current portions thereof decreased by 18% from ₱11,051 million as of December 31, 2019 to ₱9,110 million as of September 30, 2020 due primarily to decrease input vat and construction materials during the period.

Total liabilities as of September 30, 2020 were ₱182,039 million compared to ₱172,586 million as of December 31, 2019, or an increase of 5%. This was due to the following:

- Accounts and other payables increased by 28% from ₱13,164 million as of December 31, 2019 to ₱16,853 million as of September 30, 2020 due increase in accruals for the period.

- Income tax payable decreased by 94% from ₱67 million as of December 31, 2019 to ₱4 million as of September 30, 2020 due primarily to the settlement for the 2019 taxes which were only made after the lifting of the community quarantine.
- Dividends payable increased by 877% from ₱69 million as of December 31, 2019 to ₱673 million as of September 30, 2020 due primarily to the dividend declaration on September 30, 2020.
- Notes payable including current portion increased by 8% from ₱93,190 million as of December 31, 2019 to ₱100,612 million as of September 30, 2020 due primarily to due new issuance of dollar notes for the period.
- Bank loans including current portion decreased by 7% from ₱47,175 million as of December 31, 2019 to ₱43,925 million as of September 30, 2020 due primarily to the settlements for the period.
- Loans payable including current portion increased by 10% from ₱3,405 million as of December 31, 2019 to ₱3,747 million as of September 30, 2020 due primarily to due primarily to the availments for the period.
- Deferred tax liabilities – net increased by 20% to ₱4,231 million as of September 30, 2020 from ₱3,524 million as of December 31, 2019 due to an increase in temporary difference that will result to a potential tax liability for the period.
- Other noncurrent liabilities decreased by 11% from ₱4,434 million as of December 31, 2019 to ₱3,945 million as of September 30, 2020 due primarily to the decrease in noncurrent portion of liabilities for purchase land, retention payable and deferred output tax.

Total stockholder's equity increased by 5% from ₱99,953 million as of December 31, 2019 to ₱104,869 million as of September 30, 2020 due mainly to the net income recorded for the period.

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

Key Performance Indicators	09/30/2020	12/31/2019
Current ratio ^(a)	3.66:1	3.96:1
Liability-to-equity ratio ^(b)	1.74 :1	1.73:1

	09/30/2020	09/30/2019
Interest expense/Income before Interest expense ^(c)	36.0%	21.7%
Return on assets ^(d)	2.6%	4.4%
Return on equity ^(e)	7.0%	12.1%

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 due primarily to increase in the current liabilities primarily the accounts and other payables as of September 30, 2020 compared to the December 31, 2019.

Liability-to-equity ratio increased slightly due to the proportionate increase in liabilities and equity as of September 30, 2020 compared to the December 31, 2019.

Interest expense to Income before interest expense increased due to the higher interest expense for the period compared to the same period last year.

Return on asset decreased in the nine months ended September 30, 2020 compared to that on six months ended September 30, 2019 due to lower income recorded for the period.

Return on equity decreased due primarily to a lower income recorded for the period.

Material Changes to the Company's Balance Sheet as of September 30, 2020 compared to December 31, 2019 (increase/decrease of 5% or more)

Receivables including current portions thereof increased by 16% from ₱57,834 million as of December 31, 2019 to ₱67,071 million as of September 30, 2020 due primarily to due to an increase in the various receivables of the company such as installment contracts receivable and accrued rental receivables as part of the adjustment in compliance with PAS 17.

Receivables from related parties increased by 6% from ₱5,156 million as of December 31, 2019 to ₱5,475 million as of September 30, 2020 due to advances made to the affiliates during the period.

Real estate inventories increased by 8% from ₱41,401 million as of December 31, 2019 to ₱44,530 million as of September 30, 2020 due to the increase in project launches for the period.

Property and equipment decreased by 7% from ₱2,547 million as of December 31, 2019 to ₱2,379 million as of September 30, 2020 due to the corresponding depreciation and no new acquisitions for the period.

Other assets, cost to obtain contract including current portions thereof decreased by 18% from ₱11,051 million as of December 31, 2019 to ₱9,110 million as of September 30, 2020 due primarily to decrease input vat and construction materials during the period.

Accounts and other payables increased by 28% from ₱13,164 million as of December 31, 2019 to ₱16,853 million as of September 30, 2020 due increase in accruals for the period.

Income tax payable decreased by 94% from ₱67 million as of December 31, 2019 to ₱4 million as of September 30, 2020 due primarily to the settlement for the 2019 taxes which were only made after the lifting of the community quarantine.

Dividends payable increased by 877% from ₱69 million as of December 31, 2019 to ₱673 million as of September 30, 2020 due primarily to the dividend declaration on September 30, 2020.

Notes payable including current portion increased by 8% from ₱93,190 million as of December 31, 2019 to ₱100,612 million as of September 30, 2020 due primarily to due new issuance of dollar notes for the period.

Bank loans including current portion decreased by 7% from ₱47,175 million as of December 31, 2019 to ₱43,925 million as of September 30, 2020 due primarily to the settlements for the period.

Loans payable including current portion increased by 10% from ₱3,405 million as of December 31, 2019 to ₱3,747 million as of September 30, 2020 due primarily to due primarily to the availments for the period.

Deferred tax liabilities – net increased by 20% to ₱4,231 million as of September 30, 2020 from ₱3,524 million as of December 31, 2019 due to an increase in temporary difference that will result to a potential tax liability for the period.

Other noncurrent liabilities decreased by 11% from ₱4,434 million as of December 31, 2019 to ₱3,945 million as of September 30, 2020 due primarily to the decrease 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 2020 compared to the 9-months of 2019 (increase/decrease of 5% or more)

Revenue from real estate sales of ₱18,014 million for the nine months ended 30 September 2020, a decrease of 31% from ₱26,212 million for the six months ended 30 September 2019. This was primarily attributable to the decrease in the overall completion rate of sold inventories of all its business units as a result of the enhanced community quarantine (“ECQ”) implemented on March 16, 2020 that prohibited construction activities.

Rental income decreased by 10% from ₱5,480 million for the nine months ended 30 September 2019 to ₱4,943 million for the nine months ended 30 September 2020. The decrease was primarily attributable the mall closures during the lockdown starting March 16, 2020.

Cost of real estate sales decreased by 29% from ₱12,624 million for the nine months ended 30 September 2019 to ₱8,932 million for the nine months ended 30 September 2020 primarily due to the decrease in the overall recorded sales of Vista Land’s business units.

Operating expenses decreased by 21% from ₱8,510 million for the nine months ended 30 September 2019 to ₱6,758 million for the nine months ended 30 September 2020 with decreases of commissions, advertising and promotions, and occupancy costs.

Interest and other financing charges increased by 25% from ₱2,872 million for the nine months ended 30 September 2019 to ₱3,589 million for the nine months ended 30 September 2020. The increase was primarily attributable higher level of debt for the nine months ended 30 September 2020 compared to the same period last year.

Unrealized foreign exchange losses increased to ₱11 million for the nine months ended 30 September 2020 from nil for the same period last year due to translation adjustments.

Provision for income tax decreased by 32% from ₱1,291 million for the nine months ended 30 September 2019 to ₱873 million for the nine months ended 30 September 2020 primarily due to the lower taxable base for the period.

Net income decreased by 39% to ₱5,506 million for the nine months ended 30 September 2020 from ₱9,062 million for the nine months ended 30 September 2019.

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, which was subsequently extended to April 30, 2020. Enhanced community quarantine was likewise imposed in provinces outside the island of Luzon as imposed by their respective local government unit. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. On May 16, 2020, the Enhanced Community Quarantine was downgraded to Modified Enhanced Community Quarantine in Metro Manila and to General Community Quarantine in most provinces.

For the 9-months of 2020, except for the COVID-19 impact as discussed above, there were no other seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

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

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 2020 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.

P0.0500 per share Regular Cash Dividend

Declaration Date: September 30, 2020

Record date: October 16, 2020

Payment date: October 30, 2020

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 2020 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, 2020, 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 6-months of 2020 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.

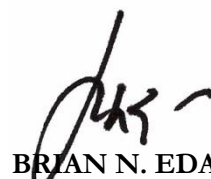
None.

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: 13 November 2020