



## CERTIFICATION

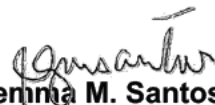
**Vista Land & Lifescapes, Inc.** (the "Company") hereby certifies that, except for Ms. Camille A. Villar, none of the directors and officers of the Company named in the Information Statement for the Annual Meeting of its shareholders for the year 2023 works in the government as of the date hereof.

Ms. Villar is currently a duly elected Congresswoman, representing Las Piñas City. She is not disqualified from being, and does not require any consent or approval to serve as, a director of the Company on account of her said position.

Issued this May 8, 2023.

**Vista Land & Lifescapes, Inc.**

By:

  
**Gemma M. Santos**  
Corporate Secretary

## CERTIFICATION OF INDEPENDENT DIRECTORS

I, **JUSTINA FERNANDEZ-CALLANGAN**, Filipino, of legal age and a resident of [REDACTED] Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I have been nominated for election as independent director of **Vista Land & Lifescapes, Inc.**
2. I am affiliated with the following companies or organizations:

Company/ Organization	Position/ Relationship	Period of Service
VistaREIT, Inc.	Independent Director	March 2022 to date
AIB Money Market Fund	Independent Director	July 2021 to date
Securities Investors Protection Fund, Inc.	Director	June 2020 to date
Panasonic Manufacturing Philippines Corporation	Independent Director	June 2020 to date
Orix Metro Leasing and Finance Corporation	Independent Director	June 2019 to date
Divina Law	Consultant	November 2018 to date
ASA Philippines Foundation, Inc.	Consultant	October 2018 to date

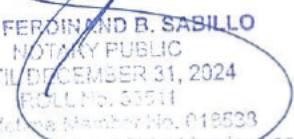
3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Vista Land & Lifescapes, Inc., as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any director, officer, or substantial shareholder of Vista Land & Lifescapes, Inc.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of Vista Land & Lifescapes, Inc. of any change in the abovementioned information within five days from its occurrence.

Done, this MAY 08 2023 at MANDALUYONG CITY

  
**JUSTINA F. CALLANGAN**  
Affiant

SUBSCRIBED AND SWORN to before me this MAY 08 2023 at MANDALUYONG CITY, affiant personally appeared before me and exhibited to me her [REDACTED]

Doc. No. 164  
Page No. 34  
Book No. ✓  
Series of 2023.

  
**ATTY. FERDINAND B. SABILLO**  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2024  
ROLL No. 33511  
IBP License Number No. 018533  
PTR No. 5110144 / 05-01-2023 / Mandaluyong City  
MCLE Compliance No. 141-2017-2018 issued dated 25 May 2022  
Notarial Commission Appointment No. 0314-23  
Vista Corporate Center, Upper Ground Floor  
Worldwide Corporate Center, Shaw Blvd., Mandaluyong City





## NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Notice is hereby given that the annual meeting of stockholders of **VISTA LAND & LIFESCAPES, INC.** (the “**Company**” or “**VLL**”) for the year 2023 will be held online on **June 15, 2023, Thursday at 10:00 a.m.** with the proceedings livestreamed and voting conducted in absentia through the Company’s secure voting online facility which may be accessed through: <https://apps.vistaland.com.ph/VSRV/registration>.

The following shall be the agenda of the meeting:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the minutes of the last Annual Meeting of Stockholders held on June 15, 2022
4. Presentation of the President’s Report, Management Report and Audited Financial Statements for the year 2022
5. Ratification of all acts and resolutions of the Board of Directors and Management from the date of the last annual stockholders’ meeting until the date of this meeting.
6. Election of the members of the Board of Directors, including the Independent Directors, for the year 2023
7. Appointment of External Auditors
8. Adjournment

Minutes of the 2022 Annual Meeting of Stockholders is available at the website of the Company, [www.vistaland.com.ph](http://www.vistaland.com.ph).

Electronic copies of the Information Statement and Management Report with respect to the 2023 Annual Meeting of Stockholders of the Company, as well as the 2022 Annual Report (SEC Form 17A) and Quarterly Report for period ended 31 March 2023 (SEC Form 17Q) of the Company, are available on the Company’s website ([www.vistaland.com.ph](http://www.vistaland.com.ph)) and PSE Edge (<https://edge.pse.com.ph>).

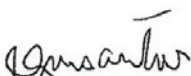
The Board of Directors has fixed the close of business on May 08, 2023, as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Stockholders’ Meeting.

In light of the current circumstances, and to ensure the safety and welfare of the Company’s stockholders, the Company will dispense with the physical attendance of stockholders at the meeting and will allow attendance only by remote communication, and voting only *in absentia* or by appointing the Chairman of the meeting as their proxy.

Stockholders who intend to participate in the meeting via remote communication and to exercise their vote *in absentia* must notify the Corporate Secretary by registering through the <https://apps.vistaland.com.ph/VSRV/registration> on or before June 05, 2023. All information submitted will be subject to verification and validation by the Corporate Secretary.

Stockholders who intend to appoint the Chairman of the Meeting as their proxy should submit duly accomplished proxy forms on or before June 05, 2023 at the Office of the Corporate Secretary at Picazo Buyco Tan Fider & Santos Law Office, Penthouse, Liberty Center, 104 H.V. Dela Costa Street, Salcedo Village, Makati City and/or by email to [gmsantos@picazolaw.com](mailto:gmsantos@picazolaw.com).

The procedures for participating in the meeting through remote communication and for casting of votes *in absentia* are set forth in the Information Statement.

  
**GEMMA M. SANTOS**  
Corporate Secretary

**AGENDA DETAILS AND RATIONALE**

**1. Certification of Notice and Quorum**

The Corporate Secretary, Atty. Gemma M. Santos, will certify that copies of the Notice of Meeting were duly published in the business section of two (2) newspapers of general circulation, and will certify the number of shares represented in the meeting, for the purpose of determining the existence of quorum to validly transact business.

Pursuant to Sections 23 and 57 of the Revised Corporation Code and SEC Memorandum Circular No. 6, Series of 2020, the Corporation has set up a designated web address which may be accessed by the stockholders to participate and vote in absentia on the agenda items presented for resolution at the meeting.

A stockholder who votes in absentia as well as a stockholder participating by remote communication shall be deemed present for purposes of quorum.

The following are the rules and procedures for the conduct of the meeting:

- (i) Stockholders may attend the meeting remotely by registering through the <https://apps.vistaland.com.ph/VSRV/registration>. Stockholders may send their questions or comments prior to the meeting by e-mail at [ir@vistaland.com.ph](mailto:ir@vistaland.com.ph). The Website shall include a mechanism by which questions may be posted live during the meeting. The Company will endeavor to answer the questions in the course of the meeting, or separately through the Company’s Investor Relations Office.
- (ii) Each of the Agenda items which will be presented for resolution will be shown on the screen during the live streaming as the same is taken up at the meeting.
- (iii) Stockholders must notify the Company of their intention to participate in the meeting by remote communication to be included in determining quorum, together with the stockholders who voted in absentia and by proxy.
- (iv) Voting shall only be allowed for stockholders registered in the Company’s Electronic Voting in Absentia System or through the Chairman of the meeting as proxy.
- (v) All the items in the Agenda for the approval by the stockholders will need the affirmative vote of stockholders representing at least a majority of the issued and outstanding voting stock represented at the meeting.

- (vi) Election of directors will be by plurality of votes and every stockholder will be entitled to cumulate his votes.
- (vii) The Company's stock transfer agent and Corporate Secretary will tabulate and validate all votes received.

**2. Approval of the minutes of the last Annual Meeting of Stockholders held on June 15, 2022**

The minutes of the last Annual Meeting of Stockholders held on June 15, 2022 will be presented for approval by the stockholders, in keeping with Section 49(a) of the Revised Corporation Code.

A copy of such minutes has been uploaded on the Company's website immediately after the Annual Meeting of Stockholders for the year 2022.

**3. President's Report, Management Report and Audited Financial Statements as of and for the year ended December 31, 2022**

The audited financial statements ("AFS") of the Company as of and for the year ended December 31, 2022 (as audited by SyCip, Gorres, Velayo & Co.), a copy of which is incorporated in the Definitive Information Statement for this meeting, will be presented for approval by the stockholders.

The President and CEO of the Company, Mr. Manuel Paolo A. Villar, will deliver a report to the stockholders on the Company's performance for the year 2022 (which will include highlights from the AFS) and the outlook for 2023.

The Board and Management of the Company believe it in keeping with the Company's thrust to at all times observe best corporate governance practices, that the results of operations and financial condition of the Company be presented and explained to the shareholders. Any comment from the shareholders, and their approval or disapproval of these reports, will provide guidance to the Board and Management in their running of the business and affairs of the Company.

**4. Ratification of all acts and resolutions of the Board of Directors and Management from the date of the last annual stockholders' meeting until the date of this meeting**

Ratification by the stockholders will be sought for all the acts and resolutions of the Board of Directors and all the acts of Management taken or adopted from the date of the last annual stockholders' meeting until the date of this meeting. A brief summary of these resolutions and actions is set forth in the Definitive Information Statement for this meeting. Copies of the minutes of the meetings of the Board of Directors are available for inspection by any shareholder at the offices of the Company during business hours.

The Board and Management of the Company believe it is in keeping with the Company's thrust to at all times observe best corporate governance practices, that ratification of their acts and resolutions be requested from the shareholders in this annual meeting. Such ratification will be a confirmation that the shareholders approve the manner that the Board and Management run the business and affairs of the Company.

**5. Election of the members of the Board of Directors, including the Independent Directors, for the year 2023**

The Corporate Secretary will present the names of the persons who have been duly nominated for election as Directors of the Company in accordance with the By-Laws and Revised Manual on Corporate Governance of the Company and applicable laws and regulations. The voting procedure is set forth in the Definitive Information Statement for this meeting.

**6. Appointment of External Auditors**

The Audit Committee is endorsing to the stockholders the re-appointment of SyCip, Gorres, Velayo & Co. as external auditor of the Company for the fiscal year 2023.



## PROXY

*Stockholders who would like to be represented thereat by a proxy may choose to execute and send a proxy form to the Office of the Corporate Secretary (Atty. Gemma M. Santos) at Picazo Buyco Tan Fider & Santos Law Office, Penthouse, Liberty Center, 104 H.V. Dela Costa Street, Salcedo Village, Makati City, on or before June 05, 2023.*

*A sample proxy form is provided below. Stockholders may likewise email a copy of the accomplished proxy form to [gmsantos@picazolaw.com](mailto:gmsantos@picazolaw.com).*

The undersigned stockholder of **VISTA LAND & LIFESCAPES, INC.** (the "Company") hereby appoints the Chairman of the meeting, as attorney-in-fact or proxy, with power of substitution, to represent and vote \_\_\_\_\_ shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Stockholders' Meeting of the Company on June 15, 2023 at 10:00 a.m. and at any adjournment thereof for the purpose of acting on the following matters:

- |   |  |
|---|--|
| <p>1. Approval of the minutes of the last Annual Meeting of Stockholders held on June 15, 2022</p> <p><input type="checkbox"/> Yes   <input type="checkbox"/> No   <input type="checkbox"/> Abstain</p> | <p>5. Re-appointment of SyCip Gorres Velayo &amp; Co. as external auditor</p> <p><input type="checkbox"/> Yes   <input type="checkbox"/> No   <input type="checkbox"/> Abstain</p> |
|---|--|

2. Noting of the President's Report and Management Report and Approval of the Audited Financial Statements for the year 2022
- Yes    No    Abstain

3. Ratification of all acts and resolutions of the Board of Directors and Management from the date of the last annual stockholders' meeting until the date of this meeting
- Yes    No    Abstain

\_\_\_\_\_  
Printed Name and Signature of the Stockholder

4. Election of the members of the Board of Directors, including the Independent Directors, for the year 2023

\_\_\_\_\_  
Date

	No. of Votes
Manuel B. Villar	_____
Manuel Paolo A. Villar	_____
Cynthia J. Javarez	_____
Camille A. Villar	_____
Frances Rosalie T. Coloma	_____
Justina F. Callangan	_____
Cherrylyn P. Caoile	_____

*This proxy should be received by the Corporate Secretary on or before June 05, 2023, the deadline for submission of proxies.*

*This proxy when properly executed will be voted in the manner as directed herein by the stockholder(s). If no direction is made, this proxy will be voted for the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting in the manner described in the Information Statement.*

*A stockholder giving a proxy has the power to revoke it at any time before the right granted is exercised.*

*Notarization of this proxy is not required.*

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:  
 Preliminary Information Statement  
 Definitive Information Statement (Amended)
2. Name of Registrant as specified in its charter: **VISTA LAND & LIFESCAPES, INC.**
3. **Philippines**  
Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number **CS200703145**
5. BIR Tax Identification Code **006-652-678-000**
6. **Lower Ground Floor, Building B, Evia Lifestyle Center, Vista City, Daanghari, Almanza II, Las Piñas City** **1747**  
Address of principal office Postal Code
7. **(632) 8874-5758 / (632) 8872-6947 / (632) 3226-3552**  
Registrant's telephone number, including area code
8. Date, time and place of the meeting of security holders  
**June 15, 2023, 10:00 a.m. (via Remote Communication)**
9. Approximate date on which the Information Statement is first to be sent or given to security holders  
**May 24, 2023**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA:

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<b>Common Shares</b> <i>(net of treasury shares as of March 31, 2023)</i>	<b>12,698,007,676 Shares</b>
<b>Vista Land Retail Bonds issued in 2017</b>	<b>₱ 5,000,000,000.00</b>
<b>Vista Land Retail Bonds issued in 2018</b>	<b>₱ 10,000,000,000.00</b>
<b>Vista Land Retail Bonds issued in 2019</b>	<b>₱ 10,000,000,000.00</b>

11. Are any or all of registrant's securities listed in a Stock Exchange?

Yes  No

The Registrant's common shares are listed on the Philippine Stock Exchange.

**WE ARE NOT ASKING YOU FOR A PROXY  
AND YOU ARE REQUESTED NOT TO SEND US A PROXY**

## PART I

### INFORMATION STATEMENT

#### **GENERAL INFORMATION**

##### **Date, time and place of meeting of security holders.**

Date: June 15, 2023

Time: 10:00 a.m.

Place: N/A (via remote communication)

The corporate mailing address of the principal office of the Company is Lower Ground Floor, Building B, Evia Lifestyle Center, Vista City, Daanghari, Almanza II, Las Piñas City.

This Information Statement may be accessed by the Company's stockholders beginning May 24, 2023 at the Company's website [www.vistaland.com.ph](http://www.vistaland.com.ph).

##### **Dissenters' Right of Appraisal**

Under Sections 41 and 80, Title X, of the Revised Corporation Code of the Philippines ("**Corporation Code**"), any stockholder of the Company shall have the right to dissent and demand payment of the fair value of his shares only in the following instances, as provided by the Corporation Code:

- (1) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence;
- (2) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets;
- (3) In case of merger or consolidation; and
- (4) In case of investment of corporate funds for any purpose other than the primary purpose of the Company.

The appraisal right, when available, may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the Corporation within thirty (30) days after the date on which the vote was taken, for payment of the fair value of his shares provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right. If the proposed corporate action is implemented or effected, the Corporation shall pay to such stockholder upon surrender of his certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the Corporation and the third by the two thus chosen. The findings of the majority of appraisers shall be final, and their award shall be paid by the Corporation within thirty (30) days after such award is made: provided, that no payment shall be made to any dissenting stockholder unless the Corporation has unrestricted retained earnings in its books to cover such payment; and provided further, that upon payment by the Corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the Corporation.

None of the matters that are proposed to be taken up during the meeting gives a dissenter a right of appraisal.

### **Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

None of the officers or directors, or any nominee for election as director, or any of their associates has any substantial interest, direct or indirect, in any of the matters to be acted upon in the stockholders' meeting.

No director has informed the Company in writing that he intends to oppose any action to be taken at the meeting.

## **CONTROL AND COMPENSATION INFORMATION**

### **Voting Securities and Principal Holders Thereof**

(a) Number of shares outstanding as of March 31, 2023:

Common:	12,698,007,676
Preferred:	3,300,000,000

(b) Record Date: May 08, 2023

Each common and each preferred share of stock of the Company is entitled to one (1) vote. Pursuant to Article II, Section 7 of the Company's By-Laws, every holder of voting stock may vote during all meetings, including the Annual Stockholders' Meeting, either in person or by proxy executed in writing by the stockholder or his duly authorized attorney-in-fact.

Stockholders entitled to vote are also entitled to cumulative voting in the election of directors. Section 23 of the Corporation Code provides, in part, that: "...in stock corporations, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, at the time fixed in the by-laws, in his own name on the stock books of the Corporation, or where the by-laws are silent, at the time of the election; and said stockholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit...."

For this year's meeting, the Board of Directors had adopted a resolution to allow stockholders entitled to notice of, and to attend the meeting, to exercise their right to vote *in absentia*.

### **Equity Ownership of Foreign and Local Shareholders**

Foreign and local security ownership as of March 31, 2023:

Class	Foreign		Filipino		Total Outstanding Shares
	Shares	Percent of Class/Total Outstanding Shares	Shares	Percent of Class/Total Outstanding Shares	
Common	1,403,231,439	11.05%	11,294,776,237	88.95%	12,698,007,676
		8.77%		70.60%	
Preferred	0	0.00%	3,300,000,000	100.00%	3,300,000,000
		0.00%		20.63%	
Total	1,403,231,439		14,594,776,237		15,998,007,676

## **Security Ownership of Certain Beneficial Owners and Management**

Security ownership of certain record and beneficial owners of more than 5.0% of the Company's voting securities as of March 31, 2023:

<b>Title of Class of Securities</b>	<b>Name/Address of Record Owners and Relationship with Us</b>	<b>Name of Beneficial Owner /Relationship with Record Owner</b>	<b>Citizenship</b>	<b>No. of shares held</b>	<b>% of Ownership</b>
Common	Fine Properties, Inc LGF, Bldg B, Evia Lifestyle Center, Daang Hari, Almanza Dos, Las Piñas City Shareholder	Fine Properties, Inc./ Record Owner is also beneficial Owner <sup>2</sup>	Filipino	5,786,945,661	36.173%
Common	PCD Nominee Corporation 6764 Ayala Avenue, Legazpi Village, Makati City Shareholder	Fine Properties, Inc./ Record Owner is not the beneficial Owner <sup>2</sup>	Filipino	1,338,599,797	8.367%
Preferred	Fine Properties, Inc LGF, Bldg B, Evia Lifestyle Center, Daang Hari, Almanza Dos, Las Piñas City Shareholder	Fine Properties, Inc./ Record Owner is also beneficial Owner <sup>2</sup>	Filipino	3,300,000,000	20.628%
Common	PCD Nominee Corporation 6764 Ayala Avenue, Legazpi Village, Makati City Shareholder	Record Owner is not the beneficial Owner <sup>4</sup>	Filipino	2,074,905,383	12.970%
Common	PCD Nominee Corporation 6764 Ayala Avenue, Legazpi Village, Makati City Shareholder	Record Owner is not the beneficial Owner <sup>4</sup>	Non-Filipino	1,403,196,814	8.771%
Common	Althorp Holdings, Inc. 3L Starmall Las Pinas, CV Starr Ave., Pamplona, Las Pinas City Shareholder	Fine Properties, Inc./Record Owner is not the beneficial Owner <sup>3</sup>	Filipino	1,235,292,469	7.722%

<sup>1</sup> Based on the total issued and outstanding capital stocks as of March 31, 2023 of 15,998,007,676 shares (common and preferred).

<sup>2</sup> Mr. Manuel B. Villar, Jr. and his spouse are the controlling shareholders of Fine Properties, Inc. The right to vote the shares held by Fine Properties, Inc. has in the past been, and in this annual meeting is expected to be, exercised by either Mr. Villar or Ms. Cynthia J. Javarez.

<sup>3</sup> Fine Properties Inc. is the controlling shareholder of Althorp Holdings, Inc. Mr. Manuel B. Villar, Jr. and his spouse are the controlling shareholders of Fine Properties, Inc. The right to vote the shares held by Fine Properties, Inc. has in the past been, and in this annual meeting is expected to be, exercised by either Mr. Villar or Ms. Cynthia J. Javarez.

<sup>4</sup> PCD Nominee Corporation is the registered owner of shares beneficially owned by participants in the Philippine Depository & Trust Corporation, a private company organized to implement an automated book entry system of handling securities transactions in the Philippines (PCD). Under the PCD procedures, when an issuer of a PCD-eligible issue will hold a stockholders' meeting, the PCD shall execute a pro-forma proxy in favor of its participants for the total number of shares in their respective principal securities account as well as for the total number of shares in their client securities account. For the shares held in the principal securities account, the participant concerned is appointed as proxy with full voting rights and powers as registered owner of such shares. For the shares held in the client securities account, the participant concerned is appointed as proxy, with the obligation to constitute a sub-proxy in favor of its clients with full voting and other rights for the number of shares beneficially owned by such clients. Except as indicated above, as of Record Date, the Company is not aware of any investor beneficially owning shares lodged with the PCD which comprise more than five percent (5%) of the Company's total outstanding capital stock.

## Security ownership of management as of March 31, 2023:

Title of Class	Name of beneficial owner	Amount of beneficial ownership	Nature of beneficial ownership	Citizenship	Percent of Class <sup>1</sup>
Common	Manuel B. Villar, Jr.	293,969,986	Direct <sup>2</sup>	Filipino	1.838%
		9,113,046,142	Indirect <sup>3</sup>	Filipino	56.964%
Preferred	Manuel B. Villar, Jr.	3,300,000,000	Indirect <sup>4</sup>	Filipino	20.628%
Common	Manuel Paolo A. Villar	200,000	Direct	Filipino	0.001%
		222,596,324	Indirect <sup>2</sup>	Filipino	1.391%
Common	Cynthia J. Javarez	160	Direct	Filipino	0.000%
Common	Camille A. Villar	1,000	Indirect	Filipino	0.000%
		4,815	Direct	Filipino	0.000%
Common	Frances Rosalie T. Coloma	75	Direct	Filipino	0.000%
Common	Justina F. Callangan	1,000	Indirect	Filipino	0.000%
		1,000	Direct	Filipino	0.000%
Common	Romulo L. Neri	1,000	Indirect	Filipino	0.000%
		1,000	Direct	Filipino	0.000%
Common	Jerylle Luz C. Quismundo	3,190	Direct	Filipino	0.000%
		100	Direct	Filipino	0.000%
Common	Lorelyn D. Mercado	-	N/A	Filipino	0.000%
Common	Brian N. Edang	-	N/A	Filipino	0.000%
Common	Ma. Nalen SJ. Rosero	-	N/A	Filipino	0.000%
Common	Melissa Camille Z. Domingo	-	N/A	Filipino	0.000%
<b>TOTAL</b>		<b>12,929,823,792</b>			<b>80.821%</b>

<sup>1</sup>Based on the total outstanding, issued and subscribed shares of 15,998,007,676 (common and preferred) as of March 31, 2023.

<sup>2</sup>Shares lodged under PCD Nominee Corporation (Filipino)

<sup>3</sup> Includes 7,125,545,458 shares held thru Fine Properties, Inc., 1,235,292,469 shares held thru Althorp Holdings, Inc. and 752,208,215 shares held thru Manuela Corp.

<sup>4</sup> Shares held thru Fine Properties, Inc.



Except as indicated in the above table, the above named officers have no indirect beneficial ownership in the Company.

Except as aforementioned, no other officers of the Company holds directly or indirectly, shares in the Company.

### **Voting Trust Holders of 5.0% or More**

As of March 31, 2023, there were no persons holding more than 5.0% of a class of shares under a voting trust or similar agreement.

### **Changes in Control**

The Company is not aware of any voting trust agreements or any other similar agreements which may result in a change in control of the Company. No change in control of the Company has occurred since the beginning of its last fiscal year.

### **Directors and Executive Officers of the Registrant**

#### ***Term of Office***

Each director holds office until the annual meeting of stockholders held next after his election and his successor shall have been elected and qualified, except in case of death, resignation, disqualification or removal from office. The term of office of the officers is coterminous with that of directors that elected or appointed them.

#### ***Background Information***

The following are the names, ages and citizenship of the incumbent directors/independent directors of the Company as of March 31, 2023:

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Citizenship</b>	<b>Period served</b>
Manuel B. Villar, Jr.	73	Chairman of the Board	Filipino	2013 to present
Manuel Paolo A. Villar	46	Vice Chairman of the Board, President and Chief Executive Officer	Filipino	2007 to present
Cynthia J. Javarez	59	Director, Treasurer and Chief Risk Officer	Filipino	2007 to present
Camille A. Villar	38	Director, Managing Director of Vista Land Commercial Division	Filipino	2014 to present
Frances Rosalie T. Coloma	60	Director	Filipino	2015 to present
Justina F. Callangan	70	Independent Director	Filipino	2021 to present
Romulo L. Neri	73	Independent Director	Filipino	2021 to present

The following are the names, ages and citizenship of the Company's executive officers in addition to its executive and independent directors listed above as of March 31, 2023.

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Citizenship</b>
Jerylle Luz C. Quismundo	59	Chief Operating Officer	Filipino
Gemma M. Santos	61	Corporate Secretary	Filipino
Ma. Nalen SJ Rosero	52	Chief Legal Counsel, Chief Information Officer and Compliance Officer	Filipino
Brian N. Edang	44	Chief Financial Officer and Head, Investor Relations	Filipino
Lorelyn D. Mercado	53	Controller	Filipino
Melissa Camille Z. Domingo	36	Chief Audit Executive	Filipino

The following states the business experience of the incumbent directors and officers of the Company for the last five (5) years:

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

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

**Cynthia J. Javarez.** *Director, Treasurer, and Chief Risk Officer.* Ms. Javarez graduated from the University of the East with a degree in Bachelor of Science in Business Administration major in Accounting. She is a Certified Public Accountant. She completed a Management Development Program at the Asian Institute of Management in 2006. Ms.

Javarez was previously the Chief Financial Officer of Polar Property Holdings Corp. until 2011 and the Tax & Audit Head in the MB Villar Group of Companies until 2007. She was the Controller and Chief Financial Officer of Vista Land since 2013 until she became Chief Operating Officer from November 2018 to June 2022. She was the President of Camella Homes, Inc., Communities Philippines, Inc., Crown Asia Properties, Inc., Brittany Corporation and Vista Residences, Inc. until 2021. She is currently the Chairperson of the Board of Prime Asset Ventures, Inc. and is the President of Fine Properties, Inc.

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

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

**Justina F. Callangan,** *Independent Director, Atty.* Callangan graduated cum laude from the University of the East with the degree of Bachelor of Arts in Political Science in 1973, and from San Sebastian College with the degree of Bachelor of Laws in 1980. She was a Political Science Instructor of the University of the East from 1974 to 1981 and became an Assistant Professor in Taxation and Business Laws from 1981 until her retirement from the university in 1995. Atty. Callangan started her career in the Securities and Exchange Commission as Analyst II in 1982 and held various positions with the Commission until she became Director of the Corporation Finance Department (now the Corporate Governance and Finance Department) from February 2001 to October 2017. She was also an Assistant Vice President of the Legal Department of the Urban Bank from November 1995 to November 2000. From November 2018 to December 2019, Atty. Callangan served as consultant in the Listings Department of the Philippine Stock Exchange. She was elected in August 2020 as Director representing the Public Sector in the Securities Investors Protection Fund, Inc. Currently, she is an Independent Director of ORIX Metro Leasing and Finance Corporation, Panasonic Manufacturing Philippines

Corp. and AIB Money Market Fund, a SEC-registered mutual fund. She is also a consultant to ASA Philippines Foundation, Inc. and to Divina Law Office since 2018. Atty. Callangan is a Mandatory Continuing Legal Education (MCLE) Lecturer on various SEC matters in both UP Law Center Institute for the Administration of Justice and Center for Global Best Practices.

**Romulo L. Neri.** *Independent Director.* Mr. Neri graduated magna cum laude and class valedictorian from the University of the Philippines with the degree of Bachelor of Science in Business Administration in 1970. He took Master in Business Administration Major in Finance and International Management from the University of California in Los Angeles in 1979. Mr. Neri was a faculty member of the University of the Philippines from 1970 to 1971 and was an Asian Professor for Corporate Financial Management from 1986 to 1990 and Associate Professor from 1990-2002 both in Asian Institute of Management. Mr. Neri held various positions in the Philippine Government, including: Director General of the Congressional Planning and Budget Office from 1990 to 2002; Secretary of Socio-Economic Planning and Director General of the National Economic Development Authority from 2002 to 2005 and from 2006 to 2007; Secretary of the Department of Budget and Management from 2005 to 2006; Monetary Board Member from 2005 to 2008; Chairman of the Commission on Higher Education from 2007 to 2008; and President and Chief Executive Officer of the Social Security System from 2008 to 2010. Mr. Neri also rendered various consultancy services such as Capacity Building Programs for the Public Private Partnership (PPP) Center under ADB sponsorship and review of various studies by World Bank, ADB, JICA and FEF on Bangsa Moro and Mindanao Development programs. He was also Consultant to the Energy Regulation Commission from 2019 to 2020 and to Faberco Life Sciences from 2020 up to 2021. Mr. Neri is also currently serving as an independent director of Regina Capital Development Corporation from 2021 to present.

**Brian N. Edang.** *Chief Financial Officer and Head, Investor Relations.* Mr. Edang is a Certified Public Accountant. He graduated cum laude with a Bachelor of Science in Accountancy from the University of St. La Salle - Bacolod. He is currently the Treasurer and Director of the following companies: Vista Residences, Inc., Brittany Corporation, Crown Asia Properties, Crown Asia Properties, Inc., Communities Philippines, Inc., and Camella Homes, Inc. Prior to joining the group, he was with SGV & Co. (EY Philippines) as an external auditor from 1999 to 2004. He is the Head Investor Relations of Vista Land from 2007 up to present and the Chief Financial Officer of the Company since November 2018. Mr. Edang is a member of the Philippine Institute of Certified Public Accountants (PICPA) and the Financial Executives Institute of the Philippines (FINEX). He is also currently serving as a director of VistaREIT, Inc.

**Jerylle Luz C. Quismundo,** *Chief Operating Officer.* Ms. Quismundo graduated cum laude with a degree in Bachelor of Science in Business Economics from the University of the Philippines Diliman in 1983. She took her Master in Business Administration from the same university in 1989. She has held various positions under the M.B. Villar Group of Companies since 1989 and is the incumbent President of various Vista Land and

Lifescapes, Inc. subsidiaries including Brittany Corporation, Camella Homes, Inc. Vista Residences, Inc., and Crown Asia Properties, Inc.

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

**Ma. Nalen S.J. Rosero.** *Chief Legal Counsel, Chief Information Officer and Compliance Officer.* Atty. Rosero graduated salutatorian from the San Beda College of Law in 1997. She is currently the Corporate Secretary and a Director of the following companies: Household Development Corporation, Brittany Corporation, Crown Asia Properties, Vista Residences, Inc., Communities Philippines, Inc., Camella Homes, Inc., Mandalay Resources, Inc., Prima Casa Land & Houses, Inc., Vista Leisure Club, Inc., and Brittany Estates Corporation. She is also currently serving as the Chief Compliance Officer and Assistant Corporate Secretary of VistaREIT, Inc. She is also a Director of Manuela Corporation and Masterpiece Properties, Inc., and the Corporate Secretary of Vistamalls, Inc. (formerly Starmalls, Inc.). From 1997 to 2000, she was an Associate in the Litigation Group of Angara Abello Concepcion Relaga & Cruz (ACCRA) Law Offices. On September 11, 2013, Atty. Rosero was appointed as Compliance Officer and Chief Information Officer of the Company.

**Lorelyn D. Mercado.** *Controller,* Ms. Mercado graduated from the University of Batangas with a degree in Bachelor of Science in Business Administration-Accounting. She took Master in Business Administration at the De La Salle University. She used to be the Chief Accountant of Vista Residences, Inc. and Adelfa Properties, Inc., She is currently the Chief Accountant of Vista Land & Lifescapes, Inc. and its subsidiaries, and a Director in Vista Residences, Inc., Brittany Corporation, Crown Asia Properties, Inc., and Camella Homes, Inc.

**Melissa Camille Z. Domingo.** *Chief Audit Executive,* Ms. Domingo graduated cum laude from the University of the Philippines with the degree of Bachelor of Science in Business Administration & Accountancy in 2008. She is a Certified Public Accountant. In 2011, she took the Certified Internal Auditor examination and was part of the Top 50 successful examinees globally. Prior to joining Vista Land in 2013 as Senior Financial Analyst, she was with SGV & Co. (EY Philippines) as Associate Director. She was the Finance Head of Vista Land until she assumed the Chief Audit Executive position in June 2019. She is also currently serving as a director, and Chief Financial Officer, Treasurer, and Head, Investor Relations of VistaREIT, Inc.

The following states the business experience for the last five (5) years of the nominees for election as independent directors of the Company:

**Justina F. Callangan**, 70, Atty. Callangan graduated cum laude from the University of the East with the degree of Bachelor of Arts in Political Science in 1973, and from San Sebastian College with the degree of Bachelor of Laws in 1980. She was a Political Science Instructor of the University of the East from 1974 to 1981 and became an Assistant Professor in Taxation and Business Laws from 1981 until her retirement from the university in 1995. Atty. Callangan started her career in the Securities and Exchange Commission as Analyst II in 1982 and held various positions with the Commission until she became Director of the Corporation Finance Department (now the Corporate Governance and Finance Department) from February 2001 to October 2017. She was also an Assistant Vice President of the Legal Department of the Urban Bank from November 1995 to November 2000. From November 2018 to December 2019, Atty. Callangan served as consultant in the Listings Department of the Philippine Stock Exchange. She was elected in August 2020 as Director representing the Public Sector in the Securities Investors Protection Fund, Inc. Currently, she is an Independent Director of ORIX Metro Leasing and Finance Corporation, Panasonic Manufacturing Philippines Corp. and AIB Money Market Fund, a SEC-registered mutual fund. She is also a consultant to ASA Philippines Foundation, Inc. and to Divina Law Office since 2018. Atty. Callangan is a Mandatory Continuing Legal Education (MCLE) Lecturer on various SEC matters in both UP Law Center Institute for the Administration of Justice and Center for Global Best Practices.

**Cherrylyn P. Caoile**, 48, Ms. Caoile obtained her Bachelor of Science in Legal Management from the De La Salle University and earned the degree of Juris Doctor in Ateneo de Manila School of Law. She worked in Picazo Buyco Tan Fider & Santos in 1998, where she became a partner in 2009 until 2019. She served as an Assistant Professor in Commercial Law Department for De La Salle University – College of Business & Economics from 2003 to 2005. Ms. Caoile was recently the legal consultant of House of Representatives, Committee on Economic Affairs. She is currently the chairman of the board of Taipan Security Services, Inc. and an independent director of Vistamalls, Inc. She was the former Director of MJC Investment Corporation, Narra Wellness Resorts, Inc., and PALI Investments, Inc. She was appointed as the Corporate Secretary of MetroPac Water Investments, Inc. and was the Assistant Corporate Secretary of Smart Communications, Inc., Paymaya Philippines, Inc, and MPCALA Holdings, Inc. Ms. Caoile possesses all the qualifications and none of the disqualifications of an Independent Director under SRC Rule 38.

## **Board Meeting Attendance**

<b>Name of Director</b>	<b>Mar 28</b>	<b>Apr 18</b>	<b>May 4</b>	<b>May 30</b>	<b>Jun 15</b>	<b>Aug 9</b>	<b>Sep 30</b>	<b>Nov 14</b>	<b>Dec 28</b>
Manuel B. Villar, Jr.	P	P	P	P	P	P	P	P	P
Manuel Paolo A. Villar	P	P	P	P	P	P	P	P	P
Cynthia J. Javarez	P	P	P	P	P	P	P	P	P
Camille A. Villar	P	P	P	P	P	P	P	P	P
Frances Rosalie T. Coloma	P	P	P	P	P	P	P	P	P
Justina F. Callangan	P	P	P	P	P	P	P	P	P
Romulo L. Neri	P	P	P	P	P	P	P	P	P

*Legend : (A) Absent, (P) Present, (-) Not applicable*

All of the incumbent Directors named above have a one-year term of office and all (except for Mr. Neri) have been nominated for re-election to the Board of Directors.

The By-Laws of the Company conforms with SRC Rule 38, as amended, with regard to the nomination of independent directors of the Company. Article III, Sections 2-A and 3 of the Company's By-Laws provide as follows:

**“Section 2-A.** Independent Directors – The Corporation shall have at least two (2) independent directors or at least twenty percent (20%) of the entire Board membership, whichever is lesser.

The independent directors shall have all the qualifications and none of the disqualifications set forth in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations, as the same may be amended from time to time.

**Section 3.** Election and Term - The Board of Directors shall be elected during each regular meeting of stockholders and shall hold office for one (1) year and until their successors are elected and qualified.

A nomination committee is hereby created which may be organized from time to time upon determination of the Board of Directors. The nomination committee shall be composed of at least three (3) members, one of whom shall be an independent director. The nomination committee shall have the following functions: (A) formulate screening policies to enable the committee to effectively review the qualification of the nominees for independent directors; and (B) conduct nominations for independent directors prior to the stockholders' meeting in accordance with the procedures set forth in Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code, as the same may be amended from time to time..”

On the other hand, SRC Rule 38, as amended, provides in part as follows:

“8. Nomination and Election of Independent Director/s

The following rules shall be applicable to all covered companies:

- A. The Nomination Committee (the "Committee") shall have at least three (3) members, one of whom is an independent director. It shall promulgate the guidelines or criteria to govern the conduct of the nomination. The same shall be properly disclosed in the Registrant's information or proxy statement or such other reports required to be submitted to the Commission.
- B. Nomination of independent director/s shall be conducted by the Committee prior to a stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.
- C. The Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent director/s.
- D. After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required under Part IV (A) and (C) of Annex "C" of SRC Rule 12, which list, shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the Registrant is required to submit to the Commission. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee.
- E. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director/s. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders'/memberships' meeting.”

The Company has complied with the guidelines on the nomination and election of independent directors set forth in Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code.

The nominated independent directors, namely, Atty. Cherrylyn P. Caoile and Atty. Justina F. Callangan were duly nominated by Ms. Solita Aragon Alaniel, a registered shareholder of the Company who is not a director, officer or substantial shareholder of the Company and who is not related to either of the said nominees. The Nominations Committee of the Company is composed of Mr. Manuel B. Villar, Jr., Chairman, and Ms. Frances Rosalie T. Coloma and Atty. Justina F. Callangan, members.

Directors elected during the annual meeting of stockholders will hold office for one year until their successors are duly elected and qualified. A director who was elected to fill any vacancy holds office only for the unexpired term of his predecessor.

No Director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual stockholders' meeting due to disagreement with the Company on any matter relating to the Company's operations, policies or practices.



The Company has no other significant employee other than its Executive Officers.

Mr. Manuel Paolo A. Villar and Ms. Camille A. Villar, who are both officers of the Company, are siblings and children of Mr. Manuel B. Villar, Jr., the Chairman of the Board. Except for the aforesaid relationship, none of the Company's Directors or Executive Officers is related to the others by consanguinity or affinity within the fourth civil degree.

Except as otherwise disclosed in the Annual Report of the Company (SEC Form 17-A) for the year ended December 31, 2022, the Company has not had any transaction (self-dealing or other related party transaction) during the last two (2) years in which any Director or Executive Officer or any of their immediate family members had a direct or indirect interest.

None of the aforementioned Directors or Executive Officers is or has been involved in any criminal or bankruptcy proceeding, or is or has been subject to any judgment of a competent court barring or otherwise limiting his involvement in any type of business, or has been found to have violated any securities laws during the past five (5) years and up to the latest date.

As of date, there is no formal appraisal or assessment process in respect of Board performance, although attendance by directors in board meetings are strictly monitored.

## **Compensation of Directors and Executive Officers**

### ***A. Executive Compensation***

The compensation for its executive officers for the years 2021 and 2022 (actual) and 2023 (projected) are shown below:

<b>Names</b>	<b>Position</b>	<b>Year</b>	<b>Salary</b>	<b>Bonus</b>	<b>Others</b>
Manuel Paolo A. Villar	President & CEO				
Jerylle Luz C. Quismundo	Chief Operating Officer				
Brian N. Edang	CFO & Head IR				
Ma. Nalen S.J. Rosero	Chief Legal Counsel/ CIO				
Lorelyn D. Mercado	Controller				
<b>Aggregate executive compensation for above named officers</b>		<b>Actual 2021</b>	<b>₱56.2M</b>	<b>₱7.8M</b>	<b>None</b>
		<b>Actual 2022</b>	<b>₱56.9M</b>	<b>₱8.8M</b>	<b>None</b>
		<b>Projected 2023</b>	<b>₱58.1M</b>	<b>₱9.0M</b>	<b>None</b>
<b>Aggregate executive compensation of all other officers and directors, unnamed</b>		<b>Actual 2021</b>	<b>₱132.4M</b>	<b>₱20.4M</b>	<b>None</b>
		<b>Actual 2022</b>	<b>₱151.6M</b>	<b>₱23.4M</b>	<b>None</b>
		<b>Projected 2023</b>	<b>₱157.6M</b>	<b>₱24.3M</b>	<b>None</b>

## **B. Compensation of Directors**

### **Standard arrangements**

Other than payment of reasonable per diem of ₱125,000 per non-executive director for every meeting, there are no standard arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly by the Company or the Company's subsidiaries, for any services provided as a director for 2021 and 2022.

In 2022, the Directors of the Company received remuneration as follows:

<b>Director</b>	<b>Total Remuneration in 2022</b>
Manuel B. Villar, Jr.	N/A
Manuel Paolo A. Villar	N/A
Cynthia J. Javarez	N/A
Camille A. Villar	N/A
Frances Rosalie T. Coloma	N/A
Justina F. Callangan	₱ 937,500
Romulo L. Neri	₱ 937,500

### **Other arrangements**

There are no other arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly by the Company or the Company's subsidiaries, during 2021 or 2022 for any service provided as a director.

### **Employment contract between the company and executive officers**

There are no special employment contracts between the Company and the named executive officers.

### **Warrants and options held by the executive officers and directors**

There are no outstanding warrants or options held by the Company's CEO, the named executive officers, and all officers and directors as a group.

### **Significant employee**

While the Company values the contribution of each of its executive and non-executive employees, the Company believes there is no non-executive employee that the resignation or loss of whom would have a material adverse impact on the business of the Company. Other than standard employment contracts, there are no special arrangements with non-executive employees of the Company.

### **Certain relationships and related transactions**

As of March 31, 2023, the Villar Family and Companies held 75.84% of the total issued and outstanding common share capital of the Company and 80.82% of the total issued and outstanding common and preferred share capital of the Company.

The Company and its subsidiaries, in their ordinary course of business, engage in transactions with the Villar Family Companies and their respective subsidiaries.

The Company's policy with respect to related-party transactions is to ensure that these transactions are entered into on terms at least comparable to those available from unrelated third parties.

The transactions with related parties for the year ended December 31, 2022 are discussed in the Company's 2022 Audited Financial Statements attached as Annex "C" to this Information Statement. Please see Note 29, pages 94 to 98 of the Notes to the Financial Statements accompanying the Company's 2022 Audited Financial Statements where the (a) business purpose of the arrangement; (b) identification of the related parties transacting business with the Company and nature of the relationship; and (c) any ongoing contractual or other commitments as a result of the arrangement, are stated. The transaction price for Related Party Transactions ("RPT") are as negotiated and on an arm's length basis. All material RPT with a transaction value that reaches ten percent (10%) of the Company's total assets are subject to the review and approved for fairness by the RPT Committee.

### **Independent Public Accountants**

The auditing firm of SGV & Co. is being recommended for election as external auditor for the current year.

Representatives of the said firm are expected to be present at the annual stockholders' meeting and will have the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions.

In 2022, the Company's auditors did not perform any substantial non-audit services for the Company.

### **Changes in and Disagreement with Accountants on Accounting and Financial Disclosure**

Since the incorporation of the Company in 2007, there was no instance where the Company's public accountants resigned or indicated that they decline to stand for re-election or were dismissed nor was there any instance where the Company had any disagreement with its public accountants on any accounting or financial disclosure issue.

The 2022 audit of the Company is in compliance with paragraph (3)(b)(iv) of SRC Rule 68, as Amended, which provides that the external auditor should be rotated, or the handling partner changed, every five (5) years or earlier.

For Changes in Accounting Policies, refer to Note 3 - Changes in Accounting Policies discussion on the Consolidated Financial Statements as of and for the years ended December 31, 2020, 2021, and 2022 included in this report.

### **Audit Committee’s Approval Policies and Procedures**

In relation to the audit of the Company’s annual financial statements, the Company’s Revised Corporate Governance Manual provides that the audit committee shall, among other activities, (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Company; (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors; and (iii) ensure the compliance of the Company with acceptable auditing and accounting standards and regulations.

The Audit Committee of the Company is composed of Mr. Romulo L. Neri, *Chairman*, and Atty. Justina F. Callangan and Ms. Frances Rosalie T. Coloma, *members*.

### **External Audit and Audit-Related Fees**

The following table sets out the aggregate fees billed for each of the last two years for professional services rendered by SGV & Co.

	<u>2021</u>	<u>2022</u>
	<i>(In ₱ Thousands)</i>	
Audit and Audit-Related Fees:		
Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	₱ 30,350	₱ 35,502
All other fees	—	—
<b>Total</b>	<b>₱ 30,350</b>	<b>₱ 35,502</b>

*SGV & Co. does not have any direct or indirect interest in the Company*

### **Tax Fees**

Except as provided above, the Company did not pay any tax fees and other fees to its external auditors.

## **OTHER MATTERS**

### **Action with Respect to Reports**

The following reports will be submitted for approval by the stockholders:

1. Minutes of the last Annual Meeting of Stockholders held on June 15, 2022, covering the following matters: (i) approval of the President’s Report and the Annual Report for the year 2021; (ii) approval and adoption of the Audited Financial Statements for the year ended 31 December 2021; (iii) ratification of all acts of the Board of Directors and Management since the annual stockholders’ meeting held in June 2021; (iv) election of the directors and independent directors of the Company for the ensuing fiscal year; and (v) appointment of the external auditor of the Company for the fiscal year 2021.

Minutes of the 2022 Annual Meeting of Stockholders is available at the website of the Company, [www.vistaland.com.ph](http://www.vistaland.com.ph).

The minutes contain the following information:

- (a) A description of the voting and vote tabulation procedures used in the meeting;
- (b) A description of the opportunity given to stockholders or members to ask questions and a record of the questions asked and answers given;
- (c) The matters discussed and resolutions reached;
- (d) A record of the voting results for each agenda item; and
- (e) A list of the directors, officers and the percentage of outstanding and voting shares of stockholders who attended and participated in the meeting.

### 3. Audited Financial Statements for the year 2022.

#### **Other Proposed Actions**

1. Ratification of all acts and resolutions of the Board of Directors and Management from the date of the last annual stockholders' meeting until the date of this meeting as set forth in the minutes of the meetings of the Board of Directors held during the same period and in the disclosures that have been duly filed with the SEC and the PSE. These minutes cover various resolutions of the Board, including declaration of cash dividends, approval of 2022 Audited Financial Statements, appointment of officers, issuance of dollar notes, opening of bank accounts and appointment of authorized signatories for various transactions in the normal course of business of the Company.
2. Appointment of External Auditors.

#### **Voting Procedures**

##### *Manner of voting*

In all items for approval, except in the election of directors, each share of stock entitles its registered owner to one vote.

For the purpose of electing directors, a stockholder may vote such number of his shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them in the same principle among as many candidates as he shall see fit.

For this year's meeting, the Board of Directors had adopted a resolution to allow stockholders entitled to notice of, and to attend the meeting, to exercise their right to vote *in absentia*.

Stockholders as of Record Date who have successfully registered their intention to participate in the annual meeting via remote communication and to vote *in absentia*, duly verified and validated by the Company shall be provided with unique log-in credentials to securely access the voting portal.

A stockholder voting electronically in absentia shall be deemed present for purposes of quorum.

Stockholders and proxy holders can cast their votes on specific matters for approval, including the election of directors.

#### *Voting requirements*

- (a) With respect to the election of directors, candidates who received the highest number of votes shall be declared elected.
- (b) With respect to the adoption of the Audited Financial Statements for the year ended 31 December 2022, and the approval or ratification of the other actions set forth under the heading "Other Proposed Actions" above, the vote of majority of the outstanding capital stock entitled to vote and represented in the meeting is required to approve such matters.

#### *Method of counting votes*

The Corporate Secretary will be responsible for counting votes based on the number of shares entitled to vote owned by the stockholders who are participating in the meeting by remote communication and are voting in absentia or represented by proxies.

All votes received shall be tabulated by the Office of the Corporate Secretary with the assistance of the Company's stock transfer agent. The Corporate Secretary shall report the results of voting during the meeting.

The detailed instructions for participation through remote communication are set forth in Annex "A" to the Notice of Meeting (Agenda Details and Rationale) hereof.

**UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH SAID STOCKHOLDER A COPY OF SEC FORM 17-A FREE OF CHARGE, EXCEPT FOR EXHIBITS ATTACHED THERETO WHICH SHALL BE CHARGED AT COST. ANY WRITTEN REQUEST FOR A COPY OF SEC FORM 17-A SHALL BE ADDRESSED AS FOLLOWS:**

**Vista Land & Lifescapes, Inc.  
Lower Ground Floor, Building B,  
Evia Lifestyle Center, Vista City,  
Daanghari, Almanza, Las Piñas City,  
Philippines**

**Attention: Brian N. Edang**

**MANAGEMENT REPORT**

**I. FINANCIAL STATEMENTS**

The Consolidated Financial Statements of the Company as of and for the year ended December 31, 2022 and the Consolidated Interim Financial Statements of the Company as of and for the period ended March 31, 2023 are incorporated herein in the accompanying Index to Financial Statements and Supplementary Schedules.

**II. INFORMATION ON INDEPENDENT ACCOUNTANT**

SGV & Co., independent certified public accountants, audited the Company's consolidated financial statements without qualification as of and for the years ended December 31, 2022, 2021, and 2020, included in this report.

SGV & Co. has acted as the Company's external auditors since 2008 and as Camella Homes, Inc.'s external auditors since 1994. Cyril Jasmin B. Valencia is the current audit partner for the Company and the other subsidiaries. The Company has not had any disagreements on accounting and financial disclosures with its current external auditors for the same periods or any subsequent interim period. SGV & Co. has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company. SGV & Co. will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

In relation to the audit of the Company's annual financial statements, the Company's Revised Corporate Governance Manual provides that the audit committee shall, among other activities (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Company; (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors; and (iii) ensure the compliance of the Company with acceptable auditing and accounting standards and regulations.



The following table sets out the aggregate fees billed for each of the last two years for professional services rendered by SGV & Co.

	<u>2021</u>	<u>2022</u>
	<i>(In ₱ Thousands)</i>	
Audit and Audit-Related Fees:		
Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	₱ 30,350	₱ 35,502
All other fees	—	—
<b>Total</b>	<b>₱ 30,350</b>	<b>₱ 35,502</b>

*SGV & Co. does not have any direct or indirect interest in the Company*

### III. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

#### *Results of operations covering 3-months of 2023 vs. 3-months of 2022*

	Q1-2023	Q1-2022	Change	
			Value	%age
<b>REVENUE</b>				
Real estate	<b>₱4,469</b>	₱4,831	(362)	(7)%
Rental income	<b>3,591</b>	2,589	1,002	39%
Interest income from installment contracts receivable	<b>147</b>	193	(46)	(24)%
Parking, hotel, mall administrative and processing fees, and others	<b>469</b>	448	21	5%
	<b>8,676</b>	8,061	615	8%
<b>COSTS AND EXPENSES</b>				
Costs of real estate sales	<b>1,844</b>	2,175	(331)	(15)%
Operating expenses	<b>2,608</b>	2,089	519	25%
	<b>4,452</b>	4,264	188	4%
<b>OTHER INCOME (EXPENSES)</b>				
Interest and other income from investments	<b>490</b>	417	73	18%
Interest and other financing charges	<b>(1,477)</b>	(1,260)	(217)	17%
Unrealized foreign exchange (losses) gains	<b>(4)</b>	-	(4)	-
	<b>(991)</b>	(843)	(148)	18%
<b>INCOME BEFORE INCOME TAX</b>	<b>3,233</b>	2,954	279	9%
<b>PROVISION FOR INCOME TAX</b>	<b>490</b>	592	(102)	(17)%
<b>NET INCOME</b>	<b>2,743</b>	<b>2,362</b>	<b>381</b>	<b>16%</b>

## **Revenues**

### ***Real Estate***

The Company recorded revenue from real estate sales of ₱4,469 million for the three months ended 31 March 2023, a decrease of 7% from ₱4,831 million for the three months ended 31 March 2022. This was primarily attributable to the decrease in the overall completion rate of sold inventories of some of its business units. The Company uses the Percentage of Completion method of revenue recognition where revenue is recognized in reference to the stages of development of the properties:

- Real estate revenue of Brittany increased by 43% to ₱297 million for the three months ended 31 March 2023 from ₱207 million in the same period last year. This increase was principally attributable to the increase in the number of sold homes completed or under construction in the Mega Manila area in the high-end or upscale housing segment.
- Real estate revenue of Crown Asia increased by 47% to ₱172 million for the three months ended 31 March 2023 from ₱117 million for the three months ended 31 March 2022. This increase was principally attributable to the increase in the number of sold homes completed or under construction in the Mega Manila area in the upper middle-income housing segment during the year.
- Real estate revenue of Camella increased by 4% to ₱1,208 million for the three months ended 31 March 2023 from ₱1,167 million for the three months ended 31 March 2022. This increase was principally attributable to the increase in the number of sold homes completed or under construction in the Mega Manila area in the low and affordable housing segment during the period.
- Real estate revenue of Communities Philippines decreased by 14% to ₱1,998 million for three months ended 31 March 2023 from ₱2,329 million for the three months ended 31 March 2022. 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 low and affordable housing segment during the period as a result of the extended down payment terms implemented.
- Real estate revenue from Vista Residences decreased by 22% to ₱794 million for the three months ended 31 March 2023 from ₱1,011 million for the three months ended 31 March 2022. This decrease was principally attributable to the decrease in the number of sold condominium units completed or under construction during the period. Vista Residences is the business unit of Vista Land that develops and sells vertical projects across the Philippines.

### ***Rental income***

Rental income increased by 39% from ₱2,589 million for the three months ended 31 March 2022 to ₱3,591 million for the three months ended 31 March 2023. The increase was primarily attributable to higher occupancy and the increase in rates for the period including the upside from the higher sales of variable rental based tenants.

### ***Interest income from installment contract receivable and investments***

Interest income from installment contract receivable and investments increased by 5% from ₱610 million for the three months ended 31 March 2022 to ₱637 million for the three months ended 31 March 2023. The increase was primarily attributable the increase in interest income from investments of 18% to ₱490 million offset by the decrease in the interest income from installment contract receivables of 23% to ₱147 million for the three months ended 31 March 2023.

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

Income from parking, hotel, forfeitures, mall administrative and processing fees and others increased by 5% from ₱448 million for the three months ended 31 March 2022 to ₱469 million for three months ended 31 March 2023. The increase was primarily attributable to the increase of 5% from income from mall administrative and processing fees to ₱370 million for the three months ended 31 March 2023 and the significant increase in hotel revenues to ₱35 million and parking fees to ₱36 million for the three months ended 31 March 2023 same period last year.

### **Costs and Expenses**

Cost and expenses increased by 4% to ₱4,452 million for the three months ended 31 March 2023 from ₱4,264 million for the three months ended 31 March 2022.

- Cost of real estate sales decreased by 15% from ₱2,175 million for the three months ended 31 March 2022 to ₱1,844 million for the three months ended 31 March 2023 primarily due to the decrease in the overall recorded sales of Vista Land's business units and cost savings from various cost saving initiatives implemented.
- Operating expenses increased by 25% from ₱2,089 million for the three months ended 31 March 2022 to ₱2,608 million for the three months ended 31 March 2023 with increases of the following:
  - an increase in advertising and promotion from ₱67 million for the three months ended 31 March 2022 to ₱254 million for the three months ended 31 March 2023 due to various advertising campaigns as the company launch a number of Vista Estate projects across the country .
  - an increase in repairs and maintenance from ₱94 million for the three months ended 31 March 2022 to ₱322 million in the three months ended 31 March 2023 due to the various site preparations for potential Vista Estate launch.
  - an increase in occupancy costs from ₱127 million for the three months ended 31 March 2022 to ₱310 million for the three months ended 31 March 2023 due to the increased in security and other occupancy related expenses of our malls.

### **Interest and other financing charges**

Interest and other financing charges increased by 17% from ₱1,260 million for the three months ended 31 March 2022 to ₱1,477 million for the three months ended 31 March 2023. The increase was primarily attributable to the lower capitalization for the period.

### **Provision for Income Tax**

Provision for income tax decreased by 17% from ₱592 million for the three months ended 31 March 2022 to ₱490 million for the three months ended 31 March 2023 primarily due to the lower taxable base for the period coming from the higher contribution of the residential segment.

### **Net Income**

As a result of the foregoing, the Company's net income increased by 16% to ₱2,743 million for the three months ended 31 March 2023 from ₱2,362 million for the three months ended 31 March 2022.

For the 3-months of 2023, except for the impact of the COVID-19 pandemic, there were no other seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

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

## **FINANCIAL CONDITION**

	<b>Unaudited</b>	<b>Audited</b>	<b>Change</b>	
	<b>Q1-2023</b>	<b>2022</b>	<b>Amount</b>	<b>%</b>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	<b>13,242</b>	15,070	(1,828)	(12)%
Short-term cash investments	<b>227</b>	47	180	381%
Investments at amortized cost	<b>9,426</b>	9,440	(14)	0%
Current portion of:				
Receivables	<b>45,639</b>	53,235	(7,596)	(14)
Cost to obtain contract	<b>872</b>	386	486	126%
Real estate inventories	<b>56,794</b>	53,534	3,260	6%
Other current assets	<b>7,089</b>	5,725	1,364	24%
Total Current Assets	<b>133,289</b>	137,437	(4,148)	(3)%
<b>Noncurrent Assets</b>				
Investments at amortized cost	<b>30,016</b>	32,059	(2,043)	(6)%
Investments at fair value through other comprehensive income	<b>162</b>	117	45	38%
Receivables - net of current portion	<b>26,659</b>	21,166	5,493	26%
(Forward)				

	Unaudited	Audited	Change	
	Q1-2023	2022	Amount	%
Cost to obtain contract - net of current portion	502	355	147	42%
Project development costs	1,403	1,269	134	10%
Advances to a related party	5,578	7,042	(1,464)	(21)%
Investment in joint venture	468	468	-	0%
Property and equipment	2,309	2,301	8	0%
Investment properties	121,935	118,344	3,591	3%
Goodwill	147	147	-	0%
Pension assets	321	321	-	0%
Deferred tax assets - net	111	111	-	0%
Other noncurrent assets	930	1,077	(147)	(14)%
<b>Total Noncurrent Assets</b>	<b>190,541</b>	<b>184,777</b>	<b>5,283.9</b>	<b>2.9%</b>
	<b>₱323,830</b>	<b>₱322,214</b>	<b>8,227.4</b>	<b>2.6%</b>

## LIABILITIES AND EQUITY

### Current Liabilities

Accounts and other payables	18,157	15,891	669.1	4.4%
Security deposits and unearned rental income	1,083	1,857	127.3	7.4%
Income tax payable	128	127	77.4	155.8%
Dividends payable			80.2	505.6%
Current portion of:	81	96	-	
Contract liabilities	2,412	1,085	(149.5)	(12.1)%
Notes payable	12,755	12,746	(11,424.9)	(47.3)%
Bank loans	11,516	11,562	3,494.2	43.3%
Loans payables	4,899	3,767	307.1	8.9%
Lease liabilities	503	368	20.2	5.8%
<b>Total Current Liabilities</b>	<b>₱51,534</b>	<b>₱47,499</b>	<b>(6,798.9)</b>	<b>(12.5)%</b>

### Noncurrent Liabilities

Contract liabilities- net of current portion	₱292	₱1,058	491.7	86.7%
Notes payable - net of current portion	89,568	89,702	5,942.8	7.1%
Bank loans - net of current portion	39,554	44,385	(4,539.8)	(9.3)%
Loans payable - net of current portion	670	1,567	1,248.0	390.8%
Lease liabilities - net of current portion	4,937	5,066	(22.0)	(0.4)%
Deferred tax liabilities - net	6,567	6,107	1,124.7	22.6%
Other noncurrent liabilities	4,238	3,179	(342.4)	(9.7)%
<b>Total Noncurrent Liabilities</b>	<b>145,826</b>	<b>151,064</b>	<b>3,903.0</b>	<b>2.7%</b>
<b>Total Liabilities</b>	<b>197,360</b>	<b>198,563</b>	<b>(2,895.8)</b>	<b>(1.4)%</b>

### Equity

Attributable to equity holders of the Parent

Company

Capital stock	13,147	13,147	-	0.0%
Additional paid-in capital	30,685	30,685	-	0.1%
Treasury shares	(7,740)	(7,740)	-	0.0%
Retained earnings	80,496	78,311	5,771.5	8.0%

(Forward)

	Unaudited	Audited	Change	
	Q1-2023	2022	Amount	%
Other comprehensive income	875	799	20.8	2.7%
	117,463	115,202	5,821.7	5.3%
Non-controlling interest	9,007	8,449	5,301.6	168.5%
Total Equity	126,470	123,651	11,123.3	9.9%
	₱323,830	₱322,214	8,227.4	2.6%

### ***As of March 31, 2023 vs. December 31, 2022***

Total assets as of 31 March 2023 were ₱323,830 million compared to ₱322,214 million as of 31 December 2022, or an increase of 1% due to the following:

- Cash and cash equivalents including short term and long term investments and investments at amortized costs decreased from ₱56,617 million as of 31 December 2022 to ₱52,911 million as of 31 March 2023 or a 7% decrease due uses of cash for the period specifically debt servicing and investing activities.
- Receivables including current portions thereof decreased slightly by 3% from ₱74,401million as of 31 December 2022 to ₱72,298 million as of 31 March 2023 due primarily to due to a collections for the period.
- Real estate inventories increased by 6% from ₱53,534 million as of 31 December 2022 to ₱56,794 million as of 31 March 2023 due to project launches for the period.
- Investments at fair value through OCI increased by 38% from ₱117 million as of 31 December 2022 to ₱162 million as of 31 March 2023 due to increase in fair value of the investments for the period.
- Project development costs increased by 10% from ₱1,269 million as of 31 December 2022 to ₱1,403 million as of 31 March 2023 due to advances to joint venture partner for the period.
- Advances to a related party decreased by 21% from ₱7,042 million as of 31 December 2022 to ₱5,578 million as of 31 March 2023 due to settlement for the period.
- Investment properties increased by 3% from ₱118,334 million as of 31 December 2022 to ₱121,935 million as of 31 March 2023 due to additions for the period.
- Other assets, cost to obtain contract including current portions thereof increased by 25% from ₱7,543 million as of 31 December 2022 to ₱9,393 million as of 31 March 2023 due primarily to increase in prepaid expenses and cost to obtain during the period.

Total liabilities as of 31 March 2023 were ₱197,360 million compared to ₱198,563 million as of 31 December 2022, or an decrease of 1%. This was due to the following:

- Accounts and other payables increased by 14% from ₱15,891 million as of 31 December 2022 to ₱18,157 million as of 31 March 2023 due accruals for the period.
- Current portion of security deposits and advance rent decreased by 42% from ₱1,857 million as of 31 December 2022 to ₱1,083 million as of 31 March 2023 due settlements for the period.
- Dividends payable decreased by 15% from ₱81 million as of 31 December 2022 to ₱96 million as of 31 March 2023 due to settlement for the period.
- Contract liabilities including non current portion increased by 26% from ₱2,143 million as of 31 December 2022 to ₱2,704 million as of 31 March 2023 due increase in collection made from reservation sales and for projects awaiting constructions.
- Bank loans including current portion decreased by 9% from ₱55,947 million as of 31 December 2022 to ₱51,070 million as of 31 March 2023 due primarily to the payment during the period.
- Deferred tax liabilities – net increased by 8% to ₱6,456 million as of 31 March 2023 from 5,996 million as of 31 December 2022 due to an increase in temporary difference that will result to a potential tax liability for the period.
- Other noncurrent liabilities increased by 33% from ₱3,179 million as of 31 December 2022 to ₱4,237 million as of 31 March 2023 due primarily to the increase in noncurrent portion of liabilities for purchase land, deferred output tax, and security deposits.

Total stockholder's equity increased by 2% from ₱123,651 million as of 31 December 2022 to ₱126,470 million as of 31 March 2023 due mainly to the net income and increase in other comprehensive income recorded for the period.

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

<b>Key Performance Indicators</b>	<b>03/31/2023</b>	<b>12/31/2022</b>
Current ratio <sup>(a)</sup>	2.59:1	2.89:1
Liability-to-equity ratio <sup>(b)</sup>	1.56 :1	1.61:1
	<b>03/31/2023</b>	<b>03/31/2022</b>
Interest expense/Income before Interest expense <sup>(c)</sup>	31.4%	29.9%
Return on assets <sup>(d)</sup>	3.4%	2.9%
Return on equity <sup>(e)</sup>	8.7%	8.2%

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 the increase in the current liabilities specifically the accounts payable maturing in the next 12 months with the corresponding decrease in current assets brought about by the decrease in cash and investments.

Liability-to-equity ratio slightly decreased as the liabilities decreased more than the increase in equity as of 31 March 2023 compared to the 31 December 2022.

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 increased in the three months ended 31 March 2023 compared to that of the three months ended 31 March 2022 due to the higher annualized income for the 2023.

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



## **Material Changes to the Company's Balance Sheet as of March 31, 2022 compared to December 31, 2021 (increase/decrease of 5% or more)**

Cash and cash equivalents including short term and long term investments and investments at amortized costs decreased from ₱56,617 million as of 31 December 2022 to ₱52,911 million as of 31 March 2023 or a 7% decrease due uses of cash for the period specifically debt servicing and investing activities.

Real estate inventories increased by 6% from ₱53,534 million as of 31 December 2022 to ₱56,794 million as of 31 March 2023 due to project launches for the period.

Investments at fair value through OCI increased by 38% from ₱117 million as of 31 December 2022 to ₱162 million as of 31 March 2023 due to increase in fair value of the investments for the period.

Project development costs increased by 10% from ₱1,269 million as of 31 December 2022 to ₱1,403 million as of 31 March 2023 due to advances to joint venture partner for the period.

Advances to a related party decreased by 21% from ₱7,042 million as of 31 December 2022 to ₱5,578 million as of 31 March 2023 due to settlement for the period.

Other assets, cost to obtain contract including current portions thereof increased by 25% from ₱7,543 million as of 31 December 2022 to ₱9,393 million as of 31 March 2023 due primarily to increase in prepaid expenses and cost to obtain during the period.

Accounts and other payables increased by 14% from ₱15,891 million as of 31 December 2022 to ₱18,157 million as of 31 March 2023 due accruals for the period.

Current portion of security deposits and advance rent decreased by 42% from ₱1,857 million as of 31 December 2022 to ₱1,083 million as of 31 March 2023 due settlements for the period.

Dividends payable decreased by 15% from ₱81 million as of 31 December 2022 to ₱96 million as of 31 March 2023 due to settlement for the period.

Contract liabilities including non current portion increased by 26% from ₱2,143 million as of 31 December 2022 to ₱2,704 million as of 31 March 2023 due increase in collection made from reservation sales and for projects awaiting constructions.

Bank loans including current portion decreased by 9% from ₱55,947 million as of 31 December 2022 to ₱51,070 million as of 31 March 2023 due primarily to the payment during the period.

Deferred tax liabilities – net increased by 8% to ₱6,456 million as of 31 March 2023 from 5,996 million as of 31 December 2022 due to an increase in temporary difference that will result to a potential tax liability for the period.

Other noncurrent liabilities increased by 33% from ₱3,179 million as of 31 December 2022 to ₱4,237 million as of 31 March 2023 due primarily to the increase in noncurrent portion of liabilities for purchase land, deferred output tax, and security deposits.

### **Material Changes to the Company's Statement of income for the 3-months of 2022 compared to the 3-months of 2021 (increase/decrease of 5% or more)**

Revenue from real estate sales of ₱4,469 million for the three months ended 31 March 2023, a decrease of 7% from ₱4,831 million for the three months ended 31 March 2022. This was primarily attributable to the decrease in the overall completion rate of sold inventories of some of its business units. The Company uses the Percentage of Completion method of revenue recognition where revenue is recognized in reference to the stages of development of the properties.

Rental income increased by 39% from ₱2,589 million for the three months ended 31 March 2022 to ₱3,591 million for the three months ended 31 March 2023. The increase was primarily attributable to higher occupancy and the increase in rates for the period including the upside from the higher sales of variable rental based tenants.

Interest income from installment contract receivable and investments increased by 5% from ₱610 million for the three months ended 31 March 2022 to ₱637 million for the three months ended 31 March 2023. The increase was primarily attributable the increase in interest income from investments of 18% to ₱490 million offset by the decrease in the interest income from installment contract receivables of 23% to ₱147 million for the three months ended 31 March 2023.

Income from parking, hotel, forfeitures, mall administrative and processing fees and others increased by 5% from ₱448 million for the three months ended 31 March 2022 to ₱469 million for three months ended 31 March 2023. The increase was primarily attributable to the increase of 5% from income from mall administrative and processing fees to ₱370 million for the three months ended 31 March 2023 and the significant increase in hotel revenues to ₱35 million and parking fees to ₱36 million for the three months ended 31 March 2023 same period last year.

Cost of real estate sales decreased by 15% from ₱2,175 million for the three months ended 31 March 2022 to ₱1,844 million for the three months ended 31 March 2023 primarily due to the decrease in the overall recorded sales of Vista Land's business units and cost savings from various cost saving initiatives implemented.

Operating expenses increased by 25% from ₱2,089 million for the three months ended 31 March 2022 to ₱2,608 million for the three months ended 31 March 2023 with increases in advertising and promotion from ₱67 million for the three months ended 31 March 2022 to ₱254 million for the three months ended 31 March 2023 due to various advertising campaigns as the company launch a number of Vista Estate projects across the country; an increase in repairs and maintenance from ₱94 million for the three months ended 31 March 2022 to ₱322 million in the three months ended 31 March 2023 due to the various site preparations for potential Vista Estate launch; an increase in occupancy costs from ₱127 million for the three months ended 31 March 2022 to ₱310 million for the three months ended 31 March 2023 due to the increased in security and other occupancy related expenses of our malls.

Interest and other financing charges increased by 17% from ₱1,260 million for the three months ended 31 March 2022 to ₱1,477 million for the three months ended 31 March 2023. The increase was primarily attributable to the lower capitalization for the period.

Provision for income tax decreased by 17% from ₱592 million for the three months ended 31 March 2022 to ₱490 million for the three months ended 31 March 2023 primarily due to the lower taxable base for the period coming from the higher contribution of the residential segment.

Net income increased by 16% to ₱2,743 million for the three months ended 31 March 2023 from ₱2,362 million for the three months ended 31 March 2022.

For the 3-months of 2023, except for the impact of the COVID-19 pandemic, there were no other seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

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

## **REVIEW OF YEAR END 2022 VS YEAR END 2021**

	2022	2021	Change Value	%age
<b>REVENUE</b>				
Real estate	12,789.9	17,397.9	(4,608.1)	(26.5)%
Rental income	13,742.3	9,312.7	4,429.5	47.6%
Interest income from installment contracts receivable	701.3	774.4	(73.1)	(9.4)%
Parking, hotel, mall administrative and processing fees, and others	1,607.3	2,146.9	(539.5)	25.1%
	28,840.8	29,631.97	(791.1)	(2.7)%
<b>COSTS AND EXPENSES</b>				
Costs of real estate sales	5,543.0	8,533.4	(2,990.4)	(35.0)%
Operating expenses	9,647.4	9,407.8	239.6	2.5%
	15,190.4	17,941.18	(2,750.8)	(15.3)%
<b>OTHER INCOME (EXPENSES)</b>				
Interest income from investments and other income	981.2	1,549.4	(568.2)	(36.7)%
Interest and other financing Charges	(5,217.9)	(4,315.3)	(902.6)	20.9%
	(4,236.7)	(2,765.89)	(1,470.8)	53.2%
INCOME BEFORE INCOME TAX	9,413.8	8,924.90	488.9	5.5%
PROVISION FOR INCOME TAX	2,021.1	1,957.6	63.5	3.2%
<b>NET INCOME</b>	<b>7,392.7</b>	<b>6,967.25</b>	<b>425.4</b>	<b>6.1%</b>

### **Revenues**

#### ***Real Estate***

The Company recorded revenue from real estate sales amounting to ₱12,789.9 million for the year ended December 31, 2022, a decrease of 26.5% from ₱17,397.9 million last year. This was primarily attributable to the decrease in the overall completion rate of sold inventories of its business units specifically in the affordable segment as a result various factors such as (a) the impact of the extended payment terms granted to buyers during the pandemic specifically in the affordable segment. (b) the implementation of the community quarantine that slowed down construction activities in certain areas (c) the rainy season in the 2<sup>nd</sup> half of the year. The Company uses the Percentage of Completion method of revenue recognition where revenue is recognized in reference to the stages of development of the properties:

- Real estate revenue of Brittany increased by 167.0% to ₱1,347.0 million for 2022 from ₱504.4 million last year. This increase was principally attributable to the increase in the number of sold homes completed or under construction in the Mega Manila area in the high-end housing segment.

- Real estate revenue of Crown Asia increased by 8.4% to ₱513.8 million for 2022 from ₱474.1 million in 2021. This increase was principally attributable to the increase in the number of sold homes completed or under construction in the Mega Manila area in the upper middle-income housing segment during the year.
- Real estate revenue from Vista Residences was flat at ₱2,505.9 million for 2022 from ₱2,512.1 million for 2021. This was principally attributable to 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 16.7% to ₱5,587.2 million for 2022 from ₱6,709.9 million for 2021. 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 low and affordable housing segment during the period as a result of the various lockdown measures implemented in the provincial areas.
- Real estate revenue of Camella decreased by 60.6% to ₱2,836.0 million for 2022 from ₱7,197.5 million for 2021. 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 low and affordable housing segment during the period.

### ***Rental income***

Rental income increased by 47.6% from ₱9,312.7 million for the year ended December 31, 2021 to ₱13,724.3 million for the year ended December 31, 2022. The increase was primarily attributable to the recovery of the malls, increase foot traffic and the contribution of newly opened commercial centers.

### ***Interest income from installment contract receivable and investments***

Interest income from installment contract receivable and investments decreased by 27.6% from ₱2,323.9 million for the year ended December 31, 2021 to ₱1,682.5 million for the year ended December 31, 2022. The decrease was primarily attributable to the decrease in both the interest income from investments of 36.7% to ₱981.2 million for the year ended December 31, 2022 due to settlement of dollar liabilities using our dollar investments and interest income from installment contract receivables of 9.4% to ₱701.3 million for the year ended December 31, 2022 as more buyers are availing of bank financing.

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

Income from parking, hotel, mall administrative and processing fees and others decreased by 25.1% from ₱2,146.9 million for the year ended December 31, 2021 to ₱1,607.3 for the year ended December 31, 2022. The decrease was primarily attributable to the mall administrative and processing fees as well as loan processing fees from banks. Parking fees and hotel revenues posted increases for the year.

## **Costs and Expenses**

Cost and expenses decreased by 15.3% to ₱15,190.4 million for the year ended December 31, 2022 from ₱17,941.2 million for the year ended December 31, 2021.

- Cost of real estate sales decreased by 35.0% from ₱8,533.4 million for the year ended December 31, 2021 to ₱5,543.0 million for the year ended December 31, 2022 primarily due to the decrease in the overall recorded sales of Vista Land's business units specifically the provincial projects. The decrease was also due to cost efficiencies realized during the year as the decline in costs was significantly higher than the decline in real estate revenues.
- Operating expenses decreased by 2.5% from ₱9,407.8 million for the year ended December 31, 2021 to ₱9,647.4 million for the year ended December 31, 2022 primarily due to the following:
  - a decrease in commission expenses from ₱829.7 million for the year ended December 31, 2021 to ₱606.1 million in the year ended December 31, 2022 due to decrease in real estate sales for the year and the shift to digital marketing.
  - a decrease in provision from impairment losses on receivables and investments from ₱443.3 million for the year ended December 31, 2021 to ₱21.7 million for the year ended December 31, 2022 due to the reduced probability of impairment for receivables and investments as situation are returning to normalcy.

## ***Interest and other financing charges***

Interest and other financing charges increased by 20.9% from ₱4,315.3 million for the year ended December 31, 2021 to ₱5,217.9 million for the year ended December 31, 2022. The decrease was primarily attributable decrease in interest bearing debt for the year and the lower capitalization rate for interest expense.

## **Provision for Income Tax**

Provision for income tax increased by 3.2% from ₱1,957.6 million for the year ended December 31, 2021 to ₱2,021.1 million for the year ended December 31, 2022 primarily due to a higher taxable base for the year coming from the higher contribution of the commercial segment compared to prior year.

## **Net Income**

As a result of the foregoing, the Company's net income increased by 6.1% to ₱7,392.7 million for the year ended December 31, 2022 from ₱6,967.2 million for the year ended December 31, 2021. Core net income on the other hand increased by 10% to ₱7,667.9 million excluding loss of fire recorded at ₱275.2 million net of tax.

For the year ended December 31, 2022, except as discussed in *Note 36 – Other Matters* of the 2022 Financial Statements on the impact of the COVID-19 pandemic, there were no other seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations.

The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

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

## FINANCIAL CONDITION

	2022	2021	Change	
			Amount	%
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	15,070.2	11,856.7	3,213.5	27.1%
Short-term cash investments	47.3	336.0	(288.7)	(85.9)%
Investments at amortized cost	9,440.4	15,751.5	(6,311.1)	(40.1)%
Current portion of:				
Receivables	53,234.5	50,916.7	2,317.8	4.6%
Cost to obtain contract	385.6	448.2	(62.5)	(14.0)%
Real estate inventories	53,533.9	49,596.9	3,937.0	7.9%
Other current assets	5,724.8	5,587.2	137.5	2.5%
<b>Total Current Assets</b>	<b>137,436.8</b>	<b>134,493.2</b>	<b>2,943.6</b>	<b>16.5%</b>
<b>Noncurrent Assets</b>				
Investments at amortized cost	32,059.1	34,065.9	(2,006.9)	(5.9)%
(Forward)				
Investments at fair value through other comprehensive income	117.2	124.5	(7.3)	(5.9)%
Receivables - net of current portion	21,166.1	20,316.7	849.4	4.2%
Cost to obtain contract - net of current portion	354.5	450.5	(95.9)	(21.3)%
Project development costs	8,311.4	7,359.2	(952.2)	12.9%
Investment in joint venture	468.1	458.8	9.3	2.0%
Property and equipment	2,301.1	2,316.9	(15.8)	(0.7)%
Investment properties	118,343.6	112,991.8	5,351.8	4.7%
Goodwill	147.3	147.3	-	0.0%
Pension assets	320.7	283.0	37.7	13.3%
Deferred tax assets - net	111.5	48.4	63.1	130.4%
Other noncurrent assets	1,076.8	930.5	146.4	15.7%
<b>Total Noncurrent Assets</b>	<b>184,777.3</b>	<b>179,493.4</b>	<b>5,283.9</b>	<b>2.9%</b>
	<b>322,214.1</b>	<b>313,986.6</b>	<b>8,227.4</b>	<b>2.6%</b>

	2022	2021	Change	
			Amount	%
<b>LIABILITIES AND EQUITY</b>				
<b>Current Liabilities</b>				
Accounts and other payables	15,890.5	15,221.4	669.1	4.4%
Security deposits and unearned rental income	1,856.5	1,729.3	127.3	7.4%
Income tax payable	127.1	49.7	77.4	155.8%
Dividends payable		15.9	80.2	505.6%
Current portion of:	96.0	-	-	
Contract liabilities	1,085.1	1,234.6	(149.5)	(12.1)%
Notes payable	12,745.8	24,170.7	(11,424.9)	(47.3)%
Bank loans	11,561.6	8,067.3	3,494.2	43.3%
Loans payables	3,767.3	3,460.1	307.1	8.9%
Lease liabilities	368.5	348.2	20.2	5.8%
<b>Total Current Liabilities</b>	<b>47,498.4</b>	<b>54,297.3</b>	<b>(6,798.9)</b>	<b>(12.5)%</b>
<b>Noncurrent Liabilities</b>				
Contract liabilities- net of current portion	1,058.5	566.8	491.7	86.7%
Notes payable - net of current portion	89,702.4	83,759.5	5,942.8	7.1%
Bank loans - net of current portion	44,385.3	48,925.0	(4,539.8)	(9.3)%
Loans payable - net of current portion	1,567.4	319.4	1,248.0	390.8%
Lease liabilities - net of current portion	5,065.6	5,087.6	(22.0)	(0.4)%
Deferred tax liabilities - net	6,107.4	4,982.7	1,124.7	22.6%
Other noncurrent liabilities	3,179.0	3,521.4	(342.4)	(9.7)%
<b>Total Noncurrent Liabilities</b>	<b>151,065.5</b>	<b>147,162.4</b>	<b>3,903.0</b>	<b>2.7%</b>
<b>Total Liabilities</b>	<b>198,563.9</b>	<b>201,459.7</b>	<b>(2,895.8)</b>	<b>(1.4)%</b>
<b>Equity</b>				
Attributable to equity holders of the Parent Company				
Common stock	13,114.1	13,114.1	-	0.0%
Preferred stock	33.0	33.0	-	0.0%
Additional paid-in capital	30,684.7	30,655.4	29.3	0.1%
Treasury shares (Forward)	(7,740.3)	(7,740.3)	-	0.0%
Retained earnings	78,311.1	72,539.6	5,771.5	8.0%
Other comprehensive income	798.9	778.1	20.8	2.7%
	115,201.6	109,379.9	5,821.7	5.3%
Non-controlling interest	8,448.6	3,146.7	5,301.6	168.5%
<b>Total Equity</b>	<b>123,650.2</b>	<b>112,526.9</b>	<b>11,123.3</b>	<b>9.9%</b>
	<b>322,214.1</b>	<b>313,986.6</b>	<b>8,227.4</b>	<b>2.6%</b>

### **As of December 31, 2022 vs. December 31, 2021**

Total assets as of December 31, 2022 were ₱322,492.1 million compared to ₱313,986.6 million as of December 31, 2021, or a 2.6% increase. This was due to the following:



- Cash and cash equivalents including short term and long-term cash investments, and investments at amortized costs decreased by 8.7% from ₱62,0101.1 million as of December 31, 2021 to ₱56,617.0 million as of December 31, 2022 due primarily to decrease in investments at amortized costs as this was used for payment of dollar bond that matured during the year.
- Investments at fair value through other comprehensive income decreased by 5.9% from ₱124.5 million as of December 31, 2021 to ₱117.2 million as of December 31, 2022 due to the disposal during the year.
- Real estate inventories including raw land for residential development and construction materials increased by 7.9% from ₱49,596.9 million as of December 31, 2021 to ₱53,533.9 million as of December 31, 2022 due to increase in project launches for the year.
- Advances to a related parties increased by 15.7% from ₱6,085.2 million as of December 31, 2021 to ₱7,042.3 million as of December 31, 2022 due to advances for the year.
- Pension assets increased by 13.3% to ₱320.7million as of December 31, 2022 from ₱283.0 million as of December 31, 2021 as a result of actuarial adjustment for the company's retirement program.

Total liabilities as of December 31, 2022 were ₱198,563.9 million compared to ₱201,459.7 million as of December 31, 2021, or a 1.4% decrease. This was due to the following:

- Security deposits and unearned rental income increased by 7.4% to ₱1,856.5 million as of December 31, 2022 from ₱1,729.3 million as of December 31, 2021 due to renewal of lease contract and new tenants of our commercial segment.
- Income tax payable increased by 155.8% from ₱49.7 million as of December 31, 2021 to ₱127.1 million as of December 31, 2022 due primarily to the higher taxable income for the year coming from the commercial segment.
- Dividend payable increased by 505.6% from ₱15.9 million as of December 31, 2021 to ₱96.0 as of December 31, 2022 due primarily to the remaining dividends for the year.
- Notes payable including non-current portion decreased by 5.1% from ₱107,930.2 million as of December 31, 2021 to ₱102,448.2 million as of December 31, 2022 due primarily to the settlement of USD370.5 million dollar bond in June offset by the corporate note issuance in December.

- Loans payable including non-current portion increased by 41.1% from ₱3,779.5 million as of December 31, 2021 to ₱5,334.6 million as of December 31, 2022 due to availment of Contract to sell financing during the year.
- Contract liabilities including non-current portion increased by 19.0% from ₱1,801.5 million as of December 31, 2021 to ₱2,143.6 million as of December 31, 2022 due to advance payments from buyers of residential properties under construction.
- Deferred tax liabilities – net increased by 21.5% from ₱4,934.3 million as of December 31, 2020 to ₱5,995.9 million as of December 31, 2022 due to the additional deferred tax liabilities recognized for the year.
- Other noncurrent liabilities decreased by 9.7% from ₱3,521.4 million as of December 31, 2021 to ₱3,179.0 million as of December 31, 2022 due primarily to the decrease in the liabilities for purchased land.

Total stockholder's equity increased by 9.9% from ₱112,526.9 million as of December 31, 2021 to ₱123,650.2 million as of December 31, 2022 due to the net income recorded for the year ended December 31, 2021 and increase in non-controlling interest coming from the proceeds from the offering of Vista REIT.

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

Key Performance Indicators	12/31/2022	12/31/2021
Current ratio <sup>(a)</sup>	2.89:1	2.48:1
Liability-to-equity ratio <sup>(b)</sup>	1.61:1	1.79:1
Interest expense/Income before Interest expense <sup>(c)</sup>	35.7%	32.6%
Return on assets <sup>(d)</sup>	2.3%	2.2%
Return on equity <sup>(e)</sup>	6.0%	6.2%

Notes:

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

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

Current ratio as of December 31, 2022 increased from that of December 31, 2021 due primarily to the increase in the current assets with the corresponding decrease in current liabilities.

Liability-to-equity ratio decreased due to the decrease in the interest bearing debt of the Group.

Interest expense as a percentage of income before interest expense increased in the year ended December 31, 2022 compared to the ratio for the year ended December 31, 2021 due to the higher interest expense for the year.

Return on asset slightly higher for the year ended December 31, 2022 compared to that on December 31, 2021.

Return on equity was flat for the year ended December 31, 2022 compared to that on December 31, 2021.

### **Material Changes to the Company's Balance Sheet as of December 31, 2022 compared to December 31, 2021 (increase/decrease of 5% or more)**

Cash and cash equivalents including short term and long-term cash investments, and investments at amortized costs decreased by 8.7% from ₱62,010.1 million as of December 31, 2021 to ₱56,617.0 million as of December 31, 2022 due

primarily to decrease in investments at amortized costs as this was used for payment of dollar bond that matured during the year.

Investments at fair value through other comprehensive income decreased by 5.9% from ₱124.5 million as of December 31, 2021 to ₱117.2 million as of December 31, 2022 due to the disposal during the year.

Real estate inventories including raw land for residential development and construction materials increased by 7.9% from ₱49,596.9 million as of December 31, 2021 to ₱53,533.9 million as of December 31, 2022 due to increase in project launches for the year.

Advances to a related parties increased by 15.7% from ₱6,085.2 million as of December 31, 2021 to ₱7,042.3 million as of December 31, 2022 due to advances for the year.

Pension assets increased by 13.3% to ₱320.7 million as of December 31, 2022 from ₱283.0 million as of December 31, 2021 as a result of actuarial adjustment for the company's retirement program.

Security deposits and unearned rental income increased by 7.4% to ₱1,856.5 million as of December 31, 2022 from ₱1,729.3 million as of December 31, 2021 due to renewal of lease contract and new tenants of our commercial segment.

Income tax payable increased by 155.8% from ₱49.7 million as of December 31, 2021 to ₱127.1 million as of December 31, 2022 due primarily to the higher taxable income for the year coming from the commercial segment.

Dividend payable increased by 505.6% from ₱15.9 million as of December 31, 2021 to ₱96.0 as of December 31, 2022 due primarily to the remaining dividends for the year.

Notes payable including non-current portion decreased by 5.1% from ₱107,930.2 million as of December 31, 2021 to ₱102,448.2 million as of December 31, 2022 due primarily to the settlement of USD370.5 million dollar bond in June offset by the corporate note issuance in December.

Loans payable including non-current portion increased by 41.1% from ₱3,779.5 million as of December 31, 2021 to ₱5,334.6 million as of December 31, 2022 due to availment of Contract to sell financing during the year.

Contract liabilities including non-current portion increased by 19.0% from ₱1,801.5 million as of December 31, 2021 to ₱2,143.6 million as of December 31, 2022 due to advance payments from buyers of residential properties under construction.

Deferred tax liabilities – net increased by 21.5% from ₱4,934.3 million as of December 31, 2020 to ₱5,995.9 million as of December 31, 2022 due to the additional deferred tax liabilities recognized for the year.

Other noncurrent liabilities decreased by 9.7% from ₱3,521.4 million as of December 31, 2021 to ₱3,179.0 million as of December 31, 2022 due primarily to the decrease in the liabilities for purchased land.

**Material Changes to the Company’s Statement of Income for the year ended December 31, 2022 compared to the year ended December 31, 2021 (increase/decrease of 5% or more)**

The Company recorded revenue from real estate sales amounting to ₱12,789.9 million for the year ended December 31, 2022, a decrease of 26.5% from ₱17,397.9 million last year. This was primarily attributable to the decrease in the overall completion rate of sold inventories of its business units specifically in the affordable segment as a result various factors such as (a) the impact of the extended payment terms granted to buyers during the pandemic specifically in the affordable segment. (b) the implementation of the community quarantine that slowed down construction activities in certain areas (c) the rainy season in the 2<sup>nd</sup> half of the year. The Company uses the Percentage of Completion method of revenue recognition where revenue is recognized in reference to the stages of development of the properties:

Rental income increased by 47.6% from ₱9,312.7 million for the year ended December 31, 2021 to ₱13,724.3 million for the year ended December 31, 2022. The increase was primarily attributable to the recovery of the malls, increase foot traffic and the contribution of newly opened commercial centers.

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Income from parking, hotel, mall administrative and processing fees and others decreased by 25.1% from ₱2,146.9 million for the year ended December 31, 2021 to ₱1,607.3 for the year ended December 31, 2022. The decrease was primarily attributable to the mall administrative and processing fees as well as loan processing fees from banks. Parking fees and hotel revenues posted increases for the year.

Cost of real estate sales decreased by 35.0% from ₱8,533.4 million for the year ended December 31, 2021 to ₱5,543.0 million for the year ended December 31, 2022 primarily due to the decrease in the overall recorded sales of Vista Land's business units specifically the provincial projects. The decrease was also due to cost efficiencies realized during the year as the decline in costs was significantly higher than the decline in real estate revenues.

Operating expenses decreased by 2.5% from ₱9,407.8 million for the year ended December 31, 2021 to ₱9,647.4 million for the year ended December 31, 2022 primarily due to the i) decrease in commission expenses from ₱829.7 million for the year ended December 31, 2021 to ₱606.1 million in the year ended December 31, 2022 due to decrease in real estate sales for the year and the shift to digital marketing and ii) a decrease in provision from impairment losses on receivables and investments from ₱443.3 million for the year ended December 31, 2021 to ₱21.7 million for the year ended December 31, 2022 due to the reduced probability of impairment for receivables and investments as situation are returning to normalcy.

Interest and other financing charges increased by 20.9% from ₱4,315.3 million for the year ended December 31, 2021 to ₱5,217.9 million for the year ended December 31, 2022. The decrease was primarily attributable decrease in interest bearing debt for the year and the lower capitalization rate for interest expense.

Provision for income tax increased by 3.2% from ₱1,957.6 million for the year ended December 31, 2021 to ₱2,021.1 million for the year ended December 31, 2022 primarily due to a higher taxable base for the year coming from the higher contribution of the commercial segment compared to prior year.

The Company's net income increased by 6.1% to ₱7,392.7 million for the year ended December 31, 2022 from ₱6,967.2 million for the year ended December 31, 2021. Core net income on the other hand increased by 10% to ₱7,667.9 million excluding loss of fire recorded at ₱275.2 million net of tax.

For the year ended December 31, 2022, except as discussed in *Note 36 – Other Matters* of the 2022 Financial Statements on the impact of the COVID-19 pandemic, there were no other seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations.

The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

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

## **REVIEW OF YEAR END 2021 VS YEAR END 2020**

	<b>2021</b>	<b>2020</b>	<b>Change</b>	
			<b>Value</b>	<b>%</b>
<b>REVENUE</b>				
Real estate	17,397.9	21,800.6	(4,402.6)	(20.2)%
Rental income	9,312.7	7,196.7	2,116.0	29.4%
Interest income from installment contracts receivable	774.4	628.2	146.2	23.3%
Parking, hotel, mall administrative and processing fees, and others	2,146.9	1,630.5	516.3	31.7%
	<b>29,631.97</b>	<b>31,256.08</b>	<b>(1,624.1)</b>	<b>(5.2)%</b>
<b>COSTS AND EXPENSES</b>				
Costs of real estate sales	8,533.4	12,020.7	(3,487.3)	(29.0)%
Operating expenses	9,407.8	9,084.9	322.9	3.6%
	<b>17,941.18</b>	<b>21,105.64</b>	<b>(3,164.5)</b>	<b>(15.0)%</b>
<b>OTHER INCOME (EXPENSES)</b>				
Interest income from investments and other income	1,549.4	1,437.3	112.2	7.8%
Interest and other financing Charges	(4,315.3)	(3,971.9)	(343.4)	8.6%
	<b>(2,765.89)</b>	<b>(2,534.64)</b>	<b>(231.3)</b>	<b>9.1%</b>
INCOME BEFORE INCOME TAX	8,924.90	7,615.80	1,309.1	17.2%
PROVISION FOR INCOME TAX	1,957.6	1,229.2	728.5	59.3%
<b>NET INCOME</b>	<b>6,967.25</b>	<b>6,386.61</b>	<b>580.6</b>	<b>9.1%</b>

### **Revenues**

#### ***Real Estate***

The Company recorded revenue from real estate sales amounting to ₱17,397.9 million for the year ended December 31, 2021, a decrease of 20% from ₱21,800.6 million in same period last year. This was primarily attributable to the decrease in the overall completion rate of sold inventories of its business units as a result of the community quarantine implemented on during the year that prohibited construction activities specifically in the provincial areas. The Company uses the Percentage of completion method of revenue recognition where revenue is recognized in reference to the stages of development of the properties.

- Real estate revenue of Brittany increased by to ₱504.4 million for the year ended December 31, 2021 from ₱19.1 million in the same period last year. The increase was principally attributable to the increase in the number of completed sold units for the year of projects in the Mega Manila area in the high-end housing segment.
- Real estate revenue from Vista Residences slightly increased by 2% to ₱2,512.1 million for the year ended December 31, 2021 from ₱2,467.1 million for the year ended December 31, 2020. This increase was principally attributable to

the increase in the number of sold condominium units completed or under construction during the year including that of the prior years. Vista Residences is the business unit of Vista Land that develops and sells vertical projects across the Philippines.

- Real estate revenue of Camella Homes decreased by 18% to ₱7,197.5 million for the year ended December 31, 2021 from ₱8,808.9 million for the year ended December 31, 2019. This was principally attributable to the decrease in the number of sold homes completed or under construction in the Mega Manila area in the affordable housing segment during the year.
- Real estate revenue of Communities Philippines decreased by 31% to ₱6,709.9 million for the year ended December 31, 2021 from ₱9,712.4 million for the year ended December 31, 2019. This was principally attributable to the decrease in the number of sold homes completed or under construction outside the Mega Manila area in the affordable housing segment during the year.
- Real estate revenue of Crown Asia decreased by 40% to ₱474.1 million for the year ended December 31, 2020 from ₱793.1 million for the year ended December 31, 2019. The decrease was principally attributable to the decrease in the number of completed units sold for the year of projects in the Mega Manila area in the middle-income housing segment.

### ***Rental income***

Rental income increased by 29% from ₱7,196.7 million for the year ended December 31, 2020 to ₱9,312.7million for the year ended December 31, 2021. The increase was primarily attributable to the recovery of the malls due primarily to the tenant mix of the malls being majority essential which registered improve sales during the year. In addition, the group provided some concession to tenants on a case by case rather than an across the board concessions.

### ***Interest income from installment contract receivable and investments***

Interest income from installment contract receivable and investments slightly increased by 13% from ₱2,065.5 million for the year ended December 31, 2020 to ₱2,323.9 for the year ended December 31, 2021. The increase was primarily attributable to the increase in interest income from investments of 8% to ₱1,549.4 million for the year ended December 31, 2021 and the increase in the interest income from installment contract receivables of 23% to ₱774.4 million for the year ended December 31, 2020.

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

Income from parking, hotel, mall administrative and processing fees and others increased by 32% from ₱1,630.5 million for the year ended December 31, 2020 to ₱2,146.9 for the year ended December 31, 2021. The increase was primarily attributable to the 63% increase in our income from mall administrative and processing fee to ₱890.9 million, 84% increase in income from our hotel operations to ₱89.3 million for the year ended December 31, 2021, a 4% increase from parking fees from our malls to ₱121.9



million. All were attributable to the increased in activities as the alert level restrictions were decreased.

### **Costs and Expenses**

Cost and expenses decreased by 15% to ₱17,941.2 million for the year ended December 31, 2021 from ₱21,105.6 million for the year ended December 31, 2020.

- Cost of real estate sales decreased by 29% from ₱12,020.7 million for the year ended December 31, 2020 to ₱8,533.4 million for the year ended December 31, 2021 primarily due to the decrease in the overall recorded sales of Vista Land's business units specifically the provincial projects. The company also recorded a non-cash adjustment to cost out borrowing costs previously capitalized on certain real estate inventories sold during the year.
- Operating expenses increased by 4% from ₱9,084.9 million for the year ended December 31, 2020 to ₱9,407.8 million for the year ended December 31, 2021 primarily due to the following:
  - an increase in depreciation and amortization from ₱2,247.7 million for the year ended December 31, 2020 to ₱2,686.6 million for the year ended December 31, 2020 due the increase in the investment properties and property and equipment.
  - a decrease in advertising and promotions from ₱714.0 million for the year ended December 31, 2020 to ₱314.5 million for the year ended December 31, 2020 resulting from subsequent decrease in marketing expenses due to the pandemic and shift to digital marketing.
  - a decrease in commission expenses from ₱1,031.5 million for the year ended December 31, 2020 to ₱829.7 million in the year ended December 31, 2021 due to decrease in real estate sales for the year and to the shift to digital marketing.

### ***Interest and other financing charges***

Interest and other financing charges increased by 9% from ₱3,971.9 million for the year ended December 31, 2020 to ₱4,315.3 million for the year ended December 31, 2021.

The increase was primarily attributable increase in interest bearing debt for the year.

### **Provision for Income Tax**

Provision for income tax decreased by 59% from ₱1,229.2 million for the year ended December 31, 2020 to ₱1,957.6 million for the year ended December 31, 2021 primarily due to a higher taxable base for the year coming from the higher contribution of the commercial segment compared to prior year.

## **Net Income**

As a result of the foregoing, the Company's net income increased by 9% to ₱6,967.2 million for the year ended December 31, 2021 from ₱6,386.6 million for the year ended December 31, 2020.

For the year ended December 31, 2021, except as discussed in *Notes 36 – Other Matters* of the 2021 Financial Statements on the impact of the COVID-19 pandemic, there were no other seasonal aspects that had a material effect on the financial condition or results of operations of the Company.

Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations.

The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

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

## FINANCIAL CONDITION

As of December 31, 2021 vs. December 31, 2020

	2021	2020	Change	
			Amount	%
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	11,856.66	7,785.79	4,070.86	52.3%
Short-term cash investments	336.02	116.93	219.09	187.4%
Investments at amortized cost	15,751.51	7,721.20	8,030.31	104.0%
Current portion of:				
Receivables	50,916.73	43,140.00	7,776.73	18.0%
Cost to obtain contract	448.19	821.41	(373.21)	(45.4)%
Receivables from related parties	-	5,687.75	(5,687.75)	(100.0)%
Real estate inventories	49,596.88	44,371.14	5,225.74	11.8%
Other current assets	5,587.21	5,829.97	(242.76)	(4.2)%
Total Current Assets	134,493.20	115,474.19	19,019.01	16.5%
<b>Noncurrent Assets</b>				
Investments at amortized cost	34,065.94	33,972.09	93.85	0.3%
Investments at fair value through other comprehensive income	124.50	116.50	8.00	6.9%
Receivables - net of current portion	20,316.70	21,487.83	(1,171.12)	(5.5)%
Cost to obtain contract - net of current portion	450.47	460.31	(9.84)	(2.1)%
Project development costs	7,359.24	2,681.40	4,677.84	174.5%
Investment in an associate	458.77	-	458.77	0.0%
Property and equipment	2,316.89	2,305.50	11.39	0.5%
Investment properties	112,991.83	105,872.92	7,118.91	6.7%
Goodwill	147.27	147.27	-	0.0%
Pension assets	282.97	164.01	118.96	72.5%
Deferred tax assets - net	48.38	188.11	(139.72)	(74.3)%
Other noncurrent assets	930.46	1,186.65	(256.19)	(21.6)%
Total Noncurrent Assets	179,493.43	168,582.58	10,910.85	6.5%
	<b>313,986.63</b>	<b>284,056.77</b>	<b>29,929.86</b>	<b>10.5%</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current Liabilities</b>				
Accounts and other payables	15,221.45	16,770.31	(1,548.86)	(9.2)%
Security deposits and unearned rental income	1,729.27	839.84	889.43	105.9%
Income tax payable	49.68	109.27	(59.59)	(54.5)%
Dividends payable	15.86	28.10	(12.25)	(43.6)%
Current portion of:	-	-		
Contract liabilities	1,234.63	2,545.17	(1,310.55)	(51.5)%
Notes payable	24,170.71	5,647.21	18,523.50	328.0%
Bank loans	8,067.32	7,177.33	889.99	12.4%
Loans payables	3,460.15	3,195.01	265.14	8.3%
Lease liabilities	348.21	202.00	146.22	72.4%
Total Current Liabilities	54,297.26	36,514.23	17,783.03	48.7%

(Forward)

	2021	2020	Change	
			Amount	%
<b>Noncurrent Liabilities</b>				
Contract liabilities- net of current portion	566.84	133.57	433.27	324.4%
Notes payable - net of current portion	83,759.53	93,356.36	(9,596.83)	(10.3)%
Bank loans - net of current portion	48,925.02	35,196.45	13,728.57	39.0%
Loans payable - net of current portion	319.37	1,126.89	(807.52)	(71.7)%
Lease liabilities - net of current portion	5,087.63	2,472.86	2,614.77	105.7%
Deferred tax liabilities - net	4,982.65	4,025.69	956.96	23.8%
Other noncurrent liabilities	3,521.41	5,551.07	(2,029.67)	(36.6)%
<b>Total Noncurrent Liabilities</b>	<b>147,162.44</b>	<b>141,862.89</b>	<b>5,299.54</b>	<b>3.7%</b>
<b>Total Liabilities</b>	<b>201,459.70</b>	<b>178,377.13</b>	<b>23,082.57</b>	<b>12.9%</b>
<b>Equity</b>				
Attributable to equity holders of the Parent Company				
Common stock	13,114.14	13,114.14	-	0.0%
Preferred stock	33.00	33.00	-	0.0%
Additional paid-in capital	30,655.43	30,655.43	-	0.0%
Treasury shares	(7,740.26)	(7,740.26)	-	0.0%
Retained earnings	72,539.57	66,411.67	6,127.90	9.2%
Other comprehensive income	778.07	585.60	192.47	32.9%
	109,379.95	103,059.58	6,320.37	6.1%
Non-controlling interest	3,146.98	2,620.07	526.92	20.1%
<b>Total Equity</b>	<b>112,526.93</b>	<b>105,679.64</b>	<b>6,847.28</b>	<b>6.5%</b>
	<b>313,986.63</b>	<b>284,056.77</b>	<b>29,929.86</b>	<b>10.5%</b>

Total assets as of December 31, 2021 were ₱313,986.6 million compared to ₱284,056.8 million as of December 31, 2019, or a 11% increase. This was due to the following:

- Cash and cash equivalents including short term and long-term cash investments, available-for-sale financial assets (excluding equity securities), held-to-maturity investments and investments at amortized costs slightly increased by 25% from ₱49,596.0 million as of December 31, 2020 to ₱62,0101.1 million as of December 31, 2021 due primarily to cash from operations and financing activities.
- Investments at fair value through other comprehensive income increased from ₱116.5 million as of December 31, 2020 to ₱124.5 million as of December 31, 2021 due to the increase in fair value of quoted equity securities for the year.
- Receivables including non-current portion thereof increased by 10% from ₱64,627.8 million as of December 31, 2020 to ₱71,233.4 million as of December 31, 2021 due to an increase in the various receivables of the company such as installment contracts receivable, accounts receivable from tenants, and accrued rental receivables.

- Receivables from related parties – net/advances to a related party increased by 7% from ₱5,687.7 million as of December 31, 2020 to ₱6,085.2 million as of December 31, 2021 due to additional advances for the year.
- Real estate inventories including raw land for residential development and construction materials increased by 12% from ₱44,371.1 million as of December 31, 2020 to ₱49,596.9 million as of December 31, 2021 due to the increase in the subdivision land for sale as well as the increase in the construction materials which is included in the account.
- Project development costs decreased by 52% from ₱2,681.4 million as of December 31, 2020 to ₱1,274.1 million as of December 31, 2021 due settlements for the year.
- Investment properties increased by 7% from ₱105,872.9 million as of December 31, 2020 to ₱112,991.8 million as of December 31, 2021 due primarily to the additions to commercial developments during the year as well as the increase in the right of use asset for leased properties.
- Pension assets increased by 73% to ₱283.0 million as of December 31, 2021 from ₱164.0 million as of December 31, 2020 as a result of actuarial adjustment for the company's retirement program.
- Other assets, cost to obtain contract including current portions thereof decreased by 11% from ₱8,298.3 million as of December 31, 2020 to ₱7,416.3 million as of December 31, 2021 due primarily the decrease in cost to obtain contract.

Total liabilities as of December 31, 2021 were ₱201,459.7 million compared to ₱178,377.1 million as of December 31, 2020, or a 3% increase. This was due to the following:

- Accounts and other payables decreased by 9% to ₱15,221.4 million as of December 31, 2021 from ₱16,770.3 million as of December 31, 2020 due to the increase in the various payables and decrease in the current portion of retention payable due to longer than usual completion of projects due to quarantine restrictions imposed by the Government specifically in the provincial areas.
- Current portion of security deposits and advance rent increased by 106% to ₱1,729.3 million as of December 31, 2021 from ₱839.8 million as of December 31, 2020 due to renewal of lease contract and new tenants of our commercial segment..
- Income tax payable decreased by 55% from ₱109.3 million as of December 31, 2020 to ₱109.3 million as of December 31, 2021 due primarily to the application of creditable withholding taxes for the year.

- Dividend payable decreased by 44% from ₱28.1 million as of December 31, 2020 to ₱15.8 as of December 31, 2021 due primarily to the lower dividends declared during the year.
- Notes payable including non-current portion increased by 9% from ₱99,003.6 million as of December 31, 2020 to ₱107,930.2 million as of December 31, 2021 due primarily to the issuance of dollar notes during the year.
- Bank loans including non-current portion increased by 34% from ₱42,373.8 million as of December 31, 2020 to ₱56,992.3 million as of December 31, 2021 due primarily to the availments during the year.
- Loans payable including non-current portion decreased by 13% from ₱4,321.9 million as of December 31, 2019 to ₱3,779.5 million as of December 31, 2020 due to settlements during the year.
- Lease Liabilities including non-current portion increased by 13% from ₱2,674.9 million as of December 31, 2019 to ₱5,435.8 million as of December 31, 2020 due to renewal of a land lease that resulted to a higher lease liabilities recognition.
- Deferred tax liabilities – net increased by 29% from ₱3,837.6 million as of December 31, 2020 to ₱4,924.3 million as of December 31, 2021 due to the additional deferred tax liabilities recognized for the year.
- Other noncurrent liabilities decreased by 37% from ₱5,551.1 million as of December 31, 2020 to ₱3,521.4 million as of December 31, 2020 due primarily to the decrease in the retention payable as well as increase in security deposits and advance rent for the year.

Total stockholder's equity increased by 6% from ₱105,679.6 million as of December 31, 2020 to ₱112,526.9 million as of December 31, 2020 due to the net income recorded for the year ended December 31, 2020 and increase in non-controlling interest.

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

<b>Key Performance Indicators</b>	<b>12/31/2021</b>	<b>12/31/2020</b>
Current ratio <sup>(a)</sup>	2.48:1	3.16:1
Liability-to-equity ratio <sup>(b)</sup>	1.79:1	1.69:1
Interest expense/Income before Interest expense <sup>(c)</sup>	32.6%	34.3%
Return on assets <sup>(d)</sup>	2.2%	2.2%
Return on equity <sup>(e)</sup>	6.2%	6.0%

*Notes:*

- (a) Current Ratio: This ratio is obtained by dividing the Current Assets of the Company by its Current liabilities. This ratio is used as a test of the Company's liquidity.*
  - (b) Liability-to-equity ratio: This ratio is obtained by dividing the Company's Total Liabilities by its Total Equity. The ratio reveals the proportion of liability and equity a company is using to finance its business. It also measures a company's borrowing capacity.*
  - (c) Interest expense/Income before interest expense: This ratio is obtained by dividing interest expense for the period by its income before interest expense. This ratio shows whether a company is earning enough profits before interest to pay its interest cost comfortably*
  - (d) Return on assets: This ratio is obtained by dividing the Company's net income by its total assets. This measures the Company's earnings in relation to all of the resources it had at its disposal.*
  - (e) Return on equity: This ratio is obtained by dividing the Company's net income by its total equity. This measures the rate of return on the ownership interest of the Company's stockholders.*
- Because there are various calculation methods for the performance indicators above, the Company's presentation of such may not be comparable to similarly titled measures used by other companies.*

Current ratio as of December 31, 2021 decreased from that of December 31, 2020 due primarily to the increase in the current liabilities specifically the notes payable.

Liability-to-equity ratio increased due to the increase in the interest bearing debt of the Group.

Interest expense as a percentage of income before interest expense decreased in the year ended December 31, 2021 compared to the ratio for the year ended December 31, 2020 due to the higher income before interest expense for the year.

Return on asset remained the same for the year ended December 31, 2021 compared to that on December 31, 2020.

Return on equity was flat for the year ended December 31, 2021 compared to that on December 31, 2020.

**Material Changes to the Company's Balance Sheet as of December 31, 2021 compared to December 31, 2020 (increase/decrease of 5% or more)**

Receivables including non-current portion thereof increased by 10% from ₱64,627.8 million as of December 31, 2020 to ₱71,233.4 million as of December 31, 2021 due to an increase in the various receivables of the company such as installment contracts receivable, accounts receivable from tenants, and accrued rental receivables.

Receivables from related parties – net/advances to a related party increased by 7% from ₱5,687.7 million as of December 31, 2020 to ₱6,085.2 million as of December 31, 2021 due to additional advances for the year.

Real estate inventories including raw land for residential development and construction materials increased by 12% from ₱44,371.1 million as of December 31, 2020 to ₱49,596.9 million as of December 31, 2021 due to the increase in the subdivision land for sale as well as the increase in the construction materials which is included in the account.

Project development costs decreased by 52% from ₱2,681.4 million as of December 31, 2020 to ₱1,274.1 million as of December 31, 2021 due settlements for the year.

Investment properties increased by 7% from ₱105,872.9 million as of December 31, 2020 to ₱112,991.8 million as of December 31, 2021 due primarily to the additions to commercial developments during the year as well as the increase in the right of use asset for leased properties.

Pension assets increased by 73% to ₱283.0 million as of December 31, 2021 from ₱164.0 million as of December 31, 2020 as a result of actuarial adjustment for the company's retirement program.

Other assets, cost to obtain contract including current portions thereof decreased by 11% from ₱8,298.3 million as of December 31, 2020 to ₱7,416.3 million as of December 31, 2021 due primarily the decrease in cost to obtain contract.

Accounts and other payables decreased by 9% to ₱15,221.4 million as of December 31, 2021 from ₱16,770.3 million as of December 31, 2020 due to the increase in the various payables and decrease in the current portion of retention payable due to longer than usual completion of projects due to quarantine restrictions imposed by the Government specifically in the provincial areas.

Current portion of security deposits and advance rent increased by 106% to ₱1,729.3 million as of December 31, 2021 from ₱839.8 million as of December 31, 2020 due to renewal of lease contract and new tenants of our commercial segment..



Income tax payable decreased by 55% from ₱109.3 million as of December 31, 2020 to ₱109.3 million as of December 31, 2021 due primarily to the application of creditable withholding taxes for the year.

Dividend payable decreased by 44% from ₱28.1 million as of December 31, 2020 to ₱15.8 as of December 31, 2021 due primarily to the lower dividends declared during the year.

Notes payable including non-current portion increased by 9% from ₱99,003.6 million as of December 31, 2020 to ₱107,930.2 million as of December 31, 2021 due primarily to the issuance of dollar notes during the year.

Bank loans including non-current portion increased by 34% from ₱42,373.8 million as of December 31, 2020 to ₱56,992.3 million as of December 31, 2021 due primarily to the availments during the year.

Loans payable including non-current portion decreased by 13% from ₱4,321.9 million as of December 31, 2019 to ₱3,779.5 million as of December 31, 2020 due to settlements during the year.

Lease Liabilities including non-current portion increased by 13% from ₱2,674.9 million as of December 31, 2019 to ₱5,435.8 million as of December 31, 2020 due to renewal of a land lease that resulted to a higher lease liabilities recognition.

Deferred tax liabilities – net increased by 29% from ₱3,837.6 million as of December 31, 2020 to ₱4,924.3 million as of December 31, 2021 due to the additional deferred tax liabilities recognized for the year.

Other noncurrent liabilities decreased by 37% from ₱5,551.1 million as of December 31, 2020 to ₱3,521.4 million as of December 31, 2020 due primarily to the decrease in the retention payable as well as increase in security deposits and advance rent for the year.

Total stockholder's equity increased by 6% from ₱105,679.6 million as of December 31, 2020 to ₱112,526.9 million as of December 31, 2020 due to the net income recorded for the year ended December 31, 2020 and increase in non-controlling interest.

**Material Changes to the Company's Statement of Income for the year ended December 31, 2021 compared to the year ended December 31, 2020 (increase/decrease of 5% or more)**

Revenue from real estate sales amounting to ₱17,397.9 million for the year ended December 31, 2021, a decrease of 20% from ₱12,800.6 million in same period last year. This was primarily attributable to the decrease in the overall completion rate of sold inventories of its business units as a result of the enhanced community quarantine ("ECQ") implemented on during the year that prohibited construction activities specifically in provincial areas. The Company uses the Percentage of

completion method of revenue recognition where revenue is recognized in reference to the stages of development of the properties.

Rental income increased by 29% from ₱7,196.7 million for the year ended December 31, 2020 to ₱9,312.7 million for the year ended December 31, 2021.

The increase was primarily attributed to the recovery of the malls due primarily to the tenant mix of the malls being majority essential which registered improved sales during the year. In addition, the group provided some concession to tenants on a case by case rather than an across the board concessions.

Income from parking, hotel, mall administrative and processing fees and others increased by 32% from ₱1,630.5 million for the year ended December 31, 2020 to ₱2,146.9 for the year ended December 31, 2021. The increase was primarily attributable to the 63% increase in our income from mall administrative and processing fee to ₱890.9 million, 84% increase in income from our hotel operations to ₱89.3 million for the year ended December 31, 2021, a 4% increase from parking fees from our malls to ₱121.9 million. All were attributable to the increased in activities as the alert level restrictions were decreased.

Cost of real estate sales decreased by 29% from ₱12,020.7 million for the year ended December 31, 2020 to ₱8,533.4 million for the year ended December 31, 2021 primarily due to the decrease in the overall recorded sales of Vista Land's business units specifically the provincial projects. The company also recorded a non-cash adjustment to cost out borrowing costs previously capitalized on certain real estate inventories sold during the year.

Operating expenses increased by 4% from ₱9,084.9 million for the year ended December 31, 2020 to ₱9,407.8 million for the year ended December 31, 2021 primarily due to i) an increase in depreciation and amortization from ₱2,247.7 million for the year ended December 31, 2020 to ₱2,686.6 million for the year ended December 31, 2020 due the increase in the investment properties and property and equipment, ii) a decrease in advertising and promotions from ₱714.0 million for the year ended December 31, 2020 to ₱314.5 million for the year ended December 31, 2020 resulting from subsequent decrease in marketing expenses due to the pandemic and shift to digital marketing, and, iii) a decrease in commission expenses from ₱1,031.5 million for the year ended December 31, 2020 to ₱829.7 million in the year ended December 31, 2021 due to decrease in real estate sales for the year and to the shift to digital marketing.

Interest and other financing charges increased by 9% from ₱3,971.9 million for the year ended December 31, 2020 to ₱4,315.3 million for the year ended December 31, 2021. The increase was primarily attributable increase in interest bearing debt for the year.

Provision for income tax decreased by 59% from ₱1,229.2 million for the year ended December 31, 2020 to ₱1,957.6 million for the year ended December 31, 2021 primarily due to a higher taxable base for the year coming from the higher contribution of the commercial segment compared to prior year.

Net income increased by 9% to ₱6,967.2 million for the year ended December 31, 2021 from ₱6,386.6 million for the year ended December 31, 2020.

For the year ended December 31, 2021, except as discussed in *Notes 36 – Other Matters* of the 2021 Financial Statements on the impact of the COVID-19 pandemic, there were no other seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

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

## **REVIEW OF YEAR END 2020 VS YEAR END 2019**

### **RESULTS OF OPERATIONS**

	<b>2020</b>	<b>2019</b>	<b>Change</b>	
			<b>Amount</b>	<b>%</b>
<b>REVENUE</b>				
Real estate	21,800.6	32,827.90	(11,027.37)	(33.60)%
Rental income	7,196.7	7,748.40	(551.69)	(7.10)%
Interest income from installment contracts receivable	628.2	576.8	51.46	8.90%
Parking, hotel, mall administrative and processing fees, and others	1,630.5	1,744.10	(113.59)	(6.50)%
	<u>31,256.08</u>	<u>42,897.27</u>	<u>(11,641.19)</u>	<u>(27.10)%</u>
<b>COSTS AND EXPENSES</b>				
Costs of real estate sales	12,020.7	15,768.50	(3,747.79)	(23.80)%
Operating expenses	9,084.9	11,487.10	(2,402.20)	(20.90)%
	<u>21,105.64</u>	<u>27,255.63</u>	<u>(6,149.99)</u>	<u>(22.60)%</u>
<b>OTHER INCOME (EXPENSES)</b>				
Interest income from investments and other income	1,437.3	1,508.9	(71.61)	(4.70)%
Interest and other financing charges	(3,971.90)	(3,971.90)	(3,971.90)	11.30%
	<u>(2,534.64)</u>	<u>(2,059.00)</u>	<u>(475.63)</u>	<u>23.10%</u>
<b>INCOME BEFORE INCOME TAX</b>	<u>7,615.80</u>	<u>13,582.63</u>	<u>(5,966.83)</u>	<u>(43.90)%</u>
<b>PROVISION FOR INCOME TAX</b>	<u>1,229.20</u>	<u>1,973.40</u>	<u>(744.23)</u>	<u>(37.70)%</u>
<b>NET INCOME</b>	<u><b>6,386.61</b></u>	<u><b>11,609.21</b></u>	<u><b>(5,222.60)</b></u>	<u><b>(45.00)%</b></u>

## **Revenues**

### ***Real Estate***

The Company recorded revenue from real estate sales amounting to ₱21,800.6 million for the year ended December 31, 2020, a decrease of 34% from ₱32,827.9 million in same period last year. This was primarily attributable to the decrease in the overall completion rate of sold inventories of its business units as a result of the enhanced community quarantine (“ECQ”) implemented on March 16, 2020 that prohibited construction activities. The Company uses the Percentage of completion method of revenue recognition where revenue is recognized in reference to the stages of development of the properties.

- Real estate revenue from Vista Residences slightly increased by 2% to ₱2,467.1 million for the year ended December 31, 2020 from ₱2,418.6 million for the year ended December 31, 2019. This increase was principally attributable to the increase in the number of sold condominium units completed or under construction during the year including that of the prior years. Vista Residences is the business unit of Vista Land that develops and sells vertical projects across the Philippines.
- Real estate revenue of Crown Asia decreased by 25% to ₱793.1 million for the year ended December 31, 2020 from ₱1,062.0million for the year ended December 31, 2019. The decrease was principally attributable to the decrease in the number of completed units sold for the year of projects in the Mega Manila area in the middle-income housing segment.
- Real estate revenue of Communities Philippines decreased by 34% to ₱9,712.4 million for the year ended December 31, 2020 from ₱14,608.9 million for the year ended December 31, 2019. This was principally attributable to the decrease in the number of sold homes completed or under construction outside the Mega Manila area in the affordable housing segment during the year.
- Real estate revenue of Camella Homes decreased by 38% to ₱8,808.9 million for the year ended December 31, 2020 from ₱14,284.7 million for the year ended December 31, 2019. This was principally attributable to the decrease in the number of sold homes completed or under construction in the Mega Manila area in the affordable housing segment during the year.
- Real estate revenue of Brittany decreased by 96% to ₱19.1 million for the year ended December 31, 2020 from ₱453.7million in the same period last year. The decrease was principally attributable to the decrease in the number of completed sold units for the year of projects in the Mega Manila area in the high-end housing segment.

### ***Rental income***

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

### ***Interest income from installment contract receivable and investments***

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

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

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

### **Costs and Expenses**

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

- Cost of real estate sales decreased by 24% from ₱15,768.5 million for the year ended December 31, 2019 to ₱12,020.7 million for the year ended December 31, 2020 primarily due to the decrease in the overall recorded sales of Vista Land's business units. The company also recorded a non-cash adjustment to cost out borrowing costs previously capitalized on certain real estate inventories sold during the year.
- Operating expenses decreased by 21% from ₱11,487.1 million for the year ended December 31, 2019 to ₱9,084.9 million for the year ended December 31, 2020 primarily due to the following:
  - a decrease in advertising and promotions from ₱1,428.0 million for the year ended December 31, 2019 to ₱714.0 million for the year ended December 31, 2020 resulting from subsequent decrease in marketing expenses due to the pandemic and shift to digital marketing.

- a decrease in occupancy costs from ₱1,167.3 million for the year ended December 31, 2019 to ₱499.7 million for the year ended December 31, 2020 due to the decrease in utilities expenses due to the implementation of telecommuting as a result of the implementation of the enhanced community quarantine in relation to the COVID-19 pandemic.
- a decrease in commission expenses from ₱1,566.7 million for the year ended December 31, 2019 to ₱1,031.5 million in the year ended December 31, 2020 due to decrease in real estate sales for the year and to the shift to digital marketing.

### ***Interest and other financing charges***

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

### **Provision for Income Tax**

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

### **Net Income**

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

For the year ended December 31, 2020, except as discussed in *Notes 36 – Other Matters* of the 2020 Financial Statements on the impact of the COVID-19 pandemic, there were no other seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

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

## FINANCIAL CONDITION

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

	2020	2019	Change	
			Amount	%
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	7,785.79	13,945.18	(6,159.38)	-44.2%
Short-term cash investments	116.93	210.82	(93.89)	-44.5%
Investments at amortized cost	7,721.20	2,103.61	5,617.59	267.0%
Current portion of:				
Receivables	43,140.00	38,438.30	4,701.70	12.2%
Cost to obtain contract	821.41	1,033.81	(212.40)	-20.5%
Receivables from related parties	5,687.75	5,155.59	532.16	10.3%
Real estate inventories	44,371.14	43,908.65	462.49	1.1%
Other current assets	5,829.97	5,519.01	310.96	5.6%
Total Current Assets	115,474.19	110,314.96	5,159.23	4.7%
			-	
<b>Noncurrent Assets</b>				
Investments at amortized cost	33,972.09	31,688.61	2,283.48	7.2%
Investments at fair value through other comprehensive income	116.50	117.50	(1.00)	-0.9%
Receivables - net of current portion	21,487.83	19,395.35	2,092.48	10.8%
Cost to obtain contract - net of current portion	460.31	532.14	(71.83)	-13.5%
Project development costs	2,681.40	4,150.61	(1,469.22)	-35.4%
Investment in an associate	-	-	-	
Property and equipment	2,305.50	2,547.29	(241.79)	-9.5%
Investment properties	105,872.92	101,434.88	4,438.04	4.4%
Goodwill	147.27	147.27	-	0.0%
Pension assets	164.01	267.88	(103.87)	-38.8%
Deferred tax assets - net	188.11	484.27	(296.16)	-61.2%
Other noncurrent assets	1,186.65	1,457.89	(271.24)	-18.6%
Total Noncurrent Assets	168,582.58	162,223.68	6,358.90	3.9%
	<b>284,056.77</b>	<b>272,538.64</b>	11,518.13	4.2%

## LIABILITIES AND EQUITY

<b>Current Liabilities</b>				
Accounts and other payables	16,770.31	13,164.06	3,606.25	27.4%
Security deposits and unearned rental income	839.84	1,469.50	(629.66)	-42.8%
Income tax payable	109.27	67.15	42.12	62.7%
Dividends payable	28.10	68.87	(40.77)	-59.2%
Current portion of:				
Contract liabilities	2,545.17	1,726.14	819.03	47.4%
Notes payable	5,647.21	2,440.68	3,206.53	131.4%
Bank loans	7,177.33	5,731.43	1,445.90	25.2%
Loans payables	3,195.01	3,131.44	63.56	2.0%
Lease liabilities	202.00	32.71	169.28	517.5%
Total Current Liabilities	36,514.23	27,831.98	8,682.25	31.2%

(Forward)

	2020	2019	Change	
			Amount	%
<b>Noncurrent Liabilities</b>			-	
Contract liabilities- net of current portion	133.57	764.10	(630.53)	-82.5%
Notes payable - net of current portion	93,356.36	90,749.48	2,606.88	2.9%
Bank loans - net of current portion	35,196.45	41,443.71	(6,247.26)	-15.1%
Loans payable - net of current portion	1,126.89	273.54	853.35	312.0%
Lease liabilities - net of current portion	2,472.86	3,081.22	(608.36)	-19.7%
Deferred tax liabilities - net	4,025.69	4,007.77	17.92	0.4%
Other noncurrent liabilities	5,551.07	4,434.16	1,116.91	25.2%
<b>Total Noncurrent Liabilities</b>	<b>141,862.89</b>	<b>144,753.99</b>	<b>(2,891.09)</b>	<b>-2.0%</b>
<b>Total Liabilities</b>	<b>178,377.13</b>	<b>172,585.97</b>	<b>5,791.16</b>	<b>3.4%</b>
			-	
<b>Equity</b>			-	
Attributable to equity holders of the Parent Company			-	
Common stock	13,114.14	13,114.14	-	0.0%
Preferred stock	33.00	33.00	-	0.0%
Additional paid-in capital	30,655.43	30,655.43	-	0.0%
Treasury shares	(7,740.26)	(7,740.26)	-	0.0%
Retained earnings	66,411.67	60,952.95	5,458.73	9.0%
Other comprehensive income	585.60	633.49	(47.88)	-7.6%
	103,059.58	97,648.73	5,410.84	5.5%
Non-controlling interest	2,620.07	2,303.94	316.13	13.7%
<b>Total Equity</b>	<b>105,679.64</b>	<b>99,952.67</b>	<b>5,726.97</b>	<b>5.7%</b>
	<b>284,056.77</b>	<b>272,538.64</b>	<b>11,518.13</b>	<b>4.2%</b>

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

- Cash and cash equivalents including short term and long-term cash investments, available-for-sale financial assets (excluding equity securities), held-to-maturity investments and investments at amortized costs slightly increased by 3% from ₱47,948.2million as of December 31, 2019 to ₱49,596.0 million as of December 31, 2020 due primarily to the cash conversation measures especially on the cutting of capital expenditure program for the year.
- Investments at fair value through other comprehensive income slightly decreased from ₱117.5 million as of December 31, 2019 to ₱116.5 million as of December 31, 2020 due to the decrease in fair value of quoted equity securities for the year.
- Receivables including non-current portion thereof increased by 12% from ₱57,833.6 million as of December 31, 2019 to ₱64,627.8 million as of December 31, 2020 due to an increase in the various receivables of the Company such as installment contracts receivable, accounts receivable from tenants, and accrued



rental receivables primarily because of the availment of payment deferrals by some buyers and customers.

- Receivables from related parties - net increased by 10% from ₱5,155.6 million as of December 31, 2019 to ₱5,687.7 million as of December 31, 2020 due to payments made by the Group on certain advances from the Parent Company during the year.
- Real estate inventories including raw land for residential development and construction materials slightly increased by 1% from ₱43,908.7 million as of December 31, 2019 to ₱44,371.1 million as of December 31, 2020 due to the projects launched during the year.
- Project development costs decreased by 35% from ₱4,150.6 million as of December 31, 2019 to ₱2,681.4 million as of December 31, 2020 due to settlements for the year.
- Property and equipment decreased by 9% from ₱2,547.3 million as of December 31, 2019 to ₱2,305.5 million as of December 31, 2020 due to the corresponding depreciation and no new substantial acquisitions for the year.
- Investment properties increased by 4% from ₱101,434.9 million as of December 31, 2019 to ₱105,872.9 million as of December 31, 2020 due primarily to the additions to commercial developments during the year.
- Pension assets decreased by 39% to ₱164.0 million as of December 31, 2020 from ₱267.9 million as of December 31, 2019 as a result of actuarial adjustment for the company's retirement program.
- Other assets, cost to obtain contract including current portions thereof decreased by 3% from ₱8,542.8 million as of December 31, 2019 to ₱8,298.3 million as of December 31, 2020 due primarily to the decrease in cost to obtain contract.

Total liabilities as of December 31, 2020 were ₱178,377.1 million compared to ₱172,586.0 million as of December 31, 2019, or a 3% increase. This was due to the following:

- Accounts and other payables increased by 27% to ₱16,770.3 million as of December 31, 2020 from ₱13,164.1 million as of December 31, 2019 due to the increase in trade payables and other payables specifically current portion of retention payable due to longer than usual completion of projects due to quarantine restrictions imposed by the Government.
- Current portion of security deposits and advance rent decreased by 43% to ₱839.8 million as of December 31, 2020 from ₱1,469.5 million as of

December 31, 2019 due to renewal of contract that resulted to reclassification of the payables to noncurrent.

- Income tax payable increased by 63% from ₱67.1 million as of December 31, 2019 to ₱109.3 million as of December 31, 2020 due primarily to higher tax payable after the application of creditable withholding taxes for the year.
- Dividend payable decreased by 59% from ₱68.9 million as of December 31, 2019 to ₱28.1 as of December 31, 2020 due primarily to the lower dividends declared during the year.
- Notes payable including non-current portion increased by 6% from ₱93,190.2 million as of December 31, 2019 to ₱99,003.6 million as of December 31, 2020 due primarily to the issuance of dollar notes during the year.
- Bank loans including non-current portion decreased by 10% from ₱47,175.1 million as of December 31, 2019 to ₱42,375.1 as of December 31, 2020 due primarily to the settlements during the year.
- Loans payable including non-current portion increased by 27% from ₱3,405.0 million as of December 31, 2019 to ₱4,321.9 million as of December 31, 2020 due to increase in sold receivables during the year.
- Deferred tax liabilities – net increased by 9% from ₱3,523.5 million as of December 31, 2019 to ₱3,837.6 million as of December 31, 2020 due to the additional deferred tax liabilities recognized for the year.
- Other noncurrent liabilities increased by 25% from ₱4,434.2 million as of December 31, 2019 to ₱5,551.1 million as of December 31, 2020 due primarily to the increase in the retention payable as well as increase in security deposits and advance rent for the year.

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

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

<b>Key Performance Indicators</b>	<b>12/31/2020</b>	<b>12/31/2019</b>
Current ratio <sup>(a)</sup>	3.16:1	3.96:1
Liability-to-equity ratio <sup>(b)</sup>	1.69:1	1.73:1
Interest expense/Income before Interest expense <sup>(c)</sup>	34.3%	20.8%
Return on assets <sup>(d)</sup>	2.2%	4.3%
Return on equity <sup>(e)</sup>	6.0%	11.6%

Notes:

- (a) *Current Ratio: This ratio is obtained by dividing the Current Assets of the Company by its Current liabilities. This ratio is used as a test of the Company's liquidity.*
- (b) *Liability-to-equity ratio: This ratio is obtained by dividing the Company's Total Liabilities by its Total Equity. The ratio reveals the proportion of liability and equity a company is using to finance its business. It also measures a company's borrowing capacity.*
- (c) *Interest expense/Income before interest expense: This ratio is obtained by dividing interest expense for the period by its income before interest expense. This ratio shows whether a company is earning enough profits before interest to pay its interest cost comfortably*
- (d) *Return on assets: This ratio is obtained by dividing the Company's net income by its total assets. This measures the Company's earnings in relation to all of the resources it had at its disposal.*
- (e) *Return on equity: This ratio is obtained by dividing the Company's net income by its total equity. This measures the rate of return on the ownership interest of the Company's stockholders.*
- (f) *Because there are various calculation methods for the performance indicators above, the Company's presentation of such may not be comparable to similarly titled measures used by other companies.*

Current ratio as of December 31, 2020 decreased from that of December 31, 2019 due primarily to the increase in the current liabilities specifically the lease liabilities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For the year ended December 31, 2020, except as discussed in *Notes 36 – Other Matters* of the 2020 Financial Statements on the impact of the COVID-19 pandemic, there were no other seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

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

## Significant Subsidiaries

### 1. Vistamalls, Inc. (VMI) (formerly *Starmalls, Inc.* - STR)

The table below presents VMI's information on revenues, net income and financial soundness indicators, all before elimination of intercompany transactions, as of and for the years ended December 31, 2022, 2021, and 2020.

	VMI (formerly – STR)					
	For the years ended December 31,			As a % of VLL Group's		
	2020	2021	2022	2020	2021	2022
		(millions)			(%)	
Gross revenues	7,273.07	9,226.07	12,142.52	23.27%	31.14%	42.10%
Net income	2,720.68	4,970.38	8,366.85	42.60%	71.34%	113.18%

	VMI (formerly – STR)		
	For the years ended December 31,		
	2020	2021	2022
Current ratio <sup>1</sup>	0.33	0.37	0.44
Liability to Equity ratio <sup>2</sup>	1.79	0.63	0.60
Net income margin <sup>3</sup>	37.41%	47.77%	68.91%
Return on Equity <sup>4</sup>	10.29%	5.46%	9.14%
Return on Asset <sup>5</sup>	3.69%	5.46%	9.14%

1. Current ratio = Current Assets divided by Current Liabilities

2. Debt ratio = Total Liabilities divided by Total Assets

3. Net Income Margin = Net Income divided by Revenue

4. Return on Equity = Net Income divided by Total Equity

5. Return on Asset = Net Income divided by Total Asset

## 2. Household Development Corporation (HDC)

The table on the next page presents HDC's information on revenues, net income and financial soundness indicators, all before elimination of intercompany transactions, as of and for the years ended December 31, 2022, 2021, and 2020.

	HDC					
	For the years ended December 31,			As a % of VLL Group's		
	2020	2021	2022	2020	2021	2022
		(millions)			(%)	
Gross revenues	2,153.02	3,448.34	2,125.48	6.89%	11.64%	7.37%
Net income	428.17	1,090.59	683.47	6.70%	15.65%	9.25%

	HDC		
	For the years ended December 31,		
	2020	2021	2022
Current ratio <sup>1</sup>	1.05	0.88	0.85
Liability to Equity ratio <sup>2</sup>	0.98	1.39	1.53
Net income margin <sup>3</sup>	19.89%	31.63%	32.16%
Return on Equity <sup>4</sup>	2.29%	6.86%	4.57%
Return on Asset <sup>5</sup>	1.16%	2.87%	1.80%

1. Current ratio = Current Assets divided by Current Liabilities
2. Debt ratio = Total Liabilities divided by Total Assets
3. Net Income Margin = Net Income divided by Revenue
4. Return on Equity = Net Income divided by Total Equity
5. Return on Asset = Net Income divided by Total Asset

## 3. Prima Casa Land & Houses, Inc. (PCLHI)

The table below presents PCLHI's information on revenues, net income and financial soundness indicators, all before elimination of intercompany transactions, as of and for the years ended December 31, 2022, 2021, and 2020.

	PCLHI					
	For the years ended December 31,			As a % of VLL Group's		
	2020	2021	2022	2020	2021	2022
		(millions)			(%)	
Gross revenues	10,179.06	4,714.70	957.91	32.57%	15.91%	3.32%
Net income	5,202.62	1,566.05	140.52	81.46%	22.48%	1.90%

	PCLHI		
	For the years ended December 31,		
	2020	2021	2022
Current ratio <sup>1</sup>	1.60	1.43	1.47
Liability to Equity ratio <sup>2</sup>	1.46	1.49	2.08
Net income margin <sup>3</sup>	51.11%	33.22%	14.67%
Return on Equity <sup>4</sup>	58.97%	17.16%	2.21%
Return on Asset <sup>5</sup>	23.92%	6.90%	0.72%

1. Current ratio = Current Assets divided by Current Liabilities
2. Debt ratio = Total Liabilities divided by Total Assets
3. Net Income Margin = Net Income divided by Revenue
4. Return on Equity = Net Income divided by Total Equity
5. Return on Asset = Net Income divided by Total Asset



#### 4. Vista Residences, Inc. (VRI)

The table below presents VRI's information on revenues, net income and financial soundness indicators, all before elimination of intercompany transactions, as of and for the years ended December 31, 2022, 2021, and 2020.

	VRI					
	For the years ended December 31,			As a % of VLL Group's		
	2020	2021	2022	2020	2021	2022
		(millions)			(%)	
Gross revenues	2,904.32	2,512.11	2,505.87	9.29%	10.64%	8.69%
Net income	453.47	880.27	3,540.84	7.10%	12.67%	47.90%

	VRI		
	For the years ended December 31,		
	2020	2021	2022
Current ratio <sup>1</sup>	0.87	0.92	1.08
Liability to Equity ratio <sup>2</sup>	2.90	3.62	1.73
Net income margin <sup>3</sup>	15.61%	35.04%	141.30%
Return on Equity <sup>4</sup>	8.54%	14.72%	42.85%
Return on Asset <sup>5</sup>	2.19%	4.07%	15.71%

1. Current ratio = Current Assets divided by Current Liabilities
2. Debt ratio = Total Liabilities divided by Total Assets
3. Net Income Margin = Net Income divided by Revenue
4. Return on Equity = Net Income divided by Total Equity
5. Return on Asset = Net Income divided by Total Asset

#### 5. Communities Bulacan, Inc. (CBI)

The table below presents CBI's information on revenues, net income and financial soundness indicators, all before elimination of intercompany transactions, as of and for the years ended December 31, 2022, 2021, and 2020.

	CBI					
	For the years ended December 31,			As a % of VLL Group's		
	2020	2021	2022	2020	2021	2022
		(millions)			(%)	
Gross revenues	1,356.59	1,924.96	1,235.56	4.34%	6.50%	4.28%
Net income	599.49	908.72	468.25	9.39%	13.04%	6.33%

	CBI		
	For the years ended December 31,		
	2020	2021	2022
Current ratio <sup>1</sup>	1.96	2.30	2.10
Liability to Equity ratio <sup>2</sup>	0.84	0.68	0.60
Net income margin <sup>3</sup>	44.19%	47.21%	37.90%
Return on Equity <sup>4</sup>	18.70%	22.39%	10.76%
Return on Asset <sup>5</sup>	10.17%	13.35%	6.72%

1. Current ratio = Current Assets divided by Current Liabilities
2. Debt ratio = Total Liabilities divided by Total Assets
3. Net Income Margin = Net Income divided by Revenue
4. Return on Equity = Net Income divided by Total Equity
5. Return on Asset = Net Income divided by Total Asset

## Other Information

- i. Any known trends or any known demands, commitments, events or uncertainties that will result in or that will have a material impact on the company's liquidity. – None.
- ii. Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation. – None.
- iii. All 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.

## Capital Expenditures

The table below sets out the Company's capital expenditures in 2020, 2021 and 2022.

	<b>Expenditure</b>
	<i>(in ₪ millions)</i>
2020 (actual)	24,611.4
2021 (actual)	21,139.6
2022 (actual)	22,516.3

The Company has historically sourced funding for capital expenditures through internally-generated funds and long-term borrowings.

Components of the Company's capital expenditures for 2020, 2021 and 2022 are summarized below:

	<b>For the years ended December 31,</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>(in ₪ millions)</i>		
Land acquisition/Advances to joint venture partners	2,391.50	1,646.59	1,353.8
Land development	5,769.40	5,096.43	5,539.3
Construction	16,450.60	14,396.58	15,623.3
<b>Total</b>	<b>24,611.4</b>	<b>21,139.6</b>	<b>22,516.3</b>

#### IV. NATURE AND SCOPE OF BUSINESS

**Vista Land & Lifescapes, Inc. (Vista Land)** is one of the leading integrated property developers in the Philippines and the largest homebuilder in the country overall. The Company believes that it is one of the few leading integrated property developers in the Philippines that is focused on the affordable market segment. The Company operates its residential property development business and commercial property development business through six distinct business units. Brittany, Crown Asia, Camella Homes, Communities Philippines and Vista Residences are focused on residential property development while Vistamalls is involved in commercial property development. Briefly, these business units may be distinguished as follows:

- **Brittany.** Brittany caters to the high-end market segment in Mega Manila, offering luxury houses in master-planned communities, priced at ₱10.0 million to ₱100.0 million;
- **Crown Asia.** Crown Asia caters to the upper mid-cost housing segment in Mega Manila, primarily offering houses priced between ₱6.0 million to ₱35.0 million;
- **Camella Homes.** For over 40 years, Camella Homes has serviced the affordable housing segment (houses priced from ₱3.0 million to ₱12.0 million) in the Mega Manila area. Camella Homes markets its houses primarily under the “Camella” brand. According to the 2022 Philippine Survey and Research Center (“PSRC”) “MANA 2022” Study, Camella was acknowledged as the most preferred brand overall in the Philippine housing market, with a brand awareness rate of 93%;
- **Communities Philippines.** Communities Philippines and its subsidiaries offer residential properties outside the Mega Manila area under the “Camella” and “Crown Asia” brands. The Company believes that Communities Philippines and its subsidiaries have the widest coverage of developments in the regions outside Mega Manila of any homebuilder in the Philippines and utilizes Camella Homes’ and Crown Asia’s expertise and designs to offer houses in areas outside of the Mega Manila area that it believes are at par, in terms of quality, with the developments in the Mega Manila area;
- **Vista Residences, Inc.** Vista Residences offers vertical residential projects in the Mega Manila area in the low to upper mid-cost segments. Vertical home projects generally involve longer project development periods as well as some facilities, amenities and other specifications not often found in horizontal homes; and
- **Vistamalls, Inc. (formerly, Starmalls, Inc.)** is a major developer, owner and operator of retail malls that target mass market retail consumers in the Philippines and also develops and operates BPO commercial centers.

The Company has no sale or revenues and net income contributed by foreign sales for 2022, 2021, and 2020.

## V. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

### Market Information

The Company's common shares are listed with the Philippine Stock Exchange. The Company was listed on June 25, 2007.

Quarter	2023			2022			2021			2020		
	High	Low	Close	High	Low	Close	High	Low	Close	High	Low	Close
1 <sup>st</sup>	2.01	1.62	1.71	3.53	2.57	2.61	4.81	3.72	3.74	7.60	3.07	4.08
2 <sup>nd</sup>				2.84	1.92	1.98	3.88	3.40	3.80	4.41	3.25	3.69
3 <sup>rd</sup>				2.26	1.60	1.60	3.87	3.38	3.50	3.97	2.91	3.41
4 <sup>th</sup>				1.73	1.39	1.65	3.86	3.35	3.53	5.29	3.19	4.68

The market capitalization of VLL as of December 31, 2022 based on the closing price of ₱1.65/share on December 31, 2022, the last trading date for the fourth quarter of 2022, was approximately ₱20.95 billion.

As of May 8, 2023, VLL's market capitalization stood at ₱22.60 billion based on the ₱1.78/share closing price.

### **Common**

There are approximately 942 holders of common equity security of the Company as of March 31, 2023 (based on the number of accounts registered with the Stock Transfer Agent).

The following are the top 20 holders of the common securities of the Company:

	Name	No. of Shares	Percentage <sup>1</sup>
1	FINE PROPERTIES, INC. <sup>2</sup>	7,125,545,458	56.12%
2	PCD NOMINEE CORPORATION ( FILIPINO )	2,074,905,383	16.34%
3	PCD NOMINEE CORPORATION (FOREIGN)	1,403,196,814	11.05%
4	ALTHORP HOLDINGS, INC <sup>3</sup>	1,235,292,469	9.73%
5	MANUELA CORPORATION <sup>4</sup>	752,208,215	5.92%
6	MANUEL B. VILLAR, JR. <sup>4</sup>	293,969,986	2.32%
7	MANUEL PAOLO A. VILLAR <sup>5</sup>	222,796,324	1.75%
8	JOHN T. LAO	2,853,000	0.02%
9	SULFICIO TAGUD JR. &/OR ESTER TAGUD	401,000	0.00%
10	ACRIS CORPORATION	300,000	0.00%
11	CHRISTIAN A. AGUILAR	290,617	0.00%
12	BENJAMARIE THERESE N. SERRANO	200,000	0.00%
13	MARIBETH TOLENTINO	200,000	0.00%
14	CHERYL JOYCE YOUNG	200,000	0.00%
15	LUCIO W. YAN &/OR CLARA Y. YAN	150,000	0.00%
16	MAXIMO S. UY &/OR LIM HUE HUA	120,000	0.00%
17	LUCIO WONG YAN	100,000	0.00%
18	ALBERTO MENDOZA &/OR OR JEANIE MENDOZA	94,635	0.00%
19	LUCIANO H. TAN	50,000	0.00%

	Name	No. of Shares	Percentage <sup>1</sup>
20	VICENTE DE VERA	47,000	0.00%
	<b>TOTAL</b>	<b>13,112,920,901</b>	<b>103.27%</b>
	OTHER STOCKHOLDERS	1,215,475	0.01%
	TREASURY SHARES – AS OF MARCH 31, 2023	(416,128,700)	-3.28%
	<b>TOTAL OUTSTANDING, ISSUED AND SUBSCRIBED</b>	<b>12,698,007,676</b>	<b>100.00%</b>

<sup>1</sup>based on the total outstanding, issued and subscribed shares of 12,698,007,676 as of March 31, 2023

<sup>2</sup> Includes 1,338,599,797 lodged under PCD Nominee Corp. (Filipino)

<sup>3</sup>Includes 10,983,363 shares owned by ML&H Corporation which have been merged with Althorp Holdings, Inc. and 1,224,309,106 lodged under PCD Nominee Corp. (Filipino)

<sup>4</sup>Lodged under PCD Nominee Corp. (Filipino)

<sup>5</sup>Includes 222,596,324 lodged under PCD Nominee Corp. (Filipino)

### **Preferred**

	Stockholder's Name	No. of Preferred Shares	Percentage (of Preferred Shares)
1	FINE PROPERTIES, INC.	3,300,000,000	100.000%
	<b>Total outstanding, issued and subscribed</b>	<b>3,300,000,000</b>	<b>100.000%</b>

### **Dividends**

#### **₱0.0292 per share Regular Cash Dividend**

Declaration Date: September 30, 2022

Record date: October 14, 2022

Payment date: October 28, 2022

#### **₱0.0250 per share Regular Cash Dividend**

Declaration Date: September 30, 2021

Record date: October 15, 2021

Payment date: October 29, 2021

#### **₱0.0500 per share Regular Cash Dividend**

Declaration Date: September 30, 2020

Record date: October 16, 2020

Payment date: October 30, 2020

### **Dividend Policy**

The Company's Board is authorized to declare dividends. A cash dividend declaration does not require any further approval from the Company's shareholders. A stock dividend declaration requires the further approval of shareholders representing not less than two-thirds of the Company's outstanding capital stock. Dividends may be declared only from unrestricted retained earnings.

In relation to foreign shareholders, dividends payable may not be remitted using foreign exchange sourced from the Philippine banking system unless the investment was first registered with the Bangko Sentral ng Pilipinas.

The Company is allowed under Philippine laws to declare property and stock dividends, subject to certain requirements.

### ***Record Date***

Pursuant to existing Philippine SEC rules, cash dividends declared by a company must have a record date not less than 10 nor more than 30 days from the date the cash dividends are declared. With respect to stock dividends, the record date is to be not less than 10 or more than 30 days from the date of shareholder approval, provided however, that the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of stock dividend. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the Philippine SEC.

### ***Dividends***

The Company declares dividends to shareholders of record, which are paid from the Company's unrestricted retained earnings.

On September 28, 2018, the Board approved the amendment of the Company's Dividend Policy from an annual cash dividend payment ratio for its Shares of approximately 20% of its consolidated net income from the preceding fiscal year to a minimum of 20% of its consolidated net income from the preceding fiscal year, subject to the requirements of the applicable laws and regulations and the absence of circumstances which may restrict the payment of such dividends. Circumstances which could restrict the payment of cash dividends include, but are not limited to, when the Company undertakes major projects and developments requiring substantial cash expenditures or when it is restricted from paying cash dividends by its loan covenants. The Company's Board, may, at any time, modify such dividend payout ratio depending upon the results of operations and future projects and plans of the Company.

### **Recent Sale of Unregistered Securities**

On March 31, 2022, the Company has obtained a Five-Year Corporate Note Facility amounting to PHP 6.0 billion. The Group made an initial drawdown of PHP 4.0 billion at a fixed rate of 6.6416% per annum. On June 1, 2022, an additional issuance of Corporate Notes was made in the amount of PHP 2.0 billion due 2027, at a fixed interest of 6.6416% per annum. The initial noteholders are Security Bank Corporation and Union Bank of the Philippines.

On December 28, 2022, the Company entered into a Corporate Notes Facility Agreement for the issuance of a long-term corporate notes consisting of Three-Year Corporate Note Facility due 2025 amounting of up to PHP 12.0 billion. The Group made an initial drawdown of PHP8.6 billion at a fixed rate of 7.9314% per annum. The initial noteholders are BDO Unibank, Inc., Union Bank of the Philippines, and China Banking Corporation.

The proceeds of the corporate notes facility were utilized to refinance existing or maturing obligations of the Group and for other general corporate purposes.

### **Stock Options**

None.

## **VI. COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE**

On May 31, 2017, the Company's Board has adopted its Revised Manual on Corporate Governance. The Company's Manual on Corporate Governance describes the terms and conditions by which the Company intends to conduct sound corporate governance practices that are consistent with the relevant laws and regulations of the Republic of the Philippines, and which seek to enhance business transparency and build shareholder value.

Ultimate responsibility and oversight of the Company's adherence to superior corporate governance practices rests with the Board of Directors. As a policy matter, the Board will hold regular meetings, at which any number of relevant corporate governance issues may be raised for discussion.

Practical oversight of the Company's corporate governance standards is exercised through the Board's Corporate Governance Committee.

The Company is committed to building a solid reputation for sound corporate governance practices, including a clear understanding by its Directors of the Company's strategic objectives, structures to ensure that such objectives are realized, systems to ensure the effective management of risks and the systems to ensure the Company's obligations are identified and discharged in all aspects of its business.

As of the date of this report, there are no known material deviations from the Company's Revised Manual of Corporate Governance.

The Company is taking further steps to enhance adherence to principles and practices of good corporate governance.

**PART III**

**SIGNATURES**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on behalf by the undersigned hereunto duly authorized.

**After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Mandaluyong on the 29<sup>th</sup> day of May 2023.**

**VISTA LAND & LIFESCAPES, INC.**

By:

  
**BRIAN N. EDANG**  
CFO & Head Investor Relations

Date: **May 29, 2023**



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY**  
**FOR CONSOLIDATED FINANCIAL STATEMENTS**

The management of **Vista Land & Lifescapes, Inc. and Subsidiaries (the "Group")** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached herein, for the years ended December 31, 2022, 2021, and 2020 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether to fraud or error.

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

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

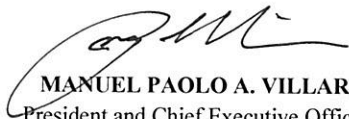
The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

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

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2023.

APR 13 2023

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

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

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

SUBSCRIBED AND SWORN, to before me this \_\_\_\_\_ at \_\_\_\_\_, affiants exhibiting to me their respective Passports, to wit:


MANDALUYONG CITY

APR 13 2023

<u>Name</u>	<u>Passport No.</u>	<u>Date and Place of Issue</u>
Manuel B Villar, Jr.	P2529752B	12 JUL 2019 / DFA MANILA
Manuel Paolo A. Villar	P4237701B	17 DEC 2019 / DFA MANILA
Brian N. Edang	P9937644A	14 DEC 2018 / DFA NCR EAST

who has satisfactory proven to me their identities through their valid identification cards, and that they are the same persons who personally signed before me the foregoing and acknowledges that they executed the same.

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Book No. N  
Series of 2023.

  
**ATTY. ARBIN OMAR P. CARIÑO**  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2024  
ROLL No. 07148  
IBP Lifetime Member No. 018537

# COVER SHEET

## for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 0 7 0 3 1 4 5

**COMPANY NAME**V I S T A L A N D & L I F E S C A P E S , I N C .  
A N D S U B S I D I A R I E S**PRINCIPAL OFFICE** ( No. / Street / Barangay / City / Town / Province )L O W E R G R O U N D F L O O R , B U I L D I N G B  
, E V I A L I F E S T Y L E C E N T E R , V I S T A  
C I T Y , D A A N G H A R I , A L M A N Z A I I ,  
L A S P I Ñ A S C I T Y

Form Type

A A C F S

Department requiring the report

S E C

Secondary License Type, If Applicable

N A

**COMPANY INFORMATION**

Company's Email Address

irg@vistaland.com.ph

Company's Telephone Number

3226 3552

Mobile Number

N/A

No. of Stockholders

944

Annual Meeting (Month / Day)

6/15

Fiscal Year (Month / Day)

12/31

**CONTACT PERSON INFORMATION**The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Brian N. Edang

Email Address

brian\_edang@  
vistaland.com.ph

Telephone Number/s

3226-3552/  
8874-5758

Mobile Number

0917-857-6513

**CONTACT PERSON'S ADDRESS**Lower Ground Floor, Building B, EVIA Lifestyle Center, Vista City,  
Daanghari, Almanza II, Las Piñas City

**NOTE 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**NOTE 2:** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors  
Vista Land & Lifescapes, Inc.  
Lower Ground Floor, Building B  
EVIA Lifestyle Center, Vista City  
Daanghari, Almanza II, Las Piñas City

### Opinion

We have audited the consolidated financial statements of Vista Land and Lifescapes, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group as of December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 are prepared in all material respects, in accordance with the Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC), as described in Note 2 to the consolidated financial statements.

### Basis for Opinion

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

### Emphasis of Matter

We draw attention to Note 2 to the consolidated financial statements which indicates that the consolidated financial statements have been prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs on the consolidated financial statements are discussed in detail in Note 2. Our opinion is not modified in respect of this matter.



## **Key Audit Matters**

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

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

### ***Real Estate Revenue Recognition***

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

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer's initial payments in relation to the total contract price (or buyer's equity). Collectability is also assessed by considering factors such as payment history of the buyer, age and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs, after considering the impact of COVID-19 pandemic, if it would still support its current threshold of buyer's equity before commencing revenue recognition.

In determining the transaction price, the Group considers the selling price of the real estate property and other fees and charges collected from the buyers that are not held on behalf of other parties.

In measuring the progress of its performance obligation over time, the Group uses input method. Under this method, progress is measured based on actual costs incurred as determined by the accounting department relative to the estimated total project cost. In the estimation of total project costs, the Group requires technical determination by the Group's specialists (project engineers) to estimate all the inputs involved in the construction and development of the projects to include materials, labor and other costs directly related in the construction of the projects.

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



### *Audit Response*

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

For the buyer's equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales cancellations from buyers with accumulated payments above the collection threshold. We also considered the impact of the COVID-19 pandemic to the level of cancellations during the year. We traced the analysis to supporting documents such as official receipts and buyer's subsidiary ledger.

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

For the application of the input method in determining real estate revenue, we obtained an understanding of the Group's processes for determining the POC, including the cost accumulation process, and for determining and updating of total estimated costs, and performed tests of the relevant controls on these processes. We assessed the competence and objectivity of the project engineers by reference to their qualifications, experience and reporting responsibilities. For selected projects, we traced costs accumulated, including those incurred but not yet billed costs, to the supporting documents such as construction contracts, subsequent billings, and other documents evidencing receipt of materials and services from contractors. For the estimation of total project costs, we obtained an understanding of the Group's budgeting and project close-out process. For the estimated project cost, we performed test of details (price and quantity) on a sampling basis, for the inputs for each of the major project development workstream. We also performed test of subsequent changes to the budget by vouching to certain documents such as approved memorandum on budget revision. For both ongoing and completed projects during the year, we compared the actual cost against the revised budget, performed inquiries with the project engineers for the basis of budget revisions and obtained related supporting documents. We visited selected project sites and made relevant inquiries with project engineers affecting the POC during the period, including inquiries on the impact of the COVID-19 pandemic. We performed test computation of the percentage of completion calculation of management.

### ***Provision for Expected Credit Losses***

The Group applies simplified approach in calculating expected credit loss (ECL) of its installment contracts receivable and receivable from tenants. Allowance for credit losses and the provision for credit losses as of and for the year ended December 31, 2022 amounted to ₱622.40 million and nil, respectively. Key areas of judgment include segmenting the Group's credit risk exposures; defining default; determining assumptions to be used in the ECL model such as timing and amounts of expected net recoveries from defaulted accounts; and impact of any financial support and credit enhancements extended by any party; and incorporating forward-looking information (called overlays) in calculating ECL.



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

#### *Audit Response*

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

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) assessed the methodology used in applying the ECL model by evaluating the key inputs, assumption and formula used; (c) tested the definition of default against historical analysis of accounts and credit risk management policies and practices in place; (d) tested historical loss rates by inspecting historical recoveries including the timing, related direct costs and write-offs, and the effects of any financial support and credit enhancements provided by any party; (e) compared the classification of outstanding exposures to their corresponding aging buckets; (f) evaluated the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's receivable portfolios and the related industry of tenants, including the impact of the COVID-19 pandemic and; (g) tested the effective interest rate, or an approximation thereof, used in discounting the expected loss.

Further, we compared the data used in the ECL models, such as the historical aging analysis and default and recovery data, to the financial reporting systems.

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

#### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditor's report.

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

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



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

Management is responsible for the preparation of the consolidated financial statements in accordance with PFRSs, as modified by the application of financial reporting reliefs issued and approved by the SEC as described in Note 2 to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in accordance with PFRSs, as modified by the application of financial reporting reliefs issued and approved by SEC, as described in Note 2 to the consolidated financial statements.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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





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

SYCIP GORRES VELAYO & CO.

*Cyril Jasmin B. Valencia*

Cyril Jasmin B. Valencia

Partner

CPA Certificate No. 90787

Tax Identification No. 162-410-623

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 90787-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-074-2020, December 3, 2020, valid until December 2, 2023

PTR No. 9566009, January 3, 2023, Makati City

April 13, 2023



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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 9, 31 and 32)	<b>₱15,070,204,626</b>	₱11,856,655,898
Short-term cash investments (Notes 10, 31 and 32)	<b>47,278,102</b>	336,019,645
Current portion of:		
Receivables (Notes 11, 29, 31 and 32)	<b>53,234,543,776</b>	50,916,730,101
Cost to obtain contract (Note 7)	<b>385,648,418</b>	448,192,229
Current portion of investments at amortized cost (Notes 10, 31, 32)	<b>9,440,433,583</b>	15,751,510,319
Real estate inventories (Note 12)	<b>53,533,899,417</b>	49,596,883,277
Other current assets (Note 13)	<b>5,724,758,578</b>	5,587,209,460
Total current assets	<b>137,436,766,500</b>	134,493,200,929
<b>Noncurrent Assets</b>		
Investments at amortized cost - net of current portion (Notes 10, 31 and 32)	<b>32,059,050,499</b>	34,065,939,520
Investments at fair value through other comprehensive income (Notes 10, 31 and 32)	<b>117,158,380</b>	124,499,183
Receivables - net of current portion (Notes 11, 29, 31 and 32)	<b>21,166,092,635</b>	20,316,701,320
Cost to obtain contract - net of current portion (Note 7)	<b>354,528,291</b>	450,471,485
Project development costs (Notes 16 and 29)	<b>1,269,160,947</b>	1,274,052,864
Advances to a related party (Note 29)	<b>7,042,276,334</b>	6,085,189,231
Investment in joint venture (Note 17)	<b>468,073,789</b>	458,771,799
Property and equipment (Note 15)	<b>2,301,086,488</b>	2,316,890,411
Investment properties (Note 14)	<b>118,343,597,899</b>	112,991,827,020
Goodwill (Note 8)	<b>147,272,020</b>	147,272,020
Pension assets - net (Note 26)	<b>320,711,689</b>	282,965,418
Deferred tax assets - net (Notes 6 and 27)	<b>111,464,269</b>	48,383,927
Other noncurrent assets (Note 17)	<b>1,076,827,824</b>	930,462,470
Total Noncurrent Assets	<b>184,777,301,064</b>	179,493,426,668
	<b>₱322,214,067,564</b>	₱313,986,627,597

**LIABILITIES AND EQUITY**

**Current Liabilities**

Accounts and other payables (Notes 18, 31 and 32)	<b>₱15,890,543,266</b>	₱15,221,445,720
Security deposits and advance rent (Note 19)	<b>1,856,523,789</b>	1,729,265,825
Income tax payable	<b>127,097,100</b>	49,677,202
Dividends payable (Notes 23, 29, 31 and 32)	<b>96,024,581</b>	15,856,454
Current portion of:		
Contract liabilities (Note 7)	<b>1,085,106,497</b>	1,234,626,386
Notes payable (Notes 21, 31 and 32)	<b>12,745,831,195</b>	24,170,708,067
Bank loans (Notes 20, 31 and 32)	<b>11,561,568,479</b>	8,067,321,815
Loans payable (Notes 20, 31 and 32)	<b>3,767,253,212</b>	3,460,145,095
Lease liabilities (Notes 28, 29 and 32)	<b>368,459,297</b>	348,214,986
Total Current Liabilities	<b>47,498,407,416</b>	54,297,261,550

(Forward)



	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<b>Noncurrent Liabilities</b>		
Contract liabilities - net of current portion (Note 7)	<b>₱1,058,495,304</b>	₱566,844,304
Notes payable - net of current portion (Notes 21, 31 and 32)	<b>89,702,372,246</b>	83,759,525,456
Bank loans - net of current portion (Notes 20, 31 and 32)	<b>44,385,254,638</b>	48,925,020,048
Loans payable - net of current portion (Notes 20, 31 and 32)	<b>1,567,365,940</b>	319,365,919
Lease liabilities - net of current portion (Notes 28, 29 and 32)	<b>5,065,593,706</b>	5,087,625,454
Deferred tax liabilities - net (Notes 6 and 27)	<b>6,107,386,965</b>	4,982,650,639
Other noncurrent liabilities (Notes 22, 31 and 32)	<b>3,178,998,174</b>	3,521,405,356
Total Noncurrent Liabilities	<b>151,065,466,973</b>	147,162,437,176
Total Liabilities	<b>198,563,874,389</b>	201,459,698,726
<b>Equity (Note 23)</b>		
Attributable to equity holders of the Parent Company		
Preferred stock	<b>33,000,000</b>	33,000,000
Common stock	<b>13,114,136,376</b>	13,114,136,376
Additional paid-in capital	<b>30,684,713,292</b>	30,655,429,349
Retained earnings	<b>78,311,116,523</b>	72,539,569,939
Other comprehensive income (Notes 10 and 26)	<b>798,914,337</b>	778,073,767
Treasury shares (Note 8)	<b>(7,740,264,387)</b>	(7,740,264,387)
	<b>115,201,616,141</b>	109,379,945,044
Noncontrolling interest (Note 30)	<b>8,448,577,034</b>	3,146,983,827
Total Equity	<b>123,650,193,175</b>	112,526,928,871
	<b>₱322,214,067,564</b>	₱313,986,627,597

*See accompanying Notes to Consolidated Financial Statements.*



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

	Years Ended December 31		
	2022	2021	2020
<b>REVENUE</b>			
Real estate (Notes 6 and 7)	₱12,789,877,721	₱17,397,931,318	₱21,800,563,600
Rental income (Notes 6, 14 and 34)	13,742,258,197	9,312,720,292	7,196,729,847
Interest income from installment contracts receivable (Notes 6, 11 and 25)	701,342,313	774,445,060	628,241,376
Parking, hotel, mall administrative and processing fees, and others (Notes 6 and 25)	1,607,345,055	2,146,874,201	1,630,546,121
	<b>28,840,823,286</b>	<b>29,631,970,871</b>	<b>31,256,080,944</b>
<b>COSTS AND EXPENSES</b>			
Costs of real estate sales (Notes 6, 12, and 24)	5,542,966,656	8,533,403,321	12,020,714,120
Operating expenses (Notes 6 and 24)	9,647,400,878	9,407,780,092	9,084,928,241
	<b>15,190,367,534</b>	<b>17,941,183,413</b>	<b>21,105,642,361</b>
<b>OTHER INCOME (EXPENSES)</b>			
Interest income from investments and other income (Notes 6, 9, 10, 13 and 25)	981,195,770	1,549,437,541	1,437,271,393
Interest and other financing charges (Notes 6, 20, 21, 25 and 28)	(5,217,887,075)	(4,315,329,854)	(3,971,907,603)
	<b>(4,236,691,305)</b>	<b>(2,765,892,313)</b>	<b>(2,534,636,210)</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>9,413,764,447</b>	<b>8,924,895,145</b>	<b>7,615,802,373</b>
<b>PROVISION FOR INCOME TAX</b> (Note 27)	<b>2,021,114,107</b>	<b>1,957,648,849</b>	<b>1,229,190,504</b>
<b>NET INCOME</b>	<b>₱7,392,650,340</b>	<b>₱6,967,246,296</b>	<b>₱6,386,611,869</b>
<b>NET INCOME ATTRIBUTABLE TO:</b>			
Equity holders of the Parent Company	₱6,119,908,898	₱6,426,541,859	₱6,056,015,749
Noncontrolling interest	1,272,741,442	540,704,437	330,596,120
<b>NET INCOME</b>	<b>₱7,392,650,340</b>	<b>₱6,967,246,296</b>	<b>₱6,386,611,869</b>
<b>BASIC/DILUTED EARNINGS PER SHARE</b>			
(Note 30)	<b>₱0.512</b>	<b>₱0.538</b>	<b>₱0.507</b>

(Forward)



	<b>Years Ended December 31</b>		
	<b>2022</b>	2021	2020
<b>NET INCOME</b>	<b>₱7,392,650,340</b>	₱6,967,246,296	₱6,386,611,869
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Other comprehensive gain (loss) to be reclassified to profit or loss in subsequent periods:</i>			
Cumulative translation adjustments (Note 32)	<b>(18,488,017)</b>	73,378,653	3,850,321
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement gain (loss) on defined benefit obligation - net of tax (Notes 26 and 27)	<b>19,577,219</b>	113,161,254	(49,875,271)
Changes in fair value on equity investments at fair value through other comprehensive income (Note 10)	<b>22,000,000</b>	8,000,000	(1,000,000)
	<b>23,089,202</b>	194,539,907	(47,024,950)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱7,415,739,542</b>	₱7,161,786,203	₱6,339,586,919
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Equity holders of the Parent Company	<b>₱6,140,749,468</b>	₱6,619,014,287	₱6,008,131,757
Noncontrolling interest	<b>1,274,990,074</b>	542,771,916	331,455,162
	<b>₱7,415,739,542</b>	₱7,161,786,203	₱6,339,586,919

*See accompanying Notes to Consolidated Financial Statements.*



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

	Capital Stock (Note 23)		Additional Paid-in Capital (Note 23)	Retained Earnings (Note 23)	Other Comprehensive Income			Treasury Shares (Notes 8 and 23)	Noncontrolling Interest (Notes 23 and 30)	Total
	Preferred Stock	Common Stock			Remeasurement Gains on Retirement Obligation (Notes 26 and 27)	Cumulative Translation Adjustments (Note 32)	Other Comprehensive Income (Notes 10 and 23)			
<b>Balances as at January 1, 2022</b>	<b>₱33,000,000</b>	<b>₱13,114,136,376</b>	<b>₱30,655,429,349</b>	<b>₱72,539,569,939</b>	<b>₱591,753,078</b>	<b>(₱225,416,876)</b>	<b>₱411,737,565</b>	<b>(₱7,740,264,387)</b>	<b>₱3,146,983,827</b>	<b>₱112,526,928,871</b>
Net income	–	–	–	6,119,908,898	–	–	–	–	1,272,741,442	7,392,650,340
Other comprehensive income	–	–	–	–	17,328,587	(18,488,017)	22,000,000	–	2,248,632	23,089,202
Total comprehensive income (loss) for the year	–	–	–	6,119,908,898	17,328,587	(18,488,017)	22,000,000	–	1,274,990,074	7,415,739,542
Increase in noncontrolling interest (Note 23)	–	–	29,283,943	–	–	–	–	–	4,197,400,031	4,226,683,974
Cash dividend declared	–	–	–	(348,362,314)	–	–	–	–	(170,796,898)	(519,159,212)
<b>Balances as at December 31, 2022</b>	<b>₱33,000,000</b>	<b>₱13,114,136,376</b>	<b>₱30,684,713,292</b>	<b>₱78,311,116,523</b>	<b>₱609,081,665</b>	<b>(₱243,904,893)</b>	<b>₱433,737,565</b>	<b>(₱7,740,264,387)</b>	<b>₱8,448,577,034</b>	<b>₱123,650,193,175</b>
<b>Balances as at January 1, 2021</b>	<b>₱33,000,000</b>	<b>₱13,114,136,376</b>	<b>₱30,655,429,349</b>	<b>₱66,411,673,066</b>	<b>₱480,659,303</b>	<b>(₱298,795,529)</b>	<b>₱403,737,565</b>	<b>(₱7,740,264,387)</b>	<b>₱2,620,068,365</b>	<b>₱105,679,644,108</b>
Net income	–	–	–	6,426,541,859	–	–	–	–	540,704,437	6,967,246,296
Other comprehensive income	–	–	–	–	111,093,775	73,378,653	8,000,000	–	2,067,479	194,539,907
Total comprehensive income for the year	–	–	–	6,426,541,859	111,093,775	73,378,653	8,000,000	–	542,771,916	7,161,786,203
Cash dividend declared	–	–	–	(298,644,986)	–	–	–	–	(15,856,454)	(314,501,440)
<b>Balances as at December 31, 2021</b>	<b>₱33,000,000</b>	<b>₱13,114,136,376</b>	<b>₱30,655,429,349</b>	<b>₱72,539,569,939</b>	<b>₱591,753,078</b>	<b>(₱225,416,876)</b>	<b>₱411,737,565</b>	<b>(₱7,740,264,387)</b>	<b>₱3,146,983,827</b>	<b>₱112,526,928,871</b>
<b>Balances as at January 1, 2020</b>	<b>₱33,000,000</b>	<b>₱13,114,136,376</b>	<b>₱30,655,429,349</b>	<b>₱60,952,947,290</b>	<b>₱531,393,616</b>	<b>(₱302,645,850)</b>	<b>₱404,737,565</b>	<b>(₱7,740,264,387)</b>	<b>₱2,303,939,726</b>	<b>₱99,952,673,685</b>
Net income	–	–	–	6,056,015,749	–	–	–	–	330,596,120	6,386,611,869
Other comprehensive income (loss)	–	–	–	–	(50,734,313)	3,850,321	(1,000,000)	–	859,042	(47,024,950)
Total comprehensive income (loss) for the year	–	–	–	6,056,015,749	(50,734,313)	3,850,321	(1,000,000)	–	331,455,162	6,339,586,919
Cash dividend declared	–	–	–	(597,289,973)	–	–	–	–	(15,326,523)	(612,616,496)
<b>Balances as at December 31, 2020</b>	<b>₱33,000,000</b>	<b>₱13,114,136,376</b>	<b>₱30,655,429,349</b>	<b>₱66,411,673,066</b>	<b>₱480,659,303</b>	<b>(₱298,795,529)</b>	<b>₱403,737,565</b>	<b>(₱7,740,264,387)</b>	<b>₱2,620,068,365</b>	<b>₱105,679,644,108</b>

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2022	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	₱9,413,764,447	₱8,924,895,145	₱7,615,802,373
Adjustments for:			
Interest and other financing charges (Note 25)	5,217,887,075	4,315,329,854	3,971,907,603
Depreciation and amortization (Notes 14, 15, 17 and 24)	2,638,853,067	2,686,583,410	2,247,713,931
Loss from fire, net of proceeds received (Notes 14, 15 and 24)	366,965,591	–	–
Retirement expense, net of payments (Note 26)	49,730,787	44,574,335	34,390,695
Unrealized foreign exchange loss (gain)	4,492,975	(9,708,504)	3,068,988
Share in equity earnings from investment in joint venture (Note 17)	(9,301,990)	(7,043,055)	–
Interest income from investments and other income (Note 25)	(981,195,770)	(1,549,437,541)	(1,437,271,393)
Operating income before working capital changes	16,701,196,182	14,405,193,644	12,435,612,197
Decrease (increase) in:			
Receivables	(3,266,159,674)	(6,559,097,831)	(6,735,973,798)
Real estate inventories (excluding capitalized borrowing costs)	(2,087,951,696)	(2,820,564,171)	2,965,977,897
Other current assets and cost to obtain contract	(1,535,795)	827,822,686	(50,013,646)
Increase (decrease) in:			
Accounts and other payables	(119,888,697)	(752,702,714)	3,612,848,381
Contract liabilities	342,131,111	(864,515,875)	188,506,561
Security deposits and advance rent (including noncurrent portion)	45,769,229	60,231,281	96,835,288
Other noncurrent liabilities	(45,803,311)	(724,789,167)	109,647,135
Plan assets contributions (Note 26)	(61,374,100)	(58,425,850)	(3,000,000)
Net cash flows generated from operations	11,506,383,249	3,513,152,003	12,620,440,015
Income tax paid	(886,982,696)	(926,526,124)	(880,393,483)
Net cash flows provided by operating activities	10,619,400,553	2,586,625,879	11,740,046,532
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from:			
Maturity of investments at amortized cost (Note 10)	24,898,766,326	12,958,036,143	4,414,591,251
Short-term cash investments (Note 10)	288,741,543	–	93,887,444
Interest received	1,080,150,454	1,256,861,006	1,379,064,131
Proceeds from insurance company (Note 24)	620,000,000	–	–
Additions to:			
Investments at amortized cost (Note 10)	(12,921,556,055)	(17,452,430,148)	(14,358,230,661)
Investment properties (excluding capitalized borrowing costs) (Notes 14 and 33)	(5,002,075,927)	(4,876,747,527)	(3,858,965,384)
Property and equipment (Notes 15 and 33)	(154,666,117)	(231,410,097)	(123,425,578)
Short-term cash investments (Note 10)	–	(219,091,344)	–
Deductions from (additions to):			
Project development costs	4,891,917	1,073,057,252	1,469,215,374
Receivables from related parties	(957,087,103)	(14,709,230)	(532,159,473)
Restricted cash	(105,669,636)	388,437,931	165,667,619
Other noncurrent assets	(75,965,633)	(359,866,212)	102,145,546
Net cash flows provided by (used in) investing activities	7,675,529,769	(7,477,862,226)	(11,248,209,731)

(Forward)



	<b>Years Ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from:			
Bank loans (Notes 20 and 33)	<b>₱22,272,518,258</b>	₱23,377,375,534	₱4,002,692,725
Notes payable (Notes 21 and 33)	<b>14,600,000,000</b>	10,909,807,626	9,883,000,000
Loans payable (Notes 20 and 33)	<b>4,715,767,761</b>	2,859,085,791	2,066,281,574
Increase in noncontrolling interest (Notes 23 and 33)	<b>4,226,683,974</b>	–	–
Payments of:			
Lease liabilities (Notes 28 and 33)	<b>(375,018,792)</b>	(283,190,395)	(246,360,955)
Dividends (Notes 23 and 33)	<b>(438,991,085)</b>	(326,748,924)	(653,384,724)
Loans payable (Notes 20 and 33)	<b>(3,160,659,623)</b>	(3,401,469,422)	(1,149,367,749)
Interest and other financing charges (including capitalized borrowing cost) (Notes 12, 14 and 33)	<b>(9,716,182,535)</b>	(9,738,424,964)	(9,514,967,781)
Notes payable (Notes 21 and 33)	<b>(23,876,278,143)</b>	(5,657,071,600)	(2,170,841,600)
Bank loans (Notes 20 and 33)	<b>(23,324,728,434)</b>	(8,786,974,577)	(8,865,203,848)
Net cash flows provided by (used in) financing activities	<b>(15,076,888,619)</b>	8,952,389,069	(6,648,152,358)
<b>EFFECT OF CHANGE IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS</b>			
	<b>(4,492,975)</b>	9,708,504	(3,068,988)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
	<b>3,213,548,728</b>	4,070,861,226	(6,159,384,545)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>			
	<b>11,856,655,898</b>	7,785,794,672	13,945,179,217
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 9)</b>			
	<b>₱15,070,204,626</b>	₱11,856,655,898	₱7,785,794,672

*See accompanying Notes to Consolidated Financial Statements.*





# VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 1. Corporate Information

Vista Land & Lifescapes, Inc. (the Parent Company or VLLI) was incorporated in the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on February 28, 2007. 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 65.84% and 65.17% owned by Fine Properties, Inc., (Ultimate Parent Company), as of December 31, 2022 and 2021, respectively, and the rest by the public.

The Parent Company is the holding company of the Vista Group (the Group) which is engaged in real estate activities. The Group has six (6) wholly-owned subsidiaries, namely: Brittany Corporation (Brittany), Crown Asia Properties, Inc. (CAPI), Vista Residences, Inc. (VRI), Camella Homes, Inc. (CHI), Communities Philippines, Inc. (CPI) and VLL International Inc. (VII), and an 88.34% owned subsidiary, Vistamalls, Inc. (formerly Starmalls, Inc.) The Group is divided into horizontal, vertical and commercial and others segment. The Group caters to 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.

#### Vista REIT Transaction

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

In compliance with applicable regulatory requirements of the SEC for companies seeking registration of their securities, VOI entered into and implemented the REIT Formation Transactions as follows:

#### *Amendment of the Articles of Incorporation and By-Laws of VOI*

On February 7, 2022, at least a majority of the BOD and the stockholders owning at least two-thirds (2/3) of the outstanding capital stock of VOI approved to increase its authorized capital stock to ₱15,000,000,000 divided into 15,000,000,000 shares with par value of ₱1.00 per share.

The increase in VOI's authorized capital stock from ₱2,000,000,000 divided into 2,000,000,000 shares with par value of ₱1.00 per share to ₱15,000,000,000 divided into 15,000,000,000 shares with par value of ₱1.00 per share was approved by the SEC on March 14, 2022.

On March 16, 2022, the BOD approved various amendments to the Articles of Incorporation and By-Laws of VOI including, among others, the following: (a) change in the corporate name to "VISTAREIT, INC."; (b) change in primary purpose to engage in the business of a real estate investment trust under Republic Act No. 9856 (the REIT Law), including the Revised Implementing Rules and Regulations of the REIT Law); (c) requirement to have independent directors in the Board; and (d) other amendments in connection with the initial public offering of VOI as a REIT entity. Such amendments were approved by the SEC on April 18, 2022.



*Execution of Property-for-Share Swap Agreement and Deed of Assignment of Leases between the Sponsors and VOI*

On February 7, 2022, VOI entered into various Deeds of Assignment and Subscription Agreements with each of Manuela Corporation (MC), Masterpiece Asia Properties, Inc. (MAPI), Vista Residences, Inc. (VRI), Crown Asia Properties, Inc. (CAPI) and Communities Pampanga, Inc. (CPAM) collectively referred to as the Sponsors, for the assignment, transfer, and conveyance by the Sponsors to VOI of 10 community malls and two office buildings with an aggregate gross lease area of 256,403.95 sqm (collectively, the Assigned Properties) and fair value of ₱35,952,992,730 in exchange for the issuance by VOI to the Sponsors out of the increase in authorized capital stock described hereinabove of an aggregate of 6,990,000,000 common shares at an issue price of ₱1.50 per share, or an aggregate issue or subscription price of ₱10,485,000,000 (the Property-for-Share Swap).

The Assigned Properties consists of Vista Mall Las Piñas (Main), Starmall Las Piñas (Annex), Starmall San Jose Del Monte (SJDM), Vista Mall Pampanga, SOMO - A Vista Mall, Vista Mall Antipolo, Vista Mall General Trias, Vista Mall Tanza, Starmall Talisay - Cebu, Vista Mall Imus, Vista Hub Molino and commercial and office units and parking lots in Vista Hub BGC.

On March 14, 2022, the SEC issued the confirmation of the valuation of the Property-for-Share Swap. The requisite Certificate Authorizing Registrations authorizing the transfer of legal title to the Assigned Properties from the Sponsors to VOI were issued by the Bureau of Internal Revenue (BIR) on April 25 to 29 and May 2, 2022.

On March 16, 2022, pursuant to the Deeds of Assignment and Subscription Agreements for the transfer, assignment and conveyance in favor of VOI of all of the Sponsors' rights, title and interests in the Assigned Properties in exchange for VOI's common shares, VOI and the Sponsors entered into a Deed of Assignment of Leases assigning all of the Sponsors' rights and interests in and to the Contracts of Lease over portions of the Assigned Properties leased out to various entities (the "Leases") effective upon the issuance of VOI's common shares in the name of the Sponsors.

*Amendment of the Articles of Incorporation and By-Laws of Communities Palawan, Inc.*

On February 16, 2022, at least a majority of the BOD and the stockholders owning at least two-thirds (2/3) of the outstanding capital stock of Communities Palawan, Inc. approved to increase its authorized capital stock to ₱500,000,000 divided into 500,000,000 shares with par value of ₱1.00 per share.

The increase in Communities Palawan, Inc.'s authorized capital stock from ₱50,000,000 divided into 500,000 shares with par value of ₱100.00 per share to ₱500,000,000 divided into 500,000,000 shares with par value of ₱1.00 per share was approved by the SEC on April 18, 2022.

On February 16, 2022, the BOD approved the following amendments to the Articles of Incorporation and By-Laws of Communities Palawan, Inc.: (a) change in the corporate name to "VFUND MANAGEMENT, INC."; (b) change in primary and secondary purpose to engage in the business of providing fund management services to REIT companies, as provided under Republic Act No. 9856; (c) requirement to have independent directors in the Board; and (d) amending the corporate term to perpetual existence. Such amendments were approved by the SEC on April 18, 2022.

The above amendments are pursuant to the Proposed Initial Public Offering of a REIT by VistaREIT, Inc. (VistaREIT) after Communities Palawan, Inc. and VistaREIT entered into a Fund Management Agreement on March 18, 2022 for Communities Palawan, Inc. to act as the Fund Manager to VistaREIT, to perform the functions required thereof as stated in the REIT Law and the regulations of the relevant government entities, which includes, in exchange for a fund management fee as agreed by the parties, execution of investment strategies and overseeing and coordinating



property acquisition, property management, leasing, operational and financial reporting, appraisals, audits, market review, accounting and reporting procedures, as well as financing and asset disposition plans.

*Initial public offering of VistaREIT*

As of December 31, 2022, VistaREIT is 32.96% owned by MAPI, 17.40% owned by VRI, 5.92% owned by MC, 4.86% by Communities Pampanga, Inc., 3.49% owned by CAPI and 35.37% public after it was listed in the Philippine Stock Exchange on June 15, 2022. Effectively, VLLI's effective ownership in VistaREIT as of December 31, 2022 is now at 60.09% from 98.94% as of December 31, 2021 as a result of public offering (see Note 23).

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## 2. Basis of Preparation and Statement of Compliance

### Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for the financial assets measured at fair value through other comprehensive income which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱) which is the functional and presentation currency of the Parent Company, and all amounts are rounded to the nearest Philippine Peso unless otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

### Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS), as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. These accounting pronouncements address the issues of PFRS 15, *Revenue from Contracts with Customers*, affecting the real estate industry.

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

On December 15, 2020, the Philippine SEC issued SEC Memorandum Circular (MC) No. 34-2020 which further extended the deferral of the following provisions of PIC Q&A 2018-12 until December 31, 2023:

- a. Exclusion of land in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E
- b. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
- c. Implementation of International Financial Reporting Standards (IFRS) Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods under Philippine Accounting Standards (PAS) 23, *Borrowing Cost*, for Real Estate industry

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

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



### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022.

An investee is included in the consolidation at the point when control is achieved. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

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

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

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

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

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



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

	Percentage of Ownership		
	2022	2021	2020
Brittany	100.00%	100.00%	100.00%
Balmoral Resources Corporation*	36.93	36.93	36.93
CAPI	100.00	100.00	100.00
Balmoral Resources Corporation*	16.93	16.93	16.93
VistaREIT, Inc.**	3.49	19.61	-
VRI	100.00	100.00	100.00
Vista Leisure Club Corporation (VLCC)	100.00	100.00	100.00
Vista Hospitality Management Corp.	100.00	100.00	100.00
Malay Resorts Holdings, Inc. (MRHI)	100.00	100.00	100.00
Mella Hotel, Inc.	100.00	100.00	100.00
Balmoral Resources Corporation*	37.22	37.22	37.22
VProperty Management, Inc.	100.00	100.00	-
VistaREIT, Inc.**	17.40	19.61	-
CHI	100.00	100.00	100.00
Household Development Corporation (HDC)	100.00	100.00	100.00
Brittany Estates Corporation	100.00	100.00	100.00
Balmoral Resources Corporation*	8.92	8.92	8.92
Mandalay Resources Corp.	100.00	100.00	100.00
C&P International Limited	100.00	100.00	100.00
Camella Sales Specialists, Inc.	100.00	100.00	100.00
Vista Towers, Inc.	100.00	100.00	100.00
Prima Casa Land & Houses, Inc. (PCLHI)	100.00	100.00	100.00
CPI	100.00	100.00	100.00
Communities Batangas, Inc.	100.00	100.00	100.00
Communities Bulacan, Inc.	100.00	100.00	100.00
Communities Cebu, Inc.	100.00	100.00	100.00
Communities Cagayan, Inc.	100.00	100.00	100.00
Communities Davao, Inc.	100.00	100.00	100.00
Communities General Santos, Inc.	100.00	100.00	100.00
Communities Isabela, Inc.	100.00	100.00	100.00
Communities Leyte, Inc.	100.00	100.00	100.00
Communities Naga, Inc.	100.00	100.00	100.00
Communities Iloilo, Inc.	100.00	100.00	100.00
Communities Negros, Inc.	100.00	100.00	100.00
Communities Pampanga, Inc.	100.00	100.00	100.00
VistaREIT, Inc.**	4.86	19.61	-
Communities Pangasinan, Inc.	100.00	100.00	100.00
Communities Tarlac, Inc.	100.00	100.00	100.00
Communities Zamboanga, Inc.	100.00	100.00	100.00
Communities Ilocos, Inc.	100.00	100.00	100.00
Communities Bohol, Inc.	100.00	100.00	100.00
Communities Quezon, Inc.	100.00	100.00	100.00
VFund Management, Inc. (formerly Communities Palawan, Inc.)	100.00	100.00	100.00
Communities Panay, Inc.	100.00	100.00	100.00
VII	100.00	100.00	100.00
Vistamalls, Inc.	88.34	88.34	88.34
Manuela Corporation (MC)	99.85	99.85	98.85
VistaREIT, Inc.**	5.92	20.50	45.00
Masterpiece Asia Properties, Inc. (MAPI)	100.00	100.00	100.00
VistaREIT, Inc.**	32.96	19.61	-

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

\*\*The Group effectively owns 60.09% and 98.94% of VistaREIT, Inc. (formerly Vista One, Inc.) through MC, MAPI, Communities Pampanga, Inc., CAPI and VRI and the rest are owned by individual shareholders, as of December 31, 2022 and 2021, respectively.



### Noncontrolling Interests

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

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

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction and recognized as "Additional paid-in-capital" in the consolidated statement of changes in equity. If the Group loses control over a subsidiary if:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interest and the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

As at December 31, 2022, the percentage of noncontrolling interests pertain to (i) VistaREIT at 39.91% and (ii) Vistamalls, Inc. and its subsidiaries at 11.66%. As of December 31, 2021, the percentage of noncontrolling interests pertaining to Vistamalls, Inc. and its subsidiaries is at 11.66%. The voting rights held by the noncontrolling interests are in proportion of their ownership interest.

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### 3. **Changes in Accounting Policies**

#### New Standards, Interpretations and Amendments

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

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

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



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

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

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

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

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

- *Annual Improvements to PFRSs 2018-2020 Cycle*

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

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent’s consolidated financial statements, based on the parent’s date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

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

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

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

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



#### Voluntary Change in Accounting Policy

Starting January 1, 2021, considering the experience from the pandemic, management made a comparison of the prevailing practice in the industry and noted that most of the big players in commercial and office spaces leasing are using the simplified approach. Given this, management decided to align its accounting policy with what is prevailing in the industry which resulted in voluntarily changing its accounting policy to measure loss allowance for its lease receivables from general to simplified approach. The Group now measures the loss rate using net flow methodology.

Under the simplified approach, in calculating expected credit loss (ECL), the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix for lease receivables, analyzed into third party and related party tenants, that is based on historical credit loss experience and incorporating forward-looking information (called overlays). The change in accounting policy was applied retroactively resulting in additional provision amounting to ₱24.79 million in 2021 and no significant impact for 2020.

#### Standards Issued but not yet Effective

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

#### *Effective beginning on or after January 1, 2023*

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.





- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

*Effective beginning on or after January 1, 2024*

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

The amendments clarify:

- That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

*Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

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



The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

#### *Deferred effectivity*

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

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

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

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

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



The PIC Q&A provisions covered by the SEC deferral that the Group availed as of December 31, 2022 follows:

	Deferral Period
Exclusion of land in the determination of POC discussed in PIC Q&A No. 2018-12-E	Until December 31, 2023
Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023
Implementation of IFRS IFRIC Agenda Decision on Over Time Transfer of Constructed Goods under PAS 23, <i>Borrowing Cost</i> ) for Real Estate industry	Until December 31, 2023

The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

- a. The accounting policies applied;
- b. Discussion of the deferral of the subject implementation issues in the PIC Q&A;
- c. Qualitative discussion of the impact on the financial statements had the concerned application guidelines in the PIC Q&A been adopted; and
- d. Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

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

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

After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto.

To assist real estate companies to finally adopt the said PIC and IFRIC pronouncements and enable them to fully comply with PFRS 15 and revert to full PFRS, the Commission en banc, in its meeting held on July 8, 2021, approved the amendment to the transitional provisions in the above MCs, under SEC Memo 8-2021, issued last July 2020 which would provide real estate companies the accounting policy option of applying either the full retrospective approach or modified retrospective approach when they apply the provisions of the PIC and IFRIC pronouncements.

The Commission en banc, in the same meeting, likewise approved that the policy option be available to entities that cease availing of the above SEC financial reporting reliefs whether in full or in part.



Had the above provisions been adopted, the Group assessed that the impact would have been as follows:

*Treatment of land in the determination of the percentage-of-completion*

Adoption of this guidance would have impacted a reduction in revenue from real estate sales, installment contract receivables, provision for deferred income tax, deferred tax asset or liability and the opening balance of retained earnings. These would have not impacted the cash flows. As of December 31, 2022, the Group is still in the process of assessing the impact of excluding land in the determination of POC.

*Assessing whether the transaction price includes a significant financing component*

The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. Adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, installment contracts receivable, provision for deferred income tax, deferred tax asset or liability and the opening balance of retained earnings. These would have impacted the cash flows from operations and cash flows from financing activities. As of December 31, 2022, the Group is still in the process of assessing the impact of significant financing component.

*Impact of implementing the IFRIC Agenda Decision on Over Time Transfers of Constructed Goods under PAS 23, Borrowing Cost*

Adoption of this guidance would have impacted a reduction in net income, real estate inventories, provision for deferred income tax, deferred tax liability, and the opening balance of retained earnings, and a corresponding increase in interest and other financing charges. These would have not impacted the cash flows. As of December 31, 2022, the Group is still in the process of assessing the impact of implementing the IFRIC Agenda Decision.

The Group is still evaluating whether to adopt the above changes using modified retroactive approach or full retroactive approach. If application is using modified retrospective approach, the impact will be recorded during the year of adoption and the opening retained earnings in the year of adoption while if application will be using full retroactive approach, the impact will be recorded in all years presented and the opening retained earnings in the earliest period presented.

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#### 4. Summary of Significant Accounting Policies

##### Current and Noncurrent Classification

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

An asset is current when:

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

All other assets are classified as noncurrent.



A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent.

#### Fair Value Measurement

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

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

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

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

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

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

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

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

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



### Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash in banks are stated at face amount and earn interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and that are subject to an insignificant risk of changes in value.

### Short-term Cash Investments

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

### Financial Instruments

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

#### *Financial assets*

##### *Initial recognition and measurement*

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

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

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

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

##### *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

##### *Financial assets at amortized cost (debt instruments)*

The Group measures financial assets at amortized cost if both of the following conditions are met:

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



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

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

*Financial assets designated at fair value through OCI (equity instruments)*

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

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

The Group's equity instruments classified as financial assets designated at fair value through OCI include investments in golf club shares and preferred shares of utility companies.

Impairment of Financial Assets

The Group recognizes expected credit losses (ECL) for:

- debt instruments that are measured at amortized cost and fair value through OCI;
- loan commitments; and
- financial guarantee contracts.

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

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

As discussed above, starting January 1, 2021, the Group used simplified approach method in calculating its ECL for lease receivables from the previous general approach. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix for trade receivables that is based on its historical credit loss experience, adjusted for forward-looking factors (i.e., inflation, GDP growth rate) specific to the debtors and the economic environment.



An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The Group considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to impairment loss.

Prior to retroactive adoption of the change in ECL methodology for lease receivables, the Group uses general approach in calculating its ECL. Under the general approach, at each reporting date, the Group recognizes a loss allowance based on either 12-month ECLs or Lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition. The changes in the loss allowance balance are recognized in profit or loss as an impairment gain or loss.

For cash in banks, short-term cash investments, restricted cash, and investment in amortized cost, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the external credit rating agencies to determine whether the instrument has significantly increased in credit risk and to estimate ECLs.

The simplified approach is also applied to installment contracts receivable. The Group has established a vintage analysis for installment contracts receivable that is based on historical credit loss experience, adjusted for forward-looking factors (i.e., bank lending rate, inflation rate or gross domestic product (GDP) growth rate) specific to the debtors and the economic environment.

#### *Financial liabilities*

##### *Initial recognition and measurement*

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

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

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





### *Subsequent measurement*

#### *Loans and borrowings*

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

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

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

### Derecognition of Financial Assets and Financial Liabilities

#### *Financial asset*

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

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

#### *Modification of financial assets*

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

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

#### *Financial liability*

A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.



#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default and in event of insolvency or bankruptcy of the Group and all of its counterparties.

#### Real Estate Inventories

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

Cost includes:

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

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

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

#### Value-Added Tax (VAT)

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

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



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

#### Creditable Withholding Taxes

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

#### Prepaid Expenses

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

#### Investment in Joint Venture

The Group's investment in joint venture is accounted for under the equity method of accounting.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries.

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

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

The Group discontinues applying the equity method when its investment in investee company is reduced to zero. Unless otherwise, additional losses are not recognized when the Group has guaranteed certain obligations of the investee company. When the investee company subsequently reports net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the investee company and the Group are identical and the investee company's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.



The Group reduces the carrying value of its investment based on average acquisition cost per share (historical cost) when the Group disposes the investment, or the investee reacquires its own equity instruments from the Group.

#### Project Development Costs

Project development costs consist of advances for socialized housing credits and advances in joint operations. These are carried at cost less any accumulated impairment.

##### *Advances for socialized housing credits*

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

##### *Advances on joint operations*

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

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

#### Investment Properties

Investment properties comprise of completed property and property under construction or re-development that are held to earn rentals or for capital appreciation. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value. The initial cost of investment properties consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use and capitalized borrowing cost. Investment properties also include right-of-use assets primarily involving land where commercial buildings are located.

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received.

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



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

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred. Depreciation and amortization commence once the investment properties are available for use and computed using the straight-line method over the estimated useful lives (EUL) of the assets, regardless of utilization. The EUL and the depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of investment properties.

	Years
Buildings and building improvements	10 to 40 years or lease term, whichever is shorter
Right-of-use assets	11 to 30 years

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

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

#### Property and Equipment

Property and equipment, except for land, are carried at cost less accumulated depreciation and any impairment in value. Land is carried at cost less any impairment value at initial recognition and subsequently. The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after property and equipment have been put into operation are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against operations as incurred.



Depreciation commences once the property and equipment are available for use and is calculated on a straight-line basis over the EUL life of property and equipment as follows:

	Years
Building and building improvements	10 to 40
Transportation equipment	2 to 5
Office furniture, fixtures and equipment	2 to 5
Construction equipment	2 to 5
Other fixed assets	1 to 5

Building and building improvements are amortized on a straight-line basis over the term of the lease or the EUL of the asset, whichever is shorter.

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

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

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

#### Deposits

Deposits consist of 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 less any unpaid billings. Such deposits are necessary for the continuing construction and development of real estate projects of the Group. These are carried at cost less any impairment in value.

#### Model House Accessories

Model house accessories are measured at cost less accumulated amortization and any impairment in value. Amortization commences once the model house accessories are available for use and is calculated on a straight-line method over the estimated useful life of two (2) to three (3) years. Impairment of model house accessories follows the impairment policy of nonfinancial assets.

#### Systems Development Costs

Costs associated with developing or maintaining computer software programs are recognized as expense as incurred. Costs that are directly associated with identifiable and unique software controlled by the Group and will generate economic benefits exceeding costs beyond one year, are recognized as intangible assets to be measured at cost less accumulated amortization and provision for impairment losses, if any.

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



#### Impairment of Nonfinancial Assets

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

An assessment is made at each financial reporting date as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase in OCI. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### Security Deposits

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

#### Advance Rent

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

#### Equity

Capital stock is measured at par value for all shares subscribed, issued and outstanding. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account. Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

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



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

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

#### Business Combinations and Goodwill

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

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

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

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

#### Revenue and Cost Recognition for Real Estate Sales

##### *Revenue from Contract with Customers*

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





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

#### *Real estate sales*

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

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

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

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

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

Other income is recognized if buyers forfeit their reservation fees and partial payments when not proceeding with the contract. The income recognized is net of any amount required to be returned to the buyers.

#### *Costs of real estate sales*

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

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

#### Contract Balances

##### *Installment Contracts Receivable*

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



*Contract liabilities*

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

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

*Cost to obtain contract*

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

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

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

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

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

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

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



### Rental Income

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

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

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

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

The contracts for commercial and office spaces leased out by the Group to its tenants include the rights to charge for the electricity usage, water usage, air-conditioning charges and CUSA like maintenance janitorial and security services.

For the electricity and water usage, the Group determined that it is acting as an agent because the promise of the Group to the tenants is to arrange for the electricity and water supply to be provided by a utility company. The utility and service companies, and not the Group, are primarily responsible for the provisioning of the utilities while the Group administers the leased spaces and coordinates with the utility and service companies to ensure that tenants have access to these utilities.

For the provision of CUSA and air-conditioning of the buildings, the Group acts as a principal because it retains the right to direct the service provider of air-conditioning, maintenance, janitorial and security to the leased premises. The right to the services mentioned never transfers to the tenant and the Group has the discretion on how to price the CUSA and air-conditioning charges.

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

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

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

### Interest Income

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



Unearned discount is recognized as income over the terms of the financial assets at amortized cost using the effective interest method and is shown as deduction for the financial assets.

#### Other Revenue

Other revenue is recognized when earned.

#### Pension Cost

##### *Defined benefit plan*

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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



## Income Taxes

### *Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

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

### *Deferred tax*

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

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

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

Deferred tax assets shall be recognized for deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized in OCI. Deferred tax items recognized in correlation to the underlying transaction either in OCI or directly in equity.

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



### Borrowing Costs

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

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

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

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

### Operating Expenses

Operating expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Operating expenses are recognized:

- on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.

### Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### *Group as Lessee*

##### *Lease liabilities*

At the commencement date of the lease, the Group recognizes the liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects



the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

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

#### *Short-term leases and Leases of low-value assets*

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

#### *Lease modification*

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

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

#### *Group as a Lessor*

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

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

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



Pretermination is defined as termination of lease contract by the lessee or lessor before the end of the lease term. In the case of pretermination of an operating lease, a lessor derecognizes the accrued rental receivable which is the effect of straight-line calculation of rental income and is charged against rental income in the statement of comprehensive income.

#### Foreign Currency Translation

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

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

#### Basic and Diluted Earnings Per Share (EPS)

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

As of December 31, 2022, 2021 and 2020, the Group has no potential dilutive common shares (see Note 30).

#### Segment Reporting

The Group’s operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 6 to the consolidated financial statements.

#### Provisions

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risk specific to the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects some or all of a





provision to be reimbursed, the reimbursement is recognized only when the reimbursement is virtually certain. The expense relating to any provision is presented in consolidated statement of comprehensive income net of any reimbursement.

#### Contingencies

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

#### Events After the Financial Reporting Date

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

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### 5. Significant Accounting Judgments and Estimates

The preparation of the accompanying consolidated financial statements in compliance with PFRS, as modified by the application of the financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the consolidated financial statements, requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

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

#### Judgments

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

##### *Revenue from contracts with customers*

##### *Existence of a contract*

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

In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments (buyer's equity) in relation to the total contract price. Collectability is also assessed by considering factors such as payment history of customer, age and pricing of the property.



Management regularly evaluates the historical cancellations and back-outs after considering the impact of COVID-19 pandemic, if it would still support its current threshold of customers' equity before commencing revenue recognition.

*Determining performance obligation*

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

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

*Revenue recognition method and measure of progress*

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

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

*Principal versus agent considerations*

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

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



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

*Property lease classification - the Group as lessor*

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

*Assessment on whether lease concessions granted constitute a lease modification*

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

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

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

The rent concessions granted by the Group for the years ended December 31, 2022, 2021 and 2020 amounted to ₱39.18 million, ₱240.65 million and ₱1,544.82 million, respectively (see Note 7).

*Determination of the lease term*

The Group determines the lease term as the noncancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

As a lessee, the Group has a lease contract for the land where investment properties are situated that includes an extension and a termination option. The Group applies judgement in evaluating whether or not it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a



significant event or change in circumstances that is within its control and affects its ability to exercise, or not to exercise, the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

*Accounting for lease modification - the Group as lessee*

In 2021, the Group and one of the lessors amended the lease contract covering parcels of land where one of the Group's commercial building is situated by extending the lease period and amending the lease rates. The Group assessed that the lease modification did not result in a separate lease and the Group remeasured the lease liability based on the amended lease period and lease rates and recognized the difference between the carrying amount of the modified lease liability and the carrying amount of the lease liability immediately before the modification as an adjustment to the right-of-use asset. The lease contract further subjects the lease payments starting 2036 to be reviewed by both parties in accordance with certain stipulations in the contract. As such, the Group used the market rate at the date the lease is modified for lease period where lease payments are yet to be agreed.

*Definition of default and credit-impaired installment contracts receivable*

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

- *Quantitative criteria*  
The customer receives a notice of cancellation and does not continue the payments.
- *Qualitative criteria*  
The customer meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty. These are instances where:
  - a. The customer is experiencing financial difficulty or is insolvent
  - b. The customer is in breach of financial covenant(s)
  - c. An active market for that financial assets has disappeared because of financial difficulties
  - d. Concessions have been granted by the Group, for economic or contractual reasons relating to the customer's financial difficulty
  - e. It is becoming probable that the customer will enter bankruptcy or other financial reorganization

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

*Incorporation of forward-looking information*

The Group considers a range of relevant forward-looking macro-economic assumptions (i.e., inflation rate and GDP growth rate for commercial segment and bank lending rate, inflation rate or GDP growth rate for residential segment) for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Group's evaluation and assessment and after taking into consideration external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions. The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more



optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios. The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

#### *Significant increase in credit risk*

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors. The Group's cash and cash equivalents, short-term cash investments, investments at amortized cost, and restricted cash are graded in the top investment category by globally recognized credit rating agencies such as S&P, Moody's and Fitch and, therefore, are considered to be low credit risk investments. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from these credit rating agencies both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs. Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

#### *Determining Taxable Profit, Tax Bases, Unused Tax Losses, Unused Tax Credits and Tax Rates*

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

#### *Assessment of Joint Control*

The investment in VVTI is accounted for as investment in joint venture despite the Group owning 60%, this is because the relevant activities such as matters related to project development, approval of annual budget and programme, change in joint venture business structure and distribution of dividends among others of the Group and Mitsubishi Estate Co., Ltd. require the unanimous consent of both parties. Even though the Group holds 60% ownership interest on these arrangements, their respective joint arrangement agreements require unanimous consent from all parties to the agreement for the relevant activities identified. The Group and the parties to the agreement only have rights to the net assets of the joint venture through the terms of the contractual arrangements.

#### Management's Use of Estimates

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

#### *Measurement of progress when revenue is recognized over time*

The Group's real estate sales is recognized over time and the percentage-of-completion is determined using input method measured principally based on total actual cost of resources consumed such as materials, labor hours expended, and actual overhead incurred over the total expected project development cost. Actual costs also include incurred costs but not yet billed which are estimated by the project engineers. Total estimated project development cost involves significant estimate since it requires technical determination by management's specialists (project engineers). Estimated project development costs include costs of land, land development, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses.



Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis and is allocated between costs of sales and real estate inventories.

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

*Provision for expected credit losses of financial assets*

Cash and cash equivalents, short-term cash investments, investments at amortized cost and restricted cash:

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

Installment contracts receivables, accounts receivable and accrued rental receivable:

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

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

For third-party receivable from tenants and accrued rental receivables, the Group recognizes a loss allowance based on lifetime ECLs effective January 1, 2021 and applied retrospectively. The changes in the loss allowance balance are recognized in profit or loss as an impairment gain or loss.

For related party receivables from tenants, including the accrued rental receivable, the Group considers the ability to pay of the related party and considers factors whether the related party is a listed company or not, its current results of operations and the projected cash flows from operations given the expected continuing recovery from the COVID-19 pandemic. The assessment also includes the assumption of the liability of the related parties' parent company and future plans of payments for remaining uncollected receivables such as entering into property exchange or joint venture arrangements wherein land properties will be received as form of settlement, which are to be used in the Group's planned expansion activities. The collectability assessment also includes the continuing commitment to provide financial support to these related parties and common control entities by Fine Properties, Inc. and the assessment of the latter's capacity to provide such financial support.



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

In 2022, the Group has determined that the impact of COVID-19 pandemic to its current operations has significantly declined and the continuing and future business activities are expected to be on continuous recovery.

The collectability of the significant portion of its receivables from real estate sales is impacted by the continuing employment of its customers, both the overseas contract workers and locally employed customers, particularly those working within the industry previously adversely affected by COVID-19 pandemic. Recoveries of these various industries were considered in the updating of assumptions.

Tenants which belong to micro, small and medium enterprise and those operating under entertainment, non-essentials and food industries were previously adversely affected due to temporary closure of mall operations which increased the risk of non-collection of the remaining receivables. The Group has updated its assumptions as various tenants has recovered from the impact of the pandemic.

Considering the above, the Group revisited the expected credit loss exercise as at December 31, 2022 and 2021 for its receivables.

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

For installment contracts receivable and receivables from tenants, the PD scenario used in the calculation of ECL were assigned with 33% equal probability for all scenarios as of December 31, 2022, 30% best, 33% base, and 37% worse and 31% best, 33% base, and 36% worst case probability scenario as of December 31, 2021, and 31% best, 33% base, and 36% worse and 25% best, 33% base, and 42% worst case probability scenario as of December 31, 2020, respectively. The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes.

As a result of the loss estimation, management recognized impairment loss for receivable from tenants and investments at amortized cost in each period presented. The Group, however, did not identify an impairment for installment contracts receivable primarily because of the recoveries from resale of repossessed inventories that are higher than the exposure at default.

Further details are provided in Notes 10, 11 and 32.

#### *Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position or disclosed in the notes to the consolidated financial statements cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation.



Further details about the fair value of financial instruments are provided in Note 31.

*Evaluation of net realizable value of real estate inventories*

Real estate inventories are valued at the lower of cost and NRV. This requires the Group to make an estimate of the estimated selling price of the real estate inventories in the ordinary course of business, cost of completion and costs necessary to make a sale to determine the NRV. The Group adjusts the cost of its real estate inventories to NRV based on its assessment of the recoverability of these assets. In determining the recoverability of these assets, management considers whether these assets are damaged, if their selling prices have declined and management's plan in discontinuing the real estate projects. Estimated selling price is derived from publicly available market data and historical experience, while estimated selling costs are basically commission expense based on historical experience. In line with the impact of COVID-19, the Group experienced limited selling activities that resulted to lower sales in 2022, 2021 and 2020. In evaluating NRV, recent market conditions and current market prices and expected continuing actively from the COVID-19 pandemic have been considered.

Further details are provided in Note 12.

*Evaluation of impairment of nonfinancial assets*

The Group reviews project development costs, investment in joint venture, property and equipment, investment properties, goodwill, and other nonfinancial assets for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant industry or economic trends, considering the expected continuing recovery from the impact of COVID-19 pandemic.

The Group estimates the recoverable amount as the higher of the fair value less costs to sell and value in use. Fair value less costs to sell pertain to quoted prices and for fair values determined using discounted cash flows or other valuation technique such as multiples. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect project development costs, investment in joint venture, property and equipment, investment properties, goodwill, and other nonfinancial assets.

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

Further details are provided in Notes 8, 13, 14, 15, 16, and 17.

*Determining the fair value of investment properties*

The Group discloses the fair values of its investment properties. The Group's investment properties consist of land and land developments and building and building improvements. For properties for leasing, the fair values were derived using income approach as determined by third party appraisers while land properties held for capital appreciation were based on market-based listing of the properties of the same features and locations as determined by management. Fair values of right of use asset were determined using the latest discount rate every end of reporting period based on remaining cash flows while that of construction in progress is aligned with cost as management believes the values of cost represents the current replacement cost as of balance sheet date.

Further details are provided in Note 14.





*Leases - Estimating the incremental borrowing rate*

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

*Useful lives of property and equipment and investment properties*

The Group estimated the useful lives of its property and equipment and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. For investment properties located in parcels of land that the Group leases, the Group also considers the noncancellable term of the lease in determining the useful lives of the leasehold improvements.

*Recognition of deferred tax assets*

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

Further details are provided in Note 27.

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## 6. Segment Information

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

*Horizontal Projects*

This segment pertains to the development and sale of residential house and lot across the Philippines.

*Vertical Projects*

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

*Commercial and others*

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment operating income or loss before income tax and earnings before income tax,



depreciation and amortization (EBITDA). Segment operating income or loss before income tax is based on the same accounting policies as consolidated operating income or loss. No operating segments have been aggregated to form the above reportable operating business segments. The chief operating decision-maker (CODM) has been identified as the chief executive officer. The CODM reviews the Group's internal reports in order to assess performance of the Group.

Transfer prices between operating segments are based on the agreed terms between the related parties.

The amount of segment assets and liabilities are based on the measurement principles that are similar with those used in measuring the assets and liabilities in the consolidated statements of financial position which is in accordance with PFRS. The segment assets are presented separately from the receivables from related parties, investments at fair value through other comprehensive income (FVOCI), investments at amortized cost and deferred taxes. Segment liability are presented separately from the deferred tax liabilities.

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

	December 31, 2022				
	Horizontal	Vertical	Commercial and Others	Intersegment Adjustments	Consolidated
	(Amounts in thousands)				
Real estate revenue (Note 7)	₱8,402,272	₱4,387,606	₱-	₱-	₱12,789,878
Rental income (Notes 14 and 34)	-	-	14,135,752	(393,494)	13,742,258
Parking, hotel, mall administrative and processing fees, and others (Note 25)	708,601	292,840	627,244	(21,340)	1,607,345
	9,110,873	4,680,446	14,762,996	(414,834)	28,139,481
Costs and operating expenses (Note 24)	5,229,702	3,111,737	4,210,076	-	12,551,515
Segment income before income tax	3,881,171	1,568,709	10,552,920	(414,834)	15,587,966
Interest income and other income from investments (Note 25)	909,341	55,511	717,686	-	1,682,538
Interest and other financing charges (Note 25)	(429,929)	(35,853)	(4,752,105)	-	(5,217,887)
Depreciation and amortization (Note 24)	(656,089)	(25,285)	(1,957,479)	-	(2,638,853)
Income before income tax	3,704,494	1,563,082	4,561,022	(414,834)	9,413,764
Provision for income tax (Note 27)	522,632	312,616	1,185,866	-	2,021,114
Net income	₱3,181,862	₱1,250,466	₱3,375,156	(₱414,834)	₱7,392,650
Other Information					
Segment assets	₱167,550,154	₱23,922,805	₱81,688,963	(₱186,312)	₱272,975,610
Advances to a related party (Note 29)	7,042,276	-	-	-	7,042,276
Investment in joint venture (Note 17)	-	468,074	-	-	468,074
Investments at FVOCI (Note 10)	12,158	-	105,000	-	117,158
Investments at amortized cost (Note 10)	-	-	41,499,484	-	41,499,484
Deferred tax assets - net (Note 27)	111,464	-	-	-	111,464
Total Assets	₱174,716,052	₱24,390,879	₱123,293,447	(₱186,312)	₱322,214,066
Segment liabilities	₱20,217,005	₱7,822,545	₱164,603,249	(₱186,312)	₱192,456,487
Deferred tax liabilities - net (Note 27)	1,664,144	152,292	4,290,951	-	6,107,387
Total Liabilities	₱21,881,149	₱7,974,837	₱168,894,200	(₱186,312)	₱198,563,874
Capital expenditures	₱12,089,005	₱6,323,525	₱4,103,770	₱-	₱22,516,300

\*For the year ended December 31, 2022, EBITDA amounts to ₱17,270.50 million.



	December 31, 2021				
	Horizontal	Vertical	Commercial and Others	Intersegment Adjustments	Consolidated
	(Amounts in thousands)				
Real estate revenue (Note 7)	₱13,602,441	₱3,795,490	₱-	₱-	₱17,397,931
Rental income (Notes 14 and 34)	-	-	9,851,733	(539,013)	9,312,720
Parking, hotel, mall administrative and processing fees, and others (Note 25)	1,282,740	178,395	901,204	(215,465)	2,146,874
	14,885,181	3,973,885	10,752,937	(754,478)	28,857,525
Costs and operating expenses (Note 24)	10,074,372	1,842,673	4,092,032	(754,478)	15,254,599
Segment income before income tax	4,810,809	2,131,212	6,660,905	-	13,602,926
Interest income and other income from investments (Note 25)	763,936	26,230	1,533,716	-	2,323,882
Interest and other financing charges (Note 25)	(355,563)	(29,651)	(3,930,116)	-	(4,315,330)
Depreciation and amortization (Note 24)	(651,485)	(31,113)	(2,003,985)	-	(2,686,583)
Income before income tax	4,567,697	2,096,678	2,260,520	-	8,924,895
Provision for income tax (Note 27)	977,371	324,020	656,258	-	1,957,649
Net income	₱3,590,326	₱1,772,658	₱1,604,262	₱-	₱6,967,246
Other Information					
Segment assets	₱157,006,893	₱17,782,356	₱83,175,042	(₱511,958)	₱257,452,333
Advances to a related party (Note 29)	6,085,189	-	-	-	6,085,189
Investment in joint venture (Note 17)	-	458,772	-	-	458,772
Investments at FVOCI (Note 10)	41,499	-	83,000	-	124,499
Investments at amortized cost (Note 10)	-	-	49,817,450	-	49,817,450
Deferred tax assets - net (Note 27)	48,279	-	105	-	48,384
Total Assets	₱163,181,860	₱18,241,128	₱133,075,597	(₱511,958)	₱313,986,627
Segment liabilities	₱27,576,766	₱5,707,468	₱163,704,772	(₱511,958)	₱196,477,048
Deferred tax liabilities - net (Note 27)	1,017,709	133,280	3,831,662	-	4,982,651
Total Liabilities	₱28,594,475	₱5,840,748	₱167,536,434	(₱511,958)	₱201,459,699
Capital expenditures	₱14,615,731	₱4,078,229	₱2,445,640	₱-	₱21,139,600

\*For the year ended December 31, 2021, EBITDA amounts to ₱15,652.27 million.

	December 31, 2020				
	Horizontal	Vertical	Commercial and Others	Intersegment Adjustments	Consolidated
	(Amounts in thousands)				
Real estate revenue (Note 7)	₱17,943,287	₱3,857,277	₱-	₱-	₱21,800,564
Rental income (Notes 14 and 34)	-	-	7,286,366	(89,636)	7,196,730
Parking, hotel, mall administrative and processing fees, and others (Note 25)	721,440	170,838	890,745	(152,477)	1,630,546
	18,664,727	4,028,115	8,177,111	(242,113)	30,627,840
Costs and operating expenses (Note 24)	13,477,256	3,110,423	2,512,363	(242,113)	18,857,929
Segment income (loss) before income tax	5,187,471	917,692	5,664,748	-	11,769,911
Interest income and other income from investments (Note 25)	598,411	40,646	1,426,455	-	2,065,512
Interest and other financing charges (Note 25)	(84,721)	(214,674)	(3,672,512)	-	(3,971,907)
Depreciation and amortization (Note 24)	(240,738)	(35,642)	(1,971,333)	-	(2,247,713)
Income before income tax	5,460,423	708,022	1,447,358	-	7,615,803
Provision for income tax (Note 27)	662,181	84,963	482,047	-	1,229,191
Net income	₱4,798,242	₱623,059	₱965,311	₱-	₱6,386,612
Other Information					
Segment assets	₱95,288,403	₱25,616,912	₱115,537,982	(₱72,172)	₱236,371,125
Receivables from related parties (Note 29)	879,187	-	4,808,563	-	5,687,750
Investments at FVOCI (Note 10)	-	-	116,499	-	116,499
Investments at amortized cost (Note 10)	-	-	41,693,291	-	41,693,291
Deferred tax assets - net (Note 27)	188,106	-	-	-	188,106
Total Assets	₱96,355,696	₱25,616,912	₱162,156,335	(₱72,172)	₱284,056,771
Segment liabilities	₱15,018,896	₱7,647,351	₱151,757,364	(₱72,172)	₱174,351,439
Deferred tax liabilities - net (Note 27)	211,878	14,955	3,798,855	-	4,025,688
Total Liabilities	₱15,230,774	₱7,662,306	₱155,556,219	(₱72,172)	₱178,377,127
Capital expenditures	₱17,698,619	₱3,804,681	₱3,108,100	₱-	₱24,611,400

\*For the year ended December 31, 2020, EBITDA amounts to ₱13,767.97 million.



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

Rental income amounting to ₱11,506.05 million or 83.73%, ₱7,113.08 million or 76.38%, and ₱5,360.84 million or 74.49% of the commercial segment of the Group was generated from anchor tenants as defined in Note 29 for the years ended December 31, 2022, 2021 and 2020, respectively.

There is no cyclicity in the Group's operations.

## 7. Revenue from Contracts with Customers

### a. Disaggregated Revenue Information

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

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

	2022	2021	2020
	<i>(Amounts in Thousands)</i>		
Type of Product			
Real estate sales			
Horizontal	<b>₱8,402,272</b>	₱14,885,825	₱17,943,287
Vertical	<b>4,387,606</b>	2,512,106	3,857,277
	<b>12,789,878</b>	17,397,931	21,800,564
Hotel operations (Note 25)	<b>103,138</b>	89,267	48,511
	<b>₱12,893,016</b>	₱17,487,198	₱21,849,075

All of the Group's real estate sales are revenue from contracts with customers that are recognized over time, except for hotel operation's sale of food and beverages which are at point in time. There are no inter-segment eliminations among revenue from contracts with customers on real estate, as these are all sold to external customers as disclosed in the segment information in 2022, 2021 and 2020 (see Note 6).

Due to the impact of COVID-19 pandemic to the current and prior years, buyer's appetite has softened and prefers to stay liquid amid the current recession, with layoffs, travel restrictions, repatriations, nationwide lockdowns beginning on the third week of March 2020. The latter, coupled with the imposed quarantine which temporarily suspended construction activities and delivery of materials to sites, resulted to lower progress of work which impacted the real estate sales recognized in 2022, 2021 and 2020.

### *Contract Balances*

	2022	2021
Installment contracts receivable (Note 11)	<b>₱35,296,250,329</b>	₱41,235,173,571
Cost to obtain contract	<b>740,176,709</b>	898,663,714
Contract liabilities	<b>2,143,601,801</b>	1,801,470,690



Installment contracts receivable are from real estate sales which are collectible in equal monthly principal installments with various terms up to a maximum of 15 years. These are recognized at amortized cost using the effective interest method. Interest rates, which vary depending on the term of the receivable, ranges from 2.43% to 19.00% per annum, 2.44% to 19.00%, and 5.23% to 19.00% per annum in 2022, 2021 and 2020, respectively. The corresponding titles to the residential units sold under this arrangement are transferred to the customers only upon full payment of the contract price.

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

The amount of revenue recognized in 2022 and 2021 from amounts included in contract liabilities at the beginning of the year amounted to ₱799.11 million and ₱953.80 million, respectively.

b. Performance obligations

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

*Real estate sales*

The Group entered into reservation agreements with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the reservation agreement is fixed and has no variable consideration.

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

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

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



The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at December 31, 2022 and 2021 are, as follows:

	2022	2021
Within one year	₱8,619,451,367	₱9,188,744,994
More than one year	6,665,369,229	10,721,047,549
	<b>₱15,284,820,596</b>	<b>₱19,909,792,543</b>

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

#### *Rental agreements*

The Group entered into lease agreements for its mall retail spaces and office spaces with the following identified performance obligations: (a) lease of space, (b) provisioning of water and electricity, and (c) connection to air conditioning system, (d) CUSA services, and (e) administration fee. Revenue from lease of space is recognized on a straight-line basis over the lease term while revenue for the remaining performance obligations are recognized when services are rendered. The tenant is required to settle within 30 days upon receipt of the bill. Except for related party tenants, 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. Except for related party tenants, the lease arrangement would typically require a tenant to pay advance rental equivalent to two (2) to four (4) months and a security deposit equivalent to two (2) to four (4) months rental to cover any breakages after the rental period, with the excess returned to the tenant.

In various dates in 2021 and 2020, certain third party and related party tenants of the Group operating within the entertainment, food and low-priced apparel retailing have requested for the termination of their lease contracts with the Group prior to the original end dates. The requests, as granted by the Group, are primarily due to the impact of COVID 19 pandemic to their business. As a result, the Group reversed the accrued rental receivable which is the effect of straight-line calculation of rental income of those tenants who pre-terminated the contracts, amounting to ₱38.81 million and ₱1,560.95 million against rental income for the year ended December 31, 2021 and 2020, respectively (see Note 11). The related deferred tax liability of ₱9.70 million and ₱468.28 million for the reversed accrued rental receivable from tenants was reversed in 2021 and 2020, respectively. Of these terminated tenants in 2021 and 2020, ₱2.84 million and ₱1,556.12 million were related parties, respectively. The specific portion relating to the termination of related party tenants are further included in the related party transactions disclosure of the Group (see Note 29). There was no reversal of accrued rental receivables due to the impact of COVID-19 pandemic in 2022.

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



to December 31, 2021 and beyond depending on the tenant's profile and credit. The rent concessions granted by the Group to its tenants for the years ended December 31, 2022, 2021 and 2020 amounted to ₱39.18 million, ₱240.65 million and ₱1,544.82 million, respectively.

In 2022, due to the fire that hit Star Mall Alabang in Muntinlupa City, the tenants pre-terminated the contracts that resulted to reversal of the Group's accrued rental receivables, which is the effect of straight-line calculation of rental income, amounting to ₱427.50 million with related deferred tax liabilities of ₱106.88 million. Of these terminated tenants, ₱420.25 million were related parties (see Note 29).

c. Cost to Obtain Contract

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

	<b>2022</b>	2021
Balance at beginning of year	<b>₱898,663,714</b>	₱1,281,715,425
Net additions	<b>435,533,435</b>	489,086,609
Amortization (Note 24)	<b>(594,020,440)</b>	(872,138,320)
Balance at end of year	<b>₱740,176,709</b>	₱898,663,714

## 8. Treasury Shares and Goodwill

The treasury shares of ₱5,378.29 million is attributable to the 752.21 million shares issued by VLLI to Manuela Corporation (MC) during the VLLI acquisition of Vistamalls Group (formerly, Starmalls Group) in 2015. MC still holds the VLLI shares as of December 31, 2022 and 2021.

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

The Group included the impact of COVID-19 pandemic and the expected continuing recovery and the various community quarantine restricting movements and business operations in its annual impairment testing of goodwill for the years ended December 31, 2022, 2021 and 2020.

The recoverable amount is based on value in use calculations using cash flow projections from financial budgets approved by the Group's management covering the period the CGU is expected to be operational. Based on management's assessment, there is no impairment loss to be recognized on goodwill as at December 31, 2022 and 2021, despite temporary closure. In December 2021, Boracay Sands Hotel resumed operations. The pre-tax discount rate used on December 31, 2022 and 2021 is 9.78% and 12.65% respectively, which is based on weighted average cost of capital of comparable entities. The average growth rate used is 4.00% as of December 31, 2022 and 2021. The value-in-use computation is most sensitive to the discount rate and growth rate applies to the cash flow projection.



## 9. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash on hand	₱13,210,348	₱10,614,562
Cash in banks	8,640,751,874	11,805,653,656
Cash equivalents	6,416,242,404	40,387,680
	<b>₱15,070,204,626</b>	<b>₱11,856,655,898</b>

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

	2022	2021	2020
Philippine Peso	<b>0.01% to 1.25%</b>	0.03% to 0.50%	0.25% to 1.00%
US Dollar	<b>0.06% to 0.13%</b>	0.05% to 0.13%	0.04% to 0.13%

Interest earned from cash in banks and cash equivalents for the years ended December 31, 2022, 2021 and 2020 amounted to ₱45.84 million, ₱34.08 million and ₱63.64 million, respectively (see Note 25).

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

## 10. Investments

### *Short-term cash investments*

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

	2022	2021	2020
Philippine Peso	<b>0.10% to 3.13%</b>	1.00% to 4.00%	2.50% to 2.63%

As of December 31, 2022, and 2021, short-term cash investments amounted to ₱47.28 million and ₱336.02 million, respectively.

Interest earned from short-term cash investments for the years ended December 31, 2022, 2021 and 2020 amounted to ₱1.12 million, ₱2.47 million and ₱3.66 million, respectively (see Note 25).

### *Investments at amortized cost*

This account consists of the Group's investments in various US dollar-denominated debt securities with nominal interest rates ranging from 0.25% to 8.00%, 1.00% to 7.75% and 3.75% to 4.25% for the years ended December 31, 2022, 2021 and 2020, respectively.

In 2022, 2021 and 2020, effective interest rate ranges from 1.05% to 7.19%, 0.39% to 10.82% and 2.23% to 10.18%, respectively.





Investments at amortized cost amounting to \$552.94 million (₱30,829.00 million) and \$753.34 million (₱38,419.75 million) are used to secure the bank loans of the Parent Company amounting to ₱27,477.92 million and ₱33,557.33 million as of December 31, 2022 and 2021, respectively.

The fair values of the investments used as collateral amounted to ₱31,409.51 million and ₱23,992.35 million as of December 31, 2022 and 2021 respectively (see Note 20).

Interest income from these investments including amortization of premium amounted to ₱931.41 million, ₱1,507.49 million and ₱1,359.72 million in 2022, 2021 and 2020, respectively (see Note 25).

Provision for expected credit loss amounting to ₱23.29 million, ₱15.53 million and ₱65.63 million was recognized in 2022, 2021 and 2020 on these investments, respectively (see Note 24).

The following presents the breakdown of investments by contractual maturity dates as of December 31, 2022 and 2021.

	2022	2021
Due in one (1) year or less	<b>₱9,440,433,583</b>	₱15,751,510,319
Due after one (1) year through five (5) years	<b>31,629,125,036</b>	33,806,339,516
Due after five (5) years	<b>429,925,463</b>	259,600,004
	<b>₱41,499,484,082</b>	₱49,817,449,839

The rollforward analysis of investments at amortized cost follow:

	2022	2021
Balance at beginning of year	<b>₱49,817,449,839</b>	₱41,693,291,447
Additions	<b>12,921,556,055</b>	17,452,430,148
Redemptions*	<b>(24,461,735,580)</b>	(12,549,337,950)
Amortization of premium	<b>(437,030,746)</b>	(393,165,298)
Provision for expected credit loss (Note 24)	<b>(23,289,723)</b>	(15,532,895)
Cumulative translation adjustment	<b>3,682,534,237</b>	3,629,764,387
Balance at end of year	<b>₱41,499,484,082</b>	₱49,817,449,839

\*These include early redemptions initiated by the issuer/s.

#### *Investment at fair value through FVOCI*

The investment at fair value through FVOCI consists of quoted golf and country club shares carried at fair value which the Group irrevocably elected to classify as FVOCI.

	2022	2021
Balance at beginning of year	<b>₱124,499,183</b>	₱116,499,183
Unrealized fair value gain during the year	<b>22,000,000</b>	8,000,000
Disposals	<b>(29,340,803)</b>	-
Balance at end of year	<b>₱117,158,380</b>	₱124,499,183



## 11. Receivables

This account consists of:

	2022	2021
Installment contracts receivable (Note 7)	<b>₱35,296,250,329</b>	₱41,235,173,571
Accounts receivable:		
Tenants (Note 29)	<b>10,141,422,954</b>	8,259,791,965
Home Development Mutual Fund (HDMF)	<b>185,386,869</b>	322,873,996
Buyers	<b>171,303,255</b>	162,854,404
Others	<b>44,839,102</b>	112,967,013
Advances to:		
Contractors and suppliers	<b>9,790,417,284</b>	8,354,056,357
Private companies	<b>1,407,176,313</b>	1,567,865,004
Brokers	<b>153,347,171</b>	151,209,360
Accrued rental receivable (Note 29)	<b>17,387,952,584</b>	11,146,694,070
Accrued interest receivable	<b>444,938,814</b>	543,893,498
	<b>75,023,034,675</b>	71,857,379,238
Less allowance for impairment losses	<b>622,398,264</b>	623,947,817
	<b>74,400,636,411</b>	71,233,431,421
Less noncurrent portion	<b>21,166,092,635</b>	20,316,701,320
	<b>₱53,234,543,776</b>	₱50,916,730,101

### Installment Contracts Receivable

Installment contracts receivable consist of accounts collectible in equal monthly installments with various terms up to a maximum of 15 years. These are carried at amortized cost. The corresponding titles to the subdivision or condominium units sold under this arrangement are transferred to the buyers only upon full payment of the contract price. The installment contracts receivables are interest-bearing except for those with installment terms within two years. Annual nominal interest rates on installment contracts receivables range from 12.00% to 19.00% in 2022 and 2021. Total interest income recognized amounted to ₱671.52 million, ₱726.01 million and ₱541.31 million in 2022, 2021 and 2020, respectively (see Note 25).

In 2022 and 2021, installment contracts receivables with a total nominal amount of ₱559.06 million and ₱725.07 million, respectively, were recorded at amortized cost amounting to ₱526.98 million and ₱699.50 million, respectively. These are installment contracts receivables that are to be collected in two years which are noninterest-bearing. The fair value upon initial recognition is derived using discounted cash flow model at discount rates ranging from 2.43% to 7.13% and 2.44% to 5.23% in 2022 and 2021, respectively.

Interest income recognized from these receivables amounted to ₱29.83 million, ₱48.43 million and ₱86.93 million in 2022, 2021 and 2020, respectively (see Note 25). The unamortized discount amounted to ₱26.53 million and ₱24.27 million as of December 31, 2022 and 2021, respectively.

Rollforward in unamortized discount arising from noninterest-bearing receivables is as follows:

	2022	2021
Balance at beginning of year	<b>₱24,273,327</b>	₱47,135,999
Additions	<b>32,080,586</b>	25,570,116
Accretion (Note 25)	<b>(29,826,779)</b>	(48,432,788)
Balance at end of year	<b>₱26,527,134</b>	₱24,273,327



In 2022 and 2021, the Group entered into various purchase agreements with financial institutions whereby the Group sold its installment contracts receivables on a with recourse basis. These installment contracts receivables on a with recourse basis are used as collateral to secure the corresponding loans payable obtained. The purchase agreements provide substitution of contracts which default. The Group still retains the sold receivables in the installment contracts receivables account and records the proceeds from these sales as loans payable.

As of December 31, 2022, the carrying value of installment contracts receivables sold and the corresponding loans payable amounted to ₱4,310.47 million and ₱5,334.62 million, respectively (see Note 20).

As of December 31, 2021, the carrying value of installment contracts receivables sold and the corresponding loans payable amounted to ₱2,604.47 million and ₱3,779.51 million, respectively (see Note 20).

#### Accounts Receivable

The accounts receivables are noninterest-bearing and collectible within one year. This consists of:

##### *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. Except for lease contracts with related parties, these are covered by security deposit of tenants' equivalent to 2 to 4-month rental and 2 to 4-month advance rental paid by the lessees. This includes both the billed fixed and contingent portion of lease.

##### *Receivable from HDMF*

Receivable from HDMF pertains to amounts retained by HDMF from the proceeds of loans availed by real estate buyers. This amount is released by HDMF upon the release of the related title to the property by the Group to HDMF within a six-month to one year period from loan takeout date.

##### *Receivable from buyers*

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

##### *Others*

Other receivables are noninterest-bearing and are due and demandable.

##### *Advances to contractors and suppliers*

Advances to contractors are advance payments in relation to the Group's construction activities and are recouped through reduction against progress billings as the construction progresses. Advances to suppliers are advance payments for the purchase of construction materials and are applied to billings for deliveries made. Recoupment occur within one to five years from the date the advances were made. Current portion of these advances are for the construction of inventories, while advance payments for the construction of investment properties are presented as noncurrent portion.



*Advances to private companies*

Advances to private companies pertain to advances made by the Group to third parties to facilitate the transfer of title to the buyers. These include expected charges for documentary stamp taxes, transfer fees, registration fees, city and business tax and notarial expenses. These advances are liquidated by the private companies once the purpose for which the advances were made had been accomplished.

*Advances to brokers*

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

*Accrued rental receivable*

Accrued rental receivable pertains to the effect of straight-line calculation of rental income. The noncurrent portion of accrued rent receivable are expected to be realized beyond one year from the reporting date.

*Accrued interest receivable*

Accrued interest receivable pertains to income earned from investments at amortized cost.

On March 25, 2020, Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act (“Bayanihan 1 Act”) was enacted. Bayanihan 1 Act provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the ECQ Period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act (“Bayanihan 2 Act”), was enacted. Under Bayanihan 2 Act, a one-time sixty (60)-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans. Furthermore, a minimum 30-day grace period shall also be granted by covered institutions to all payments due within the period of community quarantine on rent and utility-related expenditures without incurring penalties, interest and other charges.

In 2021 and 2020, the Group, in addition to the reliefs provided under Bayanihan 1 Act and Bayanihan 2 Act, has offered temporary financial reliefs (e.g., short-term extension of payment terms) to its borrowers/counterparties as a response to the effect of the COVID-19 pandemic. Based on the Group’s assessment, the modifications in the contractual cash flows as a result of the above reliefs are not significant.

The rollforward analysis of allowance for impairment losses are as follow:

	<b>2022</b>		
	<b>Receivable from tenants</b>	<b>Advances to private companies</b>	<b>Total</b>
Balance at beginning of year	<b>₱497,186,046</b>	<b>₱126,761,771</b>	<b>₱623,947,817</b>
Provision during the year (Note 24)	-	-	-
Recoveries (Note 24)	<b>(1,549,553)</b>	-	<b>(1,549,553)</b>
Balance at end of year	<b>₱495,636,493</b>	<b>₱126,761,771</b>	<b>₱622,398,264</b>



2021			
	Receivable from tenants	Advances to private companies	Total
Balance at beginning of year	₱70,256,455	₱126,761,771	₱197,018,226
Provision during the year (Note 24)	427,750,934	-	427,750,934
Recoveries (Note 24)	(821,343)	-	(821,343)
<b>Balance at end of year</b>	<b>₱497,186,046</b>	<b>₱126,761,771</b>	<b>₱623,947,817</b>

Set out below is the information about the credit risk exposure on the Group's accounts receivable from third party tenants using a provision matrix:

2022						
	Current	Days past due				Total
		1 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	
Average expected credit loss rates	3.34%	5.75%	10.04%	13.75%	11.20%	
Amount of exposure at default net of advance rent and security deposits	₱42,987,382	₱8,357,504	₱449,441	₱7,811,847	₱77,662,922	₱137,269,096
<b>Expected credit loss</b>	<b>₱1,436,931</b>	<b>₱480,358</b>	<b>₱45,119</b>	<b>₱1,074,323</b>	<b>₱8,698,848</b>	<b>₱11,735,579</b>

2021						
	Current	Days past due				Total
		1 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	
Average expected credit loss rates	2.39%	18.60%	3.51%	18.60%	17.03%	
Amount of exposure at default net of advance rent and security deposits	₱48,695,879	₱4,621,437	₱-	₱3,576,397	₱129,806,056	₱186,699,769
<b>Expected credit loss</b>	<b>₱1,163,655</b>	<b>₱860,164</b>	<b>₱-</b>	<b>₱665,382</b>	<b>₱22,103,040</b>	<b>₱24,792,241</b>

In 2022, the Group has no specifically impaired receivables. In 2021, out of the total impairment loss of ₱427.75 million, ₱402.96 million pertains to specifically impaired receivables, while ₱24.79 million is from generally impaired receivables from expected credit loss testing.

For 2021, the specifically identified impaired accounts pertain to tenants which were affected by the pandemic, thus terminated the lease contracts prior to the original end date.

For the accounts receivable from related party tenants, the expected credit loss from the impairment exercise using a provision matrix is zero (see Note 5).

## 12. Real Estate Inventories

The rollforward analysis of this account follows:

	2022	2021
Balance at beginning of year	₱49,596,883,277	₱44,371,142,367
Construction/development costs incurred	5,869,649,043	7,974,884,814
Borrowing costs capitalized (Note 25)	2,943,918,362	2,752,396,474
Purchases of construction materials and others	463,973,383	2,808,258,415
Additions to land	202,442,008	223,604,528
Costs of real estate sales (Note 24)	(5,542,966,656)	(8,533,403,321)
<b>Balance at end of year</b>	<b>₱53,533,899,417</b>	<b>₱49,596,883,277</b>



The real estate inventories are carried at cost. No inventory is recorded at amount lower than its cost in 2022 and 2021.

This account consists of:

	2022	2021
Subdivision land for sale	<b>₱23,054,061,619</b>	₱22,396,410,973
Subdivision land for development	<b>17,825,746,331</b>	15,571,966,320
Condominium units for sale and development	<b>9,732,496,239</b>	8,032,052,902
Construction materials and others	<b>1,742,298,708</b>	2,334,501,879
Residential house for sale and development	<b>1,179,296,520</b>	1,261,951,203
	<b>₱53,533,899,417</b>	₱49,596,883,277

Subdivision land (e.g., lot only for sale) for sale and development includes real estate subdivision projects in which the Group has been granted License to Sell (LTS) by the Housing and Land Use Regulatory Board of the Philippines. It also includes raw land inventories that are under development and those that are about to undergo development.

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

Real estate inventories recognized as costs of real estate sales amounted to ₱5,542.97 million in 2022, ₱8,533.40 million in 2021, ₱12,020.71 million in 2020, and are included as costs of real estate sales in the consolidated statements of comprehensive income (see Note 24).

Borrowing cost capitalized to inventories amounted to ₱2,943.92 million, ₱2,752.40 million and ₱2,299.96 million in 2022, 2021 and 2020, respectively (see Note 25). The capitalization rate used to determine the borrowing costs eligible for capitalization is 6.47%, 6.66% and 6.51% in 2022, 2021 and 2020, respectively.

### 13. Other Current Assets

This account consists of:

	2022	2021
Input VAT	<b>₱3,423,807,481</b>	₱3,363,988,757
Creditable withholding taxes	<b>1,575,617,117</b>	1,593,959,198
Prepaid expenses	<b>546,331,346</b>	472,954,047
Restricted cash	<b>168,872,823</b>	147,980,409
Others	<b>10,129,811</b>	8,327,049
	<b>₱5,724,758,578</b>	₱5,587,209,460

#### *Input VAT*

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*

Creditable withholding taxes pertain to taxes withheld by the customer and are recoverable and can be applied against income tax in future periods. For the years ended December 31, 2022, 2021 and 2020, creditable withholding taxes applied to income tax payable amounting to ₱819.85 million, ₱857.63 million and ₱738.95 million, respectively.

*Prepaid expenses*

Prepaid expenses mainly include advertising and marketing fees, taxes and licenses, rentals and insurance paid in advance. These are to be fully amortized within one year.

*Restricted cash*

Cash restricted for use are deposits restricted solely for payment of the principal amortization and interest of certain bank loans. These deposits bear prevailing interest rates and will be retained as deposits until the bank loans are fully paid. Deposit balance should be equivalent to two quarters of debt amortization. Interest income from cash restricted for use amounted to ₱2.83 million, ₱5.40 million and ₱10.25 million in 2022, 2021 and 2020, respectively (see Note 25). The current and noncurrent portion of the restricted cash pertain to the two quarters of debt amortization for the bank loans maturing on or before December 31, 2023 and bank loans maturing beyond December 31, 2023, respectively. The noncurrent portion of this account is presented as noncurrent restricted cash under “Other noncurrent assets” in the Group’s consolidated statements of financial position (see Note 17).

## 14. Investment Properties

The rollforward of analysis of this account follows:

	2022				
	Land and Land Developments	Building and Building Improvements	Construction in Progress	Right-of-use Assets	Total
<b>Cost</b>					
Balances at beginning of year	₱54,885,059,901	₱55,230,455,639	₱10,291,000,968	₱5,066,106,297	₱125,472,622,805
Additions	4,176,424,076	1,640,235,738	2,933,530,813	–	8,750,190,627
Write off (Note 24)	–	(1,962,779,198)	(193,756,164)	–	(2,156,535,362)
Reclassifications	–	2,187,263,852	(2,187,263,852)	–	–
Balances at end of year	59,061,483,977	57,095,176,031	10,843,511,765	5,066,106,297	132,066,278,070
<b>Accumulated Depreciation and Amortization</b>					
Balances at beginning of year	–	11,964,167,066	–	516,628,719	12,480,795,785
Depreciation and amortization (Note 24)	–	2,239,064,970	–	175,989,721	2,415,054,691
Write off (Note 24)	–	(1,173,170,305)	–	–	(1,173,170,305)
Balances at end of year	–	13,030,061,731	–	692,618,440	13,722,680,171
<b>Net Book Value</b>	<b>₱59,061,483,977</b>	<b>₱44,065,114,300</b>	<b>₱10,843,511,765</b>	<b>₱4,373,487,857</b>	<b>₱118,343,597,899</b>

	2021				
	Land and Land Developments	Building and Building Improvements	Construction in Progress	Right-of-use Assets	Total
<b>Cost</b>					
Balances at beginning of year	₱52,827,294,001	₱36,646,397,951	₱24,220,924,186	₱2,218,032,322	₱115,912,648,460
Additions	2,057,765,900	332,121,577	4,322,012,893	2,848,073,975	9,559,974,345
Reclassifications	–	18,251,936,111	(18,251,936,111)	–	–
Balances at end of year	54,885,059,901	55,230,455,639	10,291,000,968	5,066,106,297	125,472,622,805
<b>Accumulated Depreciation and Amortization</b>					
Balances at beginning of year	–	9,699,091,194	–	340,638,998	10,039,730,192
Depreciation and amortization (Note 24)	–	2,265,075,872	–	175,989,721	2,441,065,593
Balances at end of year	–	11,964,167,066	–	516,628,719	12,480,795,785
<b>Net Book Value</b>	<b>₱54,885,059,901</b>	<b>₱43,266,288,573</b>	<b>₱10,291,000,968</b>	<b>₱4,549,477,578</b>	<b>₱112,991,827,020</b>



Investment properties consist mainly of land and land developments while the building and building improvements, construction in progress and right of use asset pertain to leasehold improvements related to leasing activities as commercial centers. These include properties, currently being leased out, for future leasing or currently held for capital appreciation. The commercial centers include retail malls, commercial centers within residential projects, Vistamalls and Starmalls that are located in key cities and municipalities in the Philippines and office spaces.

Rental income earned from investment properties amounted to ₱13,742.26 million, ₱9,312.72 million and ₱7,196.73 million in 2022, 2021 and 2020, respectively. Repairs and maintenance costs recognized under “Operating expenses” arising from investment properties amounted to ₱156.65 million, ₱160.53 million and ₱188.80 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 24). Cost of property operations amounted to ₱5,625.67 million, ₱4,069.32 million and ₱3,983.47 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 24). For the terms and conditions on the lease, refer to Note 34.

As of December 31, 2022 and 2021, the aggregate fair values of investment properties amounted to ₱523,562.33 million and ₱371,951.70 million, respectively, using Level 3 (significant unobservable inputs).

The fair values of the investment properties held for leasing were determined by independent professionally qualified appraisers while that for land and land developments were determined by management.

In both years, in the determination of fair values, market value approach method was used for land and land development, income approach method was used for completed and substantially completed malls and office buildings for rent and cost approach method was used for construction in progress under early stage of construction and discounted cash flow method was used for right-of-use asset.

The key assumptions used to determine the fair value of the investment properties held for leasing are the estimated rental value per sqm per year, rental growth rate per annum, vacancy rate and discount rate. The discount rate used in the valuation are discount rates range from 8.77% to 9.70% and 8.10% to 8.69% in 2022 and 2021, respectively. Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate, and an opposite change in the long-term vacancy rate.

The parcels of land are mainly located in Bulacan, Tagaytay, Tanza, Bacoor, Dasmariñas, General Trias, Caloocan, Imus, Laguna, Muntinlupa, Nueva Ecija, Pangasinan, Isabela, Tarlac, Ilocos Sur, Iloilo, Sta. Barbara, Tagaytay, Cagayan de Oro. The market price per square meter of the land ranges between ₱6,510 to ₱184,757 in Mega Manila, ₱5,500 to ₱21,400 in Northern Luzon, ₱4,504 to ₱19,752 in Southern Luzon, ₱5,500 to ₱17,300 in Central Luzon, ₱5,000 to ₱109,639 in Visayas, and ₱4,400 to ₱48,252 in Mindanao.

The fair value measurement using unobservable data in active market is Level 3 of the fair value hierarchy.

The estimated useful life of the investment properties other than land is 10 to 40 years.





Investment properties with carrying value of ₱370.56 million and ₱4,547.55 million are used to secure the bank loans of the Group as of December 31, 2022 and 2021, respectively (see Note 20). The fair value of the investment properties used as collateral amounted to ₱22,055.08 million and ₱36,091.97 million under income approach as of December 31, 2022 and 2021, respectively.

Borrowing cost capitalized to investment properties amounted to ₱2,702.61 million, ₱3,671.16 million and ₱3,716.70 million for years ended December 31, 2022, 2021 and 2020, respectively (see Note 25). The capitalization rates used to determine the borrowing costs eligible for capitalization is 6.47%, 6.66% and 6.51% in 2022, 2021 and 2020, respectively, for general borrowings and ranges from 5.70% to 8.25% for specific borrowings in 2022, 2021 and 2020.

Amortization expense related to right-of-use assets amounted to ₱175.99 million, ₱175.99 million and ₱210.76 million for the years ended December 31, 2022, 2021 and 2020, respectively. Right-of-use asset is amortized over a period of 11 to 30 years.

On January 8, 2022, a fire hit Star Mall Alabang in Muntinlupa City which resulted to loss of assets with carrying value of ₱983.37 million (see Note 24).

The total contractual obligations to either purchase or construct or develop investment properties or for repairs, maintenance and enhancement amounted to ₱2,139.91 million and ₱2,688.67 million as of December 31, 2022 and 2021, respectively.

## 15. Property and Equipment

The rollforward analysis of this account follow:

	2022							Total
	Land	Building and Building Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction Equipment	Other Fixed Assets		
<b>Cost</b>								
Balances at beginning of year	₱83,333,600	₱1,190,727,643	₱941,358,954	₱1,049,843,577	₱1,333,412,183	₱305,568,320	₱4,904,244,277	
Additions	-	65,491,040	-	50,957,987	-	38,983,631	155,432,658	
Write off (Note 24)	-	-	-	(8,923,103)	-	-	(8,923,103)	
Balances at end of year	83,333,600	1,256,218,683	941,358,954	1,091,878,461	1,333,412,183	344,551,951	5,050,753,832	
<b>Accumulated Depreciation and Amortization</b>								
Balances at beginning of year	-	460,787,829	743,667,096	929,290,053	260,053,295	193,555,593	2,587,353,866	
Depreciation and amortization (Note 24)	-	10,053,500	56,923,978	65,510,868	12,211,466	22,936,235	167,636,047	
Write off (Note 24)	-	-	-	(5,322,569)	-	-	(5,322,569)	
Balances at end of year	-	470,841,329	800,591,074	989,478,352	272,264,761	216,491,828	2,749,667,344	
<b>Net Book Value</b>	<b>₱83,333,600</b>	<b>₱785,377,354</b>	<b>₱140,767,880</b>	<b>₱102,400,109</b>	<b>₱1,061,147,422</b>	<b>₱128,060,123</b>	<b>₱2,301,086,488</b>	
	2021							
	Land	Building and Building Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction Equipment	Other Fixed Assets	Total	
<b>Cost</b>								
Balances at beginning of year	₱83,333,600	₱1,179,408,402	₱934,606,012	₱1,001,574,083	₱1,201,371,112	₱286,813,261	₱4,687,106,470	
Additions	-	11,319,241	6,752,942	48,269,494	132,041,071	18,755,059	217,137,807	
Balances at end of year	83,333,600	1,190,727,643	941,358,954	1,049,843,577	1,333,412,183	305,568,320	4,904,244,277	
<b>Accumulated Depreciation and Amortization</b>								
Balances at beginning of year	-	420,281,412	694,259,371	860,094,753	233,807,661	173,163,617	2,381,606,814	
Depreciation and amortization (Note 24)	-	40,506,417	49,407,725	69,195,300	26,245,634	20,391,976	205,747,052	
Balances at end of year	-	460,787,829	743,667,096	929,290,053	260,053,295	193,555,593	2,587,353,866	
<b>Net Book Value</b>	<b>₱83,333,600</b>	<b>₱729,939,814</b>	<b>₱197,691,858</b>	<b>₱120,553,524</b>	<b>₱1,073,358,888</b>	<b>₱112,012,727</b>	<b>₱2,316,890,411</b>	



Depreciation and amortization expense charged to operations amounted to ₱167.64 million and ₱205.75 million for the years ended December 31, 2022 and 2021, respectively (see Note 24).

The Group performed impairment testing on its hotel property and equipment with carrying value of ₱663.97 million and ₱626.12 million as of December 31, 2022 and 2021, respectively, by assessing its recoverable amount through estimation of its value-in-use (VIU). VIU is the present value of the future cash flows expected to be derived from an asset. The significant assumptions used in the valuation are discount rate of 9.78% with an average growth rate of 4%. The Group also considered in its assumptions the impact of COVID-19 on the occupancy rate and room rates which are not expected to normalize until 2024. As COVID-19 continued, starting September 2020, the hotel property was used as quarantine facility by government which improved its operations. However, starting December 2021, the hotel resumed its commercial operations. Based on the impairment testing, there is no impairment loss on the Group's hotel property and equipment.

The Group's transportation equipment with a carrying value of ₱9.75 million and ₱7.69 million as of December 31, 2022 and 2021, respectively, were pledged as collateral under chattel mortgage to secure the car loans of the Group with various financial institutions (see Note 20).

The fire resulted to a loss of assets with carrying value of ₱3.57 million (see Note 24).

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## 16. Project Development Costs

Project development costs pertain to (a) advances to a related party, covered by memorandum of agreement for the purchase of socialized housing units, (b) advances to third and related parties for project developments.

The requirement for socialized housing units is required by the Housing and Land Use Regulatory Board (HLURB) (see Note 29). These advances are recouped upon receipt of the socialized housing units from Bria Homes. On December 23, 2019, the Group entered into a Memorandum of Agreement with Bria Homes, Inc. that stipulated the allocated socialized housing units to the Group from the latter's ongoing and new projects. On December 21, 2020, the Group executed an amended Memorandum of Agreement with Bria Homes, Inc. that stipulated the number of socialized housing credits to be delivered as final settlement of the advances from its on-going projects under different documentation stages after deducting the partial delivery of social housing credits and cash payments.

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



## 17. Investment in Joint Venture and Other Noncurrent Assets

### Investment in Joint Venture

Vista Ventures Taft, Inc. (VVTI) was incorporated in the Republic of the Philippines primarily to engage in real estate activities particularly from construction and sale of condominium project at Taft Avenue, Manila. VRI originally subscribed for 4,587,718 shares of stock of VVTI with par value of ₱100 per share amounting to ₱458.77 million. VVTI was previously a wholly owned subsidiary of VRI until VRI executed a joint venture agreement (JVA) with Mitsubishi Estate Corp. (MEC). VVTI is 60% owned by VRI and 40% owned by MEC, however, it was agreed in the JVA that at least affirmative vote of four board representatives are required in board reserved matters which include the budget and design of the condominium project.

VVTI's principal place of business is LGF Bldg B Evia Lifestyle Center, Daang Hari, Almanza Dos, Las Piñas City.

Below is the financial information on VVTI as of December 31, 2022 and 2021:

	2022	2021
Current assets	<b>₱1,174,604,349</b>	₱827,965,230
Noncurrent assets	<b>109,799,098</b>	48,246,923
Current liabilities	<b>90,636,796</b>	51,620,390
Noncurrent liabilities	<b>393,660,755</b>	39,989,183
Revenue	<b>89,215,418</b>	40,294,783
Net income	<b>15,503,316</b>	11,738,425
Total comprehensive income	<b>15,503,316</b>	11,738,425

Below is the reconciliation with the carrying amount of the investment in the consolidated financial statements:

	2022	2021
At beginning of year	<b>₱458,771,799</b>	₱463,718,493
Share in equity earnings during the year	<b>9,301,990</b>	7,043,055
Other adjustments	-	(11,989,749)
At end of year	<b>₱468,073,789</b>	₱458,771,799

### Other Noncurrent Assets

This account consists of:

	2022	2021
Deposits	<b>₱657,772,888</b>	₱648,218,371
Model house accessories at cost	<b>166,240,657</b>	158,064,972
Cash restricted for use - net (Note 13)	<b>156,205,793</b>	71,428,571
Deferred input VAT	<b>51,706,852</b>	30,172,860
Systems development costs	<b>44,901,634</b>	22,577,696
	<b>₱1,076,827,824</b>	₱930,462,470

Amortization of system development costs amounted to ₱56.16 million, ₱39.77 million and ₱56.71 million for the years ended December 31, 2022, 2021 and 2020, respectively. These are included in the "Depreciation and amortization" account under "Operating expenses" in the consolidated statements of comprehensive income (see Note 24).



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## 18. Accounts and Other Payables

This account consists of:

	2022	2021
Accounts payable		
Suppliers	<b>₱2,620,364,458</b>	₱2,380,857,413
Incidental costs	<b>2,118,285,618</b>	2,143,941,415
Contractors	<b>1,931,756,942</b>	1,493,497,345
Buyers	<b>1,373,924,136</b>	1,234,398,158
Commissions payable	<b>1,857,564,642</b>	2,053,698,257
Accrued expenses	<b>1,806,443,825</b>	1,854,419,766
Current portion of liabilities for purchased land	<b>1,679,558,285</b>	1,828,135,487
Current portion of deferred output tax	<b>1,217,685,114</b>	968,504,270
Current portion of retention payable	<b>919,332,613</b>	999,205,387
Other payables	<b>365,627,633</b>	264,788,222
	<b>₱15,890,543,266</b>	₱15,221,445,720

### *Accounts payable - suppliers*

Accounts payable - suppliers represent payables for 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 - incidental costs*

Accounts payable - incidental costs pertain to liabilities incurred in relation to land acquired. These include payable for titling costs, clearing, security and such other additional costs incurred.

### *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 - 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.

### *Commissions payable*

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



*Accrued expenses*

Details of accrued expenses as follow:

	2022	2021
Interest	₱1,442,359,902	₱1,464,726,858
Subdivision maintenance	94,018,993	59,965,057
Contracted services	43,660,128	5,451,619
Marketing	37,610,937	72,738,402
Rental	36,044,987	22,538,894
Light and power	34,099,817	39,299,860
Repairs and maintenance	32,156,650	52,279,396
Security	29,459,913	41,807,446
Management fees	8,862,300	6,243,900
Others	48,170,198	89,368,334
	<b>₱1,806,443,825</b>	<b>₱1,854,419,766</b>

*Liabilities for purchased land*

Liabilities for purchased land are payables to various real estate property sellers. Under the terms of the agreements executed by the Group covering the purchase of certain real estate properties, the titles of the subject properties shall be transferred to the Group only upon full payment of the real estate payables. Liabilities for purchased land that are payable beyond one year from reporting date are presented as noncurrent liabilities (see Note 22).

*Deferred output tax*

Deferred output tax pertains to the VAT charged to the buyers on installment upon contracting of real estate sale but were not yet collected as of reporting date. Further, upon collection of the VAT portion of installment receivables, the equivalent output tax is included in the current VAT payable of the month. Deferred output VAT pertaining to installment receivables that are beyond one year after reporting date are presented as noncurrent liabilities (see Note 22).

*Retention payable*

Retention payable pertains to 10.00% retention from the contractors' progress billings which will be released after the completion of contractors' project and upon acceptance of the work by the Group. The retention serves as a holdout amount withheld from the contractor to cover for back charges that may arise from quality issues in affected projects. Retention payables that will be settled beyond one year from reporting date are presented as noncurrent liabilities (see Note 22).

*Other payables*

Other payables include statutory payables which are remitted on a monthly basis.

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**19. Security Deposits and Advance Rent**

This account consists of:

	2022	2021
Current portion of security deposits (Note 22)	₱996,146,370	₱929,877,182
Current portion of advance rent (Note 22)	860,377,419	799,388,643
	<b>₱1,856,523,789</b>	<b>₱1,729,265,825</b>



*Current portion of security deposits*

Security deposits represent deposits required by lease agreements. These can be recovered upon termination of the lease agreement through refund or application to unpaid rent and/or other charges. Security deposit also include bond deposits of homeowners for their house extension, fence construction and landscaping works which will be refunded after considering any charges. Current portion are those to be settled within one year from financial reporting date.

*Current portion of advance rent*

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

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**20. Bank Loans and Loans Payable**

*Bank Loans*

Bank loans pertain to the borrowings of the Group from various local financial institutions. These bank loans are obtained to finance capital expenditures and for general corporate purposes.

The rollforward analysis of this account follows:

	2022	2021
Balance at beginning of year	<b>₱57,096,825,507</b>	₱42,506,424,550
Availment*	<b>44,832,843,792</b>	42,057,325,534
Payment*	<b>(45,885,053,968)</b>	(27,466,924,577)
Balance at end of year	<b>56,044,615,331</b>	57,096,825,507
Debt issue cost		
Balance at beginning of year	<b>104,483,644</b>	132,635,349
Additions	<b>50,533,616</b>	37,500,000
Amortizations	<b>(57,225,046)</b>	(65,651,705)
Balance at end of year	<b>97,792,214</b>	104,483,644
Carrying value	<b>55,946,823,117</b>	56,992,341,863
Less current portion	<b>11,561,568,479</b>	8,067,321,815
Noncurrent portion	<b>₱44,385,254,638</b>	₱48,925,020,048

\*Gross of bank loans that were rolled over during the period.



Details of the bank loans as of December 31, 2022 and 2021 follow:

Loan Type	Date of Availment	2022	2021	Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
<i>VLLI</i>							
Bank loan	June 2022	<b>₱8,958,978,014</b>	₱-	June 2027	7.13%	Interest and principal payable quarterly	Current ratio of at least 1:1.00; Debt to Equity maximum of 2.50:1.00 and DSCR 1:1.00; unsecured
Bank loan	October 2022	<b>2,500,000,000</b>	-	November 2023	4.00%	Interest payable monthly and principal payable upon maturity	Current ratio of at least 1:1.00; Debt to Equity maximum of 2.50:1.00 and DSCR 1:1.00; unsecured;
Bank loan	June 2021	<b>3,487,215,026</b>	4,480,362,099	June 2026	4.75%	Interest and principal payable quarterly	Current ratio of at least 1:1.00; Debt to Equity maximum of 2.50:1.00 and DSCR 1:1.00; unsecured; Guaranteed by subsidiaries
Bank loan	June 2021	<b>2,353,055,000</b>	2,353,055,000	May 2023	3.80%	Interest payable annually, principal payable upon maturity	Secured by hold-out investments at amortized cost
Bank loan	May 2021	<b>2,178,958,333</b>	2,488,958,333	May 2026	4.75%	Interest and principal payable quarterly	Current ratio of at least 1:1.00; Debt to Equity maximum of 2.50:1.00 and DSCR 1:1.00; unsecured; Guaranteed by subsidiaries
Bank loan	March 2020	<b>2,363,197,742</b>	3,410,303,073	March 2025	5.15%	Interest and principal payable quarterly	Current ratio of at least 1:1.00; Debt to Equity maximum of 2.50:1.00 and DSCR 1:1.00; unsecured; Guaranteed by subsidiaries
Bank loan	April 2018	<b>2,000,000,000</b>	2,800,000,000	April 2025	7.36%	Interest and principal payable quarterly	Current ratio of at least 1:1.00; Debt to Equity maximum of 2.50:1.00 and DSCR 1:1.00; unsecured
Bank loan	November 2022 and December 2021	<b>1,000,000,000</b>	1,000,000,000	Various maturities, renewed upon maturity subject to change in interest rate	5.00% in 2021, 7.00% in 2022	Interest payable monthly, principal payable annually upon maturity	-
Bank loan	October 2019	<b>947,368,421</b>	1,578,947,368	May 2024	5.54%	Interest and principal payable quarterly	Current ratio of at least 1:1.00; Debt to Equity maximum of 2.50:1.00 and DSCR 1:1.00; unsecured;
Bank loan	October 2016	<b>600,000,000</b>	1,400,000,000	October 2023	5.00%	Interest and principal payable quarterly	Current ratio of at least 1:1.00; Debt to Equity maximum of 2.50:1.00 and DSCR 1:1.00; unsecured;
Bank loan	May 2019	<b>598,103,702</b>	994,050,173	May 2024	7.15%	Interest and principal payable quarterly	Current ratio of at least 1:1.00; Debt to Equity maximum of 2.50:1.00 and DSCR 1:1.00; unsecured; Guaranteed by subsidiaries
Bank loan	November 2018	<b>500,000,000</b>	1,000,000,000	November 2023	8.17%	Interest and principal payable quarterly	Current ratio of at least 1:1.00; Debt to Equity maximum of 2.50:1.00 and DSCR 1:1.00; unsecured; Guaranteed by subsidiaries

(Forward)



Loan Type	Date of Availment	2022	2021	Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
Bank loan	October 2018	₱499,208,548	₱996,047,132	October 2023	7.99%	Interest and principal payable quarterly	Change of control provision wherein a material change of ownership of the major shareholder is not permitted; Current ratio of at least 1:1.00; Debt to Equity maximum of 2.50:1.00 and DSCR 1:1.00; unsecured; Guaranteed by subsidiaries
Bank loan	September 2016	369,944,431	846,273,985	September 2023	5.00%	Interest and principal payable quarterly	Current ratio of at least 1:1.00; Debt to Equity maximum of 2.50:1.00 and DSCR 1:1.00; unsecured
Bank loan	Availed and/or renewed in various dates in 2022 and 2021	24,121,270,533	31,204,270,534	Various maturities, renewed upon maturity subject to change in interest rate	3.25% to 4.75%	Interest payable monthly and quarterly, principal payable upon maturity	Secured by hold-out of investments at amortized cost
		<b>52,477,299,750</b>	<b>54,552,267,697</b>				
<i>VII</i>							
Bank Loan	June 2022	1,003,590,000	–	June 2023	3.77%	Interest and principal payable upon maturity	Unsecured
		<b>1,003,590,000</b>	<b>–</b>				
<i>MAPI</i>							
Bank loan	July 2017	296,875,000	384,622,370	June 2027	6.23%	Interest and principal payable monthly	Current ratio of at least 1:1.00; Debt to Equity maximum of 2.50:1.00 and DSCR 1:1.00
Bank loan	Availed in various dates in 2015	–	88,433,700	March 2022	5.46%	Interest and principal payable monthly	With collateral
		<b>296,875,000</b>	<b>473,056,070</b>				
<i>MC</i>							
Bank loan	October 2022	1,877,523,044	–	October 2027	7.55%	Interest and principal payable quarterly	With collateral
Bank loan	July 2016	–	1,533,885,970	July 2022	5.75%	Interest and principal payable quarterly	Current ratio of at least 1:1.00; Debt to Equity maximum of 3.00:1.00; with collateral
		<b>1,877,523,044</b>	<b>1,533,885,970</b>				
<i>Brittany</i>							
Bank loan	October 2022	4,237,586	–	October 2026	7.47%	Interest and principal payable monthly	Chattel Mortgage
		<b>4,237,586</b>	<b>–</b>				
<i>VRI</i>							
Bank loan	December 2017	₱285,110,678	₱433,132,126	December 2024	6.70%	Interest payable quarterly, principal payable upon maturity	Unsecured
Bank loan	Various	2,187,059	–	May 2023	10.50%	Interest and principal payable monthly	Chattel mortgage
		<b>287,297,737</b>	<b>433,132,126</b>				
		<b>55,946,823,117</b>	<b>56,992,341,863</b>				
Less current portion		<b>11,561,568,479</b>	<b>8,067,321,815</b>				
<b>Bank loans, net of current portion</b>		<b>₱44,385,254,638</b>	<b>₱48,925,020,048</b>				





In June 2022, the Parent Company obtained a 5-year unsecured peso denominated loan amounting to ₱10,000.00 million which bears annual fixed interest of 7.13%, payable quarterly. The principal balance of the loan will be paid in 20 equal quarterly installments commencing on the first interest payment date subject to prepayment option.

In June 2021, the Parent Company obtained a 5-year unsecured peso denominated loan amounting to ₱5,000.00 million which bears annual fixed interest of 4.75%, payable quarterly. The principal balance of the loan will be paid in 20 equal quarterly installments commencing on the second interest payment date subject to prepayment option.

In June 2021, the Parent Company obtained a 2-year unsecured peso denominated loan amounting to ₱2,353.06 million which bears annual fixed interest of 3.80%, payable on maturity date.

In May 2021, the Parent Company obtained a 5-year unsecured peso denominated loan amounting to ₱2,500.00 million which bears annual fixed interest of 4.75%, payable quarterly. The principal balance of the loan will be paid in 16 equal quarterly installments commencing on the fifth interest payment date subject to prepayment option.

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

The Parent Company has various peso-denominated bank loans with fixed interest-rates ranging from 3.25% to 7.99% per annum and 3.25% to 5.00% per annum as of December 31, 2022 and 2021, respectively. In 2022 and 2021, these bank loans are renewable upon maturity subject to change in interest rates and/or hold-out amount of the investments in debt securities investments of VII. These loans are secured by hold-out of the investments at amortized cost of VII amounting to US\$552.937 million (₱30,829.00 million) and US\$753.34 million (₱38,419.75 million) as of December 31, 2022 and 2021, respectively. No fees are charged by VII for its investments held as security.

As disclosed in Notes 10, 14, and 15, certain investments at amortized cost, property and equipment, and investment properties are used as collateral to the bank loans.

Subsidiaries of the Parent Company namely, Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc., Communities Philippines, Inc., Vistamalls, Inc. (formerly Starmalls, Inc.) and Vista Residences, Inc. acted as guarantors for selected bank loans of the Parent Company. No fees are charged for these guarantee agreements.

#### *Loans Payable*

These loans bear annual fixed interest rates ranging from 6.00% to 6.75% and 6.00% to 8.00% as at December 31, 2022 and 2021, respectively, payable on equal monthly installment over a maximum period of 10 years. Installment contracts receivable serve as collateral to the loans payable (see Note 11).



Movement of loans payable follows:

	2022	2021
Balance at beginning of year	₱3,779,511,014	₱4,321,894,645
Availments	4,715,767,761	2,859,085,791
Payments	<b>(3,160,659,623)</b>	(3,401,469,422)
Balance at end of year	<b>5,334,619,152</b>	3,779,511,014
Less current portion	<b>3,767,253,212</b>	3,460,145,095
Noncurrent portion	<b>₱1,567,365,940</b>	₱319,365,919

Interest expense on bank loans and loans payable amounted to ₱3,197.46 million, ₱2,883.09 million and ₱2,685.36 million in 2022, 2021 and 2020, respectively (see Note 25).

The Group was able to comply with the loan covenants as of December 31, 2022 and 2021.

## 21. Notes Payable

This account consists of:

	2022	2021
Dollar denominated bonds	₱42,931,186,590	₱58,035,394,989
Corporate note facility	34,628,130,134	25,050,886,919
Retail bonds	24,888,886,717	24,843,951,615
	<b>102,448,203,441</b>	107,930,233,523
Less current portion	<b>12,745,831,195</b>	24,170,708,067
Noncurrent portion	<b>₱89,702,372,246</b>	₱83,759,525,456

### A. Dollar Denominated Bonds

#### a. US\$220.00 million Notes (Due July 2027)

On May 17, 2021, VII (the Issuer) issued US\$170.00 million notes (“Notes”) with a term of six years from initial drawdown date. The interest rate is 7.25% per annum, payable semi-annually in arrears on January 20 and July 20 of each year beginning on January 20, 2022. The Notes were used to refinance existing debt as a result of liability management exercise and excess proceeds were used to refinance existing debt and for general corporate purposes. There are no properties owned by the Group that were pledged as collateral to this note. As of December 31, 2022 and 2021, outstanding balance of the note amounted to US\$173.68 million (₱9,683.72 million) and US\$168.42 million (₱8,887.39 million), respectively.

On June 1, 2021, VII issued an additional US\$50.00 million unsecured note, with similar terms and conditions as the above notes. There are no properties owned by the Group that were pledged as collateral to this note. As of December 31, 2022 and 2021, outstanding balance of the note amounted to US\$51.08 million (₱2,848.15 million) and US\$49.54 million (₱2,620.38 million), respectively.



*Redemption at the option of the Issuer*

At any time, the Issuer may on any one or more occasions redeem all or a part of the Notes on any business day or after July 20, 2024 and up to but excluding the Maturity date, the Issuer may on one or more occasions redeem all or part of the Notes, at the redemption price, plus accrued and unpaid interest, if any, to (but not including) the date of redemption, if redeemed during the 12-month period commencing on July 20 of the years set forth below:

<u>Period</u>	<u>Price</u>
2024	103.6250%
2025	101.8125%
2026 and thereafter	100.0000%

The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

As part of the issuance of the Notes, the subsidiaries of the Issuer that acted as guarantors, irrevocably and unconditionally, are: Vista Land & Lifescapes, Inc., Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc., Communities Philippines, Inc., Vistamalls, Inc. (formerly Starmalls, Inc.) and Vista Residences Inc. No fees are charged for these guarantee agreements.

*Covenants*

The Notes provide for the Group to comply with certain covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers, acquisitions and disposals; and certain other covenants.

The incurrence test for additional debt requires the Group to have a (Fixed Charge Coverage Ratio) FCCR of not less than 2.25x.

The Group was able to comply with loan covenants as of December 31, 2022 and 2021.

b. US\$200.00 million Notes (Due July 2027)

On July 20, 2020, VII (the Issuer) issued US\$ 200.00 million notes (“Notes”) with a term of seven years from initial drawdown date. The interest rate is 7.25% per annum, payable semi-annually in arrears on January 20 and July 20 of each year beginning on January 20, 2021. The Notes were used to refinance existing debt as a result of liability management exercise and excess proceeds were used to refinance existing debt and for general corporate purposes. There are no properties owned by the Group that were pledged as collateral to this note. As of December 31, 2022 and 2021, outstanding balance of the note amounted to US\$198.30 million (₱11,056.18 million) and US\$197.99 million (₱10,097.07 million), respectively.

*Redemption at the option of the Issuer*

At any time, the Issuer may on any one or more occasions redeem all or a part of the Notes on any business day or after July 20, 2024 and up to but excluding the Maturity date, the Issuer may on one or more occasions redeem all or part of the Notes, at the redemption price, plus accrued and unpaid interest, if any, to (but not including) the date of redemption, if redeemed during the 12-month period commencing on July 20 of the years set forth below:

<u>Period</u>	<u>Price</u>
2024	103.6250%
2025	101.8125%
2026 and thereafter	100.0000%



The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

As part of the issuance of the Notes, the subsidiaries of the Issuer that acted as guarantors, irrevocably and unconditionally, are: Vista Land & Lifescapes, Inc., Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc., Communities Philippines, Inc., Vistamalls, Inc. (formerly Starmalls, Inc.) and Vista Residences Inc. No fees are charged for these guarantee agreements.

*Covenants*

The Notes provide for the Group to comply with certain covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers, acquisitions and disposals; and certain other covenants.

The incurrence test for additional debt requires the Group to have a (Fixed Charge Coverage Ratio) FCCR of not less than 2.25x.

The Group was able to comply with loan covenants as of December 31, 2022 and 2021.

c. US\$350.00 million Notes (Due November 2024)

On November 28, 2017, VII (the Issuer) issued US\$350.00 million notes (“Notes”) with a term of seven years from initial drawdown date. The interest rate is 5.75% per annum, payable semi-annually in arrears on May 28 and November 28 of each year beginning on November 28, 2017. The Notes were used to refinance existing debt as a result of liability management exercise and excess proceeds were used to refinance existing debt and for general corporate purposes. There are no properties owned by the Group that were pledged as collateral to this note. As of December 31, 2022, and 2021, outstanding balance of the note amounted to US\$346.93 million (₱19,343.13 million) and US\$345.42 million (₱17,616.19 million), respectively.

*Redemption at the option of the Issuer*

At any time, the Issuer may on any one or more occasions redeem all or a part of the Notes on any business day or after November 28, 2021 and up to but excluding the Maturity date, the Issuer may on one or more occasions redeem all or part of the Notes, at the redemption price, plus accrued and unpaid interest, if any, to (but not including) the date of redemption, if redeemed during the 12-month period commencing on November 28 of the years set forth below:

<u>Period</u>	<u>Price</u>
2021	102.8750%
2022	101.4375%
2023 and thereafter	100.0000%

The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

As part of the issuance of the Notes, the subsidiaries of the Issuer that acted as guarantors, irrevocably and unconditionally, are: Vista Land & Lifescapes, Inc., Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc., Communities Philippines, Inc., Vistamalls, Inc. (formerly Starmalls, Inc.) and Vista Residences Inc. No fees are charged for these guarantee agreements.



*Covenants*

The Notes provide for the Group to comply with certain covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers, acquisitions and disposals; and certain other covenants.

The incurrence test for additional debt requires the Group to have a (Fixed Charge Coverage Ratio) FCCR of not less than 2.25x.

The Group was able to comply with loan covenants as of December 31, 2022 and 2021.

d. US\$425.00 million Notes (Due June 2022)

On June 18, 2015, VII (the Issuer) issued US\$300.00 million notes (“Notes”) with a term of seven years from initial draw down date. The interest rate is 7.375% per annum, payable semi-annually in arrears on June 18 and December 17 of each year beginning on December 17, 2015. The Notes were used to refinance existing debt and for general corporate purposes. There are no properties owned by the Group that were pledged as collateral to this note. As of December 31, 2022, the amount due was fully paid. The outstanding balance of the note amounted to US\$243.94 million (₱12,440.81 million) as of December 31, 2021.

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 US\$125.00 million. The notes were issued at 102% representing yield to maturity of 6.979%. There are no properties owned by the Group that were pledged as collateral to this note. As of December 31, 2022, the amount due was fully paid. The outstanding balance of the note amounted to US\$124.97 million (₱6,373.55 million) as of December 31, 2021.

*Redemption at the option of the Issuer*

At any time, the Issuer may on any one or more occasions redeem all or a part of the Notes, by giving notice, at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest, if any, to the date of redemption, subject to the rights of the person in whose name the Notes is registered on the relevant record date to receive interest due on the relevant interest payment date.

The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

As part of the issuance of the Notes, the subsidiaries of the Issuer that acted as guarantors, irrevocably and unconditionally, are: Vista Land & Lifescapes, Inc., Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc., Communities Philippines, Inc., and Vista Residences Inc. No fees are charged for these guarantee agreements.

*Covenants*

The Notes provide for the Group to comply with certain covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers and acquisitions and disposals; and certain other covenants.

The incurrence test for additional debt requires the Group to have a (Fixed Charge Coverage Ratio) FCCR of not less than 2.25x.

The Group was able to comply with loan covenants as of December 31, 2021.



B. Corporate Note Facility

a. ₱6,000.00 million Corporate Notes (Due March 2027)

On March 28, 2022, 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 2027 amounting to ₱4,000.00 million at a fixed rate of 6.64% per annum, payable in equal 18 quarters commencing on the second interest payment date.

On June 1, 2022, an additional issuance of Corporate Notes was made in the amount of ₱2,000.00 million due 2027, at a fixed interest of 7.24% per annum, payable in equal 18 quarters commencing on the second interest payment date.

The proceeds of the corporate notes were used for refinancing of existing or maturing obligations of the Parent Company, and for other general corporate purposes. The issue cost amounted to ₱51.36 million. This was capitalized as debt issue cost and amortized over the life of the liability and was offset to the carrying value of the liability.

As of December 31, 2022, the outstanding balance of the Corporate Notes is ₱5,961.35 million.

The Corporate Notes provide early Redemption at the option of the Issuer as follows:

<u>Early Redemption Date</u>	<u>Early Redemption Amount</u>
3rd anniversary from issue date and interest payment thereafter	102.00%
4th anniversary from issue date and interest payment thereafter	101.00%

The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

As part of the issuance of the Corporate Notes, the subsidiaries of the Parent Company that acted as guarantors, irrevocably and unconditionally, are: Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc., Communities Philippines, Inc., Vistamalls, Inc. and Vista Residences Inc. No fees are charged for these guarantee agreements.

*Covenants*

The Corporate Notes requires the Issuer to maintain the pari passu ranking with all and future unsecured and unsubordinated indebtedness except for obligations mandatorily preferred or in respect of which a statutory preference is established by law.

The Issuer is also required to maintain at all times the following financial ratios: current ratio of at least 1.00, maximum debt to equity at 2.50 and debt service coverage ratio of at least 1.00. These were complied with by the Group as at December 31, 2022.

b. ₱12,000.00 million Corporate Notes (Due December 2025)

On December 28, 2022, the Parent Company (the Issuer) entered into a Corporate Notes Facility Agreement for the issuance of a long-term corporate notes consisting of Three-Year Corporate Notes due 2025 amounting to ₱8,600.00 million at a fixed rate of 7.93% per annum, payable on maturity date.



The proceeds of the corporate notes were used for refinancing of existing or maturing obligations of the Parent Company, and for other general corporate purposes. The issue cost amounted to ₱51.77 million. This was capitalized as debt issue cost and amortized over the life of the liability and was offset to the carrying value of the liability.

As of December 31, 2022, the outstanding balance of the Corporate Notes is ₱8,548.23 million.

The Corporate Notes do not provide early redemption at the option of the Issuer.

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. No fees are charged for these guarantee agreements.

#### *Covenants*

The Corporate Notes requires the Issuer to maintain the pari passu ranking with all and future unsecured and unsubordinated indebtedness except for obligations mandatorily preferred or in respect of which a statutory preference is established by law.

The Issuer is also required to maintain at all times the following financial ratios: current ratio of at least 1.00, maximum debt to equity at 2.50 and debt service coverage ratio of at least 1.00. These were complied with by the Group as at December 31, 2022.

#### c. ₱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 6.77% per annum, payable quarterly.

On October 17, 2019, an additional issuance of Corporate Notes was made in the amount of ₱500.00 million due 2024, at a fixed interest of 6.77% per annum, payable quarterly.

The proceeds of the corporate notes were utilized for the 2019 capital expenditures for commercial property projects, and to fund other general corporate expenses of the Group. The issue cost amounted to ₱159.91 million. This was capitalized as debt issue cost and amortized over the life of the liability and was offset to the carrying value of the liability.

As of December 31, 2022, and 2021, the outstanding balance of the Corporate Notes is ₱6,543.95 million and ₱10,264.44 million, respectively.

The Corporate Notes provide early Redemption at the option of the Issuer as follows:

<u>Early Redemption Date</u>	<u>Early Redemption Amount</u>
3rd anniversary from issue date and interest payment thereafter	101.00%
4th anniversary from issue date and interest payment thereafter	100.50%

The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.



As part of the issuance of the Corporate Notes, the subsidiaries of the Parent Company that acted as guarantors, irrevocably and unconditionally, are: Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc., Communities Philippines, Inc., Vistamalls, Inc. (formerly Starmalls, Inc.) and Vista Residences Inc. No fees are charged for these guarantee agreements.

*Covenants*

The Corporate Notes requires the Issuer to maintain the pari passu ranking with all and future unsecured and unsubordinated indebtedness except for obligations mandatorily preferred or in respect of which a statutory preference is established by law.

The Issuer is also required to maintain at all times the following financial ratios: current ratio at 1.00, debt to equity at 2.50 and debt service coverage ratio of at least 1.00. These were complied with by the Group as at December 31, 2022 and 2021.

d. ₱8,200.00 million Corporate Notes (Due July 2025 and 2028)

On July 11, 2018, the Parent Company (the Issuer) entered into a Corporate Notes Facility Agreement for the issuance of a long term corporate notes consisting of Seven-Year Corporate Notes due 2025 amounting to ₱1,700.00 million at a fixed rate of 7.4913% per annum, payable quarterly and Ten-Year Corporate Notes due 2028 amounting to ₱6,000.00 million at a fixed rate of 7.7083% per annum, payable quarterly.

On July 25, 2018, an additional issuance of Corporate Notes was made in the amount of ₱500.00 million due 2025, at a fixed interest of 7.4985% per annum.

The proceeds of the corporate notes were utilized for the 2018 capital expenditures for commercial property projects, and to fund other general corporate expenses of the Group. The issue cost amounted to ₱105.30 million. This was capitalized as debt issue cost and amortized over the life of the liability and was offset to the carrying value of the liability.

As of December 31, 2022, and 2021, the outstanding balance of the Corporate Notes is ₱4,810.31 million and ₱5,830.13 million, respectively.

The Corporate Notes provide early Redemption at the option of the Issuer as follows:

Seven Year Notes:

Early Redemption Date	Early Redemption Amount
5th anniversary from issue date and interest payment thereafter	101.00%
6th anniversary from issue date and interest payment thereafter	100.50%

Ten Year Notes:

Early Redemption Date	Early Redemption Amount
7th anniversary from issue date and interest payment thereafter	102.00%
8th anniversary from issue date and interest payment thereafter	101.00%
9th anniversary from issue date and interest payment thereafter	100.50%

The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.





As part of the issuance of the Corporate Notes, the subsidiaries of the Parent Company that acted as guarantors, irrevocably and unconditionally, are: Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc., Communities Philippines, Inc., Vistamalls, Inc. (formerly Starmalls, Inc.) and Vista Residences Inc. No fees are charged for these guarantee agreements.

*Covenants*

The Corporate Notes requires the Issuer to maintain the pari passu ranking with all and future unsecured and unsubordinated indebtedness except for obligations mandatorily preferred or in respect of which a statutory preference is established by law.

The Issuer is also required to maintain at all times the following financial ratios: current ratio at 1.00, debt to equity at 2.50 and debt service coverage ratio of at least 1.00. These were complied with by the Group as at December 31, 2022 and 2021.

e. ₱10,000.00 million Corporate Notes (Due December 2026)

On December 28, 2016, the Parent Company (the Issuer) entered into a Corporate Notes Facility Agreement for the issuance of a long-term corporate notes with a principal amount of up to ₱8,000.00 million. On April 21, 2017, a consent solicitation was made for amendments to include among others, increasing the Corporate Notes principal amount to up to ₱10,000.00 million in respect to the second drawdown. Such amendments were consented by Note Holders representing at least fifty one percent (51%) of the outstanding Corporate Notes.

On April 27, 2017, the Issuer made such amendments to the Corporate Note Facility dated December 28, 2016. The first drawdown was at ₱5,150.00 million in 2016, at fixed interest of 6.19% per annum, payable quarterly. On May 3, 2017, the Issuer made its second drawdown at ₱4,850.00 million, at fixed interest of 6.23% per annum, payable quarterly.

The proceeds of the Corporate Notes were utilized for the 2017 capital expenditures, refinancing of existing indebtedness and to fund other general corporate expenses. The issue cost amounted to ₱38.72 million. This was capitalized as debt issue cost and amortized over the life of the liability and was offset to the carrying value of the liability.

As of December 31, 2022, and 2021, the outstanding balance of the Corporate Notes is ₱8,764.30 million and ₱8,956.32 million, respectively.

The Corporate Notes provide early Redemption at the option of the Issuer as follows:

<u>Early Redemption Date</u>	<u>Early Redemption Amount</u>
7th anniversary from issue date and interest payment thereafter	102.00%
8th anniversary from issue date and interest payment thereafter	101.00%
9th anniversary from issue date and interest payment thereafter	100.50%

The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.



As part of the issuance of the Corporate Notes, the subsidiaries of the Parent Company that acted as guarantors, irrevocably and unconditionally, are: Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc., Communities Philippines, Inc., Vistamalls, Inc. (formerly Starmalls, Inc.) and Vista Residences Inc. No fees are charged for these guarantee agreements.

#### *Covenants*

The Corporate Notes requires the Issuer to maintain the pari passu ranking with all and future unsecured and unsubordinated indebtedness except for obligations mandatorily preferred or in respect of which a statutory preference is established by law.

The Issuer is also required to maintain at all times the following financial ratios: current ratio at 1.00, debt to equity at 2.50 and debt service coverage ratio of at least 1.00. These were complied with by the Group as at December 31, 2022 and 2021.

### C. Retail Bonds

#### a. 2019 Fixed-rate Peso Retail Bonds

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

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

As of December 31, 2022, and 2021, the outstanding balance of the Retail Bonds is ₱9,955.86 million and ₱9,941.34 million, respectively.

#### *Redemption at the option of the Issuer*

The Issuer may redeem in whole, the outstanding Retail Bonds on the following relevant dates. The amount payable to the bondholders upon the exercise of the early redemption option by the Issuer shall be calculated, based on the principal amount of Retail Bonds being redeemed, as the sum of: (i) accrued interest computed from the last interest payment date up to the relevant early redemption option date; and (ii) the product of the principal amount of the Retail Bonds being redeemed and the early redemption price in accordance with the following schedule:

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

The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.



*Covenants*

The Retail Bonds provide for the Issuer to comply with covenants including, among others, incurrence or guarantee of additional indebtedness; prepayment or redemption of subordinate debt and equity; making certain investments and capital expenditures; consolidation or merger with other entities; and certain other covenants. The Retail Bonds requires the Issuer to maintain a current ratio of at least 1.00:1.00, a maximum debt-to-equity ratio of 2.50:1.00 and a DSCR of at least 1.00:100. These were complied with by the Group as at December 31, 2022 and 2021.

b. 2018 Fixed-rate Peso Retail Bonds

On December 21, 2018, the Parent Company (the Issuer) issued unsecured fixed-rate Peso Retail Bonds with an aggregate principal amount of ₱10,000.00 million. The proceeds of the issuance were used to fund the construction and completion of the various malls and for general corporate purposes. The issue costs amounted to ₱130.20 million. This was capitalized as debt issue cost and amortized over the life of the liability and was offset to the carrying value of the liability.

The offer is comprised of 5-year Retail Bonds due on December 21, 2023 with interest rate of 8.00% per annum and 7-year Retail Bonds due on December 21, 2025 with interest rates 8.25% per annum. This is the second tranche offered out of the shelf registration of Retail Bonds in the aggregate principal amount of up to ₱20,000.00 million to be offered within a period of three (3) years. Interest on the Retail Bonds is payable quarterly in arrears starting on March 21, 2019 for the first interest payment date and on March 21, June 21, September 21 and December 21 each year for each subsequent payment date.

As of December 31, 2022, and 2021, the outstanding balance of the Retail Bonds is ₱9,957.33 million and ₱9,935.40 million, respectively.

*Redemption at the option of the Issuer*

The Issuer may redeem in whole, the outstanding Retail Bonds on the following relevant dates. The amount payable to the bondholders upon the exercise of the early redemption option by the Issuer shall be calculated, based on the principal amount of Retail Bonds being redeemed, as the sum of: (i) accrued interest computed from the last interest payment date up to the relevant early redemption option date; and (ii) the product of the principal amount of the Retail Bonds being redeemed and the early redemption price in accordance with the following schedule:

- a) 5-year Bonds:
  - i. Three (3) years from issue date at early redemption price of 101.00%
  - ii. Four (4) years from issue date at early redemption price of 100.50%
- b) 7-year Bonds:
  - i. Five (5) years from issue date at early redemption price of 101.00%
  - ii. Six (6) years from issue date at early redemption price of 100.50%

The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

*Covenants*

The Retail Bonds provide for the Issuer to comply with covenants including, among others, incurrence or guarantee of additional indebtedness; prepayment or redemption of subordinate debt and equity; making certain investments and capital expenditures; consolidation or merger with other entities; and certain other covenants. The Retail Bonds requires the Issuer



to maintain a current ratio of at least 1.00:1.00, a maximum debt-to-equity ratio of 2.50:1.00 and a DSCR of at least 1.00:100. These were complied with by the Group as at December 31, 2022, and 2021.

c. 2017 Fixed-rate Peso Retail Bonds

On August 8, 2017, the Parent Company (the Issuer) issued unsecured fixed-rate Peso Retail Bonds with an aggregate principal amount of ₱5,000.00 million. The proceeds of the issuance were used to partially finance certain commercial development projects and for general corporate purposes. The issue costs amounted to ₱64.87 million. This was capitalized as debt issue cost and amortized over the life of the liability and was offset to the carrying value of the liability.

The offer is comprised of 7-year Retail Bonds due on August 8, 2024 with interest rate of 5.75% per annum and 10-year Retail Bonds due on August 9, 2027 with interest rate of 6.23% per annum. This is the initial tranche offered out of the shelf registration of Retail Bonds in the aggregate principal amount of up to ₱20,000.00 million to be offered within a period of three (3) years. Interest on the Retail Bonds is payable quarterly in arrears starting on November 8, 2017 for the first interest payment date and on February 8, May 8, August 8 and November 8 each year for each subsequent payment date.

As of December 31, 2022, and 2021, the outstanding balance of the Retail Bonds is ₱4,975.70 million and ₱4,967.26 million, respectively.

*Redemption at the option of the Issuer*

The Issuer may redeem in whole, the outstanding Retail Bonds on the following relevant dates. The amount payable to the bondholders upon the exercise of the early redemption option by the Issuer shall be calculated, based on the principal amount of Retail Bonds being redeemed, as the sum of: (i) accrued interest computed from the last interest payment date up to the relevant early redemption option date; and (ii) the product of the principal amount of the Retail Bonds being redeemed and the early redemption price in accordance with the following schedule:

- a) 7-year Bonds:
  - i. Five (5) years and six (6) months from issue date at early redemption price of 101.00%
  - ii. Six (6) years from issue date at early redemption price of 100.50%
- b) 10-year Bonds:
  - i. Seven (7) years from issue date at early redemption price of 102.00%
  - ii. Eight (8) years from issue date at early redemption price of 101.00%
  - iii. Nine (9) years from issue date at early redemption price of 100.50%

The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

*Covenants*

The Retail Bonds provide for the Issuer to comply with covenants including, among others, incurrence or guarantee of additional indebtedness; prepayment or redemption of subordinate debt and equity; making certain investments and capital expenditures; consolidation or merger with other entities; and certain other covenants. The Retail Bonds requires the Issuer



to maintain a current ratio of at least 1.00:1.00, a maximum debt-to-equity ratio of 2.50:1.00 and a DSCR of at least 1.00:100. These were complied with by the Group as at December 31, 2022 and 2021.

Movement of notes payable follows:

	2022	2021
<b>Principal</b>		
Balance at beginning of year	<b>₱109,020,005,567</b>	₱100,326,059,510
Drawdown	<b>14,600,000,000</b>	10,909,807,626
Principal payments	<b>(23,876,278,143)</b>	(5,657,071,600)
Translation adjustment	<b>2,991,762,376</b>	3,441,210,031
<b>Balance at end of year</b>	<b>102,735,489,800</b>	109,020,005,567
<b>Debt issue cost</b>		
Balance at January 1	<b>1,089,772,044</b>	1,322,490,996
Addition	<b>103,531,880</b>	104,094,100
Debt issue cost amortization	<b>(894,209,203)</b>	(267,559,605)
Translation adjustment	<b>(11,808,362)</b>	(69,253,447)
<b>Balance at end of year</b>	<b>287,286,359</b>	1,089,772,044
<b>Carrying value</b>	<b>102,448,203,441</b>	107,930,233,523
Less current portion	<b>12,745,831,195</b>	24,170,708,067
<b>Noncurrent portion</b>	<b>₱89,702,372,246</b>	₱83,759,525,456

Interest expense on Notes payable amounted to ₱7,279.84 million, ₱7,560.99 million and ₱6,754.93 million in 2022, 2021 and 2020, respectively (see Note 25).

The Group was able to comply with the loan covenants as of December 31, 2022 and 2021.

## 22. Other Noncurrent Liabilities

This account consists of:

	2022	2021
Liabilities for purchased land - net of current portion (Note 18)	<b>₱1,239,086,896</b>	₱1,454,202,032
Retention payable - net of current portion (Note 18)	<b>728,337,670</b>	620,456,341
Deferred output tax - net of current portion (Note 18)	<b>711,514,445</b>	865,199,085
Security deposits - net of current portion (Note 19)	<b>432,970,627</b>	462,052,831
Advance rent - net of current portion (Note 19)	<b>67,088,536</b>	119,495,067
	<b>₱3,178,998,174</b>	₱3,521,405,356



## 23. Equity

### Capital Stock

The details of the Parent Company's capital stock as at December 31 follow:

	2022	2021	2020
<i><u>Common</u></i>			
Authorized shares	<b>17,900,000,000</b>	17,900,000,000	17,900,000,000
Par value per share	<b>₱1.00</b>	₱1.00	₱1.00
Issued shares	<b>13,114,136,376</b>	13,114,136,376	13,114,136,376
Outstanding shares	<b>11,945,799,461</b>	11,945,799,461	11,945,799,461
Value of shares issued	<b>₱13,114,136,376</b>	₱13,114,136,376	₱13,114,136,376
<i><u>Preferred Series 1</u></i>			
Authorized shares	<b>8,000,000,000</b>	8,000,000,000	8,000,000,000
Par value per share	<b>₱0.01</b>	₱0.01	₱0.01
Issued and outstanding shares	<b>3,300,000,000</b>	3,300,000,000	3,300,000,000
Value of shares issued	<b>₱33,000,000</b>	₱33,000,000	₱33,000,000
<i><u>Preferred Series 2</u></i>			
Authorized shares	<b>200,000,000</b>	200,000,000	200,000,000
Par value per share	<b>₱0.10</b>	₱0.10	₱0.10
Issued and outstanding shares	-	-	-
Value of shares issued	<b>₱-</b>	₱-	₱-

#### *Preferred Series 1*

Voting, non-cumulative, non-participating, non-convertible and non-redeemable. The BOD may determine the dividend rate which shall in no case be more than 10.00% per annum.

#### *Preferred Series 2*

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

The terms and conditions of any offering of the Series 2 preferred shares, including the dividend rate, redemption prices, and similar matters will be determined by the Board of Directors at a later date. None of these reclassified preferred shares are issued as of December 31, 2022 and 2021.

#### Registration Track Record

On July 26, 2007, the Parent Company launched its follow-on offer where a total of 8,538,740,614 common shares were offered at an offering price of ₱6.85 per share. The registration statement was approved on June 25, 2007.



Below is the summary of the Parent Company's track record of registration of securities with the SEC as of December 31, 2022:

	Number of Shares Registered	Number of holders of securities as of year end
December 31, 2020	13,114,136,376	946
Add/(Deduct) Movement	–	(2)
December 31, 2021	13,114,136,376	944
Add/(Deduct) Movement	–	(10)
<b>December 31, 2022</b>	<b>13,114,136,376</b>	<b>934</b>

#### Treasury Shares

Treasury shares totaling 416,128,700 of the Parent Company amounting to ₱2,361.98 million as of December 31, 2022 and 2021 represents the shares of stock held by the Parent Company, while treasury shares (752,208,215) amounting to ₱5,378.29 million for both 2022 and 2021 represents Parent Company stocks held by Manuela. These treasury shares are recorded at cost.

On November 5, 2018, the BOD of the Parent Company approved the extension of the Share Buyback Program up to November 5, 2020 subject to the prevailing market price at the time of the buyback over a 24-month period but subject to periodic review by the management.

The movement in the Parent Company's treasury shares follows:

	2022		2021		2020	
	Shares	Amount	Shares	Amount	Shares	Amount
At January 1	1,168,336,915	₱7,740,264,387	1,168,336,915	₱7,740,264,387	1,168,336,915	₱7,740,264,387
Additions	–	–	–	–	–	–
At December 31	1,168,336,915	₱7,740,264,387	1,168,336,915	₱7,740,264,387	1,168,336,915	₱7,740,264,387

#### Retained Earnings

Retained earnings include the accumulated equity in undistributed earnings of consolidated subsidiaries amounting to ₱81,670.79 million and ₱68,470.10 million as at and December 31, 2022 and 2021, respectively.

Also, the retained earnings is restricted to payments of dividends to the extent of cost of treasury shares in the amount of ₱2,361.98 million as at December 31, 2022 and 2021.

The BOD of the Parent Company approved the declaration of regular cash dividend amounting to ₱348.36 million or ₱0.0292 per share, ₱298.64 million or ₱0.03 per share, and ₱597.29 million or ₱0.05 per share on September 30, 2022, September 30, 2021 and September 30, 2020, respectively. The dividend declarations are in favor of all stockholders of record as of October 14, 2022, October 15, 2021 and October 16, 2020 and paid on October 28, 2022, October 29, 2021 and October 30, 2020, respectively.

#### Noncontrolling Interest

##### *Sale of VistaREIT, Inc. 's share through a public listing*

On June 15, 2022, the Group sold through a public listing its 39.91% effective noncontrolling interest in VistaREIT, Inc. at ₱1.75 per share. As a result of the sale and buy-back transactions, the Group's ownership interest in VistaREIT, Inc. was diluted from 98.94% to 60.09%. In relation to the dilution without loss of control, the impact to the Group's additional paid-in-capital amounted to



₱29.28 million. The Group's noncontrolling interest increased by ₱4,197.40 million, as a result of the public offering of VistaREIT, Inc. The difference between the consideration and carrying value of the noncontrolling interest was credited to additional paid-in-capital as shown below:

	Consideration received, net of expenses	Carrying value of Non-controlling interests deemed disposed	Difference recognized within Equity as Additional paid-in-capital
39.91% in VistaREIT, Inc.	₱4,226,683,974	₱4,197,400,031	₱29,283,943

#### *Dividends declaration*

The BOD of Vistamalls, Inc. (formerly Starmalls, Inc.) approved the declaration of regular cash dividend amounting to ₱220.43 million or ₱0.0262 per share and ₱135.99 million or ₱0.02 per share on September 30, 2022 and September 30, 2021, respectively. The dividend declarations are in favor of all stockholders of record as of October 14, 2022 and October 15, 2021 and paid on October 27, 2022 and October 28, 2021, respectively.

The BOD of VistaREIT, Inc. approved the declaration of regular cash dividend amounting to ₱1.00 million or ₱0.0020 per share, ₱270.75 million or ₱0.0361 per share, and ₱157.50 million or ₱0.0210 per share in March, August, and November 2022, respectively. The dividend declarations are in favor of all stockholders of record as of March 31, August 30 and November 28, 2022 which were paid on September 20 and December 19, 2022, respectively.

As at December 31, 2022 and 2021, the Group's dividends payable amounted to ₱96.02 million and ₱15.86 million, respectively.

#### Capital Management

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

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. It monitors capital using leverage ratios on both a gross debt and net debt basis. As of December 31, 2022, 2021 and 2020, the Group had the following ratios:

	2022	2021	2020
Current ratio	289%	248%	316%
Debt-to-equity ratio	128%	147%	134%
Net debt-to-equity ratio	82%	91%	87%
Asset-to-equity ratio	261%	279%	269%

No changes were made in the objectives, policies or processes for managing capital for the years ended December 31, 2022, 2021 and 2020.





The Group considers as capital the equity attributable to equity holders of the Parent Company. The following table shows the component of the Group's equity which it manages as capital as of December 31, 2022, 2021 and 2020:

	2022	2021	2020
Total paid-up capital	<b>₱43,831,849,668</b>	₱43,802,565,725	₱43,802,565,725
Retained earnings	<b>78,311,116,523</b>	72,539,569,939	66,411,673,066
Treasury shares	<b>(7,740,264,387)</b>	(7,740,264,387)	(7,740,264,387)
Other comprehensive income	<b>798,914,337</b>	778,073,767	585,601,339
	<b>₱115,201,616,141</b>	₱109,379,945,044	₱103,059,575,743

#### Financial Risk Assessment

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

Credit risks continue to be managed through defined credit policies and continuing monitoring of exposure to credit risks. The Group's counterparties remain diverse and outstanding balance of selected related parties are guaranteed by Fine Properties, Inc., ultimate parent company. Out of the total rental income in 2022, ₱11,708.40 million or 85.20% are transactions with related parties. Out of the total rental income in 2021, ₱7,326.14 million or 78.67% are transactions with related parties (see Notes 7 and 29).

Exposure to changes in interest rates is reduced by regular availment of short-term loans which is collateralized by the installment contracts receivables in order to cushion the impact of potential increase in loan interest rates.

The Parent Company has a formal foreign exchange and interest risk management policy. The Parent Company actively monitors foreign exchange exposure and interest rate changes. And in addition, the Parent Company ensures that all loan covenants and regulatory requirements are complied with.

Exposure to foreign currency holdings are as follows:

	2022	2021
Cash and cash equivalents	<b>US\$26,030,098</b>	US\$160,115,587
Investments in amortized cost	<b>744,318,610</b>	978,423,422
Notes payable	<b>769,997,069</b>	1,137,971,235
Bank loans	<b>18,000,000</b>	-

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

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## 24. Costs and Expenses

### *Costs of real estate sales*

Cost includes acquisition cost of land, materials, labor, and overhead in construction and development and capitalized borrowing costs. Costs of real estate sales recognized for the years ended December 31, 2022, 2021 and 2020 amounted to ₱5,542.97 million, ₱8,533.40 million and ₱12,020.71 million, respectively (see Note 12).



*Operating expenses*

This account consists of:

	2022	2021	2020
Depreciation and amortization (Notes 14, 15 and 17)	<b>₱2,638,853,067</b>	₱2,686,583,410	₱2,247,713,931
Salaries, wages and employee benefits (Note 26)	<b>1,352,706,605</b>	1,240,164,577	1,276,763,379
Repairs and maintenance	<b>1,275,583,294</b>	891,734,526	1,071,070,828
Taxes and licenses	<b>1,086,964,974</b>	956,976,222	923,735,133
Contracted services	<b>891,373,658</b>	836,836,233	833,238,872
Occupancy costs (Note 28)	<b>765,608,912</b>	629,177,751	499,686,169
Commissions	<b>606,144,722</b>	829,743,095	1,031,485,162
Advertising and promotions	<b>396,596,297</b>	314,467,795	713,971,409
Transportation and travel	<b>116,760,139</b>	68,997,839	65,996,106
Office expenses	<b>50,936,419</b>	50,873,791	42,048,881
Representation and entertainment	<b>34,489,441</b>	29,379,618	24,851,714
Provision for impairment losses on receivables and investments (Notes 10 and 11)	<b>21,740,170</b>	443,283,830	83,259,949
Miscellaneous	<b>409,643,180</b>	429,561,405	271,106,708
	<b>₱9,647,400,878</b>	₱9,407,780,092	₱9,084,928,241

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

*Occupancy cost*

Occupancy cost consists of rental expenses relating to short-term lease and utilities expense such as light, power, and telephone charges.

*Miscellaneous expenses*

Miscellaneous expenses include dues and subscriptions, donations and other expenditures. This includes a net loss of ₱366.93 million from fire incident which hit Star Mall Alabang in Muntinlupa City on January 8, 2022. The net loss of ₱366.93 million is composed of the carrying values of the investment property and other related assets net of proceeds received from the insurance company in 2022.



**25. Interest and Other Income from Investments, Parking, Hotel, Mall Administrative and Processing Fees, and Other Revenue, and Interest and Other Financing Charges**

Interest and other income from investments consist of:

	2022	2021	2020
Installment contracts receivable (Note 11)	<b>₱671,515,534</b>	₱726,012,272	₱541,310,589
Accretion of unamortized discount (Note 11)	<b>29,826,779</b>	48,432,788	86,930,787
	<b>₱701,342,313</b>	₱774,445,060	₱628,241,376
Interest income from:			
Cash and cash equivalents, short- term investments and cash restricted for use (Notes 9, 10 and 13)	<b>₱49,785,418</b>	₱41,946,510	₱77,554,532
Investments at amortized cost (Note 10)	<b>931,410,352</b>	1,507,491,031	1,359,716,861
	<b>₱981,195,770</b>	₱1,549,437,541	₱1,437,271,393

Parking, hotel, mall administrative and processing fee, and other revenue consist of:

	2022	2021	2020
Forfeitures	<b>₱716,018,867</b>	₱686,415,538	₱620,094,918
Mall administrative and processing fee	<b>478,225,541</b>	890,906,111	546,104,024
Parking	<b>137,168,131</b>	121,887,432	117,585,865
Hotel (Note 7)	<b>103,138,406</b>	89,266,555	48,511,184
Loan processing fees from banks	<b>37,722,319</b>	276,951,662	262,277,117
Penalty and others	<b>135,071,791</b>	81,446,903	35,973,013
	<b>₱1,607,345,055</b>	₱2,146,874,201	₱1,630,546,121

Forfeitures pertain to forfeited reservation fees and payments for cancelled sales less of any amount refundable to buyers.

Parking pertains to payments from mall goers and tenants for use of the parking slots both for commercial and residential buildings.

Loan processing fees from banks pertain to payments from banks for processing of loan requirements in their behalf.

Penalty and others are payments from interest and surcharge for past due accounts. This also includes reversal of liabilities pertain to long-outstanding accounts payable - contractors which will not be settled anymore by the Group as assessed by management.



Interest and other financing charges consist of:

	2022	2021	2020
Interest incurred on:			
Notes payable (Note 21)	<b>₱7,279,838,507</b>	₱7,560,993,895	₱6,754,934,909
Bank loans and loans payable (Note 20)	<b>3,197,461,584</b>	2,883,093,299	2,685,358,656
Lease liabilities (Note 28)	<b>373,231,355</b>	287,930,761	386,720,482
Other bank charges	<b>13,884,241</b>	6,872,652	161,555,350
	<b>10,864,415,687</b>	10,738,890,607	9,988,569,397
Amounts capitalized (Notes 12 and 14)	<b>(5,646,528,612)</b>	(6,423,560,753)	(6,016,661,794)
	<b>₱5,217,887,075</b>	₱4,315,329,854	₱3,971,907,603

## 26. Retirement Plan

The Group has noncontributory defined benefit pension plan covering substantially all of its regular employees. The benefits are based on current salaries and years of service and related compensation on the last year of employment. The retirement benefit is the only long-term employee benefit.

The principal actuarial assumptions used to determine the pension benefits with respect to the discount rate, salary increases and return on plan assets were based on historical and projected normal rates.

The components of pension expense follow:

	2022	2021	2020
Current service cost	<b>₱50,647,447</b>	₱52,137,336	₱44,743,319
Interest income - net	<b>(13,030,904)</b>	(7,563,001)	(10,352,624)
Total pension expense	<b>₱37,616,543</b>	₱44,574,335	₱34,390,695

Pension expense is included in “Salaries, wages and employee benefits” under Operating expenses in the consolidated statements of comprehensive income.

Funded status and amounts recognized in the consolidated statements of financial position for the pension plan follow:

	2022	2021	2020
Plan assets	<b>₱784,930,802</b>	₱772,695,349	₱681,936,788
Defined benefit obligation	<b>(464,219,113)</b>	(489,729,931)	(517,927,481)
Pension assets recognized in the consolidated statements of financial position	<b>₱320,711,689</b>	₱282,965,418	₱164,009,307



Changes in the combined present value of the combined defined benefit obligation are as follows:

	2022	2021	2020
Balance at beginning of year	<b>₱489,729,931</b>	₱517,927,481	₱348,142,599
Current service cost	<b>50,647,447</b>	52,137,336	44,743,319
Interest cost	<b>25,331,175</b>	20,369,791	20,729,711
Net acquired obligation due to employee transfers	<b>17,092,500</b>	-	-
Actuarial losses (gains) due to:			
Experience adjustments	<b>61,294,656</b>	(8,820,557)	7,505,584
Changes in demographic assumptions	-	-	(3,146,246)
Changes in financial assumptions	<b>(157,805,840)</b>	(91,884,120)	99,952,514
Benefits paid from retirement fund	<b>(17,092,500)</b>	-	-
Benefits paid from Company operating funds	<b>(4,978,256)</b>	-	-
<b>Balance at end of year</b>	<b>₱464,219,113</b>	<b>₱489,729,931</b>	<b>₱517,927,481</b>

Changes in the fair value of the combined plan assets are as follows:

	2022	2021	2020
Balance at beginning of year	<b>₱772,695,349</b>	₱681,936,788	₱616,020,191
Contributions	<b>61,374,100</b>	58,425,850	3,000,000
Interest income included in net interest cost	<b>38,362,079</b>	27,932,792	31,082,335
Actual gains (losses) on return of plan assets excluding amount included in net interest cost	<b>(70,408,226)</b>	4,399,919	31,834,262
Benefits paid from retirement fund	<b>(17,092,500)</b>	-	-
<b>Balance at end of year</b>	<b>₱784,930,802</b>	<b>₱772,695,349</b>	<b>₱681,936,788</b>

The movements in the combined net pension assets follow:

	2022	2021	2020
Balance at beginning of year	<b>(₱282,965,418)</b>	(₱164,009,307)	(₱267,877,592)
Pension expense	<b>37,616,543</b>	44,574,335	34,390,695
Net acquired obligation due to employee transfers	<b>17,092,500</b>	-	-
Contributions	<b>(61,374,100)</b>	(58,425,850)	(3,000,000)
Total amount recognized in OCI	<b>(26,102,958)</b>	(105,104,596)	72,477,590
Benefits paid from Company operating funds	<b>(4,978,256)</b>	-	-
<b>Balance at end of year</b>	<b>(₱320,711,689)</b>	<b>(₱282,965,418)</b>	<b>(₱164,009,307)</b>



The assumptions used to determine the pension benefits for the Group are as follows:

	2022	2021	2020
Discount rates	7.36%	5.20%	4.21%
Salary increase rate	7.71%	7.75%	7.75%

The turn-over rate used to compute the retirement liability is ranging from 10% at age 18 to 0% at age 60 in 2022 and 2021.

The distribution of the plan assets at year-end follows:

	2022	2021	2020
<b>Assets</b>			
Cash and cash equivalents	₱237,191,029	₱164,471,897	₱109,508,011
Investments in private companies	290,603,290	325,688,164	451,232,452
Investments in government securities	253,216,893	280,012,287	118,611,794
Receivables	5,053,057	3,533,694	4,276,416
	<b>786,064,269</b>	<b>773,706,042</b>	<b>683,628,673</b>
<b>Liabilities</b>			
Trust fee payables	991,625	938,628	1,674,175
Other payable	141,842	72,065	17,710
	<b>1,133,467</b>	<b>1,010,693</b>	<b>1,691,885</b>
Net plan assets	<b>₱784,930,802</b>	<b>₱772,695,349</b>	<b>₱681,936,788</b>

The carrying amounts disclosed above reasonably approximate fair value at reporting date. The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The net unrealized (losses) gains on investments in government securities amounted to (₱4.43 million), (₱2.65 million) and ₱5.20 million in 2022, 2021 and 2020, respectively.

The Group does not expect to contribute to its retirement fund in 2023.

The composition of the fair value of the Fund includes:

- *Cash* - include savings and time deposit with various banks and special deposit account.
- *Investments in private companies* - include investments in long-term debt notes and corporate bonds.
- *Investments in government securities* - include investment in Philippine RTBs.
- *Receivables* - includes interest and dividends receivable generated from investments included in the plan.
- *Trust fee payable* - pertain mainly to charges of trust or in the management of the plan.

The Group retirement benefit fund is in the form of a trust being maintained by a trustee bank. The fund includes investment in the form of fixed-rate peso retail bonds issued by the Parent Company due 2021 and 2027 with interest rates of 5.94% and 6.23%, respectively. As of December 31, 2022 and 2021, the fair value of investment amounted to ₱544.11 million and ₱596.30 million, respectively. Interest income earned from the investments in bonds amounted to ₱11.01 million, ₱4.57 million and ₱1.27 million in 2022, 2021 and 2020, respectively.



The allocation of the fair value of plan assets follows:

	2022	2021
Deposits	30.22%	21.29%
Corporate bonds	37.02%	42.15%
Government bonds	32.26%	36.24%

The funds are administered by a trustee bank under the supervision of the Board of Directors of the plan. The Board of Directors is responsible for investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the plans' objectives, benefit obligations and risk capacity.

Shown below is the maturity analysis of the undiscounted benefit payments:

Plan Year	2022	2021
Less than 1 year	P16,809,074	P6,048,830
More than 1 year to 5 years	63,465,859	40,392,964
More than 5 years to 10 years	264,165,459	224,384,747
More than 10 years to 15 years	443,392,339	375,853,689
More than 15 years to 20 years	541,935,627	454,204,395
20 years and beyond	3,855,400,749	3,602,877,067
	<b>P5,185,169,107</b>	<b>P4,703,761,692</b>

The average duration of the expected benefit payments at the end of the reporting period is 22.36 years and 27.82 years as of December 31, 2022 and 2021, respectively.

*Sensitivity analysis on the actuarial assumptions*

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the Defined Benefit Obligation (DBO) at the reporting date after adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged. The sensitivities were expressed as the corresponding change in the DBO.

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

	Rates	Increase (decrease) on Defined Benefit Obligation	
		2022	2021
Discount rate	+1%	(P54,528,247)	(P67,084,119)
	-1%	65,349,720	82,180,394
Salary increase	+1%	66,656,100	81,431,005
	-1%	(56,529,016)	(67,984,296)

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 30.22% of cash, 32.26% of investments in government securities, 37.02% of investment in private companies and 0.64% receivables.



## 27. Income Tax

Provision for income tax consists of:

	2022	2021	2020
Current:			
RCIT/MCIT	<b>₱964,402,594</b>	₱866,932,587	₱922,515,389
Final	<b>1,581,268</b>	2,088,378	14,339,565
Deferred	<b>1,055,130,245</b>	1,088,627,884	292,335,550
	<b>₱2,021,114,107</b>	₱1,957,648,849	₱1,229,190,504

The components of the Group's deferred taxes are as follows:

Net deferred tax assets:

	2022	2021
Deferred tax assets on:		
Excess of tax basis over book basis of deferred gross profit on real estate sales	<b>₱121,534,973</b>	₱125,085,013
Accrual of retirement costs	<b>25,197,807</b>	54,174,310
NOLCO	<b>5,319,841</b>	50,636,525
Unamortized discount on receivables	<b>1,776,215</b>	1,850,959
MCIT	<b>727,405</b>	1,478,024
Allowance for probable losses	-	1,750,543
Unrealized foreign exchange losses	-	-
	<b>154,556,241</b>	234,975,374
Deferred tax liabilities on:		
Capitalized borrowing costs	<b>23,394,019</b>	45,061,370
Remeasurement gain on defined benefit obligation	<b>19,697,953</b>	50,996,567
Excess of book basis over tax basis of deferred gross profit on real estate sales	-	77,588,311
Straight line lease adjustment on rent income	-	10,518,073
Unrealized foreign exchange losses	-	2,427,126
	<b>43,091,972</b>	186,591,447
	<b>₱111,464,269</b>	₱48,383,927





Net deferred tax liabilities:

	2022	2021
Deferred tax assets on:		
Lease liabilities	<b>₱1,358,513,251</b>	₱1,358,960,110
NOLCO	<b>271,488,294</b>	1,633,171
Accrual of retirement costs	<b>246,394,562</b>	73,024,521
Allowance for probable losses	<b>155,599,566</b>	138,692,181
MCIT	<b>14,311,962</b>	10,621,570
Unamortized discount		
on receivables	<b>10,510,072</b>	8,615,812
Excess of tax basis over book basis of deferred gross		
profit on real estate sales	<b>1,407,778</b>	5,699,672
	<b>2,058,225,485</b>	1,597,247,037
Deferred tax liabilities on:		
Straight line lease adjustment		
on rent income	<b>3,681,168,833</b>	2,776,155,445
Excess of book basis over tax basis of deferred gross		
profit on real estate sales	<b>2,039,133,748</b>	1,099,342,052
Capitalized borrowing costs	<b>1,164,392,579</b>	1,402,821,564
Right-of-use assets	<b>1,093,371,964</b>	1,137,369,394
Remeasurement gain on		
defined benefit obligation	<b>171,716,493</b>	146,943,619
Fair value adjustments from		
business combination	<b>13,777,875</b>	15,746,143
Discount on rawland payable	<b>2,050,958</b>	1,519,459
	<b>8,165,612,450</b>	6,579,897,676
	<b>(₱6,107,386,965)</b>	(₱4,982,650,639)

Out of the ₱1,061.66 million movement in net deferred tax liabilities, ₱6.53 million was booked as movement in OCI in 2022.

Out of the ₱1,096.68 million movement in net deferred tax liabilities, ₱8.06 million was booked as movement in OCI in 2021.

The Group has deductible temporary differences, NOLCO and MCIT that are available for offset against future taxable income for which no deferred tax assets have been recognized, as follows:

	2022	2021	2020
NOLCO	<b>₱11,250,881,066</b>	₱12,840,423,648	₱11,069,296,116
MCIT	<b>3,686,409</b>	22,353,211	11,715,152

The related unrecognized deferred tax assets on these deductible temporary differences, NOLCO and MCIT amounted to ₱2,816.41 million, ₱3,232.46 million and ₱3,332.51 million as of December 31, 2022, 2021 and 2020, respectively. These are mostly coming from holding companies namely, VLL, Vistamalls, Inc., CHI and CPI.

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. The subsidiaries recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.



On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2022, the entities within the Group has incurred NOLCO before and after taxable years 2020 and 2021 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

NOLCO

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2022	₱3,749,376,576	₱-	₱3,749,376,576	2025
2019	2,855,660,846	(2,855,660,846)	-	2022
	₱6,605,037,422	(₱2,855,660,846)	₱3,749,376,576	

As of December 31, 2022, the entities within the Group has incurred NOLCO in taxable years 2021 and 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2021	₱4,754,517,183	(₱1,462,571,920)	₱3,291,945,263	2026
2020	5,316,791,764	-	5,316,791,764	2025
	₱10,071,308,947	(₱1,462,571,920)	₱8,608,737,027	

MCIT

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2022	₱5,761,382	₱-	₱5,761,382	2025
2021	8,028,967	(2,174,184)	5,854,783	2024
2020	19,699,060	(12,589,449)	7,109,611	2023
2019	11,477,493	(11,477,493)	-	2022
	₱44,966,902	(₱26,241,126)	₱18,725,776	



The reconciliation of the provision for income tax computed at the statutory income tax rate to the provision for income tax shown in profit or loss follows:

	2022	2021	2020
Provision for income tax computed at the statutory income tax rate	<b>25.00%</b>	25.00%	30.00%
Additions to (reductions in) income tax resulting from:			
Nondeductible interest and other expenses	<b>9.97</b>	11.60	12.02
Expired MCIT and NOLCO	<b>7.71</b>	10.71	9.87
Change in unrecognized deferred tax assets	<b>(12.13)</b>	0.52	7.79
Tax-exempt interest income	<b>(2.58)</b>	(4.28)	(5.36)
Tax-exempt income on BOI-Projects	<b>(1.92)</b>	(9.80)	(40.62)
Interest income already subjected to final tax	<b>(0.01)</b>	(0.02)	(0.10)
Changes in tax rate arising from:			
CREATE Act	-	(7.75)	-
Others	<b>(4.57)</b>	(4.05)	2.54
<b>Provision for income tax</b>	<b>21.47%</b>	21.93%	16.14%

Corporate Recovery and Tax Incentives for Enterprises Act or “CREATE”

On March 26, 2021, President Rodrigo Duterte signed into law the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

On April 8, 2021, the Secretary of Finance, with recommendation from the Commissioner of the Bureau of Internal Revenue, promulgated the Implementing Rules and Regulations for the effectivity of the approved provisions of CREATE Act and clarified how the taxable income for the period beginning July 1, 2020 will be computed.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact to the Group:

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity’s office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.



- Foreign-sourced dividends received by domestic corporations are exempt from income tax subject to the following conditions:
  - The funds from such dividends actually received or remitted into the Philippines are reinvested in the business operations of the domestic corporation in the Philippines within the next taxable year from the time the foreign-sourced dividends were received;
  - Shall be limited to funding the working capital requirements, capital expenditures, dividend payments, investment in domestic subsidiaries, and infrastructure project; and
  - The domestic corporation holds directly at least 20% of the outstanding shares of the foreign corporation and has held the shareholdings for a minimum of 2 years at the time of the dividend distribution.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Group is subjected to lower regular corporate income tax rate of either 25% or 20% effective July 1, 2020. The rate applicable to the Group is 25%.

As a result of reduction in RCIT/MCIT rate, the provision for current income tax for the year ended December 31, 2020 and income tax payable as of December 31, 2020 decreased by ₱81.60 million. In addition, the provision for deferred tax for the year then ended December 31, 2020 and net deferred tax liabilities as of December 31, 2020 decreased by ₱609.66 million. For financial reporting purposes, these changes are recognized in the 2021 financial statements in accordance with PIC Q&A 2020-07.

The total reduction in income tax expense in 2021 amounting to ₱691.26 million is composed of ₱81.60 million coming from reduction in tax rate from 30% to 25% for 2021 taxable income and ₱609.66 million coming from the 5% tax expense for 2020 taxable income recorded as reduction for financial reporting in 2021.

#### 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 59 projects in 2022, 78 projects in 2021 and 84 projects in 2020, in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the projects have been granted an Income Tax Holiday for a period of either three years for new projects, or four years for expansion projects, commencing from the date of issuance of the Certificate of Registration.

The Group availed of tax incentive in the form of ITH on its income under registered activities amounting to ₱109.72 million, ₱254.31 million and ₱293.84 million in 2022, 2021 and 2020, respectively.



## 28. Lease Liabilities

The Group, as lessee, has lease contracts for parcels of land where its commercial centers are situated with lease terms of 11 - 30 years. Rental due is based on prevailing market conditions. Generally, the Group is not restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options, which are further discussed below.

The following are the amounts recognized in consolidated statements of comprehensive income:

	2022	2021
Depreciation expense of right-of-use assets included in investment properties (Note 14)	<b>₱175,989,721</b>	₱175,989,721
Interest expense on lease liabilities	<b>373,231,355</b>	287,930,761
Expenses relating to short-term leases (included in operating expenses)	<b>15,141,802</b>	119,987,200
<b>Total amount recognized in statement of comprehensive income</b>	<b>₱564,362,878</b>	₱583,907,682

The rollforward analysis of lease liabilities follows:

	2022	2021
Balances at beginning of year	<b>₱5,435,840,440</b>	₱2,674,852,382
Interest expense (Note 25)	<b>373,231,355</b>	287,930,761
Additions due to lease modification	-	2,756,247,692
Payments	<b>(375,018,792)</b>	(283,190,395)
Balances at end of year	<b>5,434,053,003</b>	5,435,840,440
Less current portion	<b>368,459,297</b>	348,214,986
Noncurrent portion	<b>₱5,065,593,706</b>	₱5,087,625,454

On July 2, 2021, the Group and one of the lessors amended the lease contract covering parcels of land where one of the Group's commercial building is situated by extending the lease period and amending the lease rates. The lease modification did not result in a separate lease and the Group remeasured the lease liability based on the amended lease period and lease rates and recognized the difference between the carrying amount of the modified lease liability and the carrying amount of the lease liability immediately before the modification as an adjustment to the right-of-use asset.

The Group has no lease contract that contains variable payments. The Group's fixed payments amounted to ₱390.54 million and ₱403.18 million in 2022 and 2021, respectively.

The Group's lease contracts include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 5).



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

	2022	2021
Within 1 year	₱368,459,297	₱348,214,986
More than 1 year to 2 years	377,749,481	368,459,297
More than 2 years to 3 years	421,788,247	377,749,481
More than 3 years to 4 years	442,927,197	421,788,247
More than 4 years to 5 years	469,599,629	442,927,197
More than 5 years	8,857,658,091	9,327,257,720
	<b>₱10,938,181,942</b>	<b>₱11,286,396,928</b>

## 29. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence. Entities under common control are those entities outside the Group but are related parties of Fine Properties, Inc. Related parties may be individuals or corporate entities.

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

The Parent Company has an approval requirement such that material related party transaction (RPT) shall be reviewed by the Risk Management Committee (the Committee) and endorsed to the BOD for approval. Material RPTs are those transactions that meet the threshold value as approved by the Committee amounting to 10% or higher of the Group's total consolidated assets based on its latest audited financial statements.

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

The consolidated statements of financial position include the following amounts resulting from the foregoing transactions which represent amounts receivable from (payable to) related parties as of December 31, 2022 and 2021:

### **December 31, 2022**

Relationship	Nature of Transaction	Net Amount/ Volume	Outstanding Balance	Terms	Conditions
<i>Receivable from tenants and accrued rental receivable (Note 11)</i>					
Entities under Common Control	a) Rental of mall spaces	₱11,708,398,391	₱25,554,113,420	Noninterest-bearing	Certain receivables with letter of financial support from Fine Properties Inc., No impairment
Ultimate Parent	a) Rental of office spaces	69,960	3,577,888	Noninterest-bearing	Unsecured, No impairment
		<b>₱11,708,468,351</b>	<b>₱25,557,691,308</b>		

(Forward)



Relationship	Nature of Transaction	Net Amount/ Volume	Outstanding Balance	Terms	Conditions
<b>Receivable from/advances to related parties</b>					
Ultimate Parent (Note 14)	b) Joint venture advances	₱957,087,103	₱7,042,276,334	Noninterest-bearing	Unsecured, No impairment
<b>Advances in project development cost (Note 16)</b>					
Ultimate Parent	b) Joint venture advances	₱-	₱91,646,033	Noninterest-bearing	Unsecured, No impairment
Entities under Common Control	b) Purchase and return of advances for housing credits	7,605,814	406,039,727	Noninterest-bearing	Unsecured, No impairment
		₱7,605,814	₱497,685,760		
<b>Lease liabilities (Note 28)</b>					
Ultimate Parent	d) Rental of parcels of land	(₱23,795,634)	(₱379,890,989)	Interest-bearing	Unsecured
<b>Interest expense (Note 28)</b>					
Ultimate Parent	d) Rental of parcels of land	₱39,379,722	₱-	Interest-bearing	Unsecured
<b>Dividends Declared/Payable Stockholders</b>					
	e) Dividends	₱519,159,212	₱96,024,581		

### December 31, 2021

Relationship	Nature of Transaction	Net Amount/ Volume	Outstanding Balance	Terms	Conditions
<b>Receivable from tenants and accrued rental receivable (Note 11)</b>					
Entities under Common Control	a) Rental of mall spaces	₱7,326,143,498	₱17,778,258,321	Noninterest-bearing	Certain receivables with letter of financial support from Fine Properties Inc., No impairment
Ultimate Parent	a) Rental of office spaces	4,583,723	3,577,888	Noninterest-bearing	Unsecured, No impairment
		₱7,330,727,221	₱17,781,836,209		
<b>Receivable from/advances to related parties</b>					
Ultimate Parent	f) Sale of VLLI shares	(₱1,960,071,572)	₱-	Noninterest-bearing; Due and demandable	Unsecured, No impairment
Ultimate Parent (Note 14)	b) Joint venture advances	3,236,698,012	6,085,189,231	Non-interest bearing	Unsecured, No impairment
Entities under Common Control	b) Advances	(879,187,160)	-	Non-interest bearing	Unsecured, No impairment
		₱397,439,280	₱6,085,189,231		
<b>Advances in project development cost (Note 16)</b>					
Ultimate Parent	b) Joint venture advances	₱-	₱91,646,033	Non-interest bearing	Unsecured, No impairment
Entities under Common Control	b) Purchase and return of advances for housing credits	(481,115,121)	398,433,913	Non-interest bearing	Unsecured, No impairment
		(₱481,115,121)	₱490,079,946		
<b>Accounts payable to contractors</b>					
Ultimate Parent	c) Payables for construction contracts	₱426,045,294	₱-	Due and demandable; noninterest-bearing	Unsecured
<b>Lease liabilities (Note 28)</b>					
Ultimate Parent	d) Rental of parcels of land	(₱47,022,775)	(₱356,095,355)	Interest-bearing	Unsecured
<b>Interest expense (Note 28)</b>					
Ultimate Parent	d) Rental of parcels of land	(₱37,050,794)	₱-	Interest-bearing	Unsecured
<b>Dividends Declared/Payable Stockholders</b>					
	e) Dividends	₱314,501,440	₱15,856,454		

- a) The Group has operating lease agreements with entities under common control for the leases of commercial centers. The lease agreements are renewable and contain escalation clauses. Rental income and receivables including the effect of straight-line calculation from related parties amounted to ₱11,708.40 million and ₱25,554.11 million, respectively, as of December 31, 2022, ₱7,326.14 million and ₱17,778.26 million, respectively, as of December 31, 2021. These receivables from related parties which are recognized as 'Accrued rental receivable' under 'Receivables' are not impaired (see Note 11).

Included in the related party tenants are AllHome Corp., AllDay Marts, Inc., All Day Retail Concepts, Inc., Family Shoppers Unlimited, Inc., CM Star Management, Inc., and The Village Server, Inc. which are subsidiaries of AllValue Holdings Corp. (collectively referred to as AllValue Group or Anchor Tenant). AllValue Group is engaged in retail businesses covering supermarkets, retail of apparel, construction materials and home/building appliances and furnishings. The lease agreements contain escalation clauses.



Rental income and receivables from All Value Group including the effect of future lease rate escalation amounted to ₱10,257.59 million and ₱23,101.10 million, respectively, as of December 31, 2022 and ₱7,113.08 million and ₱16,549.24 million, respectively, as of December 31, 2021. These receivables from All Value Group which are recognized as 'Accrued rental receivable' under 'Receivables' are not impaired (see Note 11).

Rental income and receivables from All Value Group without the effect of future escalation amounted to ₱5,026.22 million and ₱6,908.74 million, respectively, as of December 31, 2022 and ₱3,594.82 million and ₱5,595.94 million, respectively, as of December 31, 2021. These receivables from All Value Group which are recognized as 'Accounts receivable from tenants' under 'Receivables' are noninterest-bearing and are not impaired (see Note 11).

Related parties with outstanding rent receivables without the effect of future escalation amounting to ₱4,097.42 million and ₱973.41 million were provided with financial support letter by Fine Properties, Inc. as of December 31, 2022 and 2021, respectively.

As discussed in Note 5, certain related party tenants which are entities under common control requested to terminate certain lease contracts in various malls in 2022, 2021 and 2020. Accrued rental receivable from straight-lining of rental income of ₱420.25 million, ₱2.84 million and ₱1,556.12 million was reversed against rental income for the years ended December 31, 2022, 2021 and 2020, respectively.

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19 pandemic, the Group based on its scheme waived its right to collect rent and other charges as part of various lease concessions it granted to its related party lessees such as lease payment holidays or lease payment reductions. The rent concession granted by the Group to its related party tenants for the years ended December 31, 2022, 2021 and 2020 amounted to ₱2.93 million, ₱32.11 million and ₱975.17 million, respectively.

In January 2022, the Group amended certain lease contracts with Family Shoppers Unlimited, Inc. and Parallax, Inc. resulting to increase in rental income and rental receivables by ₱5,435.40 million. The amendments of the lease contracts are as follows:

- a. Extension of lease term commencing from the lease modification date; and
- b. From variable rent to annual fixed rent based on rate with annual escalation.

In May and November 2019, the Group amended certain lease contracts with All Value Group. The amendments of the lease contracts are as follow:

- a. Extension of the lease term by 10-15 years commencing from the lease modification date; and
- b. From annual fixed rent to variable rent based on agreed percentage on gross sales or agreed minimum guaranteed rent (MGR) with annual escalation, whichever is higher

The Ultimate Parent Company also has lease agreements with the Group for the lease of its office spaces. The rental due is based on prevailing market conditions.





- b) On December 23, 2017, the Group entered into a Memorandum of Agreement (MOA) with Bria Homes, Inc.(Bria), a developer of socialized housing projects located in various areas in the Philippines, to assign portions of the socialized housing projects to various entities in the Group in compliance with the requirements of Republic Act No. 7279 (Urban Development and Housing Act of 1992). On November 23, 2018, the Group entered into another MOA with Bria to include vertical residential projects in the assignment of socialized housing projects. As such, the Group makes cash advances to Bria Homes, Inc. for the construction of socialized housing units which are recorded under project development costs (see Note 16).

On December 23, 2019, another MOA was executed with Bria to specify the details of the housing credits to be delivered by Bria equivalent to the advances provided by VLL. On December 21, 2020, the Group executed an amendment updating the number of housing credit that Bria will deliver to the Group to settle its outstanding balance.

In 2021, CAPI, VMI and various other VLLI subsidiaries executed a Deed of Assignment of Advances (DOA) to Fine Properties, Inc. totaling ₱5.75 billion after deducting the partial delivery of social housing credits and cash payments in 2020 which was consolidated to Brittany Corporation (BC). The DOA effectively consolidates all receivables from Fine Properties, Inc. to BC while BC recognizes payable to the respective entities within VLLI group. These intercompany transactions between VLLI subsidiaries were eliminated at consolidated level.

Furthermore, BC and Fine Properties, Inc. entered into a Land Development Agreement (LDA) to develop 159, 208 square meters in Molino, Bacoor, Cavite to be developed into mixed-use residential and commercial subdivisions over a 15-year period. Fine Properties, Inc. will contribute land while the contribution of BC will be the planning, conceptualization, design, construction and financing of the Project. Both parties agreed to share the saleable lots into sharing of 60% for Fine Properties, Inc. and 40% for BC. The intention of the parties is for Fine Properties, Inc. to settle the resulting advances by BC of ₱5.75 billion in addition to the existing advances to Fine Properties, Inc. of ₱340.00 million totaling to ₱6.09 billion, from its share of the saleable lots in the LDA. The expected settlement will start upon completion of land development but shall in no case be earlier than 36 months from execution of the agreement dated December 17, 2021.

- c) These are advances for working capital and investment requirements of the related parties and are due and demandable.

On December 28, 2018, MGS Construction, Inc. assigned its receivables from Vista Residences, Inc. in the total amount of ₱1,340.13 million in favor of Fine Properties, Inc. This resulted to recognition of payable to Fine Properties, Inc. of the same amount. The liability was offset with the receivables from Fine Properties, Inc. in 2018. In 2021, these receivables were included in the executed DOA of VLL subsidiaries to Fine Properties, Inc.

- d) The Group entered into lease agreements with Fine Properties, Inc. pertaining to parcels of land wherein the Group's commercial centers are situated. These leases have terms of 25 years, with rental escalation clauses and renewal options.
- e) Details of dividends declared to stockholders are discussed in Note 23.
- f) In May 2013, VMI sold the remaining 399,397,000 shares of its investments in VLLI, with a carrying amount of ₱1,906.22 million, for a total consideration of ₱2,772.30 million to Fine Properties Inc. In 2021, the outstanding receivables was included in the consolidation of all receivables from Fine Properties, Inc. to BC.



As of December 31, 2022 and 2021, the retirement plan asset includes investment in fixed-rate peso retail bonds of the Parent Company with fair value amounting to ₱13.39 million and ₱14.99 million, respectively (see Note 26).

The compensation of key management personnel by benefit type follows:

	2022	2021	2020
Short-term employee benefits	₱114,661,755	₱110,070,514	₱133,520,360
Post-employment benefits	24,928,030	24,036,406	30,088,552
	<b>₱139,589,785</b>	<b>₱134,106,920</b>	<b>₱163,608,912</b>

### 30. Earnings Per Share and Noncontrolling Interest

The following table presents information necessary to compute the EPS:

	2022	2021	2020
Net income attributable to equity holders of Parent	₱6,119,908,898	₱6,426,541,859	₱6,056,015,749
Weighted average common shares*	11,945,799,461	11,945,799,461	11,945,799,461
Basic/Diluted Earnings per share	<b>₱0.512</b>	<b>₱0.538</b>	<b>₱0.507</b>

\*Weighted average common shares consider the effect of treasury shares

The basic and dilutive earnings per share are the same due to the absence of potentially dilutive common shares for the years ended December 31, 2022, 2021 and 2020.

The summarized financial information for which there are noncontrolling interests, are provided below. The information is based on amounts before inter-company eliminations.

#### Vistamalls, Inc. and Subsidiaries (VMI&S)

	2022	2021	2020
Assets	₱90,114,478,895	₱80,672,044,189	₱73,691,776,165
Liabilities	53,700,256,821	50,821,470,182	47,261,060,270
Equity	36,414,222,074	29,850,574,007	26,430,715,895
Total comprehensive income	6,784,076,826	4,407,698,539	2,720,679,864
Attributable to:			
Equity holders of VMI&S	6,781,443,750	3,866,994,102	2,390,083,744
Noncontrolling-interest	2,633,076	540,704,437	330,596,120

#### VistaREIT, Inc. (VistaREIT)

	2022	2021	2020
Assets	₱27,518,799,447	₱505,492,737	₱10,004,921
Liabilities	39,830,724	5,181,000	262,060
Equity	26,173,664,073	500,311,737	9,742,861
Total comprehensive income*	(9,608,291,500)	(120,914)	257,139
Attributable to:			
Equity holders of VistaREIT	1,033,397,821	(120,914)	257,139
Noncontrolling-interest	545,505,509	-	-

\*This includes the decrease in fair value of investment properties carried at fair value in the financial statements of VistaREIT amounting to ₱11,187.19 million in 2022. The net income from VistaREIT amounted to ₱1,578.90 million, excluding the change in fair value of its investment properties, for the year ended December 31, 2022.



As of December 31, 2022, 2021 and 2020, the accumulated balances of and net income attributable to noncontrolling interests follows:

	2022	2021	2020
Accumulated balances:			
Noncontrolling interest share in equity	₱8,448,577,034	₱3,146,983,827	₱2,620,068,365
Share in dividend	170,796,898	15,856,454	15,326,523
Net income attributable to noncontrolling interests	1,272,741,442	540,704,437	330,596,120
Other comprehensive income	2,248,632	2,067,479	859,042

### 31. Fair Value Determination

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

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

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

*Cash and cash equivalents, short-term cash investments, accrued interest receivable, receivable from tenants, buyers and HDMF, advances to a related party, accounts and other payables (except for deferred output VAT and other statutory payables) and dividends payable:* Due to the short-term nature of the accounts, the fair value approximate the carrying amounts in the consolidated statements of financial position.

*Installment contracts receivable:* The fair value of installment contracts receivable due within one year approximates its carrying amount. Noncurrent portion of installment contracts receivable are discounted using the applicable discount rates for similar types of instruments. The discount rates used range from 2.43% to 19.00% and 2.44% to 19.00% as of December 31, 2022 and 2021, respectively.

*Investments at FVOCI:* Fair values of equity securities are based on quoted market prices.

*Investments at amortized cost:* The fair value of these listed bonds is determined by reference to quoted market bid prices, at the close of business on the reporting date.

*Bank loans, loans payable, notes payable, liabilities for purchased land and retention payable:* Estimated fair values are based on the discounted value of future cash flows using the applicable rates for similar types of loans. Interest rates used in discounting cash flows ranged from 5.35% to 8.63% in 2022 and 2.22% to 10.66% in 2021 using the remaining terms to maturity.



The following table provides the fair value measurement and the hierarchy of the Group's financial assets and liabilities recognized as of December 31, 2022 and 2021:

	December 31, 2022				
	Fair Value				
	Carrying values	Total	Quoted prices in active markets for identical assets (Level 1)	Significant offer observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets</b>					
<b>Financial assets measured at fair value:</b>					
Investments at FVOCI	₱117,158,380	₱117,158,380	₱105,000,000	₱12,158,380	₱-
<b>Financial assets for which fair values are disclosed:</b>					
Installment contracts receivable	35,296,250,329	34,692,905,483	-	-	34,692,905,483
Investments at amortized cost	41,499,484,082	41,611,556,371	41,611,556,371	-	-
<b>Liabilities</b>					
<b>Financial liabilities for which fair values are disclosed</b>					
Bank loans	55,946,823,117	55,115,377,456	-	-	55,115,377,456
Notes payable	102,448,203,441	99,903,741,873	-	-	99,903,741,873
Loans payable	5,334,619,152	5,071,583,187	-	-	5,071,583,187
Liabilities for purchased land	2,918,645,181	2,718,691,406	-	-	2,718,691,406
Retention payable	1,647,670,283	1,494,394,633	-	-	1,494,394,633

	December 31, 2021				
	Fair Value				
	Carrying values	Total	Quoted prices in active markets for identical assets (Level 1)	Significant offer observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets</b>					
<b>Financial assets measured at fair value:</b>					
Investments at FVOCI	₱124,499,183	₱124,499,183	₱83,000,000	₱41,499,183	₱-
<b>Financial assets for which fair values are disclosed:</b>					
Installment contracts receivable	41,235,173,571	43,092,512,215	-	-	43,092,512,215
Investments at amortized cost	49,817,449,839	50,311,215,649	50,311,215,649	-	-
<b>Liabilities</b>					
<b>Financial liabilities for which fair values are disclosed</b>					
Bank loans	56,992,341,863	57,355,033,204	-	-	57,355,033,204
Notes payable	107,930,233,523	112,508,499,731	-	-	112,508,499,731
Loans payable	3,779,511,014	3,670,237,853	-	-	3,670,237,853
Liabilities for purchased land	3,282,337,519	3,170,096,006	-	-	3,170,096,006
Retention payable	1,619,661,728	1,547,698,569	-	-	1,547,698,569

In 2022 and 2021, there were no transfers between Levels of fair value measurements.

Significant increases (decreases) in discount rate would result in significantly higher (lower) fair value of the installment contracts receivable, notes payable, loans payable, bank loans, retention payable and liabilities for purchased land.

Description of significant unobservable inputs to valuation follows:

Account	Valuation Technique	Significant Unobservable Inputs
Installment contracts receivable	Discounted cash flow analysis	Discount rate
Bank loans	Discounted cash flow analysis	Discount rate
Notes payable	Discounted cash flow analysis	Discount rate
Loans payable	Discounted cash flow analysis	Discount rate
Retention payable	Discounted cash flow analysis	Discount rate
Liabilities for purchased land	Discounted cash flow analysis	Discount rate



## 32. Financial Assets and Liabilities

### Financial Risk Management Objectives and Policies

#### *Financial risk*

The Group's principal financial liabilities comprise of bank loans, loans payable, notes payable, accounts and other payables (except for deferred output VAT and other statutory payables), liabilities for purchased land and retention payable. The main purpose of the Group's financial liabilities is to raise financing for the Group's operations. The Group has various financial assets such as installment contracts receivable, cash and cash equivalents, short-term and long-term cash investments, investments at fair value through other comprehensive income and investments at amortized cost which arise directly from its operations. The main risks arising from the use of financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

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

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

#### *Cash flow interest rate risk*

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

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

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

	<b>December 31, 2022</b>	
	<b>Effective Interest Rate</b>	<b>Amount</b>
<b>Financial assets</b>		
<b><i>Fixed rate</i></b>		
Cash and cash equivalents in Philippine Peso (excluding cash on hand)	<b>0.01% to 1.25%</b>	<b>₱13,605,686,137</b>
Cash and cash equivalents in US Dollar	<b>0.06% to 0.13%</b>	<b>1,451,308,141</b>
Short-term cash investments	<b>0.10% to 3.13%</b>	<b>47,278,102</b>
Investments at amortized cost	<b>1.05% to 7.19%</b>	<b>41,499,484,082</b>
Installment contracts receivable	<b>1.66% to 19.00%</b>	<b>35,296,250,329</b>
		<b>₱91,900,006,791</b>
<b>Financial liabilities</b>		
<b><i>Fixed rate</i></b>		
Notes payable	<b>5.70% to 8.25%</b>	<b>₱102,448,203,441</b>
Bank loans	<b>3.25% to 8.17%</b>	<b>55,946,823,117</b>
Loans payable	<b>6.03% to 8.63%</b>	<b>5,334,619,152</b>
Lease liabilities	<b>6.79% to 8.80%</b>	<b>5,434,053,003</b>
		<b>₱169,163,698,713</b>



	December 31, 2021	
	Effective Interest Rate	Amount
<b>Financial assets</b>		
<i>Fixed rate</i>		
Cash and cash equivalents in Philippine Peso (excluding cash on hand)	0.03% to 0.50%	₱3,889,848,401
Cash and cash equivalents in US Dollar	0.05% to 0.13%	7,956,192,935
Short-term cash investments	1.00% to 4.00%	336,019,645
Investments at amortized cost	0.39% to 10.82%	49,817,449,839
Installment contracts receivable	2.44% to 19.00%	41,235,173,571
		<b>₱103,234,684,391</b>
<b>Financial liabilities</b>		
<i>Fixed rate</i>		
Notes payable	5.70% to 8.25%	₱107,930,233,523
Bank loans	3.25% to 8.17%	56,992,341,863
Loans payable	2.22% to 6.50%	3,779,511,014
Lease liabilities	5.55% to 10.66%	5,435,840,440
		<b>₱174,137,926,840</b>

As of December 31, 2022, and 2021, the Group's leasing income and operating cash flows are substantially independent of changes in market interest rates.

*Foreign exchange risk*

The Group's foreign exchange risk is limited to certain USD denominated cash and cash equivalents, resulting primarily from movements of the Philippine Peso against the United States Dollar (USD). Below is the carrying amount of USD-denominated cash and cash and sensitivity analysis on exchange rate for effect on income before income tax.

	December 31, 2022		
	Amount	Increase/Decrease in US Dollar rate	Effect on income before tax
Cash and cash equivalents	US\$473,598	+4.22%	₱1,114,179
	US\$473,598	-4.22%	(1,114,179)
	December 31, 2021		
	Amount	Increase/Decrease in US Dollar rate	Effect on income before tax
Cash and cash equivalents	US\$4,108,745	+2.60%	₱5,435,760
	US\$4,108,745	-2.60%	(5,435,760)

The functional currency of VII, a wholly owned subsidiary, is USD. VII has Cash and cash equivalents, Investments at amortized costs, Notes payable and Bank loans in USD. VII's financial assets and liabilities are translated into Philippine peso, the presentation currency of the Group, using closing exchange rate prevailing at the reporting date, and the respective income and expenses at the weighted average rates for the period. The exchange differences arising on the translation are recognized in OCI under "Cumulative Translation Adjustments" (CTA).



See below for the carrying amounts and sensitivity analysis on other comprehensive income:

	December 31, 2022		
	Amount	Increase/Decrease in US Dollar rate	Effect on Other Comprehensive Income
<b>Assets</b>			
Cash and cash equivalents	US\$25,556,500	+4.22%	₱60,123,749
	US\$25,556,500	-4.22%	(60,123,749)
Investments at amortized costs	US\$744,318,610	+4.22%	1,751,070,179
	US\$744,318,610	-4.22%	(1,751,070,179)
<b>Liabilities</b>			
Notes payable	US\$769,997,069	+4.22%	(1,853,827,314)
	US\$769,997,069	-4.22%	1,853,827,314
Bank loans	US\$18,000,000	4.22%	(42,346,467)
	US\$18,000,000	-4.22%	42,346,467
	December 31, 2021		
	Amount	Increase/Decrease in US Dollar rate	Effect on Other Comprehensive Income
<b>Assets</b>			
Cash and cash equivalents	US\$156,006,842	+2.60%	₱206,520,705
	US\$156,006,842	-2.60%	(206,520,705)
Investments at amortized costs	US\$978,423,422	+2.60%	1,295,229,695
	US\$978,423,422	-2.60%	(1,295,229,695)
<b>Liabilities</b>			
Notes payable	US\$1,137,971,235	+2.60%	(1,506,437,910)
	US\$1,137,971,235	-2.60%	1,506,437,910

In translating the foreign currency- denominated monetary assets and liabilities in peso amounts, the Philippine Peso - US dollar exchange rates as at December 31, 2022 and 2021 used were ₱55.76 to US\$1.00 and ₱51.00 to US\$1.00, respectively.

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

#### *Credit Risk*

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily installment contracts receivables and receivables from tenants) and from its investing activities, including deposits with banks and financial institutions.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Receivables are regularly monitored.

In respect of installment contracts receivable from the sale of real estate inventories, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to credit risk is not significant given that



title of the real estate property is only transferred to the customer if the consideration had been fully paid. In case of default, after enforcement activities, the Group has the right to cancel the sale and enter into another contract to sell to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed.

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

The Group evaluates the concentration of risk with respect to receivable from related parties (see Note 29). This is discussed in Note 6. The related parties have a strong capacity to meet their contractual cash flows and collectability is guaranteed by Fine Properties, Inc., ultimate parent company.

Credit risk arising from receivable from tenants - third parties is primarily managed through a screening of tenants based on credit history and financial information submitted. Tenants are required to pay security deposits equivalent to 2 to 4-month lease payment to cover any defaulting amounts and advance rentals also equivalent to 2 to 4-month rent.

Credit risk arising from receivables from related parties is minimal as they have a low risk of default and have a strong capacity to meet their contractual cash flows in the near term.

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The Group's maximum exposure to credit risk as of December 31, 2022 and 2021 is equal to the carrying values of its financial assets.

As of December 31, 2022 and 2021, the credit quality per class of financial assets is as follows:

	2022					
	Neither Past Due nor Impaired			Past due but not Impaired	Impaired	Total
	High Grade	Standard	Substandard Grade			
Cash and cash equivalents	₱15,056,994,278	₱-	₱-	₱-	₱-	₱15,056,994,278
Short-term cash investments	47,278,102	-	-	-	-	47,278,102
Investments at amortized cost	41,499,484,082	-	-	-	104,455,985	41,603,940,067
Investments at FVOCI	117,158,380	-	-	-	-	117,158,380
Installment contract receivable	21,230,928,394	779,312,682	35,924,974	13,250,084,279	-	35,296,250,329
Receivable from tenants and accrued rent receivable	18,117,338,108	-	-	8,916,400,937	495,636,493	27,529,375,538
Receivable from HDMF	185,386,869	-	-	-	-	185,386,869
Receivable from buyers	-	-	-	171,303,255	-	171,303,255
Accrued interest receivable	444,938,814	-	-	-	-	444,938,814
Restricted cash	325,078,616	-	-	-	-	325,078,616
	₱97,024,585,643	₱779,312,682	₱35,924,974	₱22,337,788,471	₱600,092,478	₱120,777,704,248





2021						
	Neither Past Due nor Impaired		Substandard Grade	Past due but not Impaired	Impaired	Total
	High Grade	Standard				
Cash and cash equivalents	P11,846,041,336	P-	P-	P-	P-	P11,846,041,336
Short-term cash investments	336,019,645	-	-	-	-	336,019,645
Investments at amortized cost	49,817,449,839	-	-	-	81,166,262	49,898,616,101
Investments at FVOCI	124,499,183	-	-	-	-	124,499,183
Installment contract receivable	10,442,133,473	573,616,115	20,912,446	30,198,511,537	-	41,235,173,571
Receivable from tenants and accrued rent receivable	12,972,076,459	-	-	5,937,223,530	497,186,046	19,406,486,035
Receivable from HDMF	188,381,927	-	-	134,492,069	-	322,873,996
Receivables from buyers	-	-	-	162,854,404	-	162,854,404
Accrued interest receivable	543,893,498	-	-	-	-	543,893,498
Restricted cash	219,408,980	-	-	-	-	219,408,980
	<b>P86,489,904,340</b>	<b>P573,616,115</b>	<b>P20,912,446</b>	<b>P36,433,081,540</b>	<b>P578,352,308</b>	<b>P124,095,866,749</b>

The Company's basis in grading its receivables are as follow:

High-grade - pertain to receivables from related parties which based on experience are highly collectible or collectible on demand, and of which exposure to bad debt is not significant. Installment contract receivables under bank-financing, receivable from buyers and receivable from HDMF awaiting for bank and HDMF remittance but has been processed are assessed to be high grade since the accounts have undergone credit evaluation performed by two parties, the Group and the respective bank, thus credit evaluation underwent a more stringent criteria resulting to higher probability of having good quality receivables. High-grade receivable from tenants and accrued rental receivable and accrued interest receivable are receivables which have a high probability of collection (i.e., the counterparty has the apparent ability to satisfy its obligation and the security on receivables are readily enforceable).

Standard - pertain to active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Substandard - pertain to receivables that can be collected provided the Group makes persistent effort to collect them.

The Group's investments in unquoted equity securities presented as investments at fair value through other comprehensive income are incidental to its housing projects and are considered by the Group to be of high quality.

Cash in banks and cash equivalents and short-term cash investments are deposited/placed in banks that are stable as they qualify either as universal or commercial banks. Universal and commercial banks represent the largest single group, resource-wide, of financial institutions in the country the Group is operating. They offer the widest variety of banking services among financial institutions. These financial assets are classified as high grade due to the counterparties' low probability of insolvency.



As of December 31, 2022 and 2021, the aging analyses of the Company's receivables are as follow:

	2022						Total
	Current	Past due but not impaired				Impaired	
		1 to 30 days	31 to 60 days	61 to 90 days	Over 90 days		
Installment contracts receivable	₱22,046,166,050	₱59,451,694	₱60,896,611	₱36,987,400	₱13,092,748,574	₱-	₱35,296,250,329
Accrued rental receivable	17,387,952,584	-	-	-	-	-	17,387,952,584
Receivable from tenants	729,385,524	110,645,354	2,799,210	145,019,808	8,657,936,565	495,636,493	10,141,422,954
Accrued interest receivable	444,938,814	-	-	-	-	-	444,938,814
Receivable from HDMF	185,386,869	-	-	-	-	-	185,386,869
Receivable from buyers	-	1,678,499	2,536,797	6,204,112	160,883,847	-	171,303,255

	2021						Total
	Current	Past due but not impaired				Impaired	
		1 to 30 days	31 to 60 days	61 to 90 days	Over 90 days		
Installment contracts receivable	₱11,036,662,034	₱2,464,092,785	₱1,110,923,765	₱1,042,184,635	₱25,581,310,352	₱-	₱41,235,173,571
Accrued rental receivable	11,146,694,070	-	-	-	-	-	11,146,694,070
Receivable from tenants	1,825,382,389	149,812,390	172,138	180,029,144	5,607,209,858	497,186,046	8,259,791,965
Accrued interest receivable	543,893,498	-	-	-	-	-	543,893,498
Receivable from HDMF	188,381,927	8,824,496	14,631,835	14,305,121	96,730,617	-	322,873,996
Receivable from buyers	-	2,151,314	1,047,189	412,759	159,243,142	-	162,854,404

Current receivables include billed lease receivables and accrued rent receivables which are not yet contractually collectible. Past due but not impaired include lease receivables which are aged 31 to over 90 days but collection is still probable. Impaired receivables are lease receivables from terminated tenants which are less likely to be collected.

The Group has collaterals in the form of security deposits and advance rent with respect to billed lease receivables that have been identified as past due but not impaired.

Applying the expected credit risk model resulted to recognition of impairment loss of nil and ₱24.79 million from receivables in 2022 and 2021, respectively.

#### *Liquidity Risk*

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

The extent and nature of exposures to liquidity risk and how they arise as well as the Group's objectives, policies and processes for managing the risk and the methods used to measure the risk are the same in 2022 and 2021.



### Maturity Profile Financial Liabilities

The tables below summarize the maturity profile of the Group's financial liabilities as of December 31, 2022 and 2021 based on undiscounted contractual payments, including interest payable.

#### **December 31, 2022**

	On Demand	1 to 3 Months	3 to 12 Months	More than 1 year	Total
<b>Financial Liabilities</b>					
<i>Financial liabilities at amortized cost</i>					
Bank loans	₱-	₱6,344,209,970	₱8,591,384,423	₱44,947,752,818	₱59,883,347,211
Loans payable	29,009,389	1,506,524,553	2,464,768,469	1,671,273,971	5,671,576,382
Liabilities for purchased land	107,765,896	295,667,806	1,276,124,583	1,239,086,896	2,918,645,181
Accounts payable and other payables*	11,780,683,458	3,421,921,455	7,444,583,291	728,337,670	23,375,525,874
Dividends payable	96,024,581	-	-	-	96,024,581
Notes payable	-	3,466,275,635	17,634,115,466	103,862,477,117	124,962,868,218
Lease liabilities	-	88,685,893	279,773,404	10,569,722,645	10,938,181,942
<b>Total undiscounted financial liabilities</b>	<b>₱12,013,483,324</b>	<b>₱15,123,285,312</b>	<b>₱37,690,749,636</b>	<b>₱163,018,651,117</b>	<b>₱227,846,169,389</b>

\*excluding statutory payables and including noncurrent portion of retention payable

#### **December 31, 2021**

	On Demand	1 to 3 Months	3 to 12 Months	More than 1 year	Total
<b>Financial Liabilities</b>					
<i>Financial liabilities at amortized cost</i>					
Bank loans	₱-	₱1,783,833,959	₱7,476,007,618	₱50,824,576,623	₱60,084,418,200
Loans payable	21,238,682	2,173,991,977	1,466,067,045	433,703,007	4,095,000,711
Liabilities for purchased land	120,902,603	797,143,304	910,089,580	1,454,202,032	3,282,337,519
Accounts payable and other payables*	11,291,448,389	282,145,238	717,060,149	620,456,341	12,911,110,117
Dividends payable	15,856,454	-	-	-	15,856,454
Notes payable	-	2,071,165,535	28,355,305,463	101,684,199,419	132,110,670,417
Lease liabilities	-	83,881,609	264,333,377	10,938,181,942	11,286,396,928
<b>Total undiscounted financial liabilities</b>	<b>₱11,449,446,128</b>	<b>₱7,192,161,622</b>	<b>₱39,188,863,232</b>	<b>₱165,955,319,364</b>	<b>₱223,785,790,346</b>

\*excluding statutory payables and including noncurrent portion of retention payable



33. Notes to Consolidated Statements of Cash Flows

Details of the movement in cash flows from financing activities follow:

	January 1, 2022	Cash flows	Lease liabilities	Debt issue cost	Non-cash Change			December 31, 2022
					Interest and other financing charges (including capitalized borrowing cost)	Foreign exchange movement	Dividends declared	
Notes payable	₱107,930,233,523	(₱9,276,278,143)	₱-	(₱103,531,880)	₱894,209,203	₱3,003,570,738	₱-	₱102,448,203,441
Bank loans	56,992,341,863	(1,052,210,176)	-	(50,533,616)	57,225,046	-	-	55,946,823,117
Loans payable	3,779,511,014	1,555,108,138	-	-	-	-	-	5,334,619,152
Lease liabilities	5,435,840,440	(375,018,792)	-	-	373,231,355	-	-	5,434,053,003
Dividends payable	15,856,454	(438,991,085)	-	-	-	-	519,159,212	96,024,581
Accrued interest expense	1,464,726,858	(9,716,182,535)	-	154,065,496	9,539,750,083	-	-	1,442,359,902
Total liabilities from financing activities	₱175,618,510,152	(₱19,303,572,593)	₱-	₱-	₱10,864,415,687	₱3,003,570,738	₱519,159,212	₱170,702,083,196

	January 1, 2021	Cash flows	Lease liabilities	Debt issue cost	Non-cash Change			December 31, 2021
					Interest and other financing charges (including capitalized borrowing cost)	Foreign exchange movement	Dividends declared	
Notes payable	₱99,003,568,514	₱5,252,736,026	₱-	(₱104,094,100)	₱267,559,605	₱3,510,463,478	₱-	₱107,930,233,523
Bank loans	42,373,789,201	14,590,400,957	-	(37,500,000)	65,651,705	-	-	56,992,341,863
Loans payable	4,321,894,645	(542,383,631)	-	-	-	-	-	3,779,511,014
Lease liabilities	2,674,852,382	(283,190,395)	2,756,247,692	-	287,930,761	-	-	5,435,840,440
Dividends payable	28,103,938	(326,748,924)	-	-	-	-	314,501,440	15,856,454
Accrued interest expense	943,809,186	(9,738,424,964)	-	141,594,100	10,117,748,536	-	-	1,464,726,858
Total liabilities from financing activities	₱149,346,017,866	₱8,952,389,069	₱2,756,247,692	₱-	₱10,738,890,607	₱3,510,463,478	₱314,501,440	₱175,618,510,152



The Group's noncash investing and financing activities pertain to the following:

- a) The Parent Company presented in the consolidated statements of cash flow the availments and payments, net of bank loans that were rolled over during the period (loans against deposit hold-outs) amounting to ₱22,560.33 million and ₱18,679.95 million in 2022 and 2021;
- b) Unpaid additions to investment properties amounted to ₱786.73 million and ₱501.73 million as of December 31, 2022 and 2021, respectively;
- c) Unpaid additions to property and equipment amounted to ₱5.46 million and ₱4.69 million as of December 31, 2022 and 2021, respectively;
- d) The Group reclassified receivables from Fine Properties, Inc. to amounting to ₱5,750.90 million as a result of the LDA entered into between BC and Fine Properties, Inc. in 2021;
- e) The Group deconsolidated VVTI as subsidiary in 2020 to investment in a joint venture amounting to ₱458.77 million as of December 31, 2021; and
- f) Liabilities for purchased land is comprised of unpaid additions to land improvements classified as:

	2022	2021
Real estate inventories	<b>₱2,158,142,798</b>	₱3,282,337,518
Investment properties	<b>760,502,383</b>	-
	<b>₱2,918,645,181</b>	₱3,282,337,518

### 34. Lease Commitments

#### The Group as Lessor

The Group has entered into non-cancellable property leases on its investment property portfolio, consisting of retail mall spaces and BPO commercial centers which generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as of December 31, 2022 and 2021 follow:

	2022	2021
Within 1 year	<b>₱6,528,384,732</b>	₱4,193,324,153
More than 1 year to 2 years	<b>7,106,464,125</b>	4,274,234,541
More than 2 years to 3 years	<b>7,710,792,035</b>	4,692,293,057
More than 3 years to 4 years	<b>7,968,449,686</b>	5,172,681,847
More than 4 years to 5 years	<b>7,970,813,704</b>	5,560,155,236
More than 5 years	<b>235,924,971,281</b>	63,408,330,802
	<b>₱273,209,875,563</b>	₱87,301,019,636

Rental income included in the consolidated statements of comprehensive income for the years ended December 31, 2022, 2021 and 2020 amounted to ₱13,742.26 million, ₱9,312.72 million and ₱7,196.73 million, respectively.

Contingent rent included in rental income for the years ended December 31, 2022, 2021 and 2020 amounted to ₱1,824.31 million, ₱1,663.43 million and ₱1,492.0, respectively.



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### 35. Commitments and Contingencies

The Group has entered into several contracts with contractors for the development of its real estate properties. As at December 31, 2022 and 2021, these contracts have an estimated aggregate cost of ₱13,204.53 million and ₱11,972.84 million, respectively. These contracts are due to be completed on various dates up to December 2026.

The progress billings are settled within one year from date of billing. 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.

The Group is currently negotiating for additional claims from various insurance companies for the loss from fire in Starmall Alabang. As of December 31, 2022, the amount certain to be received is not yet estimable.

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### 36. Other Matters

#### Impact of the recent Coronavirus situation

The declaration of COVID-19 outbreak by the World Health Organization as a pandemic and declaration of nationwide state of calamity and implementation of community quarantine measures throughout the Philippines starting March 16, 2020 have caused disruptions to businesses and economic activities, and its impact on businesses continues to evolve.

#### During the lockdown

During the lockdowns, the Group has adjusted its operations in accordance with the required measures and safety protocols. In compliance with the Government's ECQ guidelines, malls, hotels, and other businesses, except those providing essential goods and services were temporarily closed. The mall buildings continued operations because these are occupied mostly by tenants providing essential services such as supermarkets, home improvement/appliance stores, drug stores, food establishments, financial services, and are located within or near Vista Land communities. The office buildings remained open during the lockdowns since BPO tenants are allowed to conduct their businesses onsite. Other office tenants, though they adopted work from home arrangements, continued to fulfill their rental payment obligations. The Group provided rent concessions to certain tenants based on their profile and credit standing, in addition to the concessions that the Group is required to provide pursuant to the Bayanihan Act (see Note 34).

To date, commercial spaces have opened, and construction and real estate development activities have resumed at various level of activities following safety protocols mandated by the national government.



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### 37. Subsequent Events

#### Loan Availments

In relation to the Corporate Notes Facility Agreement entered on December 28, 2022, in January 2023, the Parent Company made additional issuance of Corporate Notes in the amount of ₱2,900.00 million due on December 26, 2027, at a fixed interest of 7.26% per annum. The proceeds of the additional notes will be used to refinance existing or maturing obligations of the Group and for the other general corporate purposes. Certain subsidiaries of the Parent Company acted as guarantors of the Parent Company. No fees are charged for these guarantee agreements.

#### Assignment of Receivables of Related Party Tenants

In March 2023, a Deed of Assignment was entered among (1) the Group as lessor ; (2) various related party tenants under AllValue Holdings Corp. (AVHC) (Assignors) and (3) AVHC (Assignee), for the Assignors to assign, transfer and convey to AVHC as the Assignee, all of the Assignors' rights, title and interest in and to the existing Assignors' payables to the Group, as well as all its obligations, duties, and liabilities arising therefrom, aggregating to ₱3,960.00 million representing the Assignor's liabilities as tenants to the Group as of December 31, 2022.

As a consequence and subsequent action to the above Assignment, AVHC and the Group plans to enter into a joint venture within 2023, wherein AVHC will contribute parcels of land located in Bataan with a total area of 198,182 square meters and valued at ₱3,960.00 million as a form of settlement of the assumed liabilities by AVHC to the Group.

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### 38. Approval of the Financial Statements

The consolidated financial statements of the Group as of December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 were authorized for issue by the BOD on April 13, 2023.



## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
Vista Land & Lifescapes, Inc.  
Lower Ground Floor, Building B  
EVIA Lifestyle Center, Vista City  
Daanghari, Almanza II, Las Piñas City

We have audited in accordance with Philippine Standards on Auditing, the accompanying consolidated financial statements of Vista Land & Lifescapes, Inc. and its subsidiaries (the Group) as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated April 13, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole, are prepared in all material respects, in accordance with the Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission, as described in Note 2 to the consolidated financial statements.

SYCIP GORRES VELAYO & CO.

*Cyril Jasmin B. Valencia*

Cyril Jasmin B. Valencia

Partner

CPA Certificate No. 90787

Tax Identification No. 162-410-623

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 90787-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-074-2020, December 3, 2020, valid until December 2, 2023

PTR No. 9566009, January 3, 2023, Makati City

April 13, 2023





## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors  
Vista Land & Lifescapes, Inc.  
Lower Ground Floor, Building B  
EVIA Lifestyle Center, Vista City  
Daanghari, Almanza II, Las Piñas City

We have audited in accordance with Philippine Standards on Auditing, the accompanying consolidated financial statements of Vista Land & Lifescapes, Inc. and its subsidiaries (the Group) as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated April 13, 2023. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS), as modified by the application of financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the consolidated financial statements and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS, as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission, as described in Note 2 to the consolidated financial statements. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

*Cyril Jasmin B. Valencia*  
Cyril Jasmin B. Valencia

Partner

CPA Certificate No. 90787

Tax Identification No. 162-410-623

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 90787-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-074-2020, December 3, 2020, valid until December 2, 2023

PTR No. 9566009, January 3, 2023, Makati City

April 13, 2023



**VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES**  
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY SCHEDULES**

**CONSOLIDATED FINANCIAL STATEMENTS**

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Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2022 and 2021

Consolidated Statements of Changes in Equity for the Years Ended December 31, 2022 and 2021

Consolidated Statements of Cash flows for the Years Ended December 31, 2022 and 2021

**SUPPLEMENTARY SCHEDULES**

Report of Independent Auditors on Supplementary Schedules

I. Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1, Annex 68-D)

II. Supplementary schedules required by Annex 68-J

Schedule A: Financial Assets (Current Marketable Equity and Debt Securities and Other Short-Term Cash Investments)

Schedule B: Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

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Schedule D: Long-term Debt

Schedule E: Indebtedness to Related Parties

Schedule F: Guarantees of Securities of Other Issuers

Schedule G: Capital Stock

III. Map of the relationships of the companies within the group

**VISTA LAND & LIFESCAPES, INC.****RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION  
AS OF DECEMBER 31, 2022**

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	₱4,068,120,434
Add: Net income actually earned/realized during the period	
Net income during the period closed to retained earnings	4,025,285,589
Less: Non-actual/unrealized income net of tax	
Equity in net income of associate/joint venture	—
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	—
Unrealized actuarial gain	—
Fair value adjustment (M2M gains)	—
Fair value adjustment of Investment Property resulting to gain	—
Adjustment due to deviation from PFRS/GAAP-gain	—
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	—
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	—
Adjustment due to deviation from PFRS/GAAP-loss	—
Loss on fair value adjustment of investment property (after tax)	—
Net income actually earned during the period	8,093,406,023
Add (Less):	
Dividend declarations during the period	(348,362,314)
Appropriations of retained earnings during the period	—
Reversals of appropriations	—
Effects of prior period adjustments	—
Treasury shares	(2,361,975,653)
<b>TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION</b>	<b>₱5,383,068,056</b>

**VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES**

**SCHEDULE A: FINANCIAL ASSETS**

**DECEMBER 31, 2022**

<b>Name of issuing entity and association of each issue</b>	<b>Number of shares or principal amount of bonds and notes</b>	<b>Amount shown in the balance sheet</b>	<b>Value based on market quotation at end of reporting period</b>	<b>Income received and accrued</b>
Cash and cash equivalents	N/A	₱15,070,204,626	₱15,070,204,626	₱45,836,332
Short-term cash investments	N/A	47,278,102	47,278,102	1,115,279
Restricted cash	N/A	325,078,616	325,078,616	2,833,807
Installment contracts receivables	N/A	35,401,433,721	35,401,433,721	701,342,313
Quoted equity securities	100	105,000,000	105,000,000	–
Unquoted equity securities	₱1,215,838	12,158,380	12,158,380	–
UBS Portfolio I	8,028,720,000	8,343,234,843	8,343,234,843	
UBS Portfolio II	1,755,724,950	1,820,795,574	1,820,795,574	
UBS Portfolio III	2,483,885,250	2,556,466,331	2,556,466,331	
UBS Portfolio IV	3,874,972,500	3,921,134,328	3,921,134,328	
UBS Portfolio V	1,003,590,000	1,000,321,258	1,000,321,258	
UBS Portfolio VI	2,090,812,500	2,154,355,121	2,154,355,121	931,410,352
UBS Portfolio VII	5,363,631,000	5,414,878,836	5,414,878,836	
UBS Portfolio VII	128,236,500	128,524,916	128,524,916	
UBS Portfolio IX	2,464,371,000	2,499,702,935	2,499,702,935	
HSBC Portfolio I	2,082,895,290	2,067,468,964	2,067,468,964	
HSBC Portfolio II	1,589,017,500	1,636,823,627	1,636,823,627	
HSBC Portfolio III	808,447,500	837,303,611	837,303,611	
CREDIT SUISSE	7,510,086,990	7,527,119,358	7,527,119,358	
J.SAFFRRA SARASSIN	1,658,711,250	1,591,354,378	1,591,354,378	
Receivable from tenants and accrued rent receivable	N/A	30,373,321,672	30,373,321,672	–
Other receivables	N/A	616,242,069	616,242,069	–
<b>Total Financial Assets</b>		<b>₱123,450,201,266</b>	<b>₱123,450,201,266</b>	<b>₱1,682,538,083</b>

See Notes 9, 10, 11 and 25 of the Consolidated Financial Statements

**VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES****SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDER (OTHER THAN RELATED PARTIES)**

DECEMBER 31, 2022

<b>Designation of debtor</b>	<b>Balance at beginning of period</b>	<b>Additions</b>	<b>Amounts collected</b>	<b>Amounts written off</b>	<b>Current</b>	<b>Noncurrent</b>	<b>Balance at end of period</b>
Officers	₱3,845,366	₱14,376,532	(₱13,537,488)	₱–	₱1,907,876	₱2,776,535	₱4,684,410
Employees	23,462,951	181,474,103	(164,759,379)	–	40,177,675	–	40,177,675
Advances to officers and employees	₱27,308,317	₱195,850,635	(₱178,296,867)	₱–	₱42,085,551	₱2,776,535	₱44,862,085

See Note 11 of the Consolidated Financial Statements

**VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES**

**SCHEDULE C: AMOUNTS RECEIVABLES/PAYABLES FROM/TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

<b>Name and Designation of Debtor</b>	<b>Balance at Beginning of Period</b>	<b>Additions</b>	<b>Amounts Collected</b>	<b>Amounts Converted to APIC/Capital Stock</b>	<b>Current</b>	<b>Noncurrent</b>	<b>Balance at end of period</b>
Vista Land and Lifescapes, Inc.	₱105,247,599,611	(₱28,632,930,385)	(₱33,702,154,754)	₱—	₱110,316,823,980	₱—	₱110,316,823,980
Prima Casa Land & Houses, Inc.	(1,689,426,608)	3,644,413,456	(1,255,176,470)	—	699,810,378	—	699,810,378
VLL International, Inc.	(12,231,085,108)	1,227,354,062	(3,068,432,489)	—	(14,072,163,534)	—	(14,072,163,534)
Crown Asia Properties, Inc.	(8,997,174,035)	702,039,510	(812,395,680)	—	(9,107,530,205)	—	(9,107,530,205)
Vista Residences, Inc.	(8,833,574,701)	6,103,306,941	(3,219,572,724)	—	(5,949,840,484)	—	(5,949,840,484)
Camella Homes, Inc.	(18,036,861,550)	3,171,196,798	(5,316,194,087)	—	(20,181,858,839)	—	(5,949,840,484)
Brittany Corporation Communities Philippines, Inc.	(15,810,983,349)	2,390,275,302	(1,605,383,514)	—	(15,026,091,562)	—	(15,026,091,562)
Vistamalls, Inc.	(7,228,710,737)	6,754,385,074	(10,735,416,112)	—	(11,209,741,775)	—	(11,209,741,775)
	(32,419,783,522)	4,639,959,243	(7,689,583,678)	—	(35,469,407,957)	—	(35,469,407,957)

**VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES**

**SCHEDULE D: LONG TERM DEBT**

**DECEMBER 31, 2022**

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet	Interest rates	Amount	Number of periodic installments	Maturity date
Notes Payable						Quarterly interest payments; 0.5% principal payment for 36 quarter and 82% principal on maturity date	December 2026
	₱5,150,000,000	₱98,756,009	₱4,415,441,417	6.19%	₱4,514,197,426		
Notes Payable						Quarterly interest payments; 1% principal payment for the 1st quarter following the issuance, .5% and 82% principal on maturity date	December 2026
	4,850,000,000	93,009,361	4,157,090,800	6.23%	4,250,100,161		
Notes Payable	6,000,000,000	658,316,422	3,148,073,515	7.71%	3,806,389,937	Quarterly interest payments; 4.1667% principal payment 1 year after issuance for 24 quarters	July 2028
Notes Payable	1,700,000,000	281,221,480	494,539,722	7.49%	775,761,202		July 2025
Notes Payable	500,000,000	82,706,975	145,449,683	7.50%	228,156,658		July 2025
Notes Payable	15,000,000,000	3,733,539,097	2,810,412,300	7.13%	6,543,951,397	Quarterly interest payments; 5% principal payment 1 year after issuance for 20 quarters	July 2024
Notes Payable	4,000,000,000	878,789,927	3,095,445,300	6.64%	3,974,235,227	Quarterly interest payments; 5.56% principal payment 3 quarter after issuance for 18 quarters	March 2027
Notes Payable	2,000,000,000	439,394,963	1,547,722,650	7.24%	1,987,117,613	Quarterly interest payments; 5.56% principal payment 2 quarter after issuance for 18 quarters	March 2027
Notes Payable	3,600,000,000	—	3,578,324,865	7.93%	3,578,324,865	Quarterly interest payments; principal payable upon maturity	December 2025
Notes Payable	5,000,000,000	—	4,969,895,646	7.93%	4,969,895,646	Quarterly interest payments; principal payable upon maturity	December 2025
Notes Payable	5,000,000,000	—	2,989,664,160	5.75%	2,989,664,160	Quarterly interest payments	August 2024
Notes Payable			1,986,031,954		1,986,031,954		August 2027
Notes Payable	10,000,000,000	6,480,096,960	—	6.23%	6,480,096,960	Quarterly interest payments	December 2023
Notes Payable			3,477,234,005	8.25%	3,477,234,005	Quarterly interest payments	December 2025
Notes Payable	10,000,000,000	—	9,955,859,639	5.70%	9,955,859,639	Quarterly interest payments	June 2025

(Forward)

<b>Title of issue and type of obligation</b>	<b>Amount authorized by indenture</b>	<b>Amount shown under caption "Current portion of long-term debt" in related balance sheet</b>	<b>Amount shown under caption "Long-term debt" in related balance sheet</b>	<b>Interest rates</b>	<b>Amount</b>	<b>Number of periodic installments</b>	<b>Maturity date</b>
Notes Payable	\$220,000,000	\$-	\$220,000,000	7.25%	\$220,000,000	Semi-annual interest payments; bullet on principal	July 2027
Notes Payable	\$200,000,000	\$-	\$200,000,000	7.25%	\$200,000,000	Semi-annual interest payments; bullet on principal	July 2027
Notes Payable	\$350,000,000	\$-	\$350,000,000	5.75%	\$350,000,000	Semi-annual interest payments; bullet on principal	November 2024
Bank Loans	Not applicable	11,561,568,479	44,385,254,638	3.80% to 7.77%	55,946,823,117	Various payment terms (i.e., monthly and quarterly) of interest and principal	Various dates
Loans Payable	Not applicable	3,767,253,212	1,567,365,940	6.00% to 8.00%	5,263,154,680	Interest and principal payable monthly	Various dates

See Notes 20 and 21 of the Consolidated Financial Statements



**VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES**

**SCHEDULE E: INDEBTEDNESS TO RELATED PARTIES**

**DECEMBER 31, 2022**

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<b>Name of related party</b>	<b>Balance at beginning of period</b>	<b>Balance at end of period</b>
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Not Applicable

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**VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES**

**SCHEDULE F: GUARANTEES OF SECURITIES OF OTHER ISSUERS**

**DECEMBER 31, 2022**

<b>Name of issuing entity of securities guaranteed by the company for which this statement is filed</b>	<b>Title of issue of each class of securities guaranteed</b>	<b>Total amount guaranteed and outstanding</b>	<b>Amount of owned by person for which statement is filed</b>	<b>Nature of guarantee</b>
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Not Applicable

**VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES**

**SCHEDULE G: CAPITAL STOCK**

**DECEMBER 31, 2022**

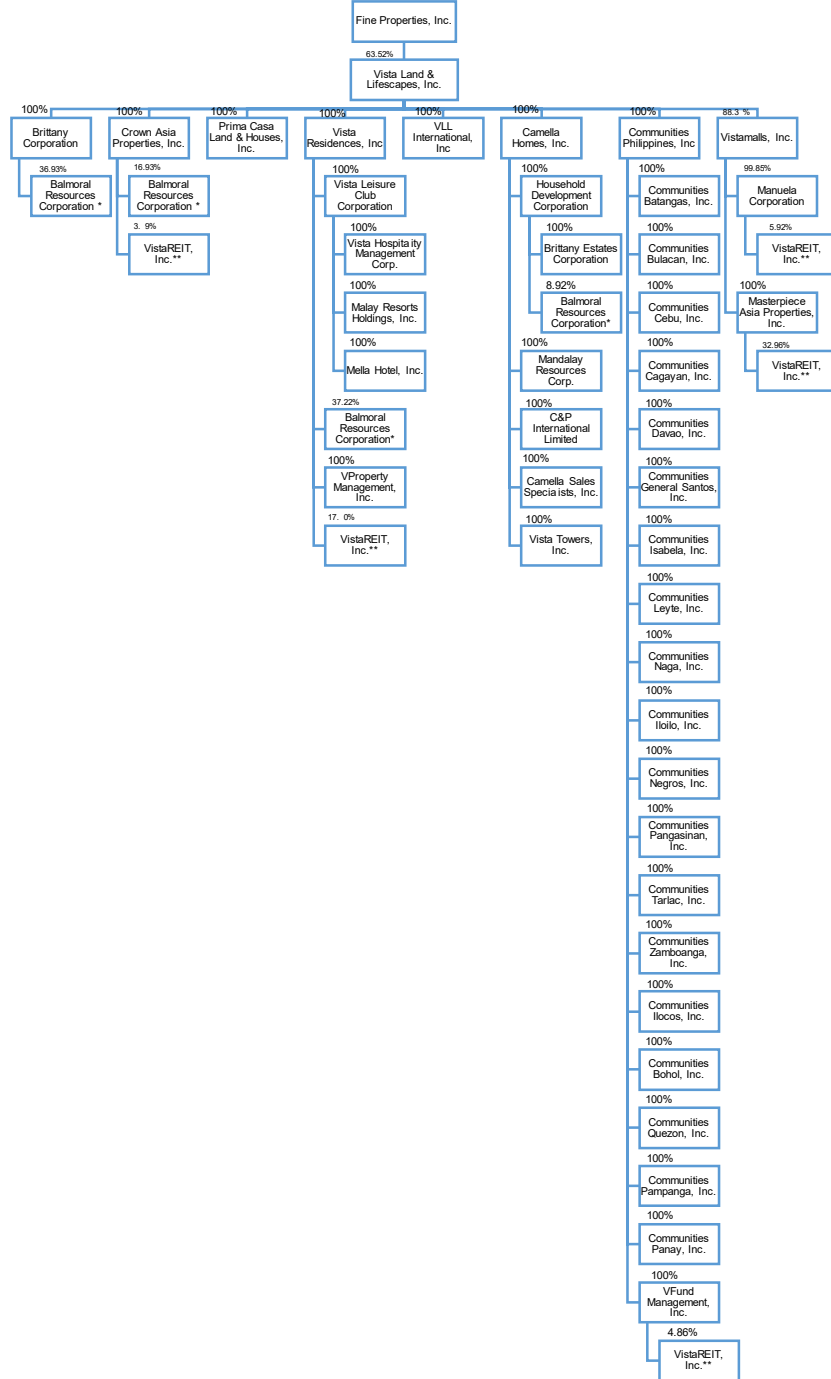
Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common Stock, ₱1 par value	17,900,000,000	13,114,136,376 shares issued; 11,945,799,461 shares outstanding	—	9,113,046,146	516,770,320	3,068,191,214
Preferred Stock Series 1, ₱0.01 par value	8,000,000,000	3,300,000,000 shares issued and outstanding	—	3,300,000,000	—	—
Preferred Stock Series 2, ₱0.10 par value	200,000,000	—	—	—	—	—

See Note 23 of the Consolidated Financial Statements.

# VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES

## GROUP STRUCTURE

Below is the map showing the relationship between and among group and its Ultimate parent company, and its subsidiaries as of December 31, 2022.



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

\*\*The Group effectively owns 60.09% and 98.94% of VistaREIT, Inc. (formerly Vista One, Inc.) through MC, MAPI, Communities Pampanga, Inc., CAPI and VRI and the rest are owned by individual shareholders, as of December 31, 2022 and 2021, respectively.

## SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

### VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES AS OF DECEMBER 31, 2022, 2021 and 2020

Below are the financial ratios that are relevant to the Group for the years ended December 31, 2022, 2021 and 2020:

Ratios	Formula	2022	2021	2020
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	<b>2.89</b>	2.48	3.16
Acid test ratio	$\frac{\text{Quick asset}^1}{\text{Current liabilities}}$	<b>1.64</b>	1.45	1.55
Solvency ratio	$\frac{\text{Net income} + \text{Depreciation}}{\text{Total liabilities}}$	<b>0.05</b>	0.05	0.05
Debt ratio	$\frac{\text{Interest bearing debt}^2}{\text{Total assets}}$	<b>0.51</b>	0.54	0.50
Asset to equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	<b>2.61</b>	2.79	2.69
Interest service coverage ratio	$\frac{\text{EBITDA}^3}{\text{Total interest paid}^4}$	<b>1.91</b>	1.91	1.69
Return on equity	$\frac{\text{Net income}}{\text{Total equity}}$	<b>0.06</b>	0.06	0.06
Return on assets	$\frac{\text{Net income}}{\text{Average total assets}}$	<b>0.02</b>	0.02	0.02
Net profit margin	$\frac{\text{Net income}}{\text{Net revenue}}$	<b>0.26</b>	0.24	0.20

<sup>1</sup>Includes Cash and Cash Equivalents, Short-term Investments, Investment at FVTPL and Current Receivables

<sup>2</sup>Includes Bank loans, Notes Payable and Loans Payable

<sup>3</sup>EBITDA less Interest Income from Investments

<sup>4</sup>Total interest paid less Interest Income from Investments



May 15, 2023

**PHILIPPINE STOCK EXCHANGE**

9th Floor, Philippine Stock Exchange Tower,  
28<sup>th</sup> Street corner 5<sup>th</sup> Avenue, BGC Taguig City  
Attention: Ms. Alexandra D. Tom Wong  
                  OIC, 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 – March 31, 2023**

Gentlemen:

Please see attached SEC Form 17Q for the three months ended March 31, 2023 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

C	S	2	0	0	7	0	3	1	4	5
S.E.C. Registration Number										

V	I	S	T	A		L	A	N	D		&		L	I	F	E	S	C	A	P	E	S	,	
I	N	C	.																					

(Company's Full Name)

L	O	W	E	R		G	R	O	U	N	D		F	L	O	O	R	,		B	U	I	L	D	I	N	G		B	
,		E	V	I	A		L	I	F	E	S	T	Y	L	E		C	E	N	T	E	R	,		V	I	S	T	A	
		C	I	T	Y	,		D	A	A	N	G	H	A	R	I	,		A	L	M	A	N	Z	A		I	I	,	
L	A	S		P	I	Ñ	A	S		C	I	T	Y																	

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

<b>Brian N. Edang</b>
Contact Person

<b>3226-3552 ext. 0088</b>
Company Telephone Number

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

<b>17-Q</b>
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

Domestic

Foreign

Total Amount of Borrowings

-----  
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 quarterly period ended : March 31, 2023
2. SEC Identification number: CS-200703145
3. BIR Tax Identification No: 006-652-678
4. Vista Land & Lifescapes, Inc.  
Exact name of issuer as specified in its charter
5. Philippines  
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code:  (SEC Use Only)
7. Lower Ground Floor, Building B, Evia Lifestyle Center, Vista City,  
Daanghari Almanza II, Las Pinas City 1747  
Address of issuer's principal office Postal Code
8. (632) 874-5758 / (632) 872-6947 / (632) 226-3552  
Issuer's telephone number, including area code
9. N/A  
Former name, former address and former fiscal year, if changed since last report
10.  
Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding And amount of debt outstanding
<b>Common Stock, net of 416,128,700 Treasury Shares</b>	<b>12,698,007,676</b>
<b>VLL Retail Bonds issued in 2017 (as of 03/31/2023)</b>	<b>Php 5,000,000,000</b>
<b>VLL Retail Bonds issued in 2018 (as of 03/31/2023)</b>	<b>Php 10,000,000,000</b>
<b>VLL Retail Bonds issued in 2019 (as of 03/31/2023)</b>	<b>Php 10,000,000,000</b>

11. Are any or all of the securities listed on a Stock Exchange?

Yes  No

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Securities Regulation Code and SRC Rule 17 thereunder, and Section 25 and 177 of the Revised 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 ninety (90) days.

Yes  No



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### **PART I - FINANCIAL STATEMENTS**

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- Consolidated Statements of Financial Position as of March 31, 2023 and December 31, 2022
- Consolidated Statements of Comprehensive Income for the three months ended March 31, 2023 and 2022
- Consolidated Statement of Changes in Equity for the three months ended March 31, 2023 and 2022
- Consolidated Statements of Cash Flows for the three months ended March 31, 2023 and 2022
- Notes to Consolidated Financial Statements

#### **Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations**

- 3-months of 2023 vs. 3-months of 2022
- Top Five (5) Key Performance Indicators
- Material Changes (5% or more)- Statement of Financial Position
- Material Changes (5% or more)- Statement of Comprehensive Income
- Commitments and Contingencies

### **PART II-OTHER INFORMATION**

#### **Item 3. 3-months of 2023 Developments**

#### **Item 4. Other Notes to 3-months of 2023 Operating and Financial Results**



Vista Land & Lifescapes, Inc.  
**Consolidated Statements of Financial Position**  
 As of March 31, 2023 and December 31, 2022  
 (In Million Pesos)

	Unaudited 03/31/2023	Audited 12/31/2022
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 9 and 30)	₱13,242	₱15,070
Short-term cash investments (Notes 10 and 30)	227	47
Current portion of:		
Receivables (Notes 11 and 30)	45,639	53,235
Cost to obtain (Note 7)	872	386
Investments at amortized cost (Note 10)	9,426	9,440
Real estate inventories (Note 12)	56,794	53,534
Other current assets (Note 13)	7,089	5,725
Total Current Assets	133,289	137,437
<b>Noncurrent Assets</b>		
Investments at amortized cost (Note 10)	30,016	32,059
Investments at fair value through other comprehensive income (Note 10)	162	117
Receivables – net of current portion (Note 11)	26,659	21,166
Cost to obtain contract – net of current portion	502	355
Project development cost	1,403	1,269
Advances to a related party	5,578	7,042
Investment in a joint venture	468	468
Property and equipment	2,309	2,301
Investment properties (Note 14)	121,935	118,344
Goodwill (Note 8)	147	147
Pension assets (Note 25)	321	321
Deferred tax assets - net (Note 27)	111	111
Other noncurrent assets (Note 16)	930	1,077
Total Noncurrent Assets	190,541	184,777
	₱323,830	₱322,214
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts and other payables (Notes 17 and 30)	18,157	15,891
Security deposits and advance rent (Note 18)	1,083	1,857
Income tax payable (Note 26)	128	127
Dividends payable	81	96
Current portion of:		
Contract liabilities	2,412	1,085
Bank loans (Notes 19 and 29)	11,516	11,562
Loans payables (Notes 19 and 30)	4,899	3,767
Notes payable (Notes 20 and 30)	12,755	12,746
Lease liabilities (Notes 27 and 30)	503	368
Total Current Liabilities	₱51,534	₱47,499

(Forward)



Vista Land & Lifescapes, Inc.  
**Consolidated Statements of Financial Position**  
 As of March 31, 2023 and December 31, 2022  
 (In Million Pesos)

	Unaudited 03/31/2023	Audited 12/31/2022
<b>Noncurrent Liabilities</b>		
Contract liabilities - net of current portion	<b>₱292</b>	₱1,058
Notes payable - net of current portion (Notes 20 and 30)	<b>89,568</b>	89,702
Bank loans - net of current portion (Notes 19 and 30)	<b>39,554</b>	44,385
Loans payable - net of current portion (Notes 19 and 30)	<b>670</b>	1,567
Lease liabilities – net of current portion (Notes 27 and 30)	<b>4,937</b>	5,066
Deferred tax liabilities - net (Note 26)	<b>6,567</b>	6,107
Other noncurrent liabilities (Note 21)	<b>4,238</b>	3,179
Total Noncurrent Liabilities	<b>145,826</b>	151,064
Total Liabilities	<b>197,360</b>	198,563
<b>Equity (Note 23)</b>		
Attributable to equity holders of the Parent Company		
Capital stock	<b>13,147</b>	13,147
Additional paid-in capital	<b>30,685</b>	30,685
Other comprehensive income	<b>875</b>	799
Treasury shares	<b>(7,740)</b>	(7,740)
Retained earnings	<b>80,496</b>	78,311
	<b>117,463</b>	115,202
Non-controlling interest	<b>9,007</b>	8,449
Total Equity	<b>126,470</b>	123,651
	<b>₱323,830</b>	₱322,214

*See accompanying Notes to Consolidated Financial Statements.*



Vista Land & Lifescapes, Inc.  
**Consolidated Statements of Comprehensive Income**  
For the three months ended March 31, 2023 and 2022  
(In Million Pesos)

	Unaudited Jan-Mar Q1-2023	Unaudited Jan-Mar 2023	Unaudited Jan-Mar Q1-2022	Unaudited Jan-Mar 2022
<b>REVENUE</b>				
Real estate	₱4,469	₱4,469	₱4,831	₱4,831
Rental income	3,591	3,591	2,589	2,589
Interest income from installment contracts receivable	147	147	193	193
Parking, hotel, forfeitures, mall administrative and processing fees, and others (Note 23)	469	469	448	448
	<b>8,676</b>	<b>8,676</b>	<b>8,061</b>	<b>8,061</b>
<b>COSTS AND EXPENSES</b>				
Costs of real estate sales (Note 24)	1,844	1,844	2,175	2,175
Operating expenses (Note 24)	2,608	2,608	2,089	2,089
	<b>4,452</b>	<b>4,452</b>	<b>4,264</b>	<b>4,264</b>
<b>OTHER EXPENSES</b>				
Interest and other income from investments	490	490	417	417
Interest and other financing charges	(1,477)	(1,477)	(1,260)	(1,260)
Unrealized foreign exchange (losses) gains	(4)	(4)	-	-
	<b>(991)</b>	<b>(991)</b>	<b>(843)</b>	<b>(843)</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>3,233</b>	<b>3,233</b>	<b>2,954</b>	<b>2,954</b>
<b>PROVISION FOR INCOME TAX</b> (Note 26)	<b>490</b>	<b>490</b>	<b>592</b>	<b>592</b>
<b>NET INCOME</b>	<b>2,743</b>	<b>2,743</b>	<b>2,362</b>	<b>2,362</b>
<b>NET INCOME ATTRIBUTABLE TO:</b>				
Equity holders of the Parent Company	2,185	2,185	2,216	2,216
Non-controlling interest	558	558	145	145
	<b>₱2,743</b>	<b>₱2,743</b>	<b>₱2,362</b>	<b>₱2,362</b>
<b>Weighted average common shares</b>	<b>12,698</b>	<b>12,698</b>	<b>12,698</b>	<b>12,698</b>
Basic/Diluted earnings per share	<b>0.172</b>	<b>0.172</b>	<b>0.175</b>	<b>0.175</b>



Vista Land & Lifescapes, Inc.  
**Consolidated Statements of Comprehensive Income**  
 For the three months ended March 31, 2023 and 2022  
 (In Million Pesos)

	Unaudited Jan-Mar Q1-2023	Unaudited Jan-Mar 2023	Unaudited Jan-Mar Q1-2022	Unaudited Jan-Mar 2022
<b>NET INCOME</b>	<b>₱2,743</b>	<b>₱2,743</b>	₱2,362	₱2,362
<b>OTHER COMPREHENSIVE INCOME</b>				
Cumulative translation adjustments	31	31	4	4
Changes in fair value on equity investments at fair value through other comprehensive income	45	45	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>2,819</b>	<b>2,819</b>	2,366	2,366
Total comprehensive income attributable to:				
Equity holders of Vista Land & Lifescapes, Inc.	2,257	2,257	2,220	2,220
Minority interest	562	562	146	146
	<b>₱2,819</b>	<b>₱2,819</b>	₱2,366	₱2,366
Weighted average common shares	12,698	12,698	12,698	12,698
<b>Basic/Diluted earnings per share</b>	<b>0.178</b>	<b>0.178</b>	0.175	0.175



Vista Land & Lifescapes, Inc.  
**Consolidated Statements of Changes in Equity**  
**For the three months ended March 31, 2023 and 2022**  
**(In Million Pesos)**

	Unaudited 03/31/2023	Unaudited 03/31/2022
<b>CAPITAL STOCK</b>		
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
<b>Balance at end of period</b>	<b>13,147</b>	<b>13,147</b>
<b>ADDITIONAL PAID-IN CAPITAL</b>		
Balance at beginning of period	30,685	30,655
Adjustment	-	-
<b>Balance at end of period</b>	<b>30,685</b>	<b>30,655</b>
<b>RETAINED EARNINGS</b>		
Balance at beginning of period	78,311	72,540
Non-controlling interest	(558)	(146)
Net income	2,743	2,362
<b>Balance at end of period</b>	<b>80,496</b>	<b>74,756</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Balance at beginning of period	799	594
Total comprehensive income for the period	76	4
<b>Balance at end of period</b>	<b>875</b>	<b>597</b>
<b>TREASURY SHARES</b>		
Balance at beginning of period	(7,740)	(7,740)
Acquisition of treasury shares	-	-
<b>Balance at end of period</b>	<b>(7,740)</b>	<b>(7,740)</b>
<b>NON-CONTROLLING INTEREST</b>		
Balance at beginning of period	8,449	3,147
Net income	558	145
<b>Balance at end of period</b>	<b>9,007</b>	<b>3,292</b>
	<b>₱126,470</b>	<b>₱114,893</b>



**Vista Land & Lifescapes, Inc.**  
**Consolidated Statements of Cash Flows**  
**For the three months ended March 31, 2023 and 2022 (In**  
**Million Pesos)**

	Unaudited Jan-Mar Q1-2023	Unaudited Jan-Mar 2023	Unaudited Jan-Mar Q1-2022	Unaudited Jan-Mar 2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax	3,233	3,233	₱2,954	₱2,954
Adjustments for:				
Interest and other financing charges	1,477	1,477	1,260	1,260
Depreciation and amortization	552	552	614	614
Unrealized foreign exchange losses (gains)	4	4	-	-
Interest income from investments and other income	(490)	(490)	(417)	(417)
Operating income before working capital changes	4,777	4,777	4,412	4,412
Decrease (increase) in:				
Receivables	2,103	2,103	1,357	1,357
Receivables from related parties	1,465	1,465	(487)	(487)
Real estate inventories	(1,880)	(1,880)	525	525
Other current assets and cost to obtain contract	(1,852)	(1,852)	(132)	(132)
Pension assets	-	-	(9)	(9)
Increase (decrease) in:				
Accounts and other payables	2,267	2,267	845	845
Security deposits and advance rent	(774)	(774)	(84)	(84)
Contract liabilities	561	561	196	196
Other noncurrent liabilities	1,058	1,058	(438)	(438)
<b>Net cash flows provided by operations</b>	<b>7,725</b>	<b>7,725</b>	<b>6,185</b>	<b>6,185</b>
Interest received	490	490	417	417
Income tax paid	(29)	(29)	(33)	(33)
<b>Net cash flows provided by operating activities</b>	<b>8,186</b>	<b>8,186</b>	<b>6,569</b>	<b>6,569</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Decrease (increase) in:				
Project development costs	(133)	(133)	(44)	(44)
Other noncurrent assets	-	-	(18)	(18)
Disposal (acquisition) of:				
Short-term cash investments	(180)	(180)	197	197
Investments at amortized cost	2,089	2,089	7,636	7,636
Additions to:				
Investment Property and PIPE	(4,152)	(4,152)	(4,174)	(4,174)
Investment at fair value through OCI	-	-	4	4
<b>Net cash flows used in investing activities</b>	<b>(2,376)</b>	<b>(2,376)</b>	<b>₱3,601</b>	<b>₱3,601</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from: (payments of)				
Notes payable – net	(125)	(125)	₱3,677	₱3,677
Bank loans – net	(4,877)	(4,877)	990	990
Loans payable – net	234	234	(154)	(154)
Dividends	(15)	(15)	0	0
Interest	(2,858)	(2,858)	(2,704)	(2,704)
Increase in lease liabilities	6	6	20	20
<b>Net cash flows provided by financing activities</b>	<b>(7,634)</b>	<b>(7,634)</b>	<b>1,829</b>	<b>1,829</b>
<b>Effect on change in exchange rates on cash and cash equivalents</b>	<b>(4)</b>	<b>(4)</b>	<b>-</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,829)</b>	<b>(1,829)</b>	<b>11,999</b>	<b>11,999</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>15,070</b>	<b>15,070</b>	<b>11,857</b>	<b>11,857</b>
<b>Cash and cash equivalents at end of year</b>	<b>13,242</b>	<b>13,242</b>	<b>₱23,856</b>	<b>₱23,856</b>

# VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 1. Corporate Information

Vista Land & Lifescapes, Inc. (the Parent Company or VLLI) was incorporated in the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on February 28, 2007. 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 65.84% and 65.17% owned by Fine Properties, Inc., (Ultimate Parent Company), as of March 31, 2023 and 2021, respectively, and the rest by the public.

The Parent Company is the holding company of the Vista Group (the Group) which is engaged in real estate activities. The Group has six (6) wholly-owned subsidiaries, namely: Brittany Corporation (Brittany), Crown Asia Properties, Inc. (CAPI), Vista Residences, Inc. (VRI), Camella Homes, Inc. (CHI), Communities Philippines, Inc. (CPI) and VLL International Inc. (VII), and an 88.34% owned subsidiary, Vistamalls, Inc. (formerly Starmalls, Inc.) The Group is divided into horizontal, vertical and commercial and others segment. The Group caters to 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.

#### Vista REIT Transaction

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

In compliance with applicable regulatory requirements of the SEC for companies seeking registration of their securities, VOI entered into and implemented the REIT Formation Transactions as follows:

#### *Amendment of the Articles of Incorporation and By-Laws of VOI*

On February 7, 2022, at least a majority of the BOD and the stockholders owning at least two-thirds (2/3) of the outstanding capital stock of VOI approved to increase its authorized capital stock to ₱15,000,000,000 divided into 15,000,000,000 shares with par value of ₱1.00 per share.

The increase in VOI's authorized capital stock from ₱2,000,000,000 divided into 2,000,000,000 shares with par value of ₱1.00 per share to ₱15,000,000,000 divided into 15,000,000,000 shares with par value of ₱1.00 per share was approved by the SEC on March 14, 2022.

On March 16, 2022, the BOD approved various amendments to the Articles of Incorporation and By-Laws of VOI including, among others, the following: (a) change in the corporate name to "VISTAREIT, INC."; (b) change in primary purpose to engage in the business of a real estate investment trust under Republic Act No. 9856 (the REIT Law), including the Revised Implementing Rules and Regulations of the REIT Law); (c) requirement to have independent directors in the Board; and (d) other amendments in connection with the initial public offering of VOI as a REIT entity.

Such amendments were approved by the SEC on April 18, 2022.

#### *Execution of Property-for-Share Swap Agreement and Deed of Assignment of Leases between the Sponsors and VOI*

On February 7, 2022, VOI entered into various Deeds of Assignment and Subscription Agreements with each of Manuela Corporation (MC), Masterpiece Asia Properties, Inc. (MAPI), Vista Residences, Inc. (VRI),



Crown Asia Properties, Inc. (CAPI) and Communities Pampanga, Inc. (CPAM) collectively referred to as the Sponsors, for the assignment, transfer, and conveyance by the Sponsors to VOI of 10 community malls and two office buildings with an aggregate gross lease area of 256,403.95 sqm (collectively, the Assigned Properties) and fair value of ₱35,952,992,730 in exchange for the issuance by VOI to the Sponsors out of the increase in authorized capital stock described hereinabove of an aggregate of 6,990,000,000 common shares at an issue price of ₱1.50 per share, or an aggregate issue or subscription price of ₱10,485,000,000 (the Property-for-Share Swap).

The Assigned Properties consists of Vista Mall Las Piñas (Main), Starmall Las Piñas (Annex), Starmall San Jose Del Monte (SJDm), Vista Mall Pampanga, SOMO - A Vista Mall, Vista Mall Antipolo, Vista Mall General Trias, Vista Mall Tanza, Starmall Talisay - Cebu, Vista Mall Imus, Vista Hub Molino and commercial and office units and parking lots in Vista Hub BGC.

On March 14, 2022, the SEC issued the confirmation of the valuation of the Property-for-Share Swap. The requisite Certificate Authorizing Registrations authorizing the transfer of legal title to the Assigned Properties from the Sponsors to VOI were issued by the Bureau of Internal Revenue (BIR) on April 25 to 29 and May 2, 2022.

On March 16, 2022, pursuant to the Deeds of Assignment and Subscription Agreements for the transfer, assignment and conveyance in favor of VOI of all of the Sponsors' rights, title and interests in the Assigned Properties in exchange for VOI's common shares, VOI and the Sponsors entered into a Deed of Assignment of Leases assigning all of the Sponsors' rights and interests in and to the Contracts of Lease over portions of the Assigned Properties leased out to various entities (the "Leases") effective upon the issuance of VOI's common shares in the name of the Sponsors.

*Amendment of the Articles of Incorporation and By-Laws of Communities Palawan, Inc.*

On February 16, 2022, at least a majority of the BOD and the stockholders owning at least two-thirds (2/3) of the outstanding capital stock of Communities Palawan, Inc. approved to increase its authorized capital stock to ₱500,000,000 divided into 500,000,000 shares with par value of ₱1.00 per share.

The increase in Communities Palawan, Inc.'s authorized capital stock from ₱50,000,000 divided into 500,000 shares with par value of ₱100.00 per share to ₱500,000,000 divided into 500,000,000 shares with par value of ₱1.00 per share was approved by the SEC on April 18, 2022.

On February 16, 2022, the BOD approved the following amendments to the Articles of Incorporation and By-Laws of Communities Palawan, Inc.: (a) change in the corporate name to "VFUND MANAGEMENT, INC."; (b) change in primary and secondary purpose to engage in the business of providing fund management services to REIT companies, as provided under Republic Act No. 9856; (c) requirement to have independent directors in the Board; and (d) amending the corporate term to perpetual existence. Such amendments were approved by the SEC on April 18, 2022.

The above amendments are pursuant to the Proposed Initial Public Offering of a REIT by VistaREIT, Inc. (VistaREIT) after Communities Palawan, Inc. and VistaREIT entered into a Fund Management Agreement on March 18, 2022 for Communities Palawan, Inc. to act as the Fund Manager to VistaREIT, to perform the functions required thereof as stated in the REIT Law and the regulations of the relevant government entities, which includes, in exchange for a fund management fee as agreed by the parties, execution of investment strategies and overseeing and coordinating property acquisition, property management, leasing, operational and financial reporting, appraisals, audits, market review, accounting and reporting procedures, as well as financing and asset deposition plans.

*Initial public offering of VistaREIT*

As of March 31, 2023, VistaREIT is 32.96% owned by MAPI, 17.40% owned by VRI, 5.92% owned by MC, 4.86% by Communities Pampanga, Inc., 3.49% owned by CAPI and 35.37% public after it was listed in the Philippine Stock Exchange on June 15, 2022. Effectively, VLLI's effective ownership in VistaREIT as of March 31, 2023 is now at 60.09% from 98.94% as of December 31, 2021 as a result of public offering.

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## 2. Basis of Preparation

### Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for the financial assets measured at fair value through other comprehensive income which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱) which is the functional and presentation currency of the Parent Company, and all amounts are rounded to the nearest Philippine Peso unless otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

### Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS), as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. These accounting pronouncements address the issues of PFRS 15, *Revenue from Contracts with Customers*, affecting the real estate industry.

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

On December 15, 2020, the Philippine SEC issued SEC Memorandum Circular (MC) No. 34-2020 which further extended the deferral of the following provisions of PIC Q&A 2018-12 until December 31, 2023:

- a. Exclusion of land in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E
- b. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
- c. Implementation of International Financial Reporting Standards (IFRS) Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods under Philippine Accounting Standards (PAS) 23, *Borrowing Cost*, for Real Estate industry

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

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

### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of March 31, 2023 and 2022, and for each of the years in the period ended March 31, 2023.

An investee is included in the consolidation at the point when control is achieved. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

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

- The contractual arrangement with the other vote holders of the investee

- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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

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

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

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

	Percentage of Ownership
	March 31, 2023
Brittany	100.00%
Balmoral Resources Corporation*	36.93
CAPI	100.00
Balmoral Resources Corporation*	16.93
VistaREIT, Inc **	3.49
VRI	100.00
Vista Leisure Club Corporation (VLCC)	100.00
Vista Hospitality Management Corp	100.00
Malay Resorts Holdings, Inc (MRHI)	100.00
Mella Hotel, Inc	100.00
Balmoral Resources Corporation*	37.22
VProperty Management, Inc	100.00
VistaREIT, Inc **	17.40
CHI	100.00
Household Development Corporation (HDC)	100.00
Brittany Estates Corporation	100.00
Balmoral Resources Corporation*	8.92
Mandalay Resources Corp	100.00
C&P International Limited	100.00
Camella Sales Specialists, Inc	100.00
Vista Towers, Inc	100.00
Prima Casa Land & Houses, Inc (PCLHI)	100.00
CPI	100.00
Communities Batangas, Inc	100.00
Communities Bulacan, Inc	100.00
Communities Cebu, Inc	100.00
Communities Cagayan, Inc	100.00
Communities Davao, Inc	100.00
Communities General Santos, Inc	100.00
Communities Isabela, Inc	100.00
Communities Leyte, Inc	100.00
Communities Naga, Inc	100.00
Communities Iloilo, Inc	100.00
Communities Negros, Inc	100.00
Communities Pampanga, Inc	100.00

	Percentage of Ownership
	March 31, 2023
VistaREIT, Inc **	4.86
Communities Pangasinan, Inc	100.00
Communities Tarlac, Inc	100.00
Communities Zamboanga, Inc	100.00
Communities Ilocos, Inc	100.00
Communities Bohol, Inc	100.00
Communities Quezon, Inc	100.00
VFund Management, Inc (formerly Communities Palawan, Inc)	100.00
Communities Panay, Inc	100.00
VII	100.00
Vistamalls, Inc	88.34
Manuela Corporation (MC)	99.85
VistaREIT, Inc **	5.92
Masterpiece Asia Properties, Inc (MAPI)	100.00
VistaREIT, Inc **	32.96

*\*The Group effectively owns 100% of Balmoral Resources Corporation through Brittany, C-API, VRI and HDC.*

*\*\*The Group effectively owns 60.09% and 98.94% of VistaREIT, Inc. (formerly Vista One, Inc.) through MC, MAPI, Communities Pampanga, Inc., C-API and VRI and the rest are owned by individual shareholders, as of March 31, 2023 and 2022, respectively.*

### Noncontrolling Interests

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

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

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction and recognized as "Additional paid-in-capital" in the consolidated statement of changes in equity. If the Group loses control over a subsidiary if:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interest and the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

As at March 31, 2023, the percentage of noncontrolling interests pertain to (i) VistaREIT at 35.29% and (ii) Vistamalls, Inc. and its subsidiaries at 11.66%. As of December 31, 2022, the percentage of noncontrolling interests to (i) VistaREIT at 39.91% and (ii) Vistamalls, Inc. and its subsidiaries at 11.66%. The voting rights held by the noncontrolling interests are in proportion of their ownership interest.

## **3. Changes in Accounting Policies**

### New Standards, Interpretations and Amendments

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

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

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

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

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

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

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

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

- *Annual Improvements to PFRSs 2018-2020 Cycle*

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

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent’s consolidated financial statements, based on the parent’s date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

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

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

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

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

### Voluntary Change in Accounting Policy

Starting January 1, 2021, considering the experience from the pandemic, management made a comparison of the prevailing practice in the industry and noted that most of the big players in commercial and office spaces leasing are using the simplified approach. Given this, management decided to align its accounting policy with what is prevailing in the industry which resulted in voluntarily changing its accounting policy to measure loss allowance for its lease receivables from general to simplified approach. The Group now measures the loss rate using net flow methodology.

Under the simplified approach, in calculating expected credit loss (ECL), the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix for lease receivables, analyzed into third party and related party tenants, that is based on historical credit loss experience and incorporating forward-looking information (called overlays). The change in accounting policy was applied retroactively resulting in additional provision amounting to ₱24.79 million in 2021 and no significant impact for 2020.

### Standards Issued but not yet Effective

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

#### *Effective beginning on or after January 1, 2023*

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

*Effective beginning on or after January 1, 2024*

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

The amendments clarify:

- That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

*Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

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

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance

Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

*Deferred effectivity*

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

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

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

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

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

The PIC Q&A provisions covered by the SEC deferral that the Group availed as of December 31, 2022 follows:

	Deferral Period
Exclusion of land in the determination of POC discussed in PIC Q&A No. 2018-12-E	Until December 31, 2023
Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023
Implementation of IFRS IFRIC Agenda Decision on Over Time Transfer of Constructed Goods under PAS 23, <i>Borrowing Cost</i> for Real Estate industry	Until December 31, 2023

The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

- The accounting policies applied;
- Discussion of the deferral of the subject implementation issues in the PIC Q&A;
- Qualitative discussion of the impact on the financial statements had the concerned application guidelines in the PIC Q&A been adopted; and
- Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard



but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

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

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

After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto.

To assist real estate companies to finally adopt the said PIC and IFRIC pronouncements and enable them to fully comply with PFRS 15 and revert to full PFRS, the Commission en banc, in its meeting held on July 8, 2021, approved the amendment to the transitional provisions in the above MCs, under SEC Memo 8-2021, issued last July 2020 which would provide real estate companies the accounting policy option of applying either the full retrospective approach or modified retrospective approach when they apply the provisions of the PIC and IFRIC pronouncements.

The Commission en banc, in the same meeting, likewise approved that the policy option be available to entities that cease availing of the above SEC financial reporting reliefs whether in full or in part. Had the above provisions been adopted, the Group assessed that the impact would have been as follows:

*Treatment of land in the determination of the percentage-of-completion*

Adoption of this guidance would have impacted a reduction in revenue from real estate sales, installment contract receivables, provision for deferred income tax, deferred tax asset or liability and the opening balance of retained earnings. These would have not impacted the cash flows. As of March 31, 2023, the Group is still in the process of assessing the impact of excluding land in the determination of POC.

*Assessing whether the transaction price includes a significant financing component*

The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. Adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, installment contracts receivable, provision for deferred income tax, deferred tax asset or liability and the opening balance of retained earnings. These would have impacted the cash flows from operations and cash flows from financing activities. As of March 31, 2023, the Group is still in the process of assessing the impact of significant financing component.

*Impact of implementing the IFRIC Agenda Decision on Over Time Transfers of Constructed Goods under PAS 23, Borrowing Cost*

Adoption of this guidance would have impacted a reduction in net income, real estate inventories, provision for deferred income tax, deferred tax liability, and the opening balance of retained earnings, and a corresponding increase in interest and other financing charges. These would have not impacted the cash flows. As of March 31, 2023, the Group is still in the process of assessing the impact of implementing the IFRIC Agenda Decision.

The Group is still evaluating whether to adopt the above changes using modified retroactive approach or full retroactive approach. If application is using modified retrospective approach, the impact will be recorded during the year of adoption and the opening retained earnings in the year of adoption while if application will be using full retroactive approach, the impact will be recorded in all years presented and the opening retained earnings in the earliest period presented.

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#### 4. Summary of Significant Accounting Policies

##### Current and Noncurrent Classification

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

An asset is current when:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

##### Fair Value Measurement

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

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

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

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

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

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

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

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

- measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

#### Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash in banks are stated at face amount and earn interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and that are subject to an insignificant risk of changes in value.

#### Short-term Cash Investments

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

#### Financial Instruments

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

#### *Financial assets*

##### *Initial recognition and measurement*

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

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

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

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

##### *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

##### *Financial assets at amortized cost (debt instruments)*

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

#### *Financial assets designated at fair value through OCI (equity instruments)*

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

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

The Group's equity instruments classified as financial assets designated at fair value through OCI include investments in golf club shares and preferred shares of utility companies.

#### Impairment of Financial Assets

The Group recognizes expected credit losses (ECL) for:

- debt instruments that are measured at amortized cost and fair value through OCI;
- loan commitments; and
- financial guarantee contracts.

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

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

As discussed above, starting January 1, 2021, the Group used simplified approach method in calculating its ECL for lease receivables from the previous general approach. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix for trade receivables that is based on its historical credit loss experience, adjusted for forward-looking factors (i.e., inflation, GDP growth rate) specific to the debtors and the economic environment.

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome and reasonable and supportable

information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The Group considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to impairment loss.

Prior to retroactive adoption of the change in ECL methodology for lease receivables, the Group uses general approach in calculating its ECL. Under the general approach, at each reporting date, the Group recognizes a loss allowance based on either 12-month ECLs or Lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition. The changes in the loss allowance balance are recognized in profit or loss as an impairment gain or loss.

For cash in banks, short-term cash investments, restricted cash, and investment in amortized cost, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the external credit rating agencies to determine whether the instrument has significantly increased in credit risk and to estimate ECLs.

The simplified approach is also applied to installment contracts receivable. The Group has established a vintage analysis for installment contracts receivable that is based on historical credit loss experience, adjusted for forward-looking factors (i.e., bank lending rate, inflation rate or gross domestic product (GDP) growth rate) specific to the debtors and the economic environment.

#### *Financial liabilities*

##### *Initial recognition and measurement*

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

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

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

##### *Subsequent measurement Loans and borrowings*

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

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

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

#### Derecognition of Financial Assets and Financial Liabilities

##### *Financial asset*

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

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

##### *Modification of financial assets*

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

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

##### *Financial liability*

A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default and in event of insolvency or bankruptcy of the Group and all of its counterparties.

#### Real Estate Inventories

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

Cost includes:

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

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

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

#### Value-Added Tax (VAT)

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

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

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

#### Creditable Withholding Taxes

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

#### Prepaid Expenses

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

#### Investment in Joint Venture

The Group's investment in joint venture is accounted for under the equity method of accounting.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries.

An investment is accounted for using the equity method from the day it becomes a joint venture. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the investee's identifiable assets, liabilities and contingent liabilities over the cost of the

investment is excluded from the carrying amount of the investment, and instead included in the determination of the share in the earnings of the investees.

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

The Group discontinues applying the equity method when its investment in investee company is reduced to zero. Unless otherwise, additional losses are not recognized when the Group has guaranteed certain obligations of the investee company. When the investee company subsequently reports net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the investee company and the Group are identical and the investee company's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

The Group reduces the carrying value of its investment based on average acquisition cost per share (historical cost) when the Group disposes the investment, or the investee reacquires its own equity instruments from the Group.

#### Project Development Costs

Project development costs consist of advances for socialized housing credits and advances in joint operations. These are carried at cost less any accumulated impairment.

##### *Advances for socialized housing credits*

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

##### *Advances on joint operations*

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

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

#### Investment Properties

Investment properties comprise of completed property and property under construction or re-development that are held to earn rentals or for capital appreciation. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value. The initial cost of investment properties consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and



location for its intended use and capitalized borrowing cost. Investment properties also include right-of-use assets primarily involving land where commercial buildings are located.

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received.

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

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

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred. Depreciation and amortization commence once the investment properties are available for use and computed using the straight-line method over the estimated useful lives (EUL) of the assets, regardless of utilization. The EUL and the depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of investment properties.

	Years
Buildings and building improvements	10 to 40 years or lease term, whichever is shorter
Right-of-use assets	11 to 30 years

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

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

#### Property and Equipment

Property and equipment, except for land, are carried at cost less accumulated depreciation and any impairment in value. Land is carried at cost less any impairment value at initial recognition and subsequently. The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after property and equipment have been put into operation are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against operations as incurred.

Depreciation commences once the property and equipment are available for use and is calculated on a the straight-line basis over the EUL life of property and equipment as follows:

	Years
Building and building improvements	10 to 40
Transportation equipment	2 to 5
Office furniture, fixtures and equipment	2 to 5
Construction equipment	2 to 5
Other fixed assets	1 to 5

Building and building improvements are amortized on a straight-line basis over the term of the lease or the EUL of the asset, whichever is shorter.

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

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

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

#### Deposits

Deposits consist of 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 less any unpaid billings. Such deposits are necessary for the continuing construction and development of real estate projects of the Group. These are carried at cost less any impairment in value.

#### Model House Accessories

Model house accessories are measured at cost less accumulated amortization and any impairment in value. Amortization commences once the model house accessories are available for use and is calculated on a straight-line method over the estimated useful life of two (2) to three (3) years.

Impairment of model house accessories follows the impairment policy of nonfinancial assets.

#### Systems Development Costs

Costs associated with developing or maintaining computer software programs are recognized as expense as incurred. Costs that are directly associated with identifiable and unique software controlled by the Group and will generate economic benefits exceeding costs beyond one year, are recognized as intangible assets to be measured at cost less accumulated amortization and provision for impairment losses, if any.

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

#### Impairment of Nonfinancial Assets

The Group assesses as at reporting date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated

future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each financial reporting date as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase in OCI. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### Security Deposits

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

#### Advance Rent

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

#### Equity

Capital stock is measured at par value for all shares subscribed, issued and outstanding. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account. Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

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

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

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

#### Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the

acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in operating expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

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

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

#### Revenue and Cost Recognition for Real Estate Sales

##### *Revenue from Contract with Customers*

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

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

##### *Real estate sales*

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

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

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

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

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

Other income is recognized if buyers forfeit their reservation fees and partial payments when not proceeding with the contract. The income recognized is net of any amount required to be returned to the buyers.

#### *Costs of real estate sales*

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

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

#### Contract Balances

##### *Installment Contracts Receivable*

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

##### *Contract liabilities*

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

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

##### *Cost to obtain contract*

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

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

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

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

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

At each reporting date, the Group determines whether there is an indication that cost to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount

of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

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

#### Rental Income

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

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

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

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

The contracts for commercial and office spaces leased out by the Group to its tenants include the rights to charge for the electricity usage, water usage, air-conditioning charges and CUSA like maintenance janitorial and security services.

For the electricity and water usage, the Group determined that it is acting as an agent because the promise of the Group to the tenants is to arrange for the electricity and water supply to be provided by a utility company. The utility and service companies, and not the Group, are primarily responsible for the provisioning of the utilities while the Group administers the leased spaces and coordinates with the utility and service companies to ensure that tenants have access to these utilities.

For the provision of CUSA and air-conditioning of the buildings, the Group acts as a principal because it retains the right to direct the service provider of air-conditioning, maintenance, janitorial and security to the leased premises. The right to the services mentioned never transfers to the tenant and the Group has the discretion on how to price the CUSA and air-conditioning charges.

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

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

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

#### Interest Income

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

Unearned discount is recognized as income over the terms of the financial assets at amortized cost using the effective interest method and is shown as deduction for the financial assets.

#### Other Revenue

Other revenue is recognized when earned.

#### Pension Cost

##### *Defined benefit plan*

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

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

Defined benefit costs comprise the following:

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

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

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

Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

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

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

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

## Income Taxes

### *Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

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

### *Deferred tax*

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

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

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

Deferred tax assets shall be recognized for deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized in OCI. Deferred tax items recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

## Borrowing Costs

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



these occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

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

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

#### Operating Expenses

Operating expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Operating expenses are recognized:

- on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.

#### Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### *Group as Lessee Lease liabilities*

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

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

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

#### *Short-term leases and Leases of low-value assets*

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

#### *Lease modification*

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

A lessee recognizes the right-of-use assets and lease liability as a separate new lease after assessing that the consideration for the lease increases by an amount commensurate with the stand-alone price and any adjustments to that stand-alone price reflects the circumstances of the particular contract.

The Group recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use assets, without affecting profit or loss. For lease termination, the difference between the right-of-use assets and lease liability is recognized in the profit or loss.

#### *Group as a Lessor*

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

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

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

Pretermination is defined as termination of lease contract by the lessee or lessor before the end of the lease term. In the case of pretermination of an operating lease, a lessor derecognizes the accrued rental receivable which is the effect of straight-line calculation of rental income and is charged against rental income in the statement of comprehensive income.

#### Foreign Currency Translation

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

The functional currency of C&P International Limited and VII is the US Dollar. As of reporting date, the assets and liabilities of foreign subsidiaries, with functional currencies other than the functional currency of the Parent Company, are translated into the presentation currency of the Group using the closing foreign exchange rate prevailing at the reporting date, and their respective income and expenses at the weighted average rates for the year. The exchange differences arising on the translation are recognized in OCI under “Cumulative Translation Adjustment”. On disposal of a foreign operation, the component of OCI relating

to that particular foreign operation shall be recognized in profit or loss in the consolidated statement of comprehensive income.

#### Basic and Diluted Earnings Per Share (EPS)

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

As of March 31, 2023 and 2022, the Group has no potential dilutive common shares.

#### Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 6 to the consolidated financial statements.

#### Provisions

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

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

#### Contingencies

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

#### Events After the Financial Reporting Date

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

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## 5. Significant Accounting Judgments and Estimates

The preparation of the accompanying consolidated financial statements in compliance with PFRS, as modified by the application of the financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the consolidated financial statements, requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

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

### Judgments

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

#### *Revenue from contracts with customers Existence of a contract*

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

In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments (buyer's equity) in relation to the total contract price. Collectability is also assessed by considering factors such as payment history of customer, age and pricing of the property.

Management regularly evaluates the historical cancellations and back-outs after considering the impact of COVID-19 pandemic, if it would still support its current threshold of customers' equity before commencing revenue recognition.

#### *Determining performance obligation*

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

In relation to the services provided to tenants of investment property (such as cleaning, security, utilities, maintenance) as part of the lease agreements into which the Group enters as a lessor, the Group has determined that the promise is the overall property management service and that the service performed each day is distinct and substantially the same. Although the individual activities that comprise the performance obligation vary significantly throughout the day and from day to day, the nature of the overall promise to provide management service is the same from day to day.

Therefore, the Group has concluded that the services to tenants represent a series of daily services that are individually satisfied over time, using a time-elapsing measure of progress, because tenants simultaneously receive and consumes the benefits provided by the Group.

#### *Revenue recognition method and measure of progress*

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

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

*Principal versus agent considerations*

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

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

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

*Property lease classification - the Group as lessor*

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

*Assessment on whether lease concessions granted constitute a lease modification*

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

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

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

The rent concessions granted by the Group for the period ended March 31, 2023 and December 31, 2022, P20.40 million and P39.18 million, respectively.

*Determination of the lease term*

The Group determines the lease term as the noncancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

As a lessor, the Group enters into lease agreements that contain options to terminate or to extend the lease. At commencement date, the Group determines whether the lessee is reasonably certain to extend the lease term or not to terminate the lease. To make this analysis, the Group takes into account any difference

between the contract terms and the market terms, any significant investments made by the lessee in the property, costs relating to the termination of the lease and the importance of the underlying asset to the lessee's operations. In many cases, the Group does not identify sufficient evidence to meet the required level of certainty.

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

#### *Accounting for lease modification - the Group as lessee*

In 2021, the Group and one of the lessors amended the lease contract covering parcels of land where one of the Group's commercial building is situated by extending the lease period and amending the lease rates. The Group assessed that the lease modification did not result in a separate lease and the Group remeasured the lease liability based on the amended lease period and lease rates and recognized the difference between the carrying amount of the modified lease liability and the carrying amount of the lease liability immediately before the modification as an adjustment to the right-of-use asset. The lease contract further subjects the lease payments starting 2036 to be reviewed by both parties in accordance with certain stipulations in the contract. As such, the Group used the market rate at the date the lease is modified for lease period where lease payments are yet to be agreed.

#### *Definition of default and credit-impaired installment contracts receivable*

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

- *Quantitative criteria*  
The customer receives a notice of cancellation and does not continue the payments.
- *Qualitative criteria*  
The customer meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty. These are instances where:
  - a. The customer is experiencing financial difficulty or is insolvent
  - b. The customer is in breach of financial covenant(s)
  - c. An active market for that financial assets has disappeared because of financial difficulties
  - d. Concessions have been granted by the Group, for economic or contractual reasons relating to the customer's financial difficulty
  - e. It is becoming probable that the customer will enter bankruptcy or other financial reorganization

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

#### *Incorporation of forward-looking information*

The Group considers a range of relevant forward-looking macro-economic assumptions (i.e., inflation rate and GDP growth rate for commercial segment and bank lending rate, inflation rate or GDP growth rate for residential segment) for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Group's evaluation and assessment and after taking into consideration external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios

and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions. The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios. The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

#### *Significant increase in credit risk*

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors. The Group's cash and cash equivalents, short-term cash investments, investments at amortized cost, and restricted cash are graded in the top investment category by globally recognized credit rating agencies such as S&P, Moody's and Fitch and, therefore, are considered to be low credit risk investments. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from these credit rating agencies both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs. Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

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

#### *Assessment of Joint Control*

The investment in VVTI is accounted for as investment in joint venture despite the Group owning 60%, this is because the relevant activities such as matters related to project development, approval of annual budget and programme, change in joint venture business structure and distribution of dividends among others of the Group and Mitsubishi Estate Co., Ltd. require the unanimous consent of both parties. Even though the Group holds 60% ownership interest on these arrangements, their respective joint arrangement agreements require unanimous consent from all parties to the agreement for the relevant activities identified. The Group and the parties to the agreement only have rights to the net assets of the joint venture through the terms of the contractual arrangements.

#### Management's Use of Estimates

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

#### *Measurement of progress when revenue is recognized over time*

The Group's real estate sales is recognized over time and the percentage-of-completion is determined using input method measured principally based on total actual cost of resources consumed such as materials, labor hours expended, and actual overhead incurred over the total expected project development cost. Actual costs also include incurred costs but not yet billed which are estimated by the project engineers. Total estimated project development cost involves significant estimate since it requires technical determination by management's specialists (project engineers). Estimated project development costs include costs of land, land development, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses.

Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis and is allocated between costs of sales and real estate inventories.

*Provision for expected credit losses of financial assets*

Cash and cash equivalents, short-term cash investments, investments at amortized cost and restricted cash:

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

Installment contracts receivables, accounts receivable and accrued rental receivable:

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

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

For third-party receivable from tenants and accrued rental receivables, the Group recognizes a loss allowance based on lifetime ECLs effective January 1, 2021 and applied retrospectively. The changes in the loss allowance balance are recognized in profit or loss as an impairment gain or loss.

For related party receivables from tenants, including the accrued rental receivable, the Group considers the ability to pay of the related party and considers factors whether the related party is a listed company or not, its current results of operations and the projected cash flows from operations given the expected continuing recovery from the COVID-19 pandemic. The assessment also includes the assumption of the liability of the related parties' parent company and future plans of payments for remaining uncollected receivables such as entering into property exchange or joint venture arrangements wherein land properties will be received as form of settlement, which are to be used in the Group's planned expansion activities. The collectability assessment also includes the continuing commitment to provide financial support to these related parties and common control entities by Fine Properties, Inc. and the assessment of the latter's capacity to provide such financial support.

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



In 2022, the Group has determined that the impact of COVID-19 pandemic to its current operations has significantly declined and the continuing and future business activities are expected to be on continuous recovery.

The collectability of the significant portion of its receivables from real estate sales is impacted by the continuing employment of its customers, both the overseas contract workers and locally employed customers, particularly those working within the industry previously adversely affected by COVID-19 pandemic. Recoveries of these various industries were considered in the updating of assumptions.

Tenants which belong to micro, small and medium enterprise and those operating under entertainment, non-essentials and food industries were previously adversely affected due to temporary closure of mall operations which increased the risk of non-collection of the remaining receivables. The Group has updated its assumptions as various tenants has recovered from the impact of the pandemic.

Considering the above, the Group revisited the expected credit loss exercise as at March 31, 2023 and December 31, 2022 for its receivables.

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

For installment contracts receivable and receivables from tenants, the PD scenario used in the calculation of ECL were assigned with 33% equal probability for all scenarios as of the three months ended March 31, 2023 and and year ended December 31, 2022. The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes.

As a result of the loss estimation, management recognized impairment loss for receivable from tenants and investments at amortized cost in each period presented. The Group, however, did not identify an impairment for installment contracts receivable primarily because of the recoveries from resale of repossessed inventories that are higher than the exposure at default.

#### *Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position or disclosed in the notes to the consolidated financial statements cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation.

#### *Evaluation of net realizable value of real estate inventories*

Real estate inventories are valued at the lower of cost and NRV. This requires the Group to make an estimate of the estimated selling price of the real estate inventories in the ordinary course of business, cost of completion and costs necessary to make a sale to determine the NRV. The Group adjusts the cost of its real estate inventories to NRV based on its assessment of the recoverability of these assets. In determining the recoverability of these assets, management considers whether these assets are damaged, if their selling prices have declined and management's plan in discontinuing the real estate projects. Estimated selling price is derived from publicly available market data and historical experience, while estimated selling costs are basically commission expense based on historical experience. In line with the impact of COVID-19, the Group experienced limited selling activities that resulted to lower sales in 2022, 2021 and 2020. In evaluating NRV, recent market conditions and current market prices and expected continuing actively from the COVID-19 pandemic have been considered.

#### *Evaluation of impairment of nonfinancial assets*

The Group reviews project development costs, investment in joint venture, property and equipment, investment properties, goodwill, and other nonfinancial assets for impairment of value. This includes

considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant industry or economic trends, considering the expected continuing recovery from the impact of COVID-19 pandemic.

The Group estimates the recoverable amount as the higher of the fair value less costs to sell and value in use. Fair value less costs to sell pertain to quoted prices and for fair values determined using discounted cash flows or other valuation technique such as multiples. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect project development costs, investment in joint venture, property and equipment, investment properties, goodwill, and other nonfinancial assets.

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

#### *Determining the fair value of investment properties*

The Group discloses the fair values of its investment properties. The Group's investment properties consist of land and land developments and building and building improvements. For properties for leasing, the fair values were derived using income approach as determined by third party appraisers while land properties held for capital appreciation were based on market-based listing of the properties of the same features and locations as determined by management. Fair values of right of use asset were determined using the latest discount rate every end of reporting period based on remaining cash flows while that of construction in progress is aligned with cost as management believes the values of cost represents the current replacement cost as of balance sheet date.

#### *Leases - Estimating the incremental borrowing rate*

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

#### *Useful lives of property and equipment and investment properties*

The Group estimated the useful lives of its property and equipment and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. For investment properties located in parcels of land that the Group leases, the Group also considers the noncancellable term of the lease in determining the useful lives of the leasehold improvements.

#### *Recognition of deferred tax assets*

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

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## 6. Segment Information

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

### *Horizontal Projects*

This segment pertains to the development and sale of residential house and lot across the Philippines.

### *Vertical Projects*

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

### *Commercial and others*

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

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

Transfer prices between operating segments are based on the agreed terms between the related parties.

The amount of segment assets and liabilities are based on the measurement principles that are similar with those used in measuring the assets and liabilities in the consolidated statements of financial position which is in accordance with PFRS. The segment assets are presented separately from the receivables from related parties, investments at fair value through other comprehensive income (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 three months ended March 31, 2023 is summarized below (in Php Millions):

	<b>Horizontal</b>	<b>Vertical</b>	<b>Commercial and Others</b>	<b>Intersegment Adjustments</b>	<b>Total</b>
Real Estate Revenue	₱3,106	₱1,363	₱-	–	<b>₱4,469</b>
Cost of Real Estate Sales	1,147	697	-	–	<b>1,844</b>
Gross Profit	1,959	666	-	–	<b>2,625</b>
Rental Income	-	-	3,590	–	<b>3,590</b>
Operating Expenses	(1,222)	(230)	(1,156)	–	<b>(2,608)</b>
Segment Income	737	436	2,434	–	<b>3,607</b>
Interest Income	610	23	4	–	<b>637</b>
Parking, Hotel, Mall administrative and processing fees and others	261	63	145	–	<b>469</b>
Interest and other financing charges	(1,292)	(1)	(188)	–	<b>(1,481)</b>
Income before income tax	316	521	2,395	–	<b>3,232</b>
Income tax	(38)	(15)	(437)	–	<b>490</b>
Net income	278	506	1,958	–	<b>2,742</b>
Segment assets	114,102	25,308	139,217	–	<b>278,537</b>
Receivables from related parties	5,578	-	-	–	<b>5,578</b>
Investments at FVOCI	162	-	-	–	<b>162</b>
Investments at amortized cost	22,901	-	16,541	–	<b>39,442</b>
Deferred tax asset	111	1	-	–	<b>111</b>
Total Assets	142,853	25,309	155,668	–	<b>323,830</b>
Segment liabilities	154,844	12,049	23,901	–	<b>190,794</b>
Deferred tax liabilities	6,400	167	-	–	<b>6,567</b>
Total Liabilities	161,244	12,216	23,901	–	<b>197,361</b>
Depreciation and amortization	49	8	495	–	<b>552</b>

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.

## 7. Revenue from Contracts with Customers

### a. Disaggregated Revenue Information

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

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

	Mar 31, 2023
Type of Product	
Real estate sales	
Horizontal	₱3,106
Vertical	1,363
	<u>4,469</u>
Hotel Operations	35
	<u><b>₱4,504</b></u>

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 prefers to stay liquid amid the current recession, with layoffs, travel restrictions, repatriations, nationwide lockdowns beginning on the third week of March 2020, and uncertainty surrounding future economic recovery. The latter, coupled with the imposed quarantine which temporarily suspended construction activities and delivery of materials to sites, resulted to lower progress of work which impacted the real estate sales recognized in 2021.

#### *Contract Balances*

	Mar 31, 2023
Installment contracts receivable	₱35,354
Cost to obtain contract	1,375
Contract liabilities	2,705

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 5.37% to 19.00% per annum in 2021. 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.

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## 8. Goodwill

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

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## 9. Cash and Cash equivalents

This account consists of (in Php Millions):

Cash on hand	₱14
Cash in banks	10,805
Cash equivalents	2,423
	<hr/>
	<b>₱13,242</b>

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:

	<b>Mar 31, 2023</b>	Dec 31, 2022
Philippine Peso	<b>0.125% to 5.125%</b>	0.01% to 1.25%
US Dollar	<b>0.06% to 3.0%</b>	0.06% to 0.13%

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

## 10. Investments

### *Short-term cash investments*

Short-term cash investments consist of money market placements with maturities of more than three (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>	<b>Mar 31, 2023</b>	Dec 31, 2022
Philippine Peso	<b>1.25%</b>	0.10% to 3.13%

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

	<b>Mar 31, 2023</b>
Investment at amortized cost	<b>₱39,442</b>
Investment at fair value through other comprehensive income	<b>162</b>

## 11. Receivables

This account consists of:

Installment contracts receivable	₱35,354
Accrued interest receivable	422
Accrued rent receivable	16,171
Accounts receivable	
Tenants	7,600
Buyers	180
Contractors and suppliers	7,381
Brokers	202
Others	5,611
	<u>72,921</u>
Less: Allowance for impairment losses	(623)
Total Receivables	<b>72,298</b>
Less: Noncurrent portion at amortized cost	(26,659)
	<u><b>₱45,639</b></u>

### 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.

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## 12. Real Estate Inventories

This account consists of:

Subdivision land for sale and development	₱41,812
Condominium units for sale and development	12,006
Residential house units for sale and development	1,347
Construction materials and others	1,629
	<hr/>
	<b>₱56,794</b>

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.

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

Real estate inventories recognized as cost of sales 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.

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### 13. Other Current Assets

This account consists of:

Input VAT	₱3,459
Creditable withholding taxes	1,962
Prepaid expenses	1,516
Restricted cash	148
Others	4
	<b>₱7,089</b>

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.

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### 14. Investment Properties

Investment properties consist mainly of land and land developments while the building and building improvements, construction in progress and right of use asset pertain to leasehold improvements related to leasing activities as commercial centers. These include properties, currently being leased out, for future leasing or currently held for capital appreciation. The commercial centers include retail malls, commercial centers within residential projects, Vistamalls and Starmalls that are located in key cities and municipalities in the Philippines and office spaces.

The estimated useful life of the investment properties other than land is 10 to 40 years.

Investment properties with carrying value of ₱370.56 million are used to secure the bank loans of the Group as of March 31, 2023.

The fair value of the investment properties used as collateral amounted to ₱22,055.08 as of March 31, 2023.

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### 15. Project Development Costs

Project development costs pertain to (a) advances to a related party, covered by memorandum of agreement for the purchase of socialized housing units, (b) advances to third and related parties for project developments.

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 Bria Homes. On December 23, 2019, the Group entered into a Memorandum of Agreement with Bria Homes, Inc. that stipulated the allocated socialized housing units to the Group from the latter's ongoing and new projects. On December 21, 2020, the Group executed an amended Memorandum of Agreement with Bria Homes, Inc. that stipulated the number of socialized housing credits to be delivered as final settlement of the advances from its on-going projects under different documentation stages after deducting the partial delivery of social housing credits and cash payments.

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

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## 16. Other Noncurrent Assets

This account consists of:

Deposits	₱656
Model house accessories at cost	168
Systems development costs - net of accumulated amortization	49
Other assets	57
	<b>₱930</b>

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.

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## 17. Accounts and Other Payables

This account consists of:

Current portion of liabilities of purchased land	₱1,278
Accounts Payable	
Contractors	3,386
Suppliers	3,039
Buyers	1,275
Incidental Costs	2,099
Accrued Expenses	1,818
Commission Payable	1,795
Retention Payable	849
Deferred output tax	1,169
Other payables	1,449
	<b>₱18,157</b>

### *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.

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## 18. Security Deposits and Advance Rent

This account consists of:

Current portion of security deposits	₱704
Current portion of advance rent	379
	<hr/> <b>₱1,083</b>

*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 portions are those to be settled within one year from financial reporting date.

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## 19. 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	₱48,756	₱ -
Subsidiaries	2,314	5,569
	51,070	5,569
Less current portion	(11,516)	(4,899)
	<b>₱39,554</b>	<b>₱670</b>

In June 2022, the Parent Company obtained a 5-year unsecured peso denominated loan amounting to ₱10,000.00 million which bears annual fixed interest of 7.13%, payable quarterly. The principal balance of the loan will be paid in 20 equal quarterly installments commencing on the first interest payment date subject to prepayment option.

In January 2022, the Parent Company obtained short term loans from local banks totaling ₱2,800.00 million at a fixed interest rate of 3.80% to 4.00% per annum. The loans will be used to support general corporate purposes and are secured by the Group's investments at amortized cost as collateral.

In June 2021, the Parent Company obtained a 5-year unsecured peso denominated loan amounting to ₱5,000.00 million which bears annual fixed interest of 4.75%, payable quarterly. The principal balance of the loan will be paid in 20 equal quarterly installments commencing on the second interest payment date subject to prepayment option.

In May 2021, the Parent Company obtained a 5-year unsecured peso denominated loan amounting to ₱2,500.00 million which bears annual fixed interest of 4.75%, payable quarterly. The principal balance of the loan will be paid in 16 equal quarterly installments commencing on the fifth interest payment date subject to prepayment option.

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.

*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 6.00% to 6.75% as at March 31, 2023, 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.

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## 20. Notes Payable

This account consists of:

Dollar denominated bonds	₱41,870
Retail bonds	24,902
Corporate note facility	35,551
	<hr/>
	102,323
Less current portion	(12,755)
	<hr/>
	<b>₱89,568</b>

### Dollar Denominated Bonds

#### US\$420.00 million Notes (Due July 2027)

On May 17, 2021, VII (the Issuer) issued US\$170.00 million notes (“Notes”) with a term of six years from initial drawdown date. The interest rate is 7.25% per annum, payable semiannually in arrears on January 20 and July 20 of each year beginning on January 20, 2022. The Notes were used to refinance existing debt as a result of liability management exercise and excess proceeds were used to refinance existing debt and for general corporate purposes. There are no properties owned by the Group that were pledged as collateral to this note.

On June 1, 2021, VII issued an additional US\$50.00 million unsecured note, with similar terms and conditions as the above notes. 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 on any business day or after July 20, 2024 and up to but excluding the Maturity date, the Issuer may on one or more occasions redeem all or part of the Notes, at the redemption price, plus accrued and unpaid interest, if any, to (but not including) the date of redemption, if redeemed during the 12-month period commencing on July 20 of the years set forth below:

Period	Price
2024	103.6250%
2025	101.8125%
2026 and thereafter	100.0000%

The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

As part of the issuance of the Notes, the subsidiaries of the Issuer that acted as guarantors, irrevocably and unconditionally, are: Vista Land & Lifescapes, Inc., Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc., Communities Philippines, Inc., Vistamalls, Inc. (formerly Starmalls, Inc.) and Vista Residences Inc. No fees are charged for these guarantee agreements.

#### *Covenants*

The Notes provide for the Group to comply with certain covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers, acquisitions and disposals; and certain other covenants.

The incurrence test for additional debt requires the Group to have a (Fixed Charge Coverage Ratio) FCCR of not less than 2.25x.

The Group was able to comply with loan covenants as of March 31, 2023 and December 31, 2022.

#### US\$200.00 million Notes (Due July 2027)

On July 20, 2020, VII (the Issuer) issued US\$ 200.00 million notes (“Notes”) with a term of seven years from initial drawdown date. The interest rate is 7.25% per annum, payable semiannually in arrears on January 20 and July 20 of each year beginning on January 20, 2021. The Notes were used to refinance existing debt as a result of liability management exercise and excess proceeds were used to refinance existing debt and for general corporate purposes. There are no properties owned by the Group that were pledged as collateral to this note.

#### *Redemption at the option of the Issuer*

At any time, the Issuer may on any one or more occasions redeem all or a part of the Notes on any business day or after July 20, 2024 and up to but excluding the Maturity date, the Issuer may on one or more occasions redeem all or part of the Notes, at the redemption price, plus accrued and unpaid interest, if any, to (but not including) the date of redemption, if redeemed during the 12-month period commencing on July 20 of the years set forth below:

Period	Price
2024	103.6250%
2025	101.8125%
2026 and thereafter	100.0000%

The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

As part of the issuance of the Notes, the subsidiaries of the Issuer that acted as guarantors, irrevocably and unconditionally, are: Vista Land & Lifescapes, Inc., Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc., Communities Philippines, Inc., Vistamalls, Inc. (formerly Starmalls, Inc.) and Vista Residences Inc. No fees are charged for these guarantee agreements.

#### *Covenants*

The Notes provide for the Group to comply with certain covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers, acquisitions and disposals; and certain other covenants.

The incurrence test for additional debt requires the Group to have a (Fixed Charge Coverage Ratio) FCCR of not less than 2.25x.

The Group was able to comply with loan covenants as of March 31, 2023 and December 31, 2022.

#### 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.

#### *Redemption at the option of the issuer*

At any time, the Issuer may on any one or more occasions redeem all or a part of the Notes on any business day or after November 28, 2021 and up to but excluding the Maturity date, the Issuer may on one or more occasions redeem all or part of the Notes, at the redemption price (expressed in percentages of principal amount on the date of redemption), plus accrued and unpaid interest, if any, to (but not including) the date of redemption, if redeemed during the 12-month period commencing on November 28 of the years set forth below:

Period	Price
2021	102.8750%
2022	101.4375%
2023 and thereafter	100.0000%

The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

As part of the issuance of the Notes, the subsidiaries of the Issuer that acted as guarantors, irrevocably and unconditionally, are: Vista Land & Lifescapes, Inc., Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc., Communities Philippines, Inc. Vistamalls, Inc. (formerly Starmalls, Inc.) and Vista Residences Inc. No fees are charged for these guarantee agreements.

#### *Covenants*

The Notes provide for the Group to comply with certain covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers, acquisitions and disposals; and certain other covenants.

The incurrence test for additional debt requires the Group to have a (Fixed Charge Coverage Ratio) FCCR of not less than 2.25x.

The Group was able to comply with loan covenants as of March 31, 2023.

#### 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 October 2013 due 2018 and April 2014 due 2019. 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%. 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.

The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

As part of the issuance of the Notes, the subsidiaries of the Issuer that acted as guarantors, irrevocably and unconditionally, are: Vista Land & Lifescapes, Inc., Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc., Communities Philippines, Inc., and Vista Residences Inc. No fees are charged for these guarantee agreements.

#### *Covenants*

The Notes provide for the Group to comply with certain covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers, acquisitions and disposals; and certain other covenants.

The incurrence test for additional debt requires the Group to have a (Fixed Charge Coverage Ratio) FCCR of not less than 2.25x.

The Group was able to comply with loan covenants as of March 31, 2023 and December 31, 2022.

## Corporate Note Facility

### a. ₱6,000.00 million Corporate Notes (Due March 2027)

On March 28, 2022, 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 2027 amounting to ₱4,000.00 million at a fixed rate of 6.64% per annum, payable in equal 18 quarters commencing on the second interest payment date.

On June 1, 2022, an additional issuance of Corporate Notes was made in the amount of ₱2,000.00 million due 2027, at a fixed interest of 7.24% per annum, payable in equal 18 quarters commencing on the second interest payment date.

The proceeds of the corporate notes were used for refinancing of existing or maturing obligations of the Parent Company, and for other general corporate purposes. The issue cost amounted to ₱51.36 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 Corporate Notes provide early Redemption at the option of the Issuer as follows:

<u>Early Redemption Date</u>	<u>Early Redemption Amount</u>
3th anniversary from issue date and interest payment thereafter	102.00%
4th anniversary from issue date and interest payment thereafter	101.00%

The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

As part of the issuance of the Corporate Notes, the subsidiaries of the Parent Company that acted as guarantors, irrevocably and unconditionally, are: Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc., Communities Philippines, Inc., Vistamalls, Inc. and Vista Residences Inc. No fees are charged for these guarantee agreements.

### *Covenants*

The Corporate Notes requires the Issuer to maintain the pari passu ranking with all and future unsecured and unsubordinated indebtedness except for obligations mandatorily preferred or in respect of which a statutory preference is established by law.

The Issuer is also required to maintain at all times the following financial ratios: current ratio of at least 1.00, maximum 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 March 31, 2023.

### b. ₱12,000.00 million Corporate Notes (Due December 2025)

On December 28, 2022, the Parent Company (the Issuer) entered into a Corporate Notes Facility Agreement for the issuance of a long-term corporate notes consisting of Three-Year Corporate Notes due 2025 amounting to ₱8,600.00 million at a fixed rate of 7.93% per annum, payable on maturity date.

The proceeds of the corporate notes were used for refinancing of existing or maturing obligations of the Parent Company, and for other general corporate purposes. The issue cost amounted to ₱51.77 million. This was capitalized as debt issue cost and amortized over the life of the liability and was offset to the carrying value of the liability.

The Corporate Notes do not provide early redemption at the option of the Issuer.

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. No fees are charged for these guarantee agreements.

*Covenants*

The Corporate Notes requires the Issuer to maintain the pari passu ranking with all and future unsecured and unsubordinated indebtedness except for obligations mandatorily preferred or in respect of which a statutory preference is established by law.

The Issuer is also required to maintain at all times the following financial ratios: current ratio of at least 1.00, maximum 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 March 31, 2023.

c. ₱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.

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

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

The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

As part of the issuance of the Corporate Notes, the subsidiaries of the Parent Company that acted as guarantors, irrevocably and unconditionally, are: Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc., Communities Philippines, Inc., Vistamalls, Inc. (formerly Starmalls, Inc.) and Vista Residences Inc. No fees are charged for these guarantee agreements.

*Covenants*

The Corporate Notes requires the Issuer to maintain the pari passu ranking with all and future unsecured and unsubordinated indebtedness except for obligations mandatorily preferred or in respect of which a statutory preference is established by law.

The Issuer is also required to maintain at all times the following financial ratios: current ratio at 1.00, debt to equity at 2.50 and debt service coverage ratio of at least 1.00. These were complied with by the Group as at March 31, 2023.

d. ₱8,200.00 million Corporate Notes (Due July 2025 and 2028)

On July 11, 2018, the Parent Company (the Issuer) entered into a Corporate Notes Facility Agreement for the issuance of a long term corporate notes consisting of Seven-Year Corporate Notes due 2025 amounting to ₱1,700.00 million at a fixed rate of 7.4913% per annum 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 of the Group. The issue cost amounted to ₱105.30 million. This was capitalized as debt issue cost and amortized over the life of the liability and was offset to the carrying value of the liability.

The Corporate Notes provide early Redemption at the option of the Issuer as follows:

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

a. Seven Year Notes:

<u>Early Redemption Date</u>	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:

<u>Early Redemption Date</u>	Early Redemption Amount
7th anniversary from issue date and interest payment thereafter	102.00%
8th anniversary from issue date and interest payment thereafter	101.00%
9th anniversary from issue date and interest payment thereafter	100.50%

The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated

As part of the issuance of the corporate notes, the subsidiaries of the Parent Company that acted as guarantors, irrevocably and unconditionally, are: Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc. Communities Philippines, Inc. 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 Issuer is also required to maintain at all times the following financial ratios: current ratio at 1.00, debt to equity at 2.50 and debt service coverage ratio of at least 1.00. These were complied with by the Group as at March 31, 2023.

e. ₱10,000.00 million Corporate Notes (Due December 2026)

On December 28, 2016, the Parent Company (the Issuer) entered into a Corporate Notes Facility Agreement 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, at fixed interest of 6.23% per annum, payable quarterly.

The proceeds of the Corporate Notes were utilized for the 2017 capital expenditures, refinancing of existing indebtedness and to fund other general corporate expenses. The issue cost amounted to ₱38.72 million. This was capitalized as debt issue cost and amortized over the life of the liability and was offset to the carrying value of the liability.

The Corporate Notes provide early Redemption at the option of the Issuer as follows:

<u>Early Redemption Date</u>	<u>Early Redemption Amount</u>
7 <sup>th</sup> anniversary from issue date and interest payment thereafter	102.00%
8 <sup>th</sup> anniversary from issue date and interest payment thereafter	101.00%
9 <sup>th</sup> anniversary from issue date and interest payment thereafter	100.50%

The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

As part of the issuance of the corporate notes, the subsidiaries of the Parent Company that acted as guarantors, irrevocably and unconditionally, are: Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc. Communities Philippines, Inc. Starmalls, Inc. and Vista Residences, Inc.

#### *Covenants*

The Corporate Notes requires the Issuer to maintain the pari passu ranking with all and future unsecured and unsubordinated indebtedness except for obligations mandatorily preferred or in respect of which a statutory preference is established by law.

The Issuer is also required to maintain at all times the following financial ratios: current ratio at 1.00, debt to equity at 2.50 and debt service coverage ratio of at least 1.00. These were complied with by the Group as at March 31, 2023.

#### 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.

##### *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 March 31, 2023.

### 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.

### *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:

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

The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

### *Covenants*

The Retail Bonds provide for the 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 March 31, 2023.

### 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.

*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 March 31, 2023.

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## 21. Other Noncurrent Liabilities

This account consists of:

Liabilities for purchased land – net of current portion	₱1,535
Retention payable - net of current portion	863
Deferred output tax - net of current portion	836
Security deposits - net of current portion	441
Advance rent - net of current portion	563
	<b>₱4,238</b>

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## 22. Equity

### Capital Stock

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

	Mar 31, 2023	Dec 31, 2022
<u>Common</u>		
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
 <u>Preferred Series 1</u>		
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
 <u>Preferred Series 2</u>		
Authorized shares	200,000,000	200,000,000
Par value per share	₱0.10	₱0.10
Issued shares	-	-
Value of shares issued	₱-	₱-

#### *Preferred Series 1*

Voting, non-cumulative, non-participating, non-convertible and non-redeemable. The BOD may determine the dividend rate which shall in no case be more than 10.00% per annum.

#### *Preferred Series 2*

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

The terms and conditions of any offering of the Series 2 preferred shares, including the dividend rate, redemption prices, and similar matters will be determined by the Board of Directors at a later date. None of these reclassified preferred shares are issued as of March 31, 2023.

#### 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.

#### Treasury Shares

Treasury shares (416,128,700) as of March 31, 2023 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.

### Retained Earnings

Retained earnings include the accumulated equity in undistributed earnings of consolidated subsidiaries amounting to ₱80,496 million and ₱78,311 million as at March 31, 2023 and December 31, 2022, respectively.

Also, the retained earnings is restricted to payments of dividends to the extent of cost of treasury shares in the amount of ₱2,362 million as at March 31, 2023 and December 31, 2022.

The BOD of the Parent Company approved the declaration of regular cash dividend amounting to ₱348.36 million or ₱0.0292 per share, ₱298.64 million or ₱0.03 per share, and ₱597.29 million or ₱0.05 per share on September 30, 2022, September 30, 2021 and September 30, 2020, respectively. The dividend declarations are in favor of all stockholders of record as of October 14, 2022, October 15, 2021 and October 16, 2020 and paid on October 28, 2022, October 29, 2021 and

### Non-controlling interest

#### *Sale of VistaREIT, Inc.'s share through a public listing*

On June 15, 2022, the Group sold through a public listing its 39.91% effective noncontrolling interest in VistaREIT, Inc. at ₱1.75 per share. As a result of the sale and buy-back transactions, the Group's ownership interest in VistaREIT, Inc. was diluted from 98.94% to 60.09%. In relation to the dilution without loss of control, the impact to the Group's additional paid-in-capital amounted to ₱29.28 million. The Group's noncontrolling interest increased by ₱4,197.40 million, as a result of the public offering of VistaREIT, Inc.

#### *Dividends declaration*

The BOD of Vistamalls, Inc. (formerly Starmalls, Inc.) approved the declaration of regular cash dividend amounting to ₱220.43 million or ₱0.0262 per share and ₱135.99 million or ₱0.02 per share on September 30, 2022 and September 30, 2021, respectively. The dividend declarations are in favor of all stockholders of record as of October 14, 2022 and October 15, 2021 and paid on October 27, 2022 and October 28, 2021, respectively.

The BOD of VistaREIT, Inc. approved the declaration of regular cash dividend amounting to ₱1.00 million or ₱0.0020 per share, ₱157.50 million or ₱0.0210 per share, and ₱270.75 million or ₱0.0361 per share in March, August, and November 2022, respectively. The dividend declarations are in favor of all stockholders of record as of March 31, August 30 and November 28, 2022 which were paid on September 20 and December 19, 2022, respectively.

As at March 31, 2023 and December 31, 2022, the Group's dividends payable amounted to ₱81 million and ₱96 million, respectively.

### Capital Management

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

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

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both a gross debt and net debt basis. As of March 31, 2023 and December 31, 2022, the Group had the following ratios:

	Mar 31, 2023	Dec 31, 2022
Current ratio	259%	289%
Debt-to-equity ratio	121%	128%
Net debt-to-equity ratio	79%	82%
Asset-to-equity ratio	256%	261%

As of March 31, 2023 and December 31, 2022, the Group had complied with all externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the period ended March 31, 2023 and December 31, 2022.

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:

	Mar 31, 2023
Cash and cash equivalents	US\$54
Investments at amortized cost	726
Notes payable-net	(770)

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

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### 23. Parking, Hotel, Forfeitures, Mall Administrative and Processing Fees, and Other Revenue, Interest and Other Financing Charges

This account consists of:

Mall administrative and processing fee	₱371
Parking	36
Hotel	35
Others	27
	<b>₱469</b>

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### 24. 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 March 31, 2023 and 2022 amounted to ₱1,844 million and ₱2,175 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.

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## 25. 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 30.22% of cash, 32.26% of investments in government securities, 37.02% of investment in private companies and 0.64% receivables.

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## 26. Income Tax

Provision for income tax consists of:

Current:	
RCIT/MCIT	₱24
Final	459
Deferred	7
	<hr/>
	<b>₱490</b>

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.

### Corporate Recovery and Tax Incentives for Enterprises Act” or “CREATE”

On March 26, 2021, President Rodrigo Duterte signed into law the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

On April 8, 2021, the Secretary of Finance, with recommendation from the Commissioner of the Bureau of Internal Revenue, promulgated the Implementing Rules and Regulations for the effectivity of the approved provisions of CREATE Act and clarified how the taxable income for the period beginning July 1, 2020 will be computed.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and

- with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
  - Imposition of improperly accumulated earnings tax (IAET) is repealed.
  - Foreign-sourced dividends received by domestic corporations are exempt from income tax subject to the following conditions:
    - The funds from such dividends actually received or remitted into the Philippines are reinvested in the business operations of the domestic corporation in the Philippines within the next taxable year from the time the foreign-sourced dividends were received;
    - Shall be limited to funding the working capital requirements, capital expenditures, dividend payments, investment in domestic subsidiaries, and infrastructure project; and
    - The domestic corporation holds directly at least 20% of the outstanding shares of the foreign corporation and has held the shareholdings for a minimum of 2 years at the time of the dividend distribution.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020.

The passage of the CREATE Act into law on March 26, 2011 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Group is subjected to lower regular corporate income tax rate of either 25% or 20% effective July 1, 2020. The rate applicable to the Group is 25%.

As a result of reduction in RCIT/MCIT rate, the provision for current income tax for the year ended December 31, 2020 and income tax payable as of December 31, 2020 decreased by ₱81.60 million.

In addition, the provision for deferred tax for the year then ended December 31, 2020 and net deferred tax liabilities as of December 31, 2020 decreased by ₱609.66 million. For financial reporting purposes, these changes are recognized in the 2021 financial statements in accordance with PIC Q&A 2020-07.

The total reduction in income tax expense in 2021 amounting to ₱691.26 million is composed of ₱81.60 million coming from reduction in tax rate from 30% to 25% for 2021 taxable income and ₱609.66 million coming from the 5% tax expense for 2020 taxable income recorded as reduction for financial reporting in 2021.

#### 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 59 projects in 2022, 78 projects in 2021 and 84 projects in 2020, 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.

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## 27. Lease liabilities

The Group, as lessee, has lease contracts for parcels of land where its commercial centers are situated with the lease term of 11 - 27 years. Rental due is based on prevailing market conditions. Generally, the Group is not restricted from assigning and subleasing the leased assets.

The carrying value of right-of-use assets amounted to ₱4,330 million as of March 31, 2023.

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## 28. 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.

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## 29. 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 2.43% to 19.00% and 2.44% to 19.00% as of December 31, 2022 and 2021, respectively.

*Bank loans, loans payable, notes payable and retention payable:*

Estimated fair values are based on the discounted value of future cash flows using the applicable rates for similar types of loans. Interest rates used in discounting cash flows ranged from 5.35% to 8.63% in 2022 and 2.22% to 10.66% in 2021 using the remaining terms to maturity.

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### 30. 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:

	March 31, 2023	
	Effective Interest Rate	Amount
Financial assets		
<i>Fixed rate</i>		
Cash and cash equivalents (excluding cash on hand)	0.125% to 5.125%	₱13,228
Short-term cash investments	1.25%	227
Investment at amortized cost	1.05% to 7.19%	39,442
Installment contracts receivable	5.03% to 19.00%	35,354
		<b>₱88,251</b>
Financial liabilities		
<i>Fixed rate</i>		
Notes payable	5.70% to 8.25%	₱102,323
Bank loans	3.75% to 8.174%	51,070
Loans payable	6.00% to 8.00%	5,569
Lease liabilities	8%	5,440
		<b>₱164,402</b>

As of March 31, 2023, 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.

	March 31, 2023	
	Peso	US\$
Cash and cash equivalents	₱2,949	US\$ 54
Investment at amortized cost	39,442	726
Notes payable	(41,870)	(770)

In translating the foreign currency- denominated monetary assets in peso amounts, the Philippine Peso - US dollar exchange rates as of March 31, 2023 used was ₱54.36, 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 March 31, 2023:

	March 31, 2023 (Unaudited)	
	Increase/Decrease in US Dollar rate	Effect on income before tax
Cash and cash equivalents	+1	₱54
	-1	(54)
Investments at amortized cost	+1	726
	-1	(726)
Notes payable	-1	(770)
	+1	770

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.

In respect of installment contracts receivable from the sale of real estate inventories, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to credit risk is not significant given that title of the real estate property is only transferred to the customer if the consideration had been fully paid. In case of default, after enforcement activities, the Group has the right to cancel the sale and enter into another contract to sell to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed.

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

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 2 to 4-month lease payment to cover any defaulting amounts and advance rentals also equivalent to 2 to 4-month rent.

Credit risk arising from receivables from related parties is minimal as they have a low risk of default and have a strong capacity to meet their contractual cash flows in the near term.

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The Group's maximum exposure to credit risk as of March 31, 2023 and December 31, 2022 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 2022.

### *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 2022 and 2021.

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### 31. 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 2021.

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.

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### 32. Other Matters

#### Impact of the recent Coronavirus situation

The declaration of COVID-19 outbreak by the World Health Organization as a pandemic and declaration of nationwide state of calamity and implementation of community quarantine measures throughout the Philippines starting March 16, 2020 have caused disruptions to businesses and economic activities, and its impact on businesses continues to evolve.

The Group has adjusted its operations in accordance with the required measures and safety protocols. In compliance with the Government's ECQ guidelines, malls, hotels, and other businesses, except those providing essential goods and services were temporarily closed. The mall buildings continued operations because these are occupied mostly by tenants providing essential services such as supermarkets, home improvement/appliance stores, drug stores, food establishments, financial services, and are located within or near Vista Land communities. The office buildings remained open during the lockdowns since BPO tenants are allowed to conduct their businesses onsite. Other office tenants, though they adopted work from home arrangements, continued to fulfill their rental payment obligations.

To date, commercial spaces have opened, and construction and real estate development activities have resumed at various level of activities following safety protocols mandated by the national government.

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### 33. Subsequent events

#### Loan Availments

On April 4, 2023, VLLI has obtained a Three-Year Corporate Note Facility of up to 10,000.00 million and VLLI made an initial drawdown of 6,000.00 million at a fixed rate of 7.6139% per annum.

In relation to the Corporate Notes Facility Agreement entered on April 4, 2023 by VLLI, on April 14, 2023, VLLI made additional issuance of Corporate Notes in the amount of 4,000.00 million due April 1, 2026, at a fixed interest of 7.6264% per annum.

*Financial Soundness Indicator*

Below are the financial ratios that are relevant to the Group for the period ended March 31, 2023 and 2022 and as at March 31, 2023 and December 31, 2022.

		<b>Mar-31-23</b>	Dec-31-22
Current Ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	2.59	2.89
Long-term debt-to-equity ratio	$\frac{\text{Long-term debt}^1}{\text{Equity}}$	1.02	1.08
Debt ratio	$\frac{\text{Interest bearing debt}^2}{\text{Total assets}}$	0.47	0.49
Debt to equity ratio	$\frac{\text{Interest bearing debt}}{\text{Total equity}}$	1.21	1.28
Net debt to equity	$\frac{\text{Net debt}^3}{\text{Total equity}}$	0.79	0.82
Asset to equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	2.56	2.61
		<b>Mar-31-23</b>	Mar-31-22
EBITDA to total interest	$\frac{\text{EBITDA}}{\text{Total interest}}$	1.67	1.93
Price Earnings Ratio	$\frac{\text{Market Capitalization}^4}{\text{Net Income}^5}$	8.01	3.51
Asset to liability ratio	$\frac{\text{Total assets}}{\text{Total liabilities}}$	1.64	1.55
Net profit margin	$\frac{\text{Net profit}}{\text{Revenue}}$	32%	32%
Return on assets	$\frac{\text{Net income}^5}{\text{Total assets}}$	3.4%	3.0%
Return on equity	$\frac{\text{Net income}^5}{\text{Total equity}}$	8.7%	8.0%
Interest Service Coverage Ratio <sup>6</sup>	$\frac{\text{EBITDA}}{\text{Total interest}}$	1.67	1.93

<sup>1</sup> Pertains to long term portion of the Bank loans and Notes Payable

<sup>2</sup> Includes Bank Loans and Notes Payable

<sup>3</sup> 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

<sup>4</sup> Based on closing price at March 31, 2023 and 2022

<sup>5</sup> Annualized

<sup>6</sup> Trailing EBITDA and Total Interest



**P5B Retail Bonds (2017)***Schedule and Use of Proceeds**As of March 2023*

	<b>PER PROSPECTUS</b>	<b>ACTUAL</b>
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 and Legal Research 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>
<b>Net proceeds to Vista Land &amp; Lifescapes, Inc.</b>	<u><u>4,932,017,375.00</u></u>	<u>4,931,125,449.76</u>
<b>Amortization of Bond Issue Cost</b>		46,787,577.77
<b>As of March 31, 2023</b>		<u><u>4,977,913,027.53</u></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 March 2023*

	<b>PER PROSPECTUS</b>	<b>ACTUAL</b>
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>
<b>Net proceeds to Vista Land &amp; Lifescapes, Inc.</b>	<u><u>9,859,996,875.00</u></u>	<u>9,864,145,016.64</u>
<b>Amortization of Bond Issue Cost</b>		99,671,416.06
<b>As of March 31, 2023</b>		<u><u>9,963,816,432.70</u></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 March 2023*

	<b>PER PROSPECTUS</b>	<b>ACTUAL</b>
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>
<b>Net proceeds to Vista Land &amp; Lifescapes, Inc.</b>	<u><u>9,860,128,281.25</u></u>	<u>9,834,964,300.00</u>
<b>Amortization of Bond Issue Cost</b>		124,984,354.00
<b>As of March 31, 2023</b>		<u><u>9,959,948,654.00</u></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 3-months of 2023 vs. 3-months of 2022*

#### Revenues

##### *Real Estate*

The Company recorded revenue from real estate sales of ₱4,469 million for the three months ended 31 March 2023, a decrease of 7% from ₱4,831 million for the three months ended 31 March 2022. This was primarily attributable to the decrease in the overall completion rate of sold inventories of some of its business units. The Company uses the Percentage of Completion method of revenue recognition where revenue is recognized in reference to the stages of development of the properties:

- Real estate revenue of Brittany increased by 43% to ₱297 million for the three months ended 31 March 2023 from ₱207 million in the same period last year. This increase was principally attributable to the increase in the number of sold homes completed or under construction in the Mega Manila area in the high-end or upscale housing segment.
- Real estate revenue of Crown Asia increased by 47% to ₱172 million for the three months ended 31 March 2023 from ₱117 million for the three months ended 31 March 2022. This increase was principally attributable to the increase in the number of sold homes completed or under construction in the Mega Manila area in the upper middle-income housing segment during the year.
- Real estate revenue of Camella increased by 4% to ₱1,208 million for the three months ended 31 March 2023 from ₱1,167 million for the three months ended 31 March 2022. This increase was principally attributable to the increase in the number of sold homes completed or under construction in the Mega Manila area in the low and affordable housing segment during the period.
- Real estate revenue of Communities Philippines decreased by 14% to ₱1,998 million for three months ended 31 March 2023 from ₱2,329 million for the three months ended 31 March 2022. 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 low and affordable housing segment during the period as a result of the extended down payment terms implemented.
- Real estate revenue from Vista Residences decreased by 22% to ₱794 million for the three months ended 31 March 2023 from ₱1,011 million for the three months ended 31 March 2022. This decrease was principally attributable to the decrease in the number of sold condominium units completed or under construction during the period. Vista Residences is the business unit of Vista Land that develops and sells vertical projects across the Philippines.

##### *Rental income*

Rental income increased by 39% from ₱2,589 million for the three months ended 31 March 2022 to ₱3,591 million for the three months ended 31 March 2023. The increase was primarily attributable to higher occupancy and the increase in rates for the period including the upside from the higher sales of variable rental based tenants.

##### *Interest income from installment contract receivable and investments*

Interest income from installment contract receivable and investments increased by 5% from ₱610 million for the three months ended 31 March 2022 to ₱637 million for the three months ended 31 March 2023. The increase was primarily attributable the increase in interest income from investments of 18% to ₱490 million offset by the decrease in the interest income from installment contract receivables of 23% to ₱147 million for the three months ended 31 March 2023.

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

Income from parking, hotel, forfeitures, mall administrative and processing fees and others increased by 5% from ₱448 million for the three months ended 31 March 2022 to ₱469 million for three months ended 31 March 2023. The increase was primarily attributable to the increase of 5% from income from mall administrative and processing fees to ₱370 million for the three months ended 31 March 2023 and the significant increase in hotel revenues to ₱35 million and parking fees to ₱36 million for the three months ended 31 March 2023 same period last year.

### **Costs and Expenses**

Cost and expenses increased by 4% to ₱4,452 million for the three months ended 31 March 2023 from ₱4,264 million for the three months ended 31 March 2022.

- Cost of real estate sales decreased by 15% from ₱2,175 million for the three months ended 31 March 2022 to ₱1,844 million for the three months ended 31 March 2023 primarily due to the decrease in the overall recorded sales of Vista Land's business units and cost savings from various cost saving initiatives implemented.
- Operating expenses increased by 25% from ₱2,089 million for the three months ended 31 March 2022 to ₱2,608 million for the three months ended 31 March 2023 with increases of the following:
  - an increase in advertising and promotion from ₱67 million for the three months ended 31 March 2022 to ₱254 million for the three months ended 31 March 2023 due to various advertising campaigns as the company launch a number of Vista Estate projects across the country .
  - an increase in repairs and maintenance from ₱94 million for the three months ended 31 March 2022 to ₱322 million in the three months ended 31 March 2023 due to the various site preparations for potential Vista Estate launch.
  - an increase in occupancy costs from ₱127 million for the three months ended 31 March 2022 to ₱310 million for the three months ended 31 March 2023 due to the increased in security and other occupancy related expenses of our malls.

### **Interest and other financing charges**

Interest and other financing charges increased by 17% from ₱1,260 million for the three months ended 31 March 2022 to ₱1,477 million for the three months ended 31 March 2023. The increase was primarily attributable to the lower capitalization for the period.

### **Provision for Income Tax**

Provision for income tax decreased by 17% from ₱592 million for the three months ended 31 March 2022 to ₱490 million for the three months ended 31 March 2023 primarily due to the lower taxable base for the period coming from the higher contribution of the residential segment.

### **Net Income**

As a result of the foregoing, the Company's net income increased by 16% to ₱2,743 million for the three months ended 31 March 2023 from ₱2,362 million for the three months ended 31 March 2022.

For the 3-months of 2023, except for the impact of the COVID-19 pandemic, there were no other seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

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

## FINANCIAL CONDITION

### *As of March 31, 2023 vs. December 31, 2022*

Total assets as of 31 March 2023 were ₱323,830 million compared to ₱322,214 million as of 31 December 2022, or an increase of 1% due to the following:

- Cash and cash equivalents including short term and long term investments and investments at amortized costs decreased from ₱56,617 million as of 31 December 2022 to ₱52,911 million as of 31 March 2023 or a 7% decrease due uses of cash for the period specifically debt servicing and investing activities.
- Receivables including current portions thereof decreased slightly by 3% from ₱74,401million as of 31 December 2022 to ₱72,298 million as of 31 March 2023 due primarily to due to a collections for the period.
- Real estate inventories increased by 6% from ₱53,534 million as of 31 December 2022 to ₱56,794 million as of 31 March 2023 due to project launches for the period.
- Investments at fair value through OCI increased by 38% from ₱117 million as of 31 December 2022 to ₱162 million as of 31 March 2023 due to increase in fair value of the investments for the period.
- Project development costs increased by 10% from ₱1,269 million as of 31 December 2022 to ₱ 1,403 million as of 31 March 2023 due to advances to joint venture partner for the period.
- Advances to a related party decreased by 21% from ₱7,042 million as of 31 December 2022 to ₱ 5,578 million as of 31 March 2023 due to settlement for the period.
- Investment properties increased by 3% from ₱118,334 million as of 31 December 2022 to ₱ 121,935 million as of 31 March 2023 due to additions for the period.
- Other assets, cost to obtain contract including current portions thereof increased by 25% from ₱7,543 million as of 31 December 2022 to ₱9,393 million as of 31 March 2023 due primarily to increase in prepaid expenses and cost to obtain during the period.

Total liabilities as of 31 March 2023 were ₱197,360 million compared to ₱198,563 million as of 31 December 2022, or a decrease of 1%. This was due to the following:

- Accounts and other payables increased by 14% from ₱15,891 million as of 31 December 2022 to ₱18,157 million as of 31 March 2023 due accruals for the period.
- Current portion of security deposits and advance rent decreased by 42% from ₱1,857 million as of 31 December 2022 to ₱1,083 million as of 31 March 2023 due settlements for the period.
- Dividends payable decreased by 15% from ₱81 million as of 31 December 2022 to ₱96 million as of 31 March 2023 due to settlement for the period.
- Contract liabilities including non current portion increased by 26% from ₱2,143 million as of 31 December 2022 to ₱2,704 million as of 31 March 2023 due increase in collection made from reservation sales and for projects awaiting constructions.
- Bank loans including current portion decreased by 9% from ₱55,947 million as of 31 December 2022 to ₱51,070 million as of 31 March 2023 due primarily to the payment during the period.

- Deferred tax liabilities – net increased by 8% to ₱6,456 million as of 31 March 2023 from 5,996 million as of 31 December 2022 due to an increase in temporary difference that will result to a potential tax liability for the period.
- Other noncurrent liabilities increased by 33% from ₱3,179 million as of 31 December 2022 to ₱4,237 million as of 31 March 2023 due primarily to the increase in noncurrent portion of liabilities for purchase land, deferred output tax, and security deposits.

Total stockholder's equity increased by 2% from ₱123,651 million as of 31 December 2022 to ₱126,470 million as of 31 March 2023 due mainly to the net income and increase in other comprehensive income recorded for the period.

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

Key Performance Indicators	03/31/2023	12/31/2022
Current ratio <sup>(a)</sup>	2.59:1	2.89:1
Liability-to-equity ratio <sup>(b)</sup>	1.56 :1	1.61:1
	03/31/2023	03/31/2022
Interest expense/Income before	31.4%	29.9%
Interest expense <sup>(c)</sup>		
Return on assets <sup>(d)</sup>	3.4%	2.9%
Return on equity <sup>(e)</sup>	8.7%	8.2%

*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 the increase in the current liabilities specifically the accounts payable maturing in the next 12 months with the corresponding decrease in current assets brought about by the decrease in cash and investments.

Liability-to-equity ratio slightly decreased as the liabilities decreased more than the increase in equity as of 31 March 2023 compared to the 31 December 2022.

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 increased in the three months ended 31 March 2023 compared to that of the three months ended 31 March 2022 due to the higher annualized income for the 2023.

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

**Material Changes to the Company's Balance Sheet as of March 31, 2022 compared to December 31, 2021 (increase/decrease of 5% or more)**

Cash and cash equivalents including short term and long term investments and investments at amortized costs decreased from ₱56,617 million as of 31 December 2022 to ₱52,911 million as of 31 March 2023 or a 7% decrease due uses of cash for the period specifically debt servicing and investing activities.

Real estate inventories increased by 6% from ₱53,534 million as of 31 December 2022 to ₱56,794 million as of 31 March 2023 due to project launches for the period.

Investments at fair value through OCI increased by 38% from ₱117 million as of 31 December 2022 to ₱162 million as of 31 March 2023 due to increase in fair value of the investments for the period.

Project development costs increased by 10% from ₱1,269 million as of 31 December 2022 to ₱1,403 million as of 31 March 2023 due to advances to joint venture partner for the period.

Advances to a related party decreased by 21% from ₱7,042 million as of 31 December 2022 to ₱5,578 million as of 31 March 2023 due to settlement for the period.

Other assets, cost to obtain contract including current portions thereof increased by 25% from ₱7,543 million as of 31 December 2022 to ₱9,393 million as of 31 March 2023 due primarily to increase in prepaid expenses and cost to obtain during the period.

Accounts and other payables increased by 14% from ₱15,891 million as of 31 December 2022 to ₱18,157 million as of 31 March 2023 due accruals for the period.

Current portion of security deposits and advance rent decreased by 42% from ₱1,857 million as of 31 December 2022 to ₱1,083 million as of 31 March 2023 due settlements for the period.

Dividends payable decreased by 15% from ₱81 million as of 31 December 2022 to ₱96 million as of 31 March 2023 due to settlement for the period.

Contract liabilities including non current portion increased by 26% from ₱2,143 million as of 31 December 2022 to ₱2,704 million as of 31 March 2023 due increase in collection made from reservation sales and for projects awaiting constructions.

Bank loans including current portion decreased by 9% from ₱55,947 million as of 31 December 2022 to ₱51,070 million as of 31 March 2023 due primarily to the payment during the period.

Deferred tax liabilities – net increased by 8% to ₱6,456 million as of 31 March 2023 from 5,996 million as of 31 December 2022 due to an increase in temporary difference that will result to a potential tax liability for the period.

Other noncurrent liabilities increased by 33% from ₱3,179 million as of 31 December 2022 to ₱4,237 million as of 31 March 2023 due primarily to the increase in noncurrent portion of liabilities for purchase land, deferred output tax, and security deposits.



## **Material Changes to the Company's Statement of income for the 3-months of 2022 compared to the 3-months of 2021 (increase/decrease of 5% or more)**

Revenue from real estate sales of ₱4,469 million for the three months ended 31 March 2023, a decrease of 7% from ₱4,831 million for the three months ended 31 March 2022. This was primarily attributable to the decrease in the overall completion rate of sold inventories of some of its business units. The Company uses the Percentage of Completion method of revenue recognition where revenue is recognized in reference to the stages of development of the properties.

Rental income increased by 39% from ₱2,589 million for the three months ended 31 March 2022 to ₱3,591 million for the three months ended 31 March 2023. The increase was primarily attributable to higher occupancy and the increase in rates for the period including the upside from the higher sales of variable rental based tenants.

Interest income from installment contract receivable and investments increased by 5% from ₱610 million for the three months ended 31 March 2022 to ₱637 million for the three months ended 31 March 2023. The increase was primarily attributable the increase in interest income from investments of 18% to ₱490 million offset by the decrease in the interest income from installment contract receivables of 23% to ₱147 million for the three months ended 31 March 2023.

Income from parking, hotel, forfeitures, mall administrative and processing fees and others increased by 5% from ₱448 million for the three months ended 31 March 2022 to ₱469 million for three months ended 31 March 2023. The increase was primarily attributable to the increase of 5% from income from mall administrative and processing fees to ₱370 million for the three months ended 31 March 2023 and the significant increase in hotel revenues to ₱35 million and parking fees to ₱36 million for the three months ended 31 March 2023 same period last year.

Cost of real estate sales decreased by 15% from ₱2,175 million for the three months ended 31 March 2022 to ₱1,844 million for the three months ended 31 March 2023 primarily due to the decrease in the overall recorded sales of Vista Land's business units and cost savings from various cost saving initiatives implemented.

Operating expenses increased by 25% from ₱2,089 million for the three months ended 31 March 2022 to ₱2,608 million for the three months ended 31 March 2023 with increases in advertising and promotion from ₱67 million for the three months ended 31 March 2022 to ₱254 million for the three months ended 31 March 2023 due to various advertising campaigns as the company launch a number of Vista Estate projects across the country; an increase in repairs and maintenance from ₱94 million for the three months ended 31 March 2022 to ₱322 million in the three months ended 31 March 2023 due to the various site preparations for potential Vista Estate launch; an increase in occupancy costs from ₱127 million for the three months ended 31 March 2022 to ₱310 million for the three months ended 31 March 2023 due to the increased in security and other occupancy related expenses of our malls.

Interest and other financing charges increased by 17% from ₱1,260 million for the three months ended 31 March 2022 to ₱1,477 million for the three months ended 31 March 2023. The increase was primarily attributable to the lower capitalization for the period.

Provision for income tax decreased by 17% from ₱592 million for the three months ended 31 March 2022 to ₱490 million for the three months ended 31 March 2023 primarily due to the lower taxable base for the period coming from the higher contribution of the residential segment.

Net income increased by 16% to ₱2,743 million for the three months ended 31 March 2023 from ₱2,362 million for the three months ended 31 March 2022.

For the 3-months of 2023, except for the impact of the COVID-19 pandemic, there were no other seasonal aspects that had a material effect on the financial condition or results of operations of the

Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

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

## PART II - OTHER INFORMATION

### Item 3. 3-months of 2023 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, Treasurer & CRO
Frances Rosalie T. Coloma	Director
Camille A. Villar	Director
Justina F. Callangan	Independent Director
Romulo L. Neri	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.

**P0.0292 per share Regular Cash Dividend**

Declaration Date: September 30, 2022

Record date: October 14, 2022

Payment date: October 28, 2022

**P0.0250 per share Regular Cash Dividend**

Declaration Date: September 30, 2021

Record date: October 15, 2021

Payment date: October 29, 2021

**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

**~~P0.102~~ per share Regular Cash Dividend**

Declaration Date: September 11, 2013

Record date: September 26, 2013

Payment date: October 22, 2013

**~~P0.0839~~ per share Regular Cash Dividend**

Declaration Date: September 17, 2012

Record date: October 02, 2012

Payment date: October 26, 2012

**~~P0.04~~ 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.*

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

*None.*

**Item 4. Other Notes as of 3-months of 2023 Operations and Financials.**

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

*None.*

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

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

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

*See Notes to Financial Statements and Management Discussion and Analysis.*

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

*See Notes to Financial Statements and Management Discussion and Analysis.*

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

*None.*

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

*None.*

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

*None.*

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

*None.*

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

*None.*

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

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

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

*As of March 31, 2023, 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 3-months of 2022 financial statements.*

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

*None.*

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

*None.*

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

*None.*

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

*None.*

## SIGNATURES

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

**Vista Land & Lifescapes, Inc.**  
Issuer

By:



**BRIAN N. EDANG**  
CFO & Head Investor Relations

Date: May 15, 2023