



November 7, 2018

PHILIPPINE STOCK EXCHANGE

9th Floor, Philippine Stock Exchange Tower,
28th Street corner 5th Avenue, BGC Taguig City
Attention: Ms. Janet A. Encarnacion
Head - Disclosure Department

PHILIPPINE DEALING AND EXCHANGE CORPORATION

37th Floor, Tower 1, The Enterprise Center
6766 Ayala Ave. cor Paseo de Roxas, Makati City
Attention: Ms. Paula Beatrice A. Bueno
OIC, Issuer Compliance and Disclosure Department

Subject: Vista Land & Lifescapes, Inc.: **SEC 17Q – September 30, 2018**

Gentlemen:

Please see attached SEC Form 17Q for the nine months ended September 30, 2018 filed with the Securities and Exchange Commission today.

Very truly yours,

A handwritten signature in black ink, appearing to read 'B. Edang', is written over the typed name and title.

Brian N. Edang
Officer-in-Charge

COVER SHEET

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(Company's Full Name)

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

Brian N. Edang
Contact Person

226-3552 ext. 0088
Company Telephone Number

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<i>Mont</i>	<i>Day</i>
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Calendar Year	

17-Q
FORM TYPE

0 6	1 5
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Annual Meeting	

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Secondary License Type, If Applicable	

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Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings			
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Domestic	Foreign		

To be accomplished by SEC Personnel concerned

File Number							

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarter ended **September 30, 2018**
2. SEC Identification Number **CS-200703145**
3. BIR Tax Identification No. **006-652-678**
4. **Vista Land & Lifescapes, Inc.**
Exact name of the registrant as specified in its charter
5. **Philippines**
Province, country or other jurisdiction of incorporation
6. Industry Classification Code (SEC Use Only)
7. **Lower Ground Floor, Building B, Evia Lifestyle Center, Vista City, Daanghari, Almanza II, Las Piñas City**
Address of Principal Office 1747
Postal Code
8. **(632) 874-5758 / (632) 872-6947 / (632) 226-3552**
Registrant's telephone number, including area code
9. **N/A**
Former name, former address and former fiscal year, if change since last report.
10. Securities registered pursuant to Sections 4 and 8 of the RSA
- | Title of each Class | Number of Shares of Common Stock
Outstanding and Amount of Debt
Outstanding |
|---|---|
| Common stock (as of 09/30/2018 net of 287,210,300 treasury shares) | 12,826,926,076 |
| VLL Retail Bonds issued in 2014 (as of 09/30/2018) | P5,000,000,000.00 |
| VLL Retail Bonds issued in 2017 (as of 09/30/2018) | P5,000,000,000.00 |

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

Yes No

12. Check whether the registrant:

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

Yes No

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

Yes No

TABLE OF CONTENTS

PART I - FINANCIAL STATEMENTS

Item 1. Financial Statements

- Consolidated Statements of Financial Position as of September 30, 2018 and December 31, 2017
- Consolidated Statements of Income nine months ended September 30, 2018 and 2017
- Consolidated Statements of Comprehensive Income nine months ended September 30, 2018 and 2017
- Consolidated Statement of Changes in Equity nine months ended September 30, 2018 and 2017
- Consolidated Statements of Cash Flows nine months ended September 30, 2018 and 2017
- Notes to Consolidated Financial Statements

Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations

- 9-months of 2018 vs. 9-months of 2017
- 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. 9-months of 2018 Developments

Item 4. Other Notes to 9-months of 2018 Operating and Financial Results



Vista Land & Lifescapes, Inc.
 Consolidated Statements of Financial Position
 As of September 30, 2018 and December 31, 2017
 (In Million Pesos)

	Unaudited 09/30/2018	Audited 12/31/2017
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 25)	8,403	11,495
Short-term cash investments (Notes 5, 15 and 25)	243	346
Available-for-sale financial assets (Note 5)	7,115	6,491
Investment in HTM (Note 5)	3,335	8,133
Receivables (Notes 6 and 25)	47,594	37,665
Receivables from related parties (Notes 23)	6,340	4,988
Real estate inventories (Note 7)	26,153	26,334
Other current assets (Note 8)	5,067	4,017
Total Current Assets	104,250	99,469
Noncurrent Assets		
Noncurrent receivables (Notes 6 and 25)	6,616	6,518
Available-for-sale (AFS) financial assets (Notes 5 and 25)	130	122
HTM investments (Notes 5 and 25)	23,929	13,694
Land and improvements (Note 9)	36,297	35,030
Investment properties (Notes 10 and 25)	48,185	37,438
Investments and advances in project development costs (Note 11)	4,322	4,034
Property and equipment	1,244	886
Pension Assets (Note 21)	138	88
Deferred tax assets - net (Note 22)	657	802
Other noncurrent assets (Note 12)	1,581	1,854
Total Noncurrent Assets	123,099	100,466
	227,349	199,935
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 13 and 25)	12,128	13,276
Customers' advances and deposits (Note 14)	6,271	3,618
Income tax payable	88	53
Dividends payable	2,796	29
Current portion of:		
Bank loans (Notes 15 and 25)	3,311	3,620
Loans payables (Notes 15 and 25)	494	644
Notes payable (Notes 16 and 25)	4,501	61
Total Current Liabilities	29,589	21,301

(Forward)



Vista Land & Lifescapes, Inc.
 Consolidated Statements of Financial Position
 As of September 30, 2018 and December 31, 2017
 (In Million Pesos)

	Unaudited 09/30/2018	Audited 12/31/2017
Noncurrent Liabilities		
Bank loans - net of current portion (Notes 15 and 25)	38,062	32,179
Loans payable - net of current portion (Notes 15 and 25)	2,586	3,116
Notes payable - net of current portion (Notes 16 and 25)	60,908	54,440
Deferred tax liabilities - net (Note 22)	3,454	3,216
Other noncurrent liabilities (Note 17)	2,922	1,675
Total Noncurrent Liabilities	107,932	94,626
Total Liabilities	137,521	115,927
Equity (Note 18)		
Attributable to equity holders of the Parent Company		
Capital stock	13,147	13,147
Additional paid-in capital	30,655	30,655
Other comprehensive income	1,562	1,281
Treasury shares	(6,980)	(6,980)
Retained earnings	49,504	44,137
	87,888	82,240
Non-controlling interest	1,940	1,768
Total Equity	89,828	84,008
	227,349	199,935

See accompanying Notes to Consolidated Financial Statements.



Vista Land & Lifescapes, Inc.
 Consolidated Statements of Comprehensive Income
 For the nine months ended September 30, 2018 and
 2017 (In Million Pesos)

	Unaudited Jul-Sept	Unaudited Jan-Sept	Unaudited Jul-Sept	Unaudited Jan-Sept
	Q3-2018	2018	Q3-2017	2017
REVENUE				
Real estate	7,590	24,246	6,472	20,823
Rental income	1,742	4,851	1,435	4,128
Interest income	251	1,101	350	1,043
Miscellaneous income (Note 19)	330	854	396	861
	9,913	31,052	8,653	26,855
COSTS AND EXPENSES				
Costs of real estate sales (Notes 7 and 20)	3,544	11,505	3,060	10,112
Operating expenses (Note 20)	2,336	6,972	1,937	6,395
	5,880	18,477	4,997	16,507
OTHER EXPENSES				
Interest and financing charges	440	3,082	691	2,232
Other	13	-	1	-
	453	3,082	692	2,232
INCOME BEFORE INCOME TAX	3,580	9,493	2,964	8,116
PROVISION FOR INCOME TAX (Note 22)	516	1,187	314	970
NET INCOME	3,064	8,306	2,650	7,146
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company	2,990	8,086	2,573	6,954
Noncontrolling interest	74	220	77	192
	3,064	8,306	2,650	7,146
Weighted average common shares	12,827	12,827	12,827	12,827
Basic/Diluted earnings per share	0.233	0.630	0.201	0.542



Vista Land & Lifescapes, Inc.
 Consolidated Statements of Comprehensive Income
 For the nine months ended September 30, 2018 and 2017
 (In Million Pesos)

	Unaudited Jul-Sept Q3-2018	Unaudited Jan-Sept 2018	Unaudited Jul-Sept Q3-2017	Unaudited Jan-Sept 2017
NET INCOME	3,064	8,306	2,650	7,146
OTHER COMPREHENSIVE INCOME				
Cumulative translation adjustment and changes in Fair Value of AFS	- 160	- 101	- 51	- 186
TOTAL COMPREHENSIVE INCOME	160	101	51	186
	3,224	8,407	2,701	7,332
Total comprehensive income attributable to:				
Equity holders of Vista Land & Lifescapes, Inc.	3,150	8,187	2,625	7,140
Minority interest	74	220	76	192
	3,224	8,407	2,701	7,332
Weighted average common shares	12,827	12,827	12,827	12,827
Basic/Diluted earnings per share	0.233	0.630	0.201	0.542



Vista Land & Lifescapes, Inc.
 Consolidated Statements of Changes in Equity
 For the nine months ended September 30, 2018 and 2017
 (In Million Pesos)

	Unaudited 09/30/2018	Unaudited 09/30/2017
CAPITAL STOCK		
Common – P1 par value		
Authorized – 4,000,000 shares in February 28, 2007		
12,000,000,000 shares in May 23, 2007 and		
11,000,000,000 shares in November 24, 2010		
11,900,000,000 shares in October 5, 2012		
17,900,000,000 shares in November 11, 2015		
Issued – 1,000,000 shares as of February 28, 2007;		
8,538,740,614 shares as of September 30, 2011;		
10,038,740,614 shares as of November 10, 2015;		
12,654,891,753 shares as of December 22, 2015;		
13,114,136,376 shares as of February 23, 2016;	13,114	13,114
Preferred – P0.01 par value		
Authorized – P10,000,000,000 shares in October 5, 2012		
Issued – P3,300,000,000 shares in March 31, 2013 (Note 18)	33	33
Balance at end of period	13,147	13,147
ADDITIONAL PAID-IN CAPITAL		
Balance at beginning of period	30,655	30,655
Adjustment	-	-
Balance at end of period	30,655	30,655
RETAINED EARNINGS		
Balance at beginning of period	44,137	36,954
Dividends Declared	(2719)	(1,622)
Minority Interest	(220)	(192)
Net income	8,306	7,146
Balance at end of period	49,504	42,286
OTHER COMPREHENSIVE INCOME		
Balance at beginning of period	1,281	1,111
Adjustment	281	187
Balance at end of period	1,562	1,298
TREASURY SHARES		
Balance at beginning of period	(6,980)	(6,917)
Acquisition of treasury shares	-	(63)
Balance at end of period	(6,980)	(6,980)
NON-CONTROLLING INTEREST		
Balance at beginning of period	1,768	1,545
Net income	220	193
Adjustment	(48)	(36)
Balance at end of period	1,940	1,702
	89,828	82,108



Vista Land & Lifescapes, Inc.
 Consolidated Statements of Cash Flows
 For the nine months ended September 30, 2018 and
 2017 (In Million Pesos)

	Jul-Sept 3Q-2018	Jan-Sept 2018	Jul-Sept 3Q-2017	Jan-Sept 2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	3,580	9,493	2,964	8,116
Adjustments for:				
Interest and other financing charges	441	3,082	691	2,232
Depreciation and amortization	362	1,073	332	1,008
Retirement Expense, net of benefits paid and contribution to contribution plan	(50)	(50)	(15)	(15)
Unrealized foreign exchange losses	(11)	(11)	-	-
Interest income	(251)	(1,101)	(351)	(1,044)
Operating income before working capital changes	4,070	12,487	3,621	10,297
Decrease (increase) in:				
Receivables	(2,606)	(9,825)	(2,853)	(8,986)
Real estate inventories	5,980	3,255	1,055	2,037
Other current assets	(829)	(1,649)	(710)	(1,234)
Increase (decrease) in:				
Accounts and other payables	(4,732)	480	(1,598)	2,664
Customers' advances and deposits	1,942	2,653	2,055	2,059
Pension liabilities, net			(668)	
Net cash flows provided by operations	3,826	7,402	903	6,838
Interest received	(82)	767	(54)	639
Income tax paid	86	(169)	127	(144)
Interest paid	(2,956)	(5,597)	(2,509)	(4,050)
Net cash flows provided by operating activities	874	2,403	(1,534)	3,282
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions				
Increase in project development costs	(343)	(287)	(1,157)	(1,188)
Disposal (Acquisition) of short-term cash investments	(207)	103	27	(225)
Deductions (Additions) to land and improvements	(2,471)	(3,608)	2,939	(3,601)
Additions to Investment properties and Property and Equipment	(3,225)	(9,414)	(920)	(3,099)
Disposal of AFS financial assets	559	-	1,737	1,882
Disposal (Acquisition) of HTM investments	2,056	(3,357)	(924)	(565)
Decrease (Increase) in other noncurrent assets	388	274	(283)	(299)
Payable to (Receivables from) related parties	(686)	(3,362)	1,157	(573)
Decrease in other noncurrent liabilities	(140)	-	(1,966)	-
Net cash flows used in investing activities	(4,069)	(19,652)	612	(7,666)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net Proceeds from (Payments of):				
Notes payable	5,783	8,073	4,489	9,348
Bank loans	(2,229)	5,508	(489)	(1,191)
Loans payable	(450)	(681)	(382)	(477)
Increase (Decrease) in other noncurrent liabilities	1,247	1,247	(1,707)	(1,707)
Payment of shares issuance cost-net	2	-	2	-
Acquisition of treasury shares	-	-	-	(63)
Net cash flows provided by financing activities	4,352	14,147	1,912	5,909
EFFECT OF CHANGE IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	11	11	(19)	(19)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,169	(3,091)	971	1,506
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,235	11,494.51	9,437	8,903
CASH AND CASH EQUIVALENTS AT END OF YEAR	8,403	8,403	10,408	10,408

VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Vista Land & Lifescapes, Inc. (the Parent Company) was incorporated in the Republic of the Philippines and registered with the Securities and Exchange Commission (SEC) on February 28, 2007. The Parent Company's registered office address is at Lower Ground Floor, Building B, EVIA Lifestyle Center, Vista City, Daanghari, Almanza II, Las Piñas City. Formerly, the registered office address is at 3rd Level Starmall Las Piñas, CV Starr Avenue, Philamlife Village, Pamplona, Las Piñas City. The change in address was approved by the Board of Directors (BOD) and SEC on May 15, 2017 and on December 29, 2017, respectively. The Parent Company is a publicly-listed investment holding company which is 51.85% owned by Fine Properties, Inc., (Ultimate Parent Company), 48.15% owned by PCD Nominee Corporations and the other entities and individuals.

The Parent Company is the holding company of the Vista Group (the Group) which is engaged in real estate industry. The Group has six (6) wholly-owned subsidiaries, namely: Brittany Corporation (Brittany), Crown Asia Properties, Inc. (CAPI), Vista Residences, Inc. (VRI), Camella Homes, Inc. (CHI), Communities Philippines, Inc. (CPI) and VLL International Inc. (VII), and an 88.34% owned subsidiary, Starmalls, Inc. The Group is divided into horizontal, vertical and commercial and others segment. The Group caters on the development and sale of residential lots and units and residential high-rise condominium through its horizontal and vertical projects, respectively. Its commercial and others segment focuses on the development, leasing and management of shopping malls and commercial centers all over the Philippines and hotel operations. On November 10, 2015, the Parent Company acquired Starmalls, Inc. and its subsidiaries (Starmalls Group) namely, Masterpiece Asia Properties, Inc. (MAPI) and Manuela Corporation. Starmalls, Inc. is a listed entity in the Philippines, and together with its subsidiaries, is a major developer, owner and operator of retail malls that target mass market retail consumers in the Philippines. It also develops and operates BPO commercial centers located in Metro Manila. Its commercial assets portfolio have a combined gross floor area of 1,160,381 square meters (sq.m.). as at September 30, 2018.

2. Summary of Significant Accounting Policies

Basis of Preparation

The interim condensed consolidated financial statements as at September 30, 2018 and for the nine-month periods ended September 30, 2018 and 2017 have been prepared on a historical cost basis, except for available-for-sale (AFS) financial assets which have been measured at fair value.

The interim condensed consolidated financial statements are presented in Philippine Peso (₱) which is the functional and presentation currency of the Parent Company, and all amounts are rounded to the nearest Philippine Peso, unless otherwise indicated.

Statement of Compliance

The interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended December 31, 2017 which have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The interim condensed consolidated financial statements of the Group have been prepared solely for inclusion in the offering circular in relation to a planned capital raising activity.

Basis of Consolidation

The interim condensed consolidated financial statements include the accounts of the Parent Company and all of its subsidiaries where the Parent Company has control. 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

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.

All significant intercompany balances and transactions, including income, expenses and dividends, are eliminated in full. Profit and losses resulting from intercompany transactions that are recognized in assets are eliminated in full.

There were no changes in the Parent Company's ownership interests in its subsidiaries from January 1, 2018 to September 30, 2018.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as at and for the year ended December 31, 2017, except for the following amendments which the Group adopted starting January 1, 2018.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

This amendment has no impact to the Group because it does not have share-based payment transactions.

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge

accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group performed its initial impact assessment of PFRS 9 and assessed that it will impact its methodology and measurement of credit losses as well as its classification and measurement of financial assets. There is no impact to the classification and measurement of its financial liabilities.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

The amendments has no impact to the Group since none of the entities within the Group are engaged in insurance business.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group will apply modified retrospective method.

Based on its initial assessment, the requirements of PFRS 15 on the following may have significant impact on the Group's consolidated financial position, performance and disclosures:

- Significant financing component in relation to advance payments received from customers or advance proportion of work performed
- Determination if existing documentation would meet the definition of contracts for real estate agreements
- Accounting for costs in obtaining the contract for real estate agreements
- Measurement of progress for real estate

The recognition and measurement requirements in PFRS 15 also apply to gains or losses on disposal of nonfinancial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business.

- Philippines Interpretation Committee (PIC) issued PIC Q&A 2018-12, *PFRS 15 Implementation Issues Affecting the Real Estate Industry*

On February 14, 2018, the Philippines Interpretation Committee (PIC) issued PIC Q&A 2018-12 which provides guidance on some implementation issues of PFRS 15 affecting real estate industry. Subsequently on October 25, 2018, the Philippine Securities and Exchange Commission (SEC)

issued SEC Memorandum Circular No. 14 Series of 2018 which provides relief to the real estate industry by deferring the application of the following provisions of the PIC Q&A No. 2018-12 (Q&A) for a period of 3 years:

- a. Exclusion of land and uninstalled materials 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

During this period of deferral, land will be allowed to be included in the POC calculation only at historical acquisition cost. Uninstalled materials can be included in the calculation of POC based on the proportionate work accomplishment of significant building components procured which are specifically and directly identifiable to the project, as long as covered by contracts or purchase orders and are partially paid for. The impact of significant financing component on the transaction price may not be considered in the determination of transaction price during the period of deferral.

A real estate company may opt not to avail of any of the relief provided above and therefore will comply in full with the requirements of PIC Q&A No. 2018-12 in respect of the relief not availed of.

The SEC Memorandum Circular also provided the mandatory disclosure requirements should the real estate company decided to avail of any relief. Disclosures should include:

- Discussion of the deferral of the subject implementation issues in the PIC Q&A
- Qualitative discussion of the impact to the financial statements had the concerned application guideline in the PIC Q&A has been adopted.
- 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.

This deferral will only be applicable for real estate sales transactions. Effective 01 January 2021, real estate companies will adopt PIC Q&A No. 2018-12 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

The Group opted to avail of the deferral of the adoption of PIC Q&A No. 2018-12 and will comply with the required disclosure requirements of SEC Memorandum Circular No. 14 Series of 2018 in its annual financial statements.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

The amendments should be applied retrospectively, with earlier application permitted. The amendment has no impact to the Group's consolidated financial statements since entities within the Group are not venture capital organization or alike.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

This amendment may apply to the Group's land and land improvements consisting of property for future development and is carried at the lower of cost or NRV. There were no transfers in and out of investment property in 2018.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The interpretation does not have a significant effect on its consolidated financial statements.

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, 2019

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

The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

The Group will apply this amendment if there are transactions of this nature in the future. None of its current transactions will fall under this feature.

- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset

representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

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

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The adoption of the standard is expected to impact its lease arrangements on land on which its investment properties are situated. There is no significant impact to the Group as a lessor for its investment portfolio. There will be more disclosures as required by the new standard.

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

The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

The Group does not expect this amendment to have significant impact to the consolidated financial statements because it does not currently have interests in associates and joint ventures.

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

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

The interpretation specifically addresses the following:

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

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

The Group is currently assessing the impact of adopting this interpretation.

Deferred effectivity

- Amendments to PFRS 10 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, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed 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.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future. Except as otherwise stated, the significant accounting judgments, estimates and assumptions used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements as at and for the year ended December 31, 2017.

3. Segment Information

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

Horizontal Projects

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

Vertical Projects

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

Commercial and others

This segment pertains to rental of malls and commercial spaces and activities of holding companies.

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

The amount of segment assets and liabilities are based on the measurement principles that are similar with those used in measuring the assets and liabilities in the consolidated statements of financial position which is in accordance with PFRS. The segment assets are presented separately from the receivables from related parties, AFS financial assets, HTM investments and deferred taxes. Segment liability are presented separately from the deferred tax liabilities.

The financial information about the operations of these business segments for the nine months ended September 30, 2018 is summarized below (in Php Millions):

	Horizontal	Vertical	Commercial and Others	Intersegment Adjustments	Consolidated
Real Estate Revenue	19,960	4,286	-	-	24,246
Rental Income	-	-	4,886	(35)	4,851
Miscellaneous Income	308	32	514	-	854
	<u>20,268</u>	<u>4,317</u>	<u>5,401</u>	<u>(35)</u>	<u>29,951</u>
Cost and Operating expenses	(12,710)	(3,129)	(1,599)	35	(17,403)
Segment Income before income tax	7,558	1,188	3,802	-	12,548
Interest Income	334	22	744	-	1,101
EBITDA	7,892	1,211	4,546	-	13,649
Interest and other Financing charges	(187)	(163)	(2,732)	-	(3,082)
Depreciation and Amortization	(127)	(10)	(937)	-	(1,073)
Income before income tax	7,578	1,038	877	-	9,493
Provision for Income Tax	436	3	748	-	1,187
Net Income	7,142	1,035	129	-	8,306
Segment Assets	92,535	26,428	67,729	-	186,692
Receivable from related parties	(20,241)	(6,149)	33,016	-	6,627
AFS Financial Assets	88	-	7,157	-	7,245
HTM investments	-	-	27,264	-	27,264
Deferred Tax Assets	557	-	115	-	672
Total Assets	72,939	20,279	135,282	-	228,500
Segment Liabilities	73,106	11,647	50,997	-	135,751
Deferred Tax Liabilities	1,458	315	1,148	-	2,921
Total Liabilities	74,564	11,962	52,145	-	138,672

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

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

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

4. Cash and Cash Equivalents

This account consists of (in Php Millions):

Cash on hand and in banks	5,530
Cash equivalents	2,873
	<u>8,403</u>

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

	Sept 30, 2018	Dec 31, 2017
Philippine Peso	0.25% to 3.50%	0.10% to 2.75%
US Dollar	0.25% to 1.75%	0.10% to 2.50%

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

5. 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>	<u>Sept 30, 2018</u>	<u>Dec 31, 2017</u>
	₱ 243	₱ 346
Philippine Peso	2.00% to 3.50%	2.00% to 2.50%
US Dollar	–	1.62% to 9.25%

Interest earned from short-term cash investments for the nine months ended September 30, 2018 and 2017 amounted to ₱1.9 million and ₱1.8 million, respectively.

AFS financial assets

This account consists of equity and debt securities as follow:

<u>(in Php Millions)</u>	<u>Sept 30, 2018</u>	<u>Dec 31, 2017</u>
Equity securities		
Quoted	₱85	₱77
Unquoted	45	45
Debt securities		
Quoted	7,115	6,491
	7,245	6,613
Less current portion	7,115	6,491
	₱130	₱122

Quoted securities

This account consists of investments in fixed maturity bond funds and equity shares. As of September 30, 2018 and December 31, 2017, the investments have an aggregate fair value of ₱7,115 million and ₱6,491 million, respectively.

As of September 30, 2018 and December 31, 2017, there is no disposal of AFS financial assets that will result to a gain or loss. Accordingly, no transfer from the cumulative changes in fair value of AFS financial assets to the profit or loss occurred in the said periods.

Unquoted equity securities

This account pertains to unlisted preferred shares in a public utility company which the Group will continue to carry as part of the infrastructure that it provides for its real estate development projects and other operations. These are carried at cost less impairment, if any.

HTM investments

This account consists of the Group's investments in various US dollar-denominated debt securities.

As of September 30, 2018 and December 31, 2017, no impairment losses were recognized on these investments.

6. Receivables

This account consists of:

Installment contracts receivable at amortized cost	₱ 39,093
Accrued interest receivable	414
Accounts receivable at amortized cost:	
Tenants	5,459
Home Development Mutual Fund (HDMF)	492
Buyers	199
Others	676
Advances to:	
Contractors	6,320
Private Companies	679
Suppliers	958
Brokers	252
	<hr/>
	54,543
Less allowance for impairment losses	333
	<hr/>
	54,210
Less noncurrent portion at amortized cost	6,616
	<hr/>
	₱ 47,594
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Installment contracts receivable at amortized cost

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

Accounts Receivable at amortized cost

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

Receivable from buyers

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

Others

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

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

7. Real Estate Inventories

This account consists of:

Subdivision land for sale and development	₱ 21,284
Condominium units for sale and development	3,687
Residential house units for sale and development	1,182
	<u>₱ 26,153</u>

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

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

Real estate inventories recognized as cost of sales are included as cost of real estate sales in the consolidated statements of comprehensive income (Note 20). Cost of real estate sales includes acquisition cost of subdivision land, amount paid to contractors, development costs, capitalized borrowing costs and other costs attributable to bringing the real estate inventories to its intended condition.

Construction and development costs represent approximately 75% to 85% of the cost of sales.

Except as stated, there are no other real estate inventories used as collateral or pledged as security to secure the borrowings of the Group (Note 15).

8. Other Current Assets

This account consists of:

Input VAT	₱ 1,623
Creditable withholding taxes	1,280
Prepaid expenses	1,225
Construction materials and others	933
Deposits for real estate purchases and others	6
	<u>₱ 5,067</u>

The input VAT is applied against output VAT. The remaining balance is recoverable in future periods.

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

The Group will be able to apply the creditable withholding taxes against income tax payable.

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

Deposits for real estate purchases substantially represent the Group's payments to real estate property owners for the acquisition of certain real estate properties. Although the terms of the agreements provided that the deeds of absolute sale for the subject properties are to be executed only upon fulfillment by both parties of certain undertakings and conditions, including the payment by the Group of the full contract prices of the real estate properties, the Group already has physical possession of the original transfer certificates of title of the said properties.

9. Land and Improvements

This account consists of properties for future development and carried at cost or NRV. There are no borrowing costs capitalized to these properties as development has not commenced. Transfers pertain to properties to be developed for sale and these are included under "Real estate inventories" account.

There are no land and improvements carried at NRV.

The Group recorded no provision for impairment in September 30, 2018 and December 31, 2017.

Except as stated, the land and improvements are not used to secure the borrowings of the Group.

10. Investment Properties

The investment properties consist mainly of land and commercial centers that are held to earn rental income. These include Vista Malls and Starmalls that are located in key cities and municipalities in the Philippines and BPO commercial centers in Greater Manila, with a combined gross floor area of 1,160,381 sq.m. The construction in progress represents capitalized costs arising from construction of commercial centers that are located in Taguig City, Las Pinas City, Pampanga, Bulacan, Cavite, Davao, Iloilo, Naga, and Cagayan de Oro which is due to be completed in 2018 to 2020.

Except as stated, there are no other investment properties used as collateral or pledged as security to secure the borrowings of the Group (Note 15).

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

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

The market price per square meter of these investment properties ranged from ₱16,787 to ₱203,799. Except for the land, the estimated useful life of the investment properties is 10 to 40 years.

11. Investments and Advances in Project Development Costs

This account consists of interests in project development cost.

Investments in project development costs pertain to deposits, cash advances and other charges in connection with the Land Development Agreement (LDA) entered into by the Group with individuals, corporate entities and related parties for the development of real estate projects. The LDA provides, among others, the following: a) the Group will undertake the improvement, subdivision and development of the real estate project within a certain period as prescribed by the LDA, subject to certain conditions to be fulfilled by the real estate property owner; and b) the parties shall divide among themselves all saleable inventory of the real estate project in accordance with the ratio mutually agreed.

12. Other Noncurrent Assets

This account consists of:

Cash restricted for use	₱ 622
Deposits	604
Model house accessories at cost	162
Goodwill	147
Systems development costs - net of accumulated amortization	46
	₱ 1,581

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.

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

13. Accounts and Other Payables

This account consists of:

Accounts Payable	
Contractors	₱ 1,325
Suppliers	1,113
Buyers	681
Incidental Costs	8
Liabilities for purchased land	4,248
Accrued Expenses	1,391
Commission Payable	987
Retention Payable	1,029
Deferred output tax	739
Other payables	607
	₱ 12,128

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. The fair value of liabilities for purchased land is derived using the discounted cash flow model using the discount rate ranging from 5.74% to 6.85% with EIR ranging from 0.44% to 4.59%. Liabilities for purchased land that are payable beyond one year from year end date are reported as noncurrent liabilities (Note 17).

Accrued expenses consist mainly of accruals for interest on bonds and bank loans, unpaid utilities, marketing costs, professional fees, postal and communication, supplies, repairs and maintenance, transportation, travel, security and insurance.

The accounts payable and other payables are noninterest-bearing and are expected to be settled within a year after the reporting date.

14. Customers' Advances and Deposits

This account consists of customers' reservation fees, down payments and excess of collections over the recognized revenue for a specific customer's account.

The Group requires buyers of real estate units to pay a minimum percentage of the total selling price before the two parties enter into a sale transaction. Payments from buyers which have not reached the minimum required percentage are presented as customers' advances and deposits. When the level of required payment is reached by the buyer, a sale is recognized and these deposits and down payments are applied against the related installment contracts receivable.

The excess of collections over the recognized revenue is applied against the receivables in the succeeding years.

15. Bank Loans and Loans Payable

Bank Loans

Bank loans pertain to the borrowings of the Group from various local financial institutions. These bank loans are obtained to finance capital expenditures and for general corporate purposes.

Details follow:

	Bank Loans	Loans Payable
Parent company	₱ 33,155	₱ -
Subsidiaries	8,218	3,080
	41,373	3,080
Less current portion	3,311	494
	₱ 38,062	₱ 2,586

On April 16, 2018, the Parent Company obtained a 7-year unsecured peso denominated loan from a local bank amounting ₱5,000.00 million which bears annual fixed interest rate of 6.9943%. The principal balance of the loan will be paid in twenty five (25) equal quarterly installments commencing on the fourth interest payment date. The loan requires the Company to comply with certain covenants such as change of control provision wherein a material change of ownership of the major shareholder is not permitted and to maintain a current ratio of at least 1.00:1.00, a maximum debt-to-equity ratio of 2.50:1.00 and a debt-service coverage ratio (DSCR) of at least 1.00:100. These were complied with by the Group as at September 30, 2018.

For the nine-month period ended September 30, 2018 and year-ended December 31, 2017, the Group refinanced peso-denominated bank loans from different local banks amounting to ₱6,731.65 million and ₱4,820.00 million with fixed interest rates ranging from 3.75% to 4.00% per annum. The bank loans are secured by a hold-out on the HTM investments of VII amounting to US\$432.91 million (₱20,875.72 million) as of September 30, 2018 and US\$383.50 million (₱17,625.30 million) as of December 31, 2017 (Note 5). The loan 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 debt-service coverage ratio (DSCR) of at least 1.00:100. These were complied with by the Group as at September 30, 2018.

On July 24, 2017, MAPI, a subsidiary of the Company obtained a 10-year unsecured peso denominated loan from a local bank amounting ₱500.00 million which bears annual fixed interest rate of 6.2255%. The principal balance of the loan will be paid in thirty two (32) equal quarterly installments commencing on the ninth interest payment date. The loan requires MAPI to maintain a current ratio of at least 1.00:1.00, a maximum debt-to-equity ratio of 2.50:1.00 and a debt-service coverage ratio (DSCR) of at least 1.00:100. These were complied with by the Group as at September 30, 2018.

Loans Payable

These loans bear annual fixed interest rates ranging from 5.50% to 7.00% as at September 30, 2018 and 7.00% to 12.00% as at September 30, 2017, payable on equal monthly installment over a maximum period of 3 to 15 years. The installment contracts receivables serve as the collateral for the loans payable (Note 6).

16. Notes Payable

This account consists of:

Dollar denominated bonds	₱ 37,815
Retail bonds	9,913
Corporate note facility	17,681
	65,409
Less current portion	4,501
	₱ 60,908

Dollar Denominated Bonds

US\$350.00 million Notes (Due November 2024)

On November 28, 2017, VII (the Issuer) issued US\$350.00 million (₱17,724.00 million) notes (“Notes”) with a term of seven years from initial draw down date. The interest rate is 5.75% per annum payable semi-annually in arrears on May 28 and November 28 of each year beginning on November 28, 2017. Said notes were used to fund tender offer for existing Notes due October 4, 2018 and April 29, 2019. Some of the proceeds was used to refinance existing debt and for general corporate purposes. There are no properties owned by the Group that were pledged as collateral to this note. As of September 30, 2018, outstanding balance of note amounted to US\$341.12 million (₱18,427 million).

Redemption at the option of the issuer

At any time, the Issuer may on any one or more occasions redeem all or a part of the Notes on any business day or after November 28, 2021 and up to but excluding the Maturity date, the Issuer may on one or more occasions redeem all or part of the Notes, at the redemption price (expressed in percentages of principal amount on the date of redemption), plus accrued and unpaid interest, if any, to (but not including) the date of redemption, if redeemed during the 12-month period commencing on November 28 of the years set forth below:

<u>Period</u>	<u>Price</u>
2021	102.8750%
2022	101.4375%
2023 and thereafter	100.0000%

Covenants

The Notes provide for the Group to comply with certain covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers, acquisitions and disposals; and certain other covenants. The incurrence test for additional debt requires the Group to have a proforma (Fixed Charge Coverage Ratio) FCCR of not less than 2.25x. These were complied with by the Group as at September 30, 2018.

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. As of September 30, 2018 outstanding balance of note amounted to

US\$234 million (₱12,646 million). There are no properties owned by the Group that were pledged as collateral to this note.

On February 2, 2016, an additional unsecured note, with the same terms and conditions with the above notes, were issued by the Group amounting to USD\$125.00 million (₱5,996.25). The notes were issued at 102% representing a yield to maturity of 6.979%. As of September 30, 2018 outstanding balance of note amounted to US\$125 million (₱6,742 million). There are no properties owned by the Group that were pledged as collateral to this note.

Redemption at the option of the issuer

At any time, the Issuer may on any one or more occasions redeem all or a part of the Notes, by giving notice, at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest, if any, to, the date of redemption, subject to the rights of the person in whose name the Note is registered on the relevant record date to receive interest due on the relevant interest payment date.

Covenants

The Notes provide for the Group to comply with certain covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers, acquisitions and disposals; and certain other covenants. The incurrence test for additional debt requires the Group to have a proforma FCCR of not less than 2.5x. These were complied with by the Group as at September 30, 2018.

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

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

US\$350.00 million Notes (Due April 2019)

On April 29, 2014, VII (the Issuer) issued unsecured US\$225.00 million (₱10,021.50 million) notes (“Notes”) due April 29, 2019 to refinance its debt and for general corporate purposes. The interest rate of 7.45% per annum is payable semi-annually in arrears on April 29 and October 29 of each year commencing on October 29, 2014.

On September 11, 2014, an additional unsecured note, with the same terms and conditions with the above notes, were issued by the Issuer amounting to US\$125.00 million. The notes were issued at 102% representing a yield to maturity of 6.935%.

As of December 31, 2017 and 2016, outstanding balance of the notes amounted to nil and US\$174.92 million (₱8,697.25 million).

The Notes are unconditionally and irrevocably guaranteed by the Parent Company and its subsidiaries. Other pertinent provisions of the Notes follow:

Redemption at the option of the issuer

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

Redemption upon a change in control

Unless the Notes are previously redeemed, repurchased and cancelled, the issuer will, no later than 30 days following a change of control make an offer to purchase all outstanding Notes at a purchase price equal to 101% of their principal amount together with accrued and unpaid interest, if any. Change of control includes the sale of all or substantially all the properties or assets of the issuer or its restricted subsidiaries.

Covenants

The Notes provide for the Group to comply with certain covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers, acquisitions and disposals; and certain other covenants. The incurrence test for additional debt requires the Group to have a proforma FCCR of not less than 2.5x. These were complied with by the Group as at September 30, 2018.

On November 10, 2017, the Issuer launched a tender offer to purchase any and all of the Notes due 2019 as part of its liability management. On November 21, 2017 the end of tender offer period, the Group has accepted valid tender offers representing 41.92% of the total outstanding Notes or an aggregate of \$75.78 million in nominal amount. The settlement was made on November 29, 2017 at 107.241% purchase price. The outstanding balance after the tender offer amounted to \$105.01 million.

On November 21, 2017, the issuer elected the Make Whole Redemption option to redeem and pay the remaining outstanding balance of the Notes after the Tender Offer period.

On December 21, 2017, the issuer redeemed and paid \$105.01 million remaining balance of the Notes at 106.869% redemption price. The notes were fully paid as of December 31, 2017.

The exercise of make whole redemption for Notes due in April 2019 resulted to payment of premium of ₱364.00 million and interest of ₱57.02 million which are recorded in interest and other financing charges of the consolidated statements of comprehensive income.

US\$100.00 million Notes (Due October 2018)

On October 4, 2013, VII (the Issuer) issued unsecured US\$100.00 million bonds with a term of five years from the issue date. The interest rate is 6.75% per annum payable semi-annually in arrears on April 4 and October 4 of each year commencing on April 4, 2014. As of December 31, 2017 and 2016, outstanding balance of the bond amounted to nil and US\$50.13 million (₱2,492.38 million).

The Notes are unconditionally and irrevocably guaranteed by the Group. Other pertinent provisions of the Notes follow:

Redemption at the option of the issuer – equity clawback

At any time prior to September 30, 2013, the Group may redeem up to 35% of the aggregate principal amount of the US Notes originally issued at a redemption price equal to 106.75% of the principal amount, plus accrued and unpaid interest, if any, to the date of redemption with the net cash proceeds of an equity offering; provided that: (i) at least 65% of the aggregate principal amount of US Notes originally issued remains outstanding immediately after the occurrence of such redemption and (ii) the redemption occurs within 60 days of the date of the closing of such equity offering. The Notes contains an equity clawback option.

Redemption at the option of the issuer – early redemption

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

Covenants

The Notes provide for the Group to comply with certain covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers, acquisitions and disposals; and certain other covenants. The incurrence test for additional debt requires the Group to have a proforma FCCR of not less than 2.5x. These were complied with by the Group as at September 30, 2018.

On September 29, 2016, VII repurchased US\$10.70 million out of the remaining US\$62.51 million notes outstanding prior to the repurchase date.

On November 10, 2017, the Issuer launched a tender offer to purchase any and all of the Notes due 2018 as part of its liability management. On November 21, 2017, the end of tender offer period, the Group has accepted valid tender offers representing 8.78% of the total outstanding Notes or an aggregate of \$4.55 million in nominal amount. The settlement was made on November 29, 2017 at 103.863% purchase price. The outstanding balance after the tender offer amounted to \$47.26 million.

On November 21, 2017, the Issuer elected the Make Whole Redemption option to redeem and pay the remaining outstanding balance of the Notes after the Tender Offer period.

On December 21, 2017, the issuer redeemed and paid \$47.26 million remaining balance of the Notes at 103.522% redemption price. The notes were fully paid as of December 31, 2017.

The exercise of make whole redemption for Notes due in October 2018 resulted to payment of premium of ₱84.00 million and interest of ₱34.44 million which are recorded in interest and other financing charges of the consolidated statements of comprehensive income.

Peso Retail Bonds

2017 Fixed-rate Peso Retail Bonds

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

The offer is comprised of 7-year fixed rate bonds due on August 8, 2024 and 10-year fixed rate bonds due on August 9, 2027 with interest rates of 5.75% and 6.23% per annum, respectively. This is the initial tranche offered out of the shelf registration of fixed rate bonds in the aggregate principal amount of up to ₱20,000.00 million to be offered within a period of three (3) years. Interest on the Retail Bonds is payable quarterly in arrears starting on November 8, 2017 for the first interest payment date and on February 8, May 8, August 8 and November 8 each year for each subsequent payment date.

As of September 30, 2018, outstanding balance of the bonds amounted to ₱4,963 million.

Redemption at the option of the issuer

The Issuer may redeem in whole, the outstanding Retail Bonds on the following relevant dates. The amount payable to the bondholders upon the exercise of the early redemption option by the Issuer shall be calculated, based on the principal amount of Retail Bonds being redeemed, as the sum of: (i) accrued interest computed from the last interest payment date up to the relevant early redemption option date; and (ii) the product of the principal amount of the Retail Bonds being redeemed and the early redemption price in accordance with the following schedule:

- a) 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%
- b) Ten Year Bonds:
 - i. Seven (7) years from issue date at early redemption price of 102.00%

- ii. Eight (8) years from issue date at early redemption price of 101.00%
- iii. Nine (9) years from issue date at early redemption price of 100.50%

Covenants

The Retail Bonds provide for the Group to comply with covenants including, among others, incurrence or guarantee of additional indebtedness; prepayment or redemption of subordinate debt and equity; making certain investments and capital expenditures; consolidation or merger with other entities; and certain other covenants. The Retail Bonds requires the Group to maintain a current ratio of at least 1.00:1.00, a maximum debt-to-equity ratio of 2.50:1.00 and a DSCR of at least 1.00:100. These were complied with by the Group as at September 30, 2018.

2014 Fixed-rate Peso Retail Bonds

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

The offer is comprised of 5-year fixed rate bonds due on November 9, 2019 and 7-year fixed rate bonds due on May 9, 2021 with interest rate of 5.65% and 5.94% per annum, respectively. Interest on the Retail Bonds is payable quarterly in arrears starting on August 9, 2014 for the first interest payment date and on February 9, May 9, August 9 and November 9 each year for each subsequent interest payment date.

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

As of September 30, 2018 outstanding balance of the bonds amounted to ₱4,971 million.

Redemption at the option of the issuer

The Group may redeem in whole, the outstanding Retail Bonds on the following relevant dates. The amount payable to the bondholders upon the exercise of the early redemption option by the Group shall be calculated, based on the principal amount of Retail Bonds being redeemed, as the sum of: (i) accrued interest computed from the last interest payment date up to the relevant early redemption option date; and (ii) the product of the principal amount of the Retail Bonds being redeemed and the early redemption price in accordance with the following schedule:

- a) Five Year Bonds:
 - i. Three (3) years and six (6) months from issue date at early redemption price of 101.00%
 - ii. Four (4) years from issue date at early redemption price of 100.50%
- b) Seven Year Bonds:
 - i. Five (5) years and six (6) months from issue date at early redemption price of 101.00%
 - ii. Six (6) years from issue date at early redemption price of 100.50%

Covenants

The Retail Bonds provide for the Group to comply with certain covenants including, among others, incurrence or guarantee of additional indebtedness; prepayment or redemption of subordinate debt and equity; making certain investments and capital expenditures; consolidation or merger with other entities; and certain other covenants. The Retail Bonds require the Group to maintain a current ratio of at least 1.00:1.00, a maximum debt-to-equity ratio of 1.50:1.00 and a DSCR of at least 1.00:100. These were complied with by the Group as of September 30, 2018.

Corporate Note Facility

On July 11, 2018, the Parent Company (the Issuer) entered into a Corporate Notes Facility Agreement for the issuance of a long term corporate notes consisting of Seven-Year Corporate Notes due 2025

amounting to ₱1,700.00 million at a fixed rate of 7.4913% per annum and Ten-Year Corporate Notes due 2028 amounting to ₱6,000.00 million at a fixed rate of 7.7083% per annum.

On July 25, 2018, an additional issuance of Corporate Notes was made in the amount of ₱500.00 million due 2025, at a fixed interest of 7.4985% per annum.

The proceeds of the corporate notes were utilized for the 2018 capital expenditures for commercial property projects, and to fund other general corporate expenses.

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

a. Seven Year Notes:

<u>Early Redemption Date</u>	<u>Early Redemption Amount</u>
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>	<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%

As part of the issuance of the corporate notes, the subsidiaries of the Parent Company that acted as guarantors, irrevocably and unconditionally, are: Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc. Communities Philippines, Inc. Starmalls, Inc. and Vista Residences, Inc.

Covenants

The Corporate Notes Facility requires the Parent Company to maintain the pari passu ranking with all and future unsecured and unsubordinated indebtedness except for obligations mandatorily preferred or in respect of which a statutory preference is established by law. The Parent Company is also required to maintain at all times the following financial ratios: Current ratio at 1.00, debt to equity at 2.50 and debt service coverage ratio of at least 1.00. These were complied with by the Group as at September 30, 2018.

On December 28, 2016, the Parent Company (the Issuer) entered into a Corporate Notes Facility Agreement with China Bank Capital Corporation for the issuance of a long term corporate notes with a principal amount of up to ₱8,000.0 million. On April 21, 2017, a consent solicitation was made for amendments to include among others, increasing the corporate notes principal amount to up to ₱10,000.00 million and the appointment of RCBC Capital Corporation as Co-Lead Arranger together with the China Bank Capital Corporation in respect to the second draw down. Such amendments were consented by Note Holders representing at least fifty one percent (51%) of the outstanding corporate notes. On April 27, 2017, the Group made such amendments to the Corporate Note Facility dated December 28, 2016. The first drawdown was at ₱5,150.00 million in 2016. On May 3, 2017, the Issuer made its second drawdown at ₱4,850.00 million.

The proceeds for the first and second drawdown will be utilized for the 2017 capital expenditures, refinancing of existing indebtedness and to fund other general corporate expenses. The interests at the first drawdown at 6.1879% per annum and 6.2255% per annum for the second drawdown are payable quarterly in arrears while the principal amounts are payable in 2.00% annual amortizations on each principal repayment date with 82.00% to be repaid on maturity date. In case of default on the

notes, interest and any amount payable due to the lender, the borrower will pay a default interest. The issue cost amounted to ₱38.72 million.

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

Early Redemption Date	Early Redemption Amount
7 th anniversary from issue date and interest payment thereafter	102.00%
8 th anniversary from issue date and interest payment thereafter	101.00%
9 th anniversary from issue date and interest payment thereafter	100.50%

As part of the issuance of the corporate notes, the subsidiaries of the Parent Company that acted as guarantors, irrevocably and unconditionally, are: Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc. Communities Philippines, Inc. Starmalls, Inc. and Vista Residences, Inc.

Covenants

The Corporate Notes Facility requires the Parent Company to maintain the pari passu ranking with all and future unsecured and unsubordinated indebtedness except for obligations mandatorily preferred or in respect of which a statutory preference is established by law. The Parent Company is also required to maintain at all times the following financial ratios: Current ratio at 1.00, debt to equity at 2.50 and debt service coverage ratio of at least 1.00. No dividends may be declared or paid if the Parent Company is in default and it will not provide any loans or advances to third parties nor issue guarantees other than the benefit of any of its subsidiaries and in the ordinary course of business. These were complied with by the Parent Company as at September 30, 2018.

On April 20, 2012, the Parent Company secured a Peso Corporate Note Facility of up to ₱4,500.00 million from certain financial institutions to fund the Parent Company's capital expenditures, refinancing existing borrowings and for general corporate purposes. The Corporate Notes shall bear annual fixed interest rate based on applicable bench mark rate on drawdown date plus a certain spread and will mature five (5) years from drawdown date. The notes matured on April 25, 2017 with interest rate of 7.27%. There are no properties owned by the Parent Company that are pledged as collateral for this specific note.

Covenants

The Corporate Note Facility provides for the Parent Company to observe certain covenants including, among others, incurrence of additional debt; dividend restrictions; maintenance of financial ratios; granting of loans; and certain other covenants. The financial ratios are current ratio, debt to equity ratio, DSCR and FCCR which are to be maintained at 1.75, 1.50, 100 and 2.50, respectively. These were complied with by the Group as at September 30, 2018.

Homebuilder Bonds

On November 16, 2012, the Parent Company offered and issued to the public unsecured Homebuilder Peso bonds (the Bonds) of up to ₱2,500.00 million with an initial offering of ₱500.40 million for funding general corporate purposes. There are no properties pledged as collateral for the Homebuilder Bonds.

The first tranche was issued in equal monthly installments of up to ₱13.90 million over a period of 36 months, commencing on November 16, 2012 at a fixed interest rate of 5.00% per annum and shall mature three years from the initial issue date. On November 2015, the company paid out ₱362.97 million upon maturity. The bonds were fully extinguished as at December 31, 2017.

Other pertinent provisions of the bonds follow:

Redemption at the option of the issuer

At any time prior to November 16, 2015, the Issuer may redeem the bonds if the bondholder selects the application of payment for the purchase of the Group's property provided that: (i) early

application of payment is only available to eligible bondholders allowed by law to purchase the selected property of the Group; (ii) the bondholder expresses his intention to apply the payment for the purchase of the Group's property through written notice to the Group; and (iii) the Group approves the early application of payment. However, the bondholder can avail itself of this early application of payment only if: (i) such bondholder is able to fully pay or obtain firm bank or in-house financing; and (ii) the property of the bondholder's choice is from what the Group makes available to the bondholder to choose from.

Extension option

The bondholder may opt to extend the maturity of the bonds held and subscribe additional bonds for another twenty four (24) months, for and at the same monthly subscription payment, with the following terms:

- The first tranche of the bonds will have a maximum aggregate principal amount of ₱834.00 million, including any and all additional subscriptions;
- All subscriptions held by bondholders who exercised the extension option shall mature on the fifth (5th) anniversary of the initial issue date;
- Upon exercise of the extension option at least six (6) months prior to the initial maturity date, all subscriptions held shall bear interest on principal amount at a fixed rate of 6.75% per annum, applied prospectively from the initial maturity date to the extended maturity date; and
- Interest will not be compounded and shall be payable on the relevant maturity date or on the early redemption date, as may be applicable, less the amount of any applicable withholding taxes.

17. Other Noncurrent Liabilities

This account consists of:

Liabilities for purchased land (Note 13)	₱ 1,755
Retentions payable (Note 13)	628
Deferred output tax	539
	₱ 2,922

18. Equity

Capital Stock

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

	Sept 30, 2018	Dec 31, 2017
<i>Common</i>		
Authorized shares	17,900,000,000	17,900,000,000
Par value per share	₱1.00	₱1.00
Issued shares	13,114,136,376	13,114,136,376
Treasury shares	(₱6,980,294,580)	(₱6,980,294,580)
Value of shares issued	₱13,114,136,376	₱13,114,136,376
<i>Preferred</i>		
Authorized shares	10,000,000,000	10,000,000,000
Par value per share	₱0.01	₱0.01
Issued shares	3,300,000,000	3,300,000,000
Value of shares issued	₱33,000,000	₱33,000,000

Common shares

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

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

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

The common shares issued at ₱1.00 par value per share totaled ₱13,114,136,376 as of September 30, 2018.

Preferred shares

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

The preferred shares are voting, non-cumulative, non-participating, non-convertible and non-redeemable. The BOD may determine the dividend rate which shall in no case be more than 10% per annum.

Registration Track Record

On July 26, 2007, the Parent Company launched its follow-on offer where a total of 8,538,740,614 common shares were offered at an offering price of ₱6.85 per share. The registration statement was approved on June 25, 2007. After the listing in 2007, there have been subsequent issuances on November 10, 2015 and December 22, 2015 covering a total of 4,116,151,139 shares. The Parent Company has 957 and 960 existing certified shareholders as of September 30, 2018 and December 31, 2017, respectively.

Treasury Shares

Treasury shares (287,210,300) as of September 30, 2018 of the Parent Company amounting to P1,602 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 March 17, 2015, the BOD of the Parent Company approved the buyback of its common shares up to the extent of the total purchase price of ₱1.5 billion subject to the prevailing market price at the time of the buyback over a 24-month period but subject to periodic review by the management.

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

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

Retained Earnings

On September 28, 2018, the BOD of the Parent Company approved the change of dividend policy from an annual cash dividend payment ratio of approximately 20% of its consolidated net income from preceding fiscal year to a minimum of 20% of its consolidated net income from preceding fiscal year.

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

Non-controlling interest

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

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

Capital Management

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

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

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both a gross debt and net debt basis. As of September 30, 2018 and December 31, 2017, the Group had the following ratios:

	September 30, 2018	Dec 31, 2017
Current ratio	352%	467%
Debt-to-equity ratio	119%	107%
Net debt-to-equity ratio	71%	60%
Asset-to-equity ratio	253%	238%

As of September 30, 2018 and December 31, 2017, the Group had complied with all externally imposed capital requirements (Notes 15 and 16). No changes were made in the objectives, policies or processes for managing capital during the period ended September 30, 2018 and December 31, 2017.

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

Financial Risk Assessment

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

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

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

Exposure to foreign currency holdings are as follows:

	Sept 30, 2018	Dec 31, 2017
Cash and cash equivalents	US\$24	US\$93
AFS financial assets	132	130
HTM investments	505	437
Notes payable-net	(699)	(696)

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

19. Miscellaneous Income

Miscellaneous income mostly pertains to income from forfeited reservation fees and partial payments from customers whose sales contracts are cancelled before completion of required down payment (Note 14).

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

20. Cost and Expenses

Cost of real estate sales

Cost includes acquisition cost of subdivision land, construction and development cost and capitalized borrowing costs. Cost of real estate sales recognized for the period ended September 30, 2018 and 2017 amounted to ₱11,505 million and ₱10,112 million, respectively.

Operating expenses

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

Rent expenses

The Group entered into various lease agreements for administrative and selling purposes. These agreements are renewed on an annual basis with advanced deposits. Rent expenses included under "Occupancy costs" amounted to ₱847 million in September 30, 2018.

Miscellaneous expenses

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

21. Retirement Plan

The Group has noncontributory defined benefit pension plan covering substantially all of its regular employees. The benefits are based on current salaries and years of service and related compensation on the last year of employment. The retirement is the only long-term employee benefit.

The principal actuarial assumptions used to determine the pension benefits with respect to the discount rate, salary increases and return on plan assets were based on historical and projected normal rates.

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

Each year, an Asset-Liability Matching Study (ALM) is performed with the result being analyzed in terms of risk-and-return profiles. Union Bank's (UB) current strategic investment strategy consists of 47.29% of cash, 6.33% of investments in government securities, 45.89% of investment in private companies and 0.49% receivables. For the Group other than UB, the principal technique of the Group's ALM is to ensure the expected return on assets to be sufficient to support the desired level of funding arising from the defined benefit plans.

22. Income Tax

Provision for income tax consists of:

Current:	
RCIT/MCIT	₱795
Final	9
Deferred	383
	₱1,187

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. The subsidiaries will recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Board of Investments (BOI) Incentives

The BOI issued in favor of certain subsidiaries in the Group a Certificate of Registration as Developer of Mass Housing Projects for its 17 projects in 2014 and 22 real estate in 2013, 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.

23. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence (referred to herein as "affiliates"). Related parties may be individuals or corporate entities.

The Group in their regular conduct of business has entered into transactions with affiliates and other related parties principally consisting of advances and reimbursement of expenses and purchase and sale of real estate properties. The Group's policy is to settle its intercompany receivables and payables on a net basis.

Terms and conditions of transactions with related parties

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

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

Except as stated in Notes 15 and 16 to the consolidated financial statements, there have been no guarantees provided or received for any related party receivables or payables.

24. 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 and short-term cash investments: Due to the short-term nature of the account, the fair value of cash and cash equivalents and short-term cash investments approximate the carrying amounts in the consolidated statements of financial position.

Installment contracts receivables: Estimated fair value of installment contracts receivables is based on the discounted value of future cash flows using the prevailing interest rates for similar types of receivables as of the reporting date using the remaining terms of maturity. The discount rate used ranged from 4.22% to 6.29% and 3.97% and 6.32% in September 30, 2018 and December 31, 2017, respectively.

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

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

AFS financial assets: for AFS investment in unquoted equity securities, these are carried and presented at cost since fair value is not reasonably determine due to the unpredictable nature of future cash flows and without any other suitable methods of arriving at a reliable fair value.

The AFS financial assets carried at cost are preferred shares of a utility company issued to the Group as a consequence of its subscription to the electricity services of the said utility company needed for the Group's residential units. The said preferred shares have no active market and the Group does not intend to dispose these because these are directly related to the continuity of its business.

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

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

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

Accounts and other payables: fair values of accounts and other payables approximate their carrying amounts in the consolidated statement of financial position due to the short-term nature of the transactions.

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

Bank loans, loans payable, notes payable and liabilities for purchased land: estimated fair values of bank loans and liabilities for purchased land are based on the discounted value of future cash flows using the applicable rates for similar types of loans. Interest rates used in discounting cash flows ranges from 4.22% to 6.29% for September 30, 2018 and 3.97% to 6.32% for December 31, 2017.

25. Financial Asset and Liabilities

Financial Risk Management Objectives and Policies

Financial risk

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

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

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

Cash flow interest rate risk

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

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

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

	September 30, 2018		December 31, 2017	
	Effective Interest Rate	Amount	Effective Interest Rate	Amount
Financial assets				
<i>Fixed rate</i>				
Cash and cash equivalents (excluding cash on hand)	0.25% to 3.00%	₱ 8,388	0.10% to 2.75%	₱ 11,479
Short-term cash investments	2.00% to 3.00%	243	2.00% to 9.25%	346
HTM investments	0.81% to 6.88%	27,264	2.82% to 4.80%	21,827
Installment contracts receivable		38,974	4.32% to 4.90%	30,852
		₱ 74,869		₱ 64,504
Financial liabilities				
<i>Fixed rate</i>				
Notes payable	5.98% to 8.01%	₱ 65,409	5.00% to 7.45%	₱ 54,501
Bank loans	5.50% to 8.50%	41,374	3.75% to 10.50%	35,800
Loans payable	5.50% to 7.00%	3,080	7.00% to 12.00%	3,760
		₱ 109,863		₱ 94,061

As of September 30, 2018 and December 31, 2017, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

Foreign exchange risk

The Group's foreign exchange risk results primarily from movements of the Philippine peso against the United States Dollar (USD). Approximately 34.00% and 36.56% of the debt of the Group as of September 30, 2018 and December 31, 2017, respectively, are denominated in USD. The Group's foreign currency-denominated debt comprises of the bonds in September 30, 2018 and December 31, 2017.

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

	September 30, 2018		December 31, 2017	
	Peso	US\$	Peso	US\$
Cash and cash equivalents	₱ 780	US\$ 24	₱ 4,653	US\$ 93
AFS financial assets	7,115	132	6,491	130
HTM investments	27,264	505	21,827	437
Notes payable	(37,781)	(700)	(34,908)	(699)

In translating the foreign currency- denominated monetary assets in peso amounts, the Philippine Peso - US dollar exchange rates as of September 30, 2018 and December 31, 2017 used were ₱54.02 to US\$1.00 and ₱49.93 to US\$1.00, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) as of September 30, 2018:

	September 30, 2018 (Unaudited)	
	Increase/Decrease in US Dollar rate	Effect on income before tax
Cash and cash equivalents	3.23%	₱25
	-3.23%	(25)
AFS financial assets	3.23%	—
	-3.23%	—
HTM investments	3.23%	—
	-3.23%	—
Notes payable	3.23%	—
	-3.23%	—

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

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

Credit risk

The Group transacts only with recognized and creditworthy third parties. The Group's receivables are monitored on an ongoing basis resulting to manageable exposure to bad debts. Real estate buyers are subject to standard credit check procedures, which are calibrated based on the payment scheme offered. The Group's respective credit management units conduct a comprehensive credit investigation and evaluation of each buyer to establish creditworthiness.

Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts. In addition, the credit risk for installment contracts receivables is mitigated as the Group has the right to cancel the sales contract without need for any court action and take possession of the subject house in case of refusal by the buyer to pay on time the due installment contracts receivable. This risk is further mitigated because the corresponding title to the subdivision units sold under this arrangement is transferred to the buyers only upon full payment of the contract price and the requirement for remedial procedures is minimal given the profile of buyers.

With respect to credit risk arising from the other financial assets of the Group, which are comprised of cash and cash equivalents, short-term and long-term cash investments and AFS financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group manages its cash by maintaining cash accounts with banks which have demonstrated financial soundness for several years. The Group's investments in AFS are incidental to its housing projects and are considered by the Group to be of high quality because these are investments with the biggest electric utility company in the country.

High grade cash and cash equivalents and short-term and long-term cash investments are money market placements and working cash fund placed, invested or deposited in local banks belonging to the top ten banks in the Philippines in terms of resources and profitability.

The Group's high-grade receivables pertain to receivables from related parties and third 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 are assessed to be high grade since accounts under bank-financing 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.

Medium grade accounts are 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.

Low grade accounts are accounts which have probability of impairment based on historical trend.

Based on the Group's experience, its loans and receivables are highly collectible or collectible on demand. The receivables are collateralized by the corresponding real estate properties. In few cases of buyer defaults, the Group can repossess the collateralized properties and held it for sale in the ordinary course of business at the prevailing market price. The Group performs certain repair activities on the said repossessed assets in order to put their condition at a marketable state. Costs incurred in bringing the repossessed assets to its marketable state are included in their carrying amounts.

The Group did not accrue any interest income on impaired financial assets.

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 September 30, 2018 and December 31, 2017.

Equity Price Risk

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

In 2017, the Group determined the reasonably possible change in index using the specific adjusted data for each equity security the Group holds as of the reporting dates. The adjusted data is the forecasted measure of the volatility of security or a portfolio in comparison to the market as a whole.

The Group manages exposures to price risk by monitoring the changes in the market price of the investments and at some extent, diversifying the investment portfolio in accordance with the limit set by management.

26. Commitments and Contingencies

The Group has entered into several contracts with contractors for the development of its real estate properties. These contracts are due to be completed on various dates starting January 2014 up to December 2020.

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

The Group has various contingent liabilities from legal cases arising from the ordinary course of business which are either pending decision by the courts or are currently being contested by the Group, the outcome of which are not presently determinable.

In the opinion of the management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect in the Group's financial position and results of operations.

27. Subsequent Events

On October 3, 2018, the Parent Company obtained a 5-year unsecured peso denominated loan from a local bank amounting to ₱2,000.00 million which bears annual fixed interest of 7.993%. The principal balance of the loan will be paid in sixteen (16) equal quarterly installments commencing on the fifth interest payment date. The loan requires the Company to maintain a current ratio of at least 1.00:1.00, a maximum debt-to-equity ratio of 2.50:1.00 and a debt-service coverage ratio of at least 1.00:1.00.

On October 29, 2018, the Parent Company paid dividends amounting to ₱2,719.23 million.

Financial Soundness Indicator

Below are the financial ratios that are relevant to the Group for the period ended September 30, 2018 and 2017.

		<u>Sept-30-18</u>	<u>Dec-31-17</u>
Current Ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	3.52	4.67
Long-term debt-to-equity ratio	$\frac{\text{Long-term debt}^1}{\text{Equity}}$	1.10	1.03
Debt ratio	$\frac{\text{Interest bearing debt}^2}{\text{Total assets}}$	0.47	0.45
Debt to equity ratio	$\frac{\text{Interest bearing debt}}{\text{Total equity}}$	1.19	1.07
Net debt to equity	$\frac{\text{Net debt}^3}{\text{Total equity}}$	0.71	0.60
Asset to equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	2.53	2.38
		<u>Sept-30-18</u>	<u>Sept-30-17</u>
EBITDA to total interest	$\frac{\text{EBITDA}}{\text{Total interest}}$	2.58	2.63
Price Earnings Ratio	$\frac{\text{Market Capitalization}^4}{\text{Net Income}^5}$	7.05	7.82
Asset to liability ratio	$\frac{\text{Total assets}}{\text{Total liabilities}}$	1.65	1.72
Net profit margin	$\frac{\text{Net profit}}{\text{Sales}}$	34%	34%
Return on assets	$\frac{\text{Net income}^5}{\text{Total assets}}$	4.9%	4.8%
Return on equity	$\frac{\text{Net income}^5}{\text{Total equity}}$	12.3%	11.3%
Interest Service Coverage Ratio	$\frac{\text{EBITDA}}{\text{Total interest}}$	2.58	2.63

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

² Includes Bank Loans and Notes Payable

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

⁴ Based on closing price at September 30, 2018 and 2017

⁵ Annualized

P5B RETAIL BONDS (2014)

Schedule and Use of Proceeds

As of September 30, 2018

	PER PROSPECTUS	ACTUAL
Estimated proceeds from the sale of the Bonds	<u>5,000,000,000.00</u>	<u>5,000,000,000.00</u>
Less: Estimated expenses		
Arranger's Fee	53,763,441.00	53,763,441.00
Documentary Stamp Tax	25,000,000.00	25,000,000.00
SEC Registration Fee	1,812,500.00	1,830,625.00
SEC Legal Research Fee	18,125.00	18,125.00
Publication Fee	150,000.00	150,000.00
Rating Agency Fee	3,360,000.00	3,000,000.00
Legal Fees (excluding OPE)	3,000,000.00	3,075,867.29
Trustee's Opening Fee	20,000.00	20,000.00
Listing Fee	150,000.00	150,000.00
Marketing and Signing Ceremony Expenses	800,000.00	1,255,214.84
Bond-related Expenses	-	261,670.76
Audit Fee	-	-
	<u>88,074,066.00</u>	<u>88,524,943.89</u>
Net proceeds to Vista Land & Lifescapes, Inc.	<u><u>4,911,925,934.00</u></u>	<u><u>4,911,475,056.11</u></u>
Amortization of Bond Issue Cost		<u>59,301,700.61</u>
Balance as of September 30, 2018		<u><u>4,970,776,756.72</u></u>

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

P5B RETAIL BONDS (2017)

Schedule and Use of Proceeds

As of September 30, 2018

	PER PROSPECTUS	ACTUAL
Estimated proceeds from the sale of the Bonds	<u>5,000,000,000.00</u>	<u>5,000,000,000.00</u>
Less: Estimated expenses		
Arranger's Fee	25,000,000.00	25,589,000.00
Documentary Stamp Tax	25,000,000.00	25,000,000.00
SEC Registration Fee	1,830,625.00	1,830,625.00
Publication Fee	150,000.00	329,961.60
Rating Agency Fee	3,360,000.00	3,250,000.00
Legal Fees (excluding OPE)	8,100,000.00	8,205,554.50
Listing Fee	300,000.00	300,000.00
Marketing and Signing Ceremony Expenses	300,000.00	419,409.14
Bond-related Expenses	3,942,000.00	3,950,000.00
	<u>67,982,625.00</u>	<u>68,874,550.24</u>
Net proceeds to Vista Land & Lifescapes, Inc.	<u>4,932,017,375.00</u>	<u>4,931,125,449.76</u>
Amortization of Bond Issue Cost		<u>11,495,595.62</u>
Balance as of September 30, 2018		<u>4,942,621,045.38</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations covering 9-months of 2018 vs. 9-months of 2017

Revenues

Real Estate

The Company recorded revenue from real estate sales of ₱24,246 million for the nine months ended 30 September 2018, an increase of 16% from ₱20,823 million for the nine months ended 30 September 2017. This was primarily attributable to the increase in the overall completion rate of sold inventories of all its business units

- Real estate revenue of Camella increased by 28% to ₱8,874 million for the nine months ended 30 September 2018 from ₱6,916 million for the nine months ended 30 September 2017. 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-cost and affordable housing segment during the period.
- Real estate revenue of Communities Philippines increased by 12% to ₱10,613 million for nine months ended 30 September 2018 from ₱9,519 million for the nine months ended 30 September 2017. This increase was principally attributable to the increase in the number of sold homes completed or under construction outside the Mega Manila area in the low-cost and affordable housing segment during the year.
- Real estate revenue from Vista Residences increased by 12% to ₱3,609 million for the nine months ended 30 September 2018 from ₱3,221 million for the nine months ended 30 September 2017. This increase was principally attributable to the increase in the number of sold condominium units completed or under construction during the period. Vista Residences is the business unit of Vista Land that develops and sells vertical projects across the Philippines.
- Real estate revenue of Crown Asia increased by 6% to ₱765 million for the nine months ended 30 September 2018 from ₱722 million for the nine months ended 30 September 2017. This increase was principally attributable to the increase in the number of sold homes completed or under construction in the Mega Manila area in the middle-income housing segment during the year.
- Real estate revenue of Brittany decreased by 13% to ₱385 million for the nine months ended 30 September 2018 from ₱445 million in the same period last year. This decrease was principally attributable to the decrease in the number of sold homes completed or under construction in the Mega Manila area in the high-end housing segment.

Rental income

Rental income increased by 18% from ₱4,128 million for the nine months ended 30 September 2017 to ₱4,851 million for the nine months ended 30 September 2018. The increase was primarily attributable the additional gross floor area leased out of our investment properties during the period as well as increase in rental rates of our existing malls.

Interest income

Interest income from investments and installment contracts receivables increased by 6% from ₱1,043 million for the nine months ended 30 September 2017 to ₱1,101 million for the nine months ended 30 September 2018. The increase was primarily attributable the 15% increase in the interest income from investments as we have increased our HTM investments during the period which was offset by the 11%

decrease in the interest income from installment contracts receivable as most of the residential buyers are opting to get mortgage financing rather than in-housing financing.

Miscellaneous income

Miscellaneous income slightly decreased by 1% from ₱861 million for the nine months ended 30 September 2017 to ₱854 million for the nine months ended 30 September 2018. The decrease was primarily attributable the decrease in forfeited reservation fees and partial payments from customers whose sales contracts are cancelled before completion of required down payment offset by the increase in other operating income we derived from our malls.

Costs and Expenses

Cost and expenses increased by 12% to ₱18,477 million for the nine months ended 30 September 2018 from ₱16,507 for the nine months ended 30 September 2017.

- Cost of real estate sales increased by 14% from ₱10,112 million for the nine months ended 30 September 2017 to ₱11,505 million for the nine months ended 30 September 2018 primarily due to the increase in the overall recorded sales of Vista Land's business units.
- Operating expenses increased by 9% from ₱6,395 million for the nine months ended 30 September 2017 to ₱6,972 million for the nine months ended 30 September 2018 with increases of the following:
 - an increase in professional fees from ₱322 million for the nine months ended 30 September 2017 to ₱438 million for the nine months ended 30 September 2018 resulting from the increase in professional fees for various activities of the company;
 - an increase in advertising and promotions from ₱826 million for the nine months ended 30 September 2017 to ₱941 million for the nine months ended 30 September 2018 resulting from increase in advertising spent for the period for both our residential and malls;
 - an increase in repairs and maintenance from ₱711 million for the nine months ended 30 September 2017 to ₱814 million for the nine months ended 30 September 2018 resulting from increase in maintenance of various residential projects.

Interest and other financing charges

Interest and other financing charges increased by 38% from ₱2,232 million for the nine months ended 30 September 2017 to ₱3,082 million for the nine months ended 30 September 2018. The increase was primarily attributable increase in the interest bearing debt of the Company for the period and the lower capitalization due to project completion.

Provision for Income Tax

Provision for income tax increased by 22% from ₱970 million for the nine months ended 30 September 2017 to ₱1,187 million for the nine months ended 30 September 2018 primarily due to a higher taxable base for the period.

Net Income

As a result of the foregoing, the Company's net income increased by 16% to ₱8,306 million for the nine months ended 30 September 2018 from ₱7,146 million for the nine months ended 30 September 2017.

For the 9-months of 2018, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or

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

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

FINANCIAL CONDITION

As of September 30, 2018 vs. December 31, 2017

Total assets as of September 30, 2018 were ₱227,349 million compared to ₱199,935 million as of December 31, 2017, or a 14% increase due to the following:

- Cash and cash equivalents including short term, available-for-sale financial assets (excluding equity securities) and held-to-maturity investments increased by 7% from ₱40,159 million as of December 31, 2017 to ₱43,026 million as of September 30, 2018 primarily due to proceeds from borrowings during the period offset by the cash outflows during the period.
- Receivables including current portion increased by 23% from ₱44,182 million as of December 31, 2017 to ₱54,211 million as of September 30, 2018 due primarily to increase in installment contracts receivable, receivable from tenants and other non-trade receivables.
- Receivables from related parties increased by 27% from ₱4,988 million as of December 31, 2017 to ₱6,340 million as of September 30, 2018 due primarily to advances made to related parties during the period.
- Investment properties increased by 29% from ₱37,438 million as of December 31, 2017 to ₱48,185 million as of September 30, 2018 due to the expansion of the company's leasable properties.
- Property and equipment increased by 40% from ₱886 million as of December 31, 2017 to ₱1,244 million as of September 30, 2018 due to the acquisitions during the period.
- Investments and advances in project development costs increased by 7% from ₱4,034 million as of December 31, 2017 to ₱4,322 million as of September 30, 2018 due to the advances made to joint venture projects for the period.
- Pension assets increased by 57% from ₱88 million as of December 31, 2017 to ₱138 million as of September 30, 2018 due to actuarial adjustments for the company's retirement plan for the period.
- Other assets including current portion increased by 16% from ₱5,725 million as of December 31, 2017 to ₱6,648 million as of September 30, 2018 due primarily to increase creditable withholding taxes and deposit for real estate purchases during the period.

Total liabilities as of September 30, 2018 were ₱137,521 million compared to ₱115,927 million as of December 31, 2017, or a 19% increase. This was due to the following:

- Accounts and other payables decreased by 9% from ₱13,276 million as of December 31, 2017 to ₱12,128 million as of September 30, 2018 due settlements for the period.

- Customers' advances and deposit increased by 73% from ₱3,618 million as of December 31, 2017 to ₱6,271 million as of September 30, 2018 due a higher sales reservation for the period.
- Income tax payable increased by 66% from ₱53 million as of December 31, 2017 to ₱88 million as of September 30, 2018 due primarily to income tax provision set up during the period.
- Dividend payable increased by significantly from ₱29 million as of December 31, 2017 to ₱2,796 million as of September 30, 2018 due primarily to the cash dividends declared by the Company during the period which was equivalent to 30% of prior year's net income.
- Bank loans including current portion increased by 16% from ₱35,800 million as of December 31, 2017 to ₱41,374 million as of September 30, 2018 due primarily to the proceeds from bank loans for the period.
- Loans payable including current portion decreased by 18% from ₱3,760 million as of December 31, 2017 to ₱3,080 million as of September 30, 2018 due primarily to net settlements for the period.
- Notes payable including current portion increased by 20% from ₱54,501 million as of December 31, 2017 to ₱65,409 million as of September 30, 2018 due primarily to issuance of corporate notes for the period.
- Deferred tax liabilities – net increased by 16% to ₱2,797 million as of September 30, 2018 from ₱2,414 million as of December 31, 2017 due to an increase in temporary difference that will result to a potential tax liability.
- Other non-current liabilities increased by 74% from ₱1,675 million as of December 31, 2017 to ₱2,292 million as of September 30, 2018 due the increase in the non-current portion of liabilities for purchase land.

Total stockholder's equity increased by 7% from ₱84,008 million as of December 31, 2017 to ₱89,828 million as of September 30, 2018 due mainly to the net income recorded reduced by the dividend declared for the period.

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

Key Performance Indicators	09/30/2018	12/31/2017
Current ratio ^(a)	3.52 :1	4.67:1
Liability-to-equity ratio ^(b)	1.53 :1	1.38:1

	09/30/2018	09/30/2017
Interest expense/Income before Interest expense ^(c)	24.5%	21.6%
Return on assets ^(d)	4.9%	4.5%
Return on equity ^(e)	12.3%	10.7%

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 a higher current portion of notes payable balance as of September 30, 2018 compared to the December 31, 2017.

Liability to equity ratio increased due primarily to a higher interest bearing debt recorded as of September 30, 2018 compared to the December 31, 2017.

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

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

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

Material Changes to the Company's Balance Sheet as of September 30, 2018 compared to December 31, 2017 (increase/decrease of 5% or more)

Cash and cash equivalents including short term, available-for-sale financial assets (excluding equity securities) and held-to-maturity investments increased by 7% from ₱40,159 million as of December 31, 2017 to ₱43,026 million as of September 30, 2018 primarily due to proceeds from borrowings during the period offset by the cash outflows during the period.

Receivables including current portion increased by 23% from ₱44,182 million as of December 31, 2017 to ₱54,211 million as of September 30, 2018 due primarily to increase in installment contracts receivable, receivable from tenants and other non-trade receivables.

Receivables from related parties increased by 27% from ₱4,988 million as of December 31, 2017 to ₱6,340 million as of September 30, 2018 due primarily to advances made to related parties during the period.

Investment properties increased by 29% from P37,438 million as of December 31, 2017 to P48,185 million as of September 30, 2018 due to the expansion of the company's leasable properties.

Property and equipment increased by 40% from P886 million as of December 31, 2017 to P1,244 million as of September 30, 2018 due to the acquisitions during the period.

Investments and advances in project development costs increased by 7% from P4,034 million as of December 31, 2017 to P4,322 million as of September 30, 2018 due to the advances made to joint venture projects for the period.

Pension assets increased by 57% from P88 million as of December 31, 2017 to P138 million as of September 30, 2018 due to actuarial adjustments for the company's retirement plan for the period.

Other assets including current portion increased by 16% from P5,725 million as of December 31, 2017 to P6,648 million as of September 30, 2018 due primarily to increase creditable withholding taxes and deposit for real estate purchases during the period.

Accounts and other payables decreased by 9% from ₱13,276 million as of December 31, 2017 to ₱12,128 million as of September 30, 2018 due settlements for the period.

Customers' advances and deposit increased by 73% from ₱3,618 million as of December 31, 2017 to ₱6,271 million as of September 30, 2018 due a higher sales reservation for the period.

Income tax payable increased by 66% from ₱53 million as of December 31, 2017 to ₱88 million as of September 30, 2018 due primarily to income tax provision set up during the period.

Dividend payable increased by significantly from ₱29 million as of December 31, 2017 to ₱2,796 million as of September 30, 2018 due primarily to the cash dividends declared by the Company during the period which was equivalent to 30% of prior year's net income.

Bank loans including current portion increased by 16% from ₱35,800 million as of December 31, 2017 to ₱41,374 million as of September 30, 2018 due primarily to the proceeds from bank loans for the period.

Loans payable including current portion decreased by 18% from ₱3,760 million as of December 31, 2017 to ₱3,080 million as of September 30, 2018 due primarily to net settlements for the period.

Notes payable including current portion increased by 20% from ₱54,501 million as of December 31, 2017 to ₱65,409 million as of September 30, 2018 due primarily to issuance of corporate notes for the period.

Deferred tax liabilities – net increased by 16% to ₱2,797 million as of September 30, 2018 from ₱2,414 million as of December 31, 2017 due to an increase in temporary difference that will result to a potential tax liability.

Other non-current liabilities increased by 74% from ₱1,675 million as of December 31, 2017 to ₱2,292 million as of September 30, 2018 due the increase in the non-current portion of liabilities for purchase land.

Material Changes to the Company's Statement of income for the 9-months of 2018 compared to the 9-months of 2017 (increase/decrease of 5% or more)

Revenue from real estate sales increased by 16% to ₱24,246 million for the nine months ended 30 September 2018 from ₱20,823 million for the nine months ended 30 September 2017 primarily attributable to the increase in the overall completion rate of sold inventories of all its business units.

Rental income increased by 18% from ₱4,128 million for the nine months ended 30 September 2017 to ₱4,851 million for the nine months ended 30 September 2018. The increase was primarily attributable the additional gross floor area leased out of our investment properties during the period as well as increase in rental rates of our existing malls.

Interest income from investments and installment contracts receivables increased by 6% from ₱1,043 million for the nine months ended 30 September 2017 to ₱1,101 million for the nine months ended 30 September 2018. The increase was primarily attributable the 15% increase in the interest income from investments as we have increased our HTM investments during the period which was offset by the 11% decrease in the interest income from installment contracts receivable as most of the residential buyers are opting to get mortgage financing rather than in-housing financing.

Miscellaneous income slightly decreased by 1% from ₱861 million for the nine months ended 30 September 2017 to ₱854 million for the nine months ended 30 September 2018. The decrease was primarily attributable the decrease in forfeited reservation fees and partial payments from customers whose sales contracts are cancelled before completion of required down payment offset by the increase in other operating income we derived from our malls.

Cost of real estate sales increased by 14% from ₱10,112 million for the nine months ended 30 September 2017 to ₱11,505 million for the nine months ended 30 September 2018 primarily due to the increase in the overall recorded sales of Vista Land's business units.

Operating expenses increased by 9% from ₱6,395 million for the nine months ended 30 September 2017 to ₱6,972 million for the nine months ended 30 September 2018 with increases in professional fees, advertising and promotions and repairs and maintenance.

Interest and other financing charges increased by 38% from ₱2,232 million for the nine months ended 30 September 2017 to ₱3,082 million for the nine months ended 30 September 2018. The increase was primarily attributable increase in the interest bearing debt of the Company for the period and the lower capitalization due to project completion.

Provision for income tax increased by 22% from ₱970 million for the nine months ended 30 September 2017 to ₱1,187 million for the nine months ended 30 September 2018 primarily due to a higher taxable base for the period.

The Company's net income increased by 16% to ₱8,306 million for the nine months ended 30 September 2018 from ₱7,146 million for the six months ended 30 September 2017.

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

COMMITMENTS AND CONTINGENCIES

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

PART II - OTHER INFORMATION

Item 3. 9-months of 2018 Developments

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

None

B. Composition of Board of Directors

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

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

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

D. Declaration of Dividends.

P0.2252 per share Regular Cash Dividend

Declaration Date: September 28, 2018

Record date: October 15, 2018

Payment date: October 29, 2018

P0.1342 per share Regular Cash Dividend

Declaration Date: September 29, 2017

Record date: October 16, 2017

Payment date: October 30, 2017

P0.1185 per share Regular Cash Dividend

Declaration Date: September 28, 2016

Record date: October 13, 2016

Payment date: October 28, 2016

P0.1357 per share Regular Cash Dividend

Declaration Date: September 15, 2015

Record date: September 30, 2015

Payment date: October 15, 2015

P0.11858 per share Regular Cash Dividend

Declaration Date: September 15, 2014

Record date: March 31, 2015

Payment date: October 24, 2014

₱0.102 per share Regular Cash Dividend

Declaration Date: September 11, 2013

Record date: September 26, 2013

Payment date: October 22, 2013

₱0.0839 per share Regular Cash Dividend

Declaration Date: September 17, 2012

Record date: October 02, 2012
Payment date: October 26, 2012

₱0.04 per share Special Cash Dividend

Declaration Date: June 15, 2012
Record date: July 02, 2012
Payment date: July 26, 2012

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

None.

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

None.

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

Not Applicable.

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

None.

Transferring of assets, except in normal course of business.

None.

Item 4. Other Notes as of 9-months of 2018 Operations and Financials.

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

None.

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

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

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

See Notes to Financial Statements and Management Discussion and Analysis.

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

See Notes to Financial Statements and Management Discussion and Analysis.

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

None.

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

None.

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

None.

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

None.

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

None.

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

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

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

As of September 30, 2018, no known trends, events or uncertainties that are reasonably expected to have impact on sales/revenues/income from continuing operations except for those being disclosed in the 9-months of 2018 financial statements.

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

None.

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

None.

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

None.

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

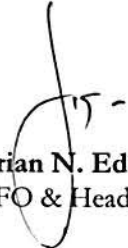
None.

SIGNATURES

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

Vista Land & Lifescapes, Inc.
Issuer

By:



Brian N. Edang
CFO & Head Investor Relations

Date: November 7, 2018