

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

8571-5948

Company Telephone Number

1	2
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Month Day

Calendar Year

3	1
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17-Q

FORM TYPE

0	6
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Month Day

Annual Meeting

2	7
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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles
Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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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 quarterly period ended: **March 31, 2024**
2. SEC Identification number: **39587**
3. BIR Tax Identification No: **000-806-396-000**
4. Exact name of issuer as specified in its charter: **VISTAMALLS, INC.**
5. **Metro Manila, Philippines**
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. **Lower Ground Floor, Building B, EVIA Lifestyle Center, Vista City,
Daanghari, Almanza II, Las Piñas City** **1747**
Address of issuer's principal office Postal Code
8. **(63) 2 8571-5948**
Issuer's telephone number, including area code
9. **STARMALLS, INC.**
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding And amount of debt outstanding
Common stock (as of March 31, 2024)	8,425,981,156 shares
Preferred stock	2,350,000,000 shares

11. Are any or all of the securities listed on a Stock Exchange?

Yes No

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange **Common shares**

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Securities Regulation Code and SRC Rule 17 thereunder, and Section 25 and 177 of the Revised Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period of the registrant was required to file such reports.)

Yes No

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

Yes No

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VISTAMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2024 AND DECEMBER 31, 2023
(In Million Pesos)

	Unaudited 03/31/2024	Audited 2023
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	245	157
Short-term cash investment (Note 8)	7	7
Investment at fair value through profit or loss (Note 8)	26	26
Receivables (Note 9)	12,571	9,343
Receivable from ultimate parent company	3,045	3,160
Real estate properties for sale	302	302
Other current assets (Note 11)	3,262	3,184
Total Current Assets	19,458	16,179
Noncurrent Assets		
Investments at fair value through other comprehensive income (Note 8)	1,232	1,234
Receivables - net of current portion (Note 9)	23,267	25,145
Property and equipment	20	24
Investment properties (Note 10)	48,215	46,626
Investment in associate (Note 8)	10,019	9,899
Other noncurrent assets (Note 11)	149	167
Total Noncurrent Assets	82,902	83,095
	102,360	99,274
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Note 12)	6,053	5,323
Security deposits and advance rent	1,175	1,155
Payable to parent company	29,758	30,109
Income tax payable	2	2
Current portion of:		
Bank loans (Note 13)	116	445
Lease liabilities	508	491
Total Current Liabilities	37,612	37,525
Noncurrent Liabilities		
Bank loans - net of current portion (Note 13)	1,489	1,275
Lease liabilities - net of current portion	6,271	6,271
Pension Liabilities	54	54
Deferred tax liabilities – net	9,579	8,889
Other non-current liabilities	228	386
Total Noncurrent Liabilities	17,621	16,875
Total Liabilities	55,233	54,400
EQUITY (Note 14)		
Equity attributable to parent company's shareholders		
Capital Stock	8,449	8,449
Additional paid-in capital	6,389	6,389
Retained earnings	36,144	33,892
Revaluation reserves	-	-
Other Comprehensive Income	(4,016)	(4,016)
Total equity attributable to parent company's shareholders	46,966	44,714
Non-controlling interest	161	160
Total Equity	47,127	44,874
	102,360	99,274

VISTAMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(In Million Pesos)

	Unaudited Jan – Mar Q1 - 2024	Unaudited Jan – Mar 2024	Unaudited Jan – Mar Q1 - 2023	Unaudited Jan – Mar 2023
REVENUES				
Rental Income	3,404	3,404	2,567	2,567
Other Operating Income	289	289	81	81
	3,693	3,693	2,648	2,648
COSTS AND EXPENSES				
Depreciation and Amortization	348	348	370	370
Other operating and administrative (Note 15)	343	343	367	367
	691	691	737	737
OPERATING PROFIT	3,002	3,002	1,911	1,911
OTHER INCOME (CHARGES)				
Finance income	2	2	1	1
Finance costs – net	(160)	(160)	(167)	(167)
Gain from insurance proceeds (Note 10)	-	-	-	-
Equity in net earnings in associate	120	120	115	115
	(38)	(38)	(51)	(51)
INCOME BEFORE INCOME TAX	2,964	2,964	1,860	1,860
PROVISION FOR INCOME TAX	(711)	(711)	(436)	(436)
NET INCOME	2,253	2,253	1,424	1,424
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company	2,252	2,252	1,423	1,423
Non-controlling interest	1	1	1	1
	2,253	2,253	1,424	1,424
Weighted outstanding common shares	8,426	8,426	8,426	8,426
Basic / Diluted Earnings per share (Note 16)	0.267	0.267	0.169	0.169

VISTAMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(In Million Pesos)

	Unaudited Jan – Mar Q1 – 2024	Unaudited Jan – Mar 2024	Unaudited Jan – Mar Q1 – 2023	Unaudited Jan – Mar 2023
NET INCOME	2,253	2,253	1,424	1,424
OTHER COMPREHENSIVE INCOME (LOSS)				
Fair value loss on investments at fair value through other comprehensive income	2	2	30	30
TOTAL COMPREHENSIVE INCOME	2,255	2,255	1,454	1,454
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company	2,254	2,254	1,453	1,453
Non-controlling interest	1	1	1	1
	2,255	2,255	1,454	1,454
Weighted outstanding common shares	8,426	8,426	8,426	8,426
Basic/Diluted Earnings per Share (Note 16)	0.268	0.268	0.172	0.172

VISTAMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(In Million Pesos)

	Unaudited Jan – Mar 2024	Unaudited Jan – Mar 2023
EQUITY ATTRIBUTABLE TO PARENT COMPANY’S SHAREHOLDERS		
COMMON STOCK		
Balance at beginning of period	8,426	8,426
Treasury shares	-	-
Balance at end of period	8,426	8,426
PREFERRED STOCK		
Balance at beginning of period	23	23
Treasury shares	-	-
Balance at end of period	23	23
ADDITIONAL PAID-IN CAPITAL		
Cost of additional life of Vistamalls	-	-
Balance at end of period	6,389	6,389
RETAINED EARNINGS		
Balance at beginning of period	33,892	25,617
Net income	2,253	1,424
Dividend declared	-	-
Minority interest	-	(1)
Balance at end of period	31,589	27,040
OTHER COMPREHENSIVE INCOME		
Balance at beginning of period	(4,016)	(4,012)
Fair value gains	-	30
Balance at end of period	(4,016)	(3,982)
REVALUATION RESERVES		
	-	-
MINORITY INTEREST		
Balance at beginning of period	158	158
Share in net income	1	1
MINORITY INTEREST	159	159
TOTAL EQUITY	47,127	38,353

VISTAMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(In Million Pesos)

	Unaudited Jan – Mar Q1 – 2024	Unaudited Jan – Mar 2024	Unaudited Jan – Mar Q1 – 2023	Unaudited Jan – Mar 2023
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	2,964	2,964	1,860	1,860
Adjustments for:				
Depreciation and amortization	348	348	370	370
Finance costs	160	160	167	167
Provision for probable losses	-	-	-	-
Interest income	(2)	(2)	(1)	(1)
Share in equity earnings from investment in associate	(120)	(120)	(115)	(115)
Operating income before changes in operating assets and liabilities	3,350	3,350	2,281	2,281
Decrease (Increase) in:				
Receivables	(1,350)	(1,350)	3,000	3,000
Other current assets	(78)	(78)	(106)	(106)
Increase (Decrease) in:				
Accounts and other payables	730	730	(207)	(207)
Security deposits and advance rent	20	20	417	417
Pension liabilities	-	-	-	-
Cash from operations	2,672	2,672	5,385	5,385
Payment of taxes	(21)	(21)	(23)	(23)
Interest received	2	2	1	1
Interest paid	(160)	(160)	(167)	(167)
Net Cash provided by Operating Activities	2,493	2,493	5,196	5,196
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of AFS investments	2	2	-	-
Increase in investment properties and property and equipment	(1,933)	(1,933)	(4,077)	(4,077)
Increase in investment in associate	-	-	-	-
Decrease (Increase) in other non-current assets	18	18	3	3
Increase (Decrease) in other liabilities	(158)	(158)	705	705
Net Cash used in Investing Activities	(2,071)	(2,071)	(3,369)	(3,369)
CASH FLOWS FROM INVESTING ACTIVITIES				
Increase (Decrease) in payables to related parties – net	(236)	(236)	9	9
Payments of bank loans	(115)	(115)	(116)	(116)
Increase in lease liabilities	17	17	14	14
Decrease in short term cash investment	-	-	-	-
Increase in revaluation reserves	-	-	-	-
Net Cash used in Financing Activities	(334)	(334)	(93)	(93)
NET INCREASE IN CASH	(88)	(88)	1,734	1,734
CASH AT BEGINNING OF PERIOD	157	157	3,516	3,516
CASH AT END OF PERIOD	245	245	5,250	5,250

VISTAMALLS, INC. AND SUBSIDIARIES
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2024
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Vistamalls, Inc. (the Parent Company, or VMI) was incorporated in the Republic of the Philippines and duly registered with the Philippine Securities and Exchange Commission (SEC) on October 16, 1969, originally to pursue mineral exploration. After obtaining Philippine SEC approval, the Parent Company later changed its primary business and is now presently engaged in holding investments in shares of stock and real estate business.

The Parent Company is the holding company of Vistamalls Group (the Group or VMI Group) which is engaged in leasing of retail malls and Business Process Outsourcing (“BPO”) commercial center. The Group has a wholly owned subsidiary, Masterpiece Asia Properties, Inc. (MAPI) and a 99.85% owned subsidiary, Manuela Corporation (MC).

The Parent Company is 88.34% owned by Vista Land & Lifescapes, Inc. (VLLI) and the rest by the public. VLLI is a publicly-listed investment holding company which is 65.17% owned by Fine Properties, Inc. (the Ultimate Parent Company), and 34.83% owned by the public. The Parent Company’s shares of stock are listed at the Philippine Stock Exchange (PSE).

The Parent Company’s accounting and administrative functions are handled by its subsidiaries, MC and MAPI.

The Parent Company’s registered office and principal place of business is located at LGF, Building B, EVIA Lifestyle Center, Vista City, Daanghari, Almanza II, Las Piñas City.

Vista REIT

In contemplation of the Initial Public Offering of a REIT by VistaREIT, Inc. (formerly Vista One, Inc.) or “VREIT”, a subsidiary owned by the Intermediate Parent Company at 98.94% as of March 31, 2024, and in compliance with applicable regulatory requirements of the SEC for companies seeking registration of their securities, VREIT entered into and implemented the REIT Formation Transactions as follows:

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

On May 5, 2022, the SEC approved the Registration Statement and issued a Pre-Effective Letter. Upon compliance with the requirements of the Pre-Effective Letter, VREIT expect the SEC to issue the Order of Registration of Securities and Certificate of Permit to Offer Securities for Sale. VREIT submitted a Registration Statement on March 24, 2022 with the SEC in accordance with the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799, the “SRC”) for the registration of all the issued and outstanding Shares of the Company and the Offer Shares.

On May 12, 2022, The Philippine Stock Exchange, Inc. (“PSE”) issued its Notice of Approval, subject to compliance with certain conditions. VREIT filed on March 28, 2022, the Listing Application for the listing and trading of the issued and outstanding Shares of the Company and the Offer Shares.

On June 15, 2022, the Company was listed as a REIT company under the Main Board of the PSE, and the Secondary Offer Shares of 2,500,000,000 common shares held by the Sponsors were sold to the public at a price of P1.75 per share.

2. BASIS OF PREPARATION

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

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

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of March 31, 2024, and December 31, 2023, and for each of the three months in the period ended March 31, 2024, and 2023.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary

acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

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

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

	Percentage of Ownership	
	31-Mar-24	31-Dec-23
Manuela Corporation	99.85%	99.85%
Masterpiece Asia Properties, Inc.	100.00%	100.00%

Non-controlling Interests

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

Non-controlling interests are presented separately in the consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from parent shareholder's equity. Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the NCI, even if this results in the NCI having a deficit balance. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the noncontrolling interest is recognized in equity of the parent in transactions where the noncontrolling interest are acquired or sold without loss of control.

As of March 31, 2024, and December 31, 2023, percentage of non-controlling interests pertaining to Manuela Corporation is 0.15%. The voting rights held by the non-controlling interest are in proportion of their ownership interest.

The Parent Company and the subsidiaries are all domiciled and incorporated in the Philippines and are in the business of leasing commercial spaces and buildings.

3. CHANGES IN ACCOUNTING POLICIES

New Standards, Interpretations and Amendments

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

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

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

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

The amendments to the Practice Statement provide non-mandatory guidance.

The amendments have had an impact on the Group’s disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group’s financial statements.

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

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

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

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

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

- Amendments to PAS 12, *International Tax Reform - Pillar Two Model Rules*

The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as ‘Pillar Two legislation’ and ‘Pillar Two income taxes’, respectively.

The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023.

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of exchangeability*

Deferred effectivity

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair Value Measurement

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

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

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

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

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

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

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

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

- value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Cash

Cash includes cash on hand and in banks. Cash in banks earn interest at the prevailing interest rate.

Short-term Cash Investments

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

Financial Instruments

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

Financial assets

Initial recognition and measurement

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

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

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

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

Subsequent measurement

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

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

Financial assets at amortized cost (debt instruments)

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

- The financial asset is held within a business model with the objective to hold financial assets

- in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Group's financial assets at amortized cost includes cash, short-term cash investments, receivables (except for advances to contractors), receivables from related parties and restricted cash. Restricted cash is presented in 'Other current assets' and 'Other noncurrent assets'.

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

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

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

The Group's equity instrument classified as financial assets designated at FVOCI includes investment in VLLI.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

The Group's investment at FVTPL comprises of investment in mutual funds (Note 8).

Impairment of Financial Assets

The Group recognizes expected credit losses (ECL) for the following financial assets that are not measured at FVTPL:

- debt instruments that are measured at amortized cost and FVOCI;
- loan commitments; and
- financial guarantee contracts.

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

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

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

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include accounts and other payables (except for deferred output VAT and other statutory payables), dividends payable, income tax payable, payable to related parties, liabilities for purchased land, retention payable, bank loans and lease liabilities.

Subsequent measurement

Loans and borrowings

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

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

This category generally applies to accounts and other payables (except for deferred output VAT and other statutory payables), dividends payable, income tax payable, payable to related parties, liabilities for purchased land, retention payable, bank loans and lease liabilities presented in the consolidated statements of financial position.

Derecognition of Financial Assets and Financial Liabilities

Financial asset

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

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

Modification of financial assets

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

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

Financial liability

A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a

derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Real Estate Properties for Sale

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

Cost includes:

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

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

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

Advances to contractors

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

Value-Added Tax

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

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

For its non-VAT registered activities, the amount of VAT passed on from its purchases of goods

or service is recognized as part of the cost of goods/asset acquired or as part of the expense item, as applicable.

Creditable Withholding Tax

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

Prepaid Expenses

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

Restricted cash

Cash restricted for use are bank deposits restricted solely for payment of the principal amortization and interest of certain bank loans. These deposits bear prevailing interest rates and will be retained as deposits until the bank loans are fully paid.

Refundable Deposits

Refundable deposits are measured at amortized cost. These pertain to deposits on utility subscriptions, rental deposits and security deposits which shall be applied against unpaid utility expenses and rent expenses upon termination of the contracts.

Investment in Associate

Investment in associates are accounted for under the equity method of accounting.

An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not in control or in joint control over those policies.

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

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

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

Investment Properties

Investment properties comprise completed property and property under construction or re-development that are held to earn rentals or for capital appreciation or both. Investment

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

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

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

Construction-in-progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time as the relevant assets are completed and put into operational use. Construction-in-progress are carried at cost and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

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

	Years
Buildings and building improvements	10 to 40 years or lease term, whichever is shorter
Right-of-use assets	3 to 30 years

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of the property for measurement or for disclosure purposes.

Impairment of Nonfinancial Assets

The Group assesses as at reporting date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each financial reporting date as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase in OCI. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Advance Rent

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

Security Deposits

Security deposits represent deposits required by lease agreements. These can be recovered upon termination of the lease agreement through refund or application to unpaid rent and/or other charges.

Equity

Capital stock is measured at par value for all shares subscribed, issued and outstanding. When the shares are sold at premium, the difference between the proceeds at the par value is credited to "Additional paid-in capital" account. Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Retained earnings represent accumulated earnings of the Group less dividends declared. It includes the accumulated equity in undistributed earnings of consolidated subsidiaries which are not available for dividends until declared by the subsidiaries.

Revenue Recognition

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

Rental income

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

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

The tenant lease incentives are considered in the calculation of 'Accrued rental receivables' under 'Receivables' in the consolidated statement of financial position.

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

The contracts for commercial and office spaces leased out by the Group to its tenants include the rights to charge for the electricity usage, water usage, air-conditioning charges and CUSA like maintenance janitorial and security services.

For the electricity and water usage, the Group determined that it is acting as an agent because the promise of the Group to the tenants is to arrange for the electricity and water supply to be provided by a utility company. The utility and service companies, and not the Group, are primarily responsible for the provisioning of the utilities while the Group administers the leased spaces and coordinates with the utility and service companies to ensure that tenants have access to these utilities.

For the provision of CUSA and air-conditioning of the buildings, the Group acts as a principal because it retains the right to direct the service provider of air-conditioning, maintenance, janitorial and security to the leased premises. The right to the services mentioned never transfers to the tenant and the Group has the discretion on how to price the CUSA and air-conditioning charges.

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

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

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

Interest income

Interest is recognized using the effective interest method, i.e, the rate, that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Parking Fees, Other Operating Income and Other Income

Parking fees, other operating income and other income are recognized when earned.

Cost and expenses

Cost and expenses pertain to expenses incurred in relation to rental of investment properties and administering the business. These are recognized when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen than can be measured reliably. These are recognized when incurred and measured at the amount paid or payable.

Pension Cost

Defined benefit plan

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit (PUC) method.

Defined benefit costs comprise the following:

- (a) service cost;
- (b) net interest on the net defined benefit liability or asset; and
- (c) remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Income Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

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

Deferred tax

Deferred tax is provided using the liability method on temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax liabilities shall be recognized for all taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures when the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in foreseeable future. Otherwise, no deferred tax liability is set up.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from MCIT and NOLCO can be utilized.

Deferred tax assets shall be recognized for deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss in the consolidated statement of comprehensive income. Deferred tax items recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities, and the deferred taxes relate to the same taxable entity and the same taxation authority.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets (included in "Investment properties" account in the consolidated statement of financial position). All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment of those borrowings.

Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

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

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as Lessee

The Group applies a single recognition and measurement approach for all leases, except short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Lease Liabilities

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

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

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

Short-term Leases and Leases of Low-value Assets

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

Lease Modification

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

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

Group as a Lessor

Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

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

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

Pretermination is defined as termination of lease contract by the lessee or lessor before the end of the lease term. In the case of pretermination of an operating lease, a lessor derecognizes the accrued rental receivable which is the effect of straight-line calculation of rental income and is charged against rental income in the statement of comprehensive income.

Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing net income attributable to equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income attributable to the equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares. The calculation of diluted EPS does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

As of March 31, 2024 and December 31, 2023, the Group has no potential dilutive common shares.

Segment Reporting

The Group's business is primarily leasing of retail malls and BPO commercial centers which are all located in the Philippines and treated as one segment. The segmentation is the basis of the chief operating decision market's internal reports allocation resources, and the evaluation of performance.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risk specific to the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized only when the reimbursement is virtually certain. The expense relating to any provision is presented in consolidated statement of comprehensive income net of any reimbursement.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Events After the Financial Reporting Date

Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Any post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of accompanying consolidated financial statements in compliance with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determination of the lease term

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

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

Determining taxable profit, tax bases, unused tax losses, unused tax credits and tax rates

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

Evaluation of significant influence

The Group determines that it exercises significant influence over its associate by considering, among others, representation in the Board of Directors (BOD) and participation on BOD sub-committees, and other contractual terms.

The Group has 38.88% ownership interest in VREIT as of December 31, 2023. The Group has assessed that it has significant influence over VREIT.

The Sponsors, as consented by VLLI, collectively agree on the following:

- Full cooperation with each other in respect of any matter concerning VREIT. For this purpose, the Sponsors shall consult and confer with each other before exercising their respective shareholders rights and implementing any decision or action relating to or affecting the business, governance, and operations of VREIT;
- Voting jointly on any corporate decision or action of VREIT requiring shareholders' consideration and approval under applicable laws; and,
- Conferring with each other and agree on any election of directors in VREIT.

In reference to the by-laws of VREIT, the corporate powers of the BOD include, among others, the participation in the policy-making process on relevant activities, including participation in decisions about dividends or other distributions.

Based on the above indicators, the Group accounted for its investment in VREIT as an investment in associate.

Management's Use of Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision for expected credit losses of financial assets

Cash, short term cash investments and restricted cash:

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

Receivables:

For receivable from tenants and accrued rental receivables, the Group recognizes a loss allowance based on lifetime ECLs. The changes in the loss allowance balance are recognized in profit or loss as an impairment gain or loss.

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

Incorporation of forward-looking information

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

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position or disclosed in the notes to the consolidated financial statements cannot be derived from active markets, they are determined using internal valuation techniques

using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation.

Evaluation of impairment of nonfinancial assets

The Group reviews investment properties, investment in associate and other nonfinancial assets for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

The Group estimates the recoverable amount as the higher of the fair value less costs to sell and value in use. Fair value less costs to sell pertain to quoted prices and for fair values determined using discounted cash flows (DCF) or other valuation technique such as multiples. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect property and equipment, investment properties and other nonfinancial assets. For investment in associate, this requires an estimation of the recoverable amount which is the higher of fair value less costs to sell or value-in-use. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows for the cash generating unit (i.e., consideration of the current lease data and rental projections which was based on the current lease contract rates and other terms) and also to choose a suitable discount rate in order to calculate the present value of cash flows.

As of March 31, 2024, the market value of VREIT shares was lower than the book value which is an indication of impairment. Accordingly, the Group performed full impairment testing of its investment in associate.

Determining the fair value of investment properties

The Group's investment properties consist of land and buildings (malls and office buildings) and other building improvements held for leasing and land held for capital appreciation. For land and buildings and building improvements held for leasing, the fair values were determined by external appraisers using discounted cash flow method or income approach. For land held for capital appreciation, the fair values were determined by management using market value approach which is based on comparable prices adjusted for specific market factors such as nature, location and condition of the property.

The fair value of the investment properties assigned by the Sponsors to VREIT was used as measurement basis in the recognition of 'Investment in associate', which pertains to the shares issued by VREIT to MAPI and MC. Significant inputs used in the determination of the fair values were discussed in Note 10.

Recognition of deferred tax assets

The Group reviews the carrying amounts of deferred income taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized. The Group looks at its projected performance in assessing the sufficiency of future taxable income.

6. SEGMENT INFORMATION

The Group's shopping malls and commercial centers are all located in the Philippines and are treated as one operating segment. The real estate development of MC is very minimal to the overall operations and financial position of the Group as of March 31, 2024 and 2023. These were not treated as a separate segment by the chief operating decision maker for its review, evaluation and allocation of resources.

There is no cyclicalality in the Group's operations.

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of March 31, 2024:

Cash on hand and in banks	₱ 245
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Cash in banks earns interest at the prevailing bank deposit rates. Interest rate ranges from 0.06% to 0.40%.

8. INVESTMENTS

Short-term cash investments

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

Philippine Peso	3.00% to 3.25%
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As of March 31, 2024, short-term cash investments amounted to ₱7.32 million.

Investment at fair value through profit or loss

The investment at fair value through FVTPL of the Group comprises of investment in mutual funds.

Investment at fair value through OCI

The investment at fair value through FVOCI consists of VLLI shares carried at fair value which the Group irrevocably elected to measure at FVOCI.

Investments at FVTPL	₱ 26
Investments at FVOCI	1,232
	₱ 1,258

Investment in associate

As of March 31, 2024, VistaREIT, Inc. (VREIT) is owned by the following: (1) MAPI (32.96%); (2) Vista Residences, Inc (VRI) (17.40%); (3) MC (5.92%); (4) Communities Pampanga. Inc. (CPI) (4.86%); and (5) Crown Asia Properties, Inc. (CAPI) (3.49%) and the rest by individual and public shareholders.

VistaREIT, Inc. was incorporated in the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on August 24, 2020, primarily to own, manage, operate and engage in the leasing of income-generating real properties such as office buildings, shopping centers, hotels, resorts, residential buildings, condominium buildings, among others and to hold for investment or otherwise, real estate of all kinds, including

buildings, apartments and other structures, and to grant loans and/or assume or undertake or guarantee or secure, whether as solidary obligor, surety, guarantor or any other capacity either on its general credit or on the mortgage, pledge, deed of trust, assignment and/or other security arrangement of any or all of its property, the whole or any part of the liabilities and obligations of its parent company, subsidiaries or investee companies or affiliates, without engaging in the business of a financing company or lending investor.

VREIT's registered office and principal place of business is located at 3rd Floor Starmall Las Piñas, CV Starr Avenue, Pamplona Dos, Las Piñas City.

Below is the financial information on VREIT as of March 31, 2024:

Current assets	₱ 2,364.72
Noncurrent assets	26,653.23
Current liabilities	936.86
Noncurrent liabilities	268.70
Revenue	560.53
Net income	309.92
Total comprehensive income	309.92

9. RECEIVABLES

The balance of this account is composed of the following as of March 31, 2024:

Accounts receivable from tenants	₱ 7,975
Advances to contractors	5,399
Accrued rent receivable	21,382
Receivables from related parties	1,887
Other receivables	89
	36,732
Less allowance for impairment losses	(894)
	35,838
Less noncurrent portion	(23,267)
	₱ 35,838

All of the Group's trade and other receivables have been reviewed for indications of impairment.

Accounts receivables from tenants

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

Advances to contractors

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

Accrued rental receivable

Accrued rental receivable pertains to the effect of straight-line calculation of rental income.

10. INVESTMENT PROPERTIES

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

The Group's investment property generates rental income under various operating lease agreements. Rental income from the investment property amounting to ₱3,404 million and ₱2,567 million for the period ended March 31, 2024 and 2023, respectively, are presented as Rental income under Revenues and Income in the consolidated statements of comprehensive income.

The composition of this account is shown below.

Land	₱ 18,354
Building and improvements	21,389
Construction In Progress	3,356
Right-of-use assets	5,117
	<hr/> ₱ 48,215 <hr/>

The parcels of land are located in cities and municipalities like Mandaluyong, Las Piñas, Taguig, Naga, Bacoar, Imus, San Jose del Monte, Sta. Rosa, Muntinlupa and Kawit. The fair value measurement using unobservable data in active market is Level 3 of the fair value hierarchy.

The estimated useful life of the investment properties other than land is 10 to 40 years.

Investment properties with carrying value of ₱370.56 million and ₱5,575.57 million are used to secure the bank loans of the Group as of March 31, 2024 and December 31, 2023, respectively.

Amortization expense related to right-of- use asset amounted to ₱57.34 million and ₱231.22 million for the period ended March 31, 2024 and December 31, 2023, respectively. Right-of-use asset is amortized over a period of 3 to 30 years.

11. OTHER ASSETS

This account is composed of the following as of March 31, 2024:

Input VAT	₱ 3,044
Restricted cash	148
Refundable deposits	160
Prepaid expenses	40
Creditable Withholding Tax	5
Others	13
	<hr/> 3,411 <hr/>
Less noncurrent portion	
Restricted cash	(148)
Refundable deposits	(160)
	<hr/> (308) <hr/>
Current portion	₱3,102

Input VAT is a tax imposed on purchases of goods, professional and consulting services and construction costs. These are available for offset against output VAT in future periods.

Restricted cash are deposits restricted solely for payment of the principal amortization and interest of certain bank loans. These deposits bear prevailing interest rates and will be retained as deposits until the bank loans are fully paid.

Refundable deposits pertain to deposits on utility subscriptions, rental deposits and security deposits. These deposits shall be applied against unpaid utility expenses and rent expenses upon termination of the contracts. These deposits are necessary for the continuing construction and development of the Group's commercial centers.

Prepaid expenses mainly include advertising and marketing fees, taxes and licenses, rentals and insurance paid in advance. These are to be fully amortized within one year.

Creditable withholding taxes pertain to taxes withheld by the customer and are recoverable and can be applied against income tax in future periods.

Others include accrued interest receivable, penalties receivable from tenants due to late payments, security deposits, advance rentals and office supplies.

12. ACCOUNTS AND OTHER PAYABLES

This account consists of:

Accounts payable	
Contractors	₱ 3,100
Supplier	349
Deferred output vat	1,120
Accrued expenses	310
Current portion of liabilities for purchased land	300
Current portion of retention payable	517
Others	356
	₱ 6,053

Accounts payable - contractors

Accounts payable - contractors pertain to contractors' billings for construction services related to the development of various projects of the Group. These are expected to be settled within the year.

Accounts payable - suppliers

Accounts payable - suppliers represent agency fees, construction materials, marketing collaterals, office supplies and property and equipment ordered and delivered but not yet due. These are expected to be settled within the year.

Deferred output VAT

Deferred output VAT pertains to the output VAT on receivables from the Group's leasing operations. This amount is presented as output VAT upon collection of the receivables.

Accrued expenses

Accrued expenses represent the accrual for security, building maintenance and janitorial services, salaries and employee benefits, professional fees, interest on interest-bearing loans and borrowings and other administrative expenses as well as marketing and advertising expenses, which are expected to be settled within 12 months after the end of the reporting period.

Current portion of liabilities for purchased land

Liabilities for purchased land are payables to various real estate property sellers. Under the terms of the agreements executed by the Group covering the purchase of certain real estate properties, the titles of the subject properties shall be transferred to the Group only upon full payment of the real estate payables. Liabilities for purchased land that are payable beyond one year from year end date are presented in ‘Other noncurrent liabilities.

Current portion of liabilities for retention payable

Retention payable pertains to 10.00% retention from the contractors’ progress billings which will be released after the completion of contractors’ project. The retention serves as a holdout amount withheld from the contractor to cover for back charges that may arise from quality issues in affected projects.

Other payables

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

13. BANK LOANS

The breakdown of this account is as follows:

Bank loans – Current	₱ 116
Bank loans – Non-current	1,489
	₱ 1,605

Bank loans

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

The Group has complied with the covenants required by the bank loans as of March 31, 2024 and December 31, 2023. The compliance of MAPI and MC to the covenants of their respective bank loans are based on their standalone financial statement balances.

14. EQUITY

Capital Stock

The details of the Parent Company’s capital stock as of March 31, 2024 follow:

<i>Preferred</i>	
Authorized shares	10,000,000,000
Par value per share	₱ 0.01
Issued and outstanding shares	2,350,000,000
Value of shares issued	₱23,500,000

Common

Authorized shares	16,900,000,000
Par value per share	₱ 1.00
Issued and outstanding shares	8,425,981,156
Value of shares issued	₱ 8,425,981,156

Registration Track Record

On November 13, 1970, the SEC approved the listing of the Parent Company's common shares totaling 1,000,000,000 shares. The shares were initially issued at an offer price of ₱0.01 per share.

After listing in 1970, there had been subsequent issuances covering a total of 7,425,981,156 shares.

Below is the summary of the Parent Company's track record of registration of securities with the SEC as of March 31, 2024:

	Number of Shares Registered	Number of holders of securities as of March 31, 2024
December 31, 2022	8,425,981,156	432
Add/(Deduct) Movement	-	(1)
December 31, 2023	8,425,981,156	431
Add/(Deduct) Movement	-	-
March 31, 2024	8,425,981,156	431

Retained Earnings

The BOD of the Parent Company approved the declaration of regular cash dividend amounting to ₱258.14 million or ₱0.0306 per share and ₱220.43 million or ₱0.0262 per share on September 28, 2023 and September 30, 2022, respectively. The dividend declarations are in favor of all stockholders of record as of October 13, 2023 and October 14, 2022, ₱257.87 million and ₱220.40 million of which were paid on October 27, 2023 and October 27, 2022, respectively. The remaining unpaid dividends are lodged under "Payable to VLLI" account.

As at March 31, 2024, unpaid dividends amounted to ₱0.28 million.

15. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

This account consists of:

Occupancy expenses	₱ 84
Taxes and licenses	68
Salaries and employee benefits	67
Outside services	62
Repairs and maintenance	27
Advertising and promotions	1
Others	34
	₱ 343

16. EARNINGS PER SHARE

Earnings per share were computed as follows:

Net Profit attributable to parent company's shareholders	₱ 2,252
Divided by weighted outstanding common Shares	8,426
	₱ 0.267
<hr/>	
Total comprehensive income attributable to parent company's shareholders	₱ 2,254
Divided by weighted outstanding common Shares	8,426
	₱ 0.268
<hr/>	

Diluted earnings per share was not determined since the Group does not have potential dilutive shares as of March 31, 2024.

Financial Soundness Indicator

Below are the financial ratios that are relevant to the Group for the period ended March 31, 2024 and 2023.

		31-Mar-24	31-Dec-23
Current Ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	0.52	0.43
Long-term debt-to-equity ratio	$\frac{\text{Long-term debt}^1}{\text{Equity}}$	0.03	0.03
Debt ratio	$\frac{\text{Interest bearing debt}^2}{\text{Total assets}}$	0.03	0.04
Debt to equity ratio	$\frac{\text{Interest bearing debt}}{\text{Total equity}}$	0.03	0.04
Net debt to equity	$\frac{\text{Net debt}^3}{\text{Total equity}}$	0.03	0.03
Asset to equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	2.17	2.21
		31-Mar-24	31-Mar-23
EBITDA to total interest	$\frac{\text{EBITDA}}{\text{Total interest}}$	21.70	14.35
Price Earnings Ratio	$\frac{\text{Market Capitalization}^4}{\text{Net Income}^5}$	2.37	4.14
Asset to liability ratio	$\frac{\text{Total assets}}{\text{Total liabilities}}$	1.85	1.68
Net profit margin	$\frac{\text{Net profit}}{\text{Sales}}$	0.61	0.54
Return on assets	$\frac{\text{Net income}^5}{\text{Total assets}}$	8.8%	6.0%
Return on equity	$\frac{\text{Net income}^5}{\text{Total equity}}$	19.1%	15.0%
Interest Service Coverage Ratio	$\frac{\text{EBITDA}}{\text{Total interest}}$	21.70	14.35

¹ Pertains to long term portion of the Bank loans

² Includes Bank loans

³ Bank loans less Cash, Short-term and Long Term Cash Investments, Investments at fair value through profit/loss and other comprehensive income

⁴ Based on closing price at March 31, 2024 and 2023

⁵ Annualized

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations covering three months ended March 31, 2024 vs. three months ended March 31, 2023

Revenues

Rental income increased by 33% from ₱2,567 million in the three months ended March 31, 2023 to ₱3,404 million in the period ended March 31, 2024. The increase was primarily attributable to higher occupancy and the increase in rates for the period including the upside from the higher sales of variable rental-based tenants.

Other operating income increased by 257% from ₱81 million in the three months ended March 31, 2023 to ₱289 million in the period ended March 31, 2024 due to the increase in other operating income generated from the commercial assets.

Cost and Expenses

Cost and expenses decreased by 6% to ₱691 million for the three months ended March 31, 2024 from ₱737 million for the three months ended March 31, 2023.

- Depreciation decreased by 6% from ₱367 million in the three months ended March 31, 2023 to ₱343 million for the period ended March 31, 2024 due to the transfer of some investment properties to VREIT.
- Operating expenses decreased by 7% from ₱367 million in the three months ended March 31, 2023, to ₱343 million in the period ended March 31, 2024. The decrease was primarily due to the decrease in repairs and maintenance, outside services, professional fees and other operating expenses.

Other Income (Charges)

Finance income increased by 100% from ₱1 million in the three months ended March 31, 2023 to ₱2 million in the period ended March 31, 2024 due to higher interest earned from cash in banks and receivables of the company for the period.

Finance costs decreased by 4% from ₱167 million in the period ended March 31, 2023 to ₱160 million in the period ended March 31, 2024. The decrease was due to the interest pertaining to the lease liabilities recognized.

Equity in net earnings of an associate registered at ₱120 million for ended March 31, 2024. The increase was due to the share on the higher earnings of VREIT.

Provision for Income Tax

Provision for tax increased by 63% from ₱436 million in the period ended March 31, 2023 to ₱711 million in the period ended March 31, 2024 due to the higher taxable income in the 3-months of 2024.

Net Income

As a result of the foregoing, the Group's net income increased by 58% from ₱1,424 million in the three months ended March 31, 2023 to ₱2,253 million in the three months ended March 31, 2024.

For the three months ended, 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.

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

Financial Condition as of March 31, 2024 vs. December 31, 2023

Total assets were ₱102,360 million as of March 31, 2024 and ₱99,274 million as of December 31, 2023. The 3% increase is due to the following:

- Cash and cash equivalents increased by 56% from ₱157 million as of December 31, 2023 to ₱245 million as March 31, 2024 due to the increase in cash flow from operations.
- Receivables, including non-current portion increased by 4% from ₱34,488 million as of December 31, 2023 to ₱35,838 million as of March 31, 2024 mainly due to the increase in receivables from tenants.
- Property and equipment decreased by 17% from ₱24 million as of December 31, 2023 to ₱20 million as of March 31, 2024 due to depreciation.
- Investment properties increased by 3% from ₱46,626 million as of December 31, 2023 to ₱48,215 million as of March 31, 2024 primarily due to the additions of land, buildings and improvements of investment properties for the period.
- Other assets, including non-current portion increased by 2% from ₱3,351 million as of December 31, 2023 to ₱3,411 million as of March 31, 2024 mainly due to the increase in input vat and prepaid expenses.

Total Liabilities as of March 31, 2024 registered at ₱55,233 million, slightly increased by 2% compared to ₱54,400 million as of December 31, 2023.

- Accounts and other payables increased by 14% from ₱5,323 million as of December 31, 2023 to ₱6,053 million as of March 31, 2024 due to the increase in deferred output vat and accrued expenses.
- Security deposits and advance rent increased by 2% from ₱1,155 million as of December 31, 2023 to ₱1,175 million as of March 31, 2024 due to additional deposits from new lessees for malls and offices as well as top up of security deposits and advance rent based on escalation.
- Bank loans including non-current portion, decreased by 7% from ₱1,720 million as of December 31, 2023 to ₱1,605 million as of March 31, 2024 due to settlements for the period.
- Deferred tax liabilities - net increased by 8% from ₱8,889 million as of December 31, 2023 to ₱9,579 million as of March 31, 2024 due to additional temporary differences for the period.

- Other noncurrent liabilities decreased by 41% from ₱386 million as of December 31, 2023 to ₱228 million as of March 31, 2024 due to the decrease in the non-current portion of payables to contractors and retention payable.

Total stockholder's equity increased by 5% from ₱44,874 million as of December 31, 2023 to ₱47,127 million as of March 31, 2024 due to higher income recorded for the period.

Top Five (5) Key Performance Indicators

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

Key Performance Indicators	03/31/2024	12/31/2023
Current ratio ^(a)	0.52	0.43
Debt-to-equity ratio ^(b)	0.03	0.04
	03/31/2024	03/31/2023
Interest coverage ratio ^(c)	21.70	14.35
EBITDA margin ^(d)	94%	96%
Return on equity ^(e)	19%	19%

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) *Debt-to-equity ratio: This ratio is obtained by dividing the Company's Total Interest-bearing Debt by its Total Equity. The ratio reveals the proportion of debt and equity a company is using to finance its business. It also measures a company's borrowing capacity.*
- (c) *Interest coverage: This ratio is obtained by dividing earnings before interest, taxes depreciation and amortization (EBITDA) by the interest expense. This ratio shows whether a company is earning enough profits before interest to pay its interest cost comfortably.*
- (d) *Earnings before interest, income taxes, depreciation and amortization (EBITDA) margin: This ratio is obtained by dividing the Company's Earnings before interest, income taxes, depreciation and amortization by the total revenue. This measures the Company's operating profitability.*
- (e) *Return on equity: This ratio is obtained by dividing the Company's net income (net of income from acquisition of subsidiary) by its total equity. This measures the rate of return on the ownership interest of the Company's stockholders.*
- Because there are various calculation methods for the performance indicators above, the Company's presentation of such may not be comparable to similarly titled measures used by other companies.*

Current Ratio as of March 31, 2024 increased from December 31, 2022 due to the increase in current assets.

Debt to equity ratio as of March 31, 2024 decreased from that of December 31, 2023 due to settlement of debt for the period.

Interest coverage for the period ended March 31, 2024 increased because of the increase in EBITDA.

EBITDA margin improved for the period ended March 31, 2024 from the prior period due to higher income for the period.

Return on equity remains the same.

Material Changes to the Company's Statement of Financial Position as of March 31, 2024 compared to December 31, 2023 (increase/decrease of 5% or more)

Cash and cash equivalents increased by 56% from ₱157 million as of December 31, 2023 to ₱245 million as March 31, 2024 due to the increase in cash flow from operations.

Property and equipment decreased by 17% from ₱24 million as of December 31, 2023 to ₱20 million as of March 31, 2024 due to depreciation.

Accounts and other payables increased by 14% from ₱5,323 million as of December 31, 2023 to ₱6,053 million as of March 31, 2024 due to the increase in deferred output vat and accrued expenses.

Bank loans including non-current portion, decreased by 7% from ₱1,720 million as of December 31, 2023 to ₱1,605 million as of March 31, 2024 due to settlements for the period.

Deferred tax liabilities - net increased by 8% from ₱8,889 million as of December 31, 2023 to ₱9,579 million as of March 31, 2024 due to additional temporary differences for the period.

Other noncurrent liabilities decreased by 41% from ₱386 million as of December 31, 2023 to ₱228 million as of March 31, 2024 due to the decrease in the non-current portion of payables to contractors and retention payable.

Material Changes to the Company's Statement of Comprehensive Income for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 (increase/decrease of 5% or more)

Rental income increased by 33% from ₱2,567 million in the three months ended March 31, 2023 to ₱3,404 million in the period ended March 31, 2024. The increase was primarily attributable to higher occupancy and the increase in rates for the period including the upside from the higher sales of variable rental-based tenants.

Other operating income increased by 257% from ₱81 million in the three months ended March 31, 2023 to ₱289 million in the period ended March 31, 2024 due to the increase in other operating income generated from the commercial assets.

Depreciation decreased by 7% from ₱367 million in the three months ended March 31, 2023 to ₱343 million for the period ended March 31, 2024 due to the transfer of some investment properties to VREIT.

Operating expenses decreased by 7% from ₱367 million in the three months ended March 31, 2023, to ₱343 million in the period ended March 31, 2024. The decrease was primarily due to the decrease in repairs and maintenance, outside services, professional fees and other operating expenses.

Finance income increased by 100% from ₱1 million in the three months ended March 31, 2023 to ₱2 million in the period ended March 31, 2024 due to higher interest earned from cash in banks and receivables of the company for the period.

Finance costs decreased by 4% from ₱167 million in the period ended March 31, 2023 to ₱160 million in the period ended March 31, 2024. The decrease was due to the interest pertaining to the lease liabilities recognized.

Equity in net earnings of an associate registered at ₱120 million for ended March 31, 2024. The increase was due to the share on the higher earnings of VREIT.

Provision for tax increased by 63% from ₱436 million in the period ended March 31, 2023 to ₱711 million in the period ended March 31, 2024 due to the higher taxable income in the 3-months of 2024.

The Group's net income increased by 58% from ₱1,424 million in the three months ended March 31, 2023 to ₱2,253 million in the nine months ended March 31, 2024.

For the three months ended, 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.

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

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

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.

The Company is contingently liable with respect to certain lawsuits and other claims which are being contested by the subsidiaries and their legal counsels. Management and their legal counsels believe that the final resolution of these claims will not have a material effect on the consolidated financial statements.

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Company's liquidity in any material way. The Company sourced its capital requirements through a mix of internally generated cash, sale of liquid assets like installment contracts receivables, pre-selling and joint venture undertakings. The Company does not expect any material cash requirements beyond the normal course of the business. The Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

There are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation except for those items disclosed in the 3-months of 2024 Financial Statements.

There are no material off-balance sheet transactions, arrangements, obligation (including contingent obligations), or other relationships of the Company with unconsolidated entities or other persons created during the reporting period except those disclosed in the 3-months of 2024 Financial Statements.

There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonably expected to have a material impact on the continuing operations of the Company.

There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. There are no explanatory comments on the seasonality of the operations. There are no material events subsequent to the end of the fiscal period that have not been reflected in the financial statements.

There are no material amounts affecting assets, liabilities, equity, net income or cash flows that are unusual in nature; neither are there changes in estimates of amounts reported in a prior period of the current financial year.

PART II - OTHER INFORMATION

Item 3. 3-months of 2024 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	Director and President
Cynthia J. Javarez	Director and Treasurer
Camille A. Villar	Director
Achawin Asavabhokhin	Director
Cherrylyn P. Caoile	Independent Director
Marilou O. Adea	Independent Director

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.

₱0.0306 per share Regular Cash Dividend

Declaration Date: September 28, 2023

Record date: October 13, 2023

Payment date: October 27, 2023

₱0.0262 per share Regular Cash Dividend

Declaration Date: September 30, 2022

Record date: October 14, 2022

Payment date: October 27, 2022

₱0.0161 per share Regular Cash Dividend

Declaration Date: September 30, 2021

Record date: October 15, 2021

Payment date: October 28, 2021

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 therefore.

None.

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

None.

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

None

I. Transferring of assets, except in normal course of business.

None.

Item 4. Other Notes as of the 3-months of 2024 Operations and Financials.

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

None.

B. 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.

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

See Notes to Financial Statements and Management Discussion and Analysis.

D. 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.

E. 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.

F. Changes in contingent liabilities or contingent assets since the last annual balance sheet date.

None.

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

None.

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

None.

I. 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.

J. 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, commercial building construction and requirements which are well within the regular cash flow budget coming from internally generated funds.

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

As of March 31, 2024, 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 first three months of 2024 financial statements.

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

None.

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

None.

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

None.

O. 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.

VISTAMALLS, INC.
Issuer

By:


BRIAN N. EDANG
Chief Financial Officer

Date: May 20, 2024