Vista Group REIT Properties
(Vista Land & Lifescapes, Inc. and Subsidiaries' Commercial Properties to be transferred to Vista One, Inc.)

Combined Carve-out Financial Statements
December 31, 2021, 2020, 2019 and 2018

and

Independent Auditor's Report

A member firm of Ernst & Young Global Limited

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
Vista One, Inc.

Opinion

We have audited the combined carve-out financial statements of Vista Group REIT Properties (Vista Land and Lifescapes, Inc. and Subsidiaries' Commercial Properties to be transferred to Vista One, Inc.) (the Assigned Properties), which comprise the combined carve-out statements of financial position as at December 31, 2021, 2020, 2019 and 2018 and the combined carve-out statements of comprehensive income, combined carve-out statements of changes in equity and combined carve-out statements of cash flows for the years then ended, and notes to the combined carve-out financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying combined carve-out financial statements present fairly, in all material respects, the financial position of the Assigned Properties as at December 31, 2021, 2020, 2019 and 2018 and their financial performance and their cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Combined Carve-out Financial Statements

Management is responsible for the preparation and fair presentation of the combined carve-out financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of combined carve-out financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Assigned Properties' financial reporting process.

Auditor's Responsibilities for the Audit of the Combined Carve-out Financial Statements

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

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

- Identify and assess the risks of material misstatement of the combined carve-out financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Assigned Properties' internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Assigned Properties' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined carve-out financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Assigned Properties to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the combined carve-out financial statements, including the disclosures, and whether the combined carve-out financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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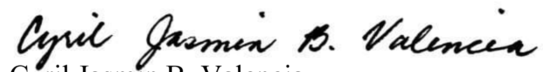

Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
Tax Identification No. 162-410-623
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 90787-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-074-2020, December 3, 2020, valid until December 2, 2023
PTR No. 8854378, January 3, 2022, Makati City

March 16, 2022

VISTA GROUP REIT PROPERTIES

COMBINED CARVE-OUT STATEMENTS OF FINANCIAL POSITION

	December 31			
	2021	2020	2019	2018
ASSETS				
Current Assets				
Cash in banks (Notes 6, 17 and 18)	**₱19,068,536**	₱20,836,203	₱193,814,766	₱107,583,257
Receivables - net (Notes 7, 16, 17 and 18)	**857,644,510**	621,428,166	598,368,360	630,738,017
Other current assets (Note 8)	**436,588,524**	282,034,130	335,319,920	350,268,102
Total Current Assets	**1,313,301,570**	924,298,499	1,127,503,046	1,088,589,376
Noncurrent Assets				
Receivable - net of current portion (Notes 7, 16, 17 and 18)	**1,673,565,454**	1,088,294,649	639,973,999	553,792,824
Property and equipment - net	**27,009,025**	34,616,244	30,158,660	24,987,069
Investment properties - net (Note 9)	**15,941,762,946**	16,450,269,744	16,839,037,521	13,112,187,620
Other noncurrent assets (Note 8)	**1,036,157,162**	1,166,692,977	1,214,389,064	1,502,156,646
Total Noncurrent Assets	**18,678,494,587**	18,739,873,614	18,723,559,244	15,193,124,159
Total Assets	**₱19,991,796,157**	₱19,664,172,113	₱19,851,062,290	₱16,281,713,535
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts and other payables (Notes 10, 17 and 18)	**₱557,932,598**	₱463,779,164	₱382,370,759	₱578,025,196
Security deposits and advance rent (Note 11)	**406,804,879**	300,866,918	439,114,590	167,555,376
Income tax payable (Note 15)	**98,115,796**	103,030,137	117,487,380	119,925,129
Current portion of lease liability (Notes 17, 18 and 19)	**37,679,757**	36,818,224	36,290,709	–
Current portion of bank loan (Notes 12, 17 and 18)	**142,147,719**	141,836,051	141,498,326	141,145,995
Total Current Liabilities	**1,242,680,749**	1,046,330,494	1,116,761,764	1,006,651,696
Noncurrent Liabilities				
Lease liability - net of current portion (Notes 17, 18 and 19)	**390,507,036**	384,125,742	377,629,774	–
Bank loan (Notes 12, 17 and 18)	**285,154,836**	427,302,555	569,138,606	710,636,932
Pension liability	**7,731,980**	6,889,186	5,057,501	4,312,543
Deferred tax liabilities - net (Note 15)	**447,950,843**	368,433,508	257,581,577	214,814,345
Other noncurrent liabilities (Note 11)	**160,766,959**	272,648,928	230,785,043	172,227,716
Total Noncurrent Liabilities	**1,292,111,654**	1,459,399,919	1,440,192,501	1,101,991,536
Total Liabilities	**2,534,792,403**	2,505,730,413	2,556,954,265	2,108,643,232
Invested equity (Note 13)	**16,069,492,319**	15,870,317,608	16,064,401,587	12,996,326,514
Non-controlling interest (Note 2)	**1,387,511,435**	1,288,124,092	1,229,706,438	1,176,743,789
Total Equity	**17,457,003,754**	17,158,441,700	17,294,108,025	14,173,070,303
Total Liabilities and Equity	**₱19,991,796,157**	₱19,664,172,113	₱19,851,062,290	₱16,281,713,535

See accompanying Notes to Combined Carve-out Financial Statements

VISTA GROUP REIT PROPERTIES
COMBINED CARVE-OUT STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31			
	2021	2020	2019	2018
REVENUE				
Rental income (Notes 9 and 19)	**₱2,200,485,414**	₱1,911,500,596	₱1,837,860,975	₱1,454,831,168
Parking fees	**23,640,867**	20,786,936	21,178,605	8,969,014
Other operating income (Note 14)	**81,604,563**	44,316,625	147,388,611	105,631,526
	2,305,730,844	1,976,604,157	2,006,428,191	1,569,431,708
COSTS AND EXPENSES				
Depreciation and amortization (Note 9)	**586,927,547**	590,512,019	614,927,356	366,171,799
Outside services	**85,398,543**	91,663,005	131,563,138	107,269,025
Taxes and licenses	**78,848,924**	67,656,315	60,727,306	51,762,817
Light and power	**78,575,856**	43,247,849	141,003,089	114,390,234
Salaries and employee benefits	**60,166,454**	71,027,368	71,500,223	82,552,650
Repairs and maintenance	**49,947,770**	45,456,350	71,596,271	64,766,492
Provision for expected credit losses (Note 7)	**42,853,225**	36,514,778	10,407,371	11,197,989
Management fees (Note 16)	**39,319,814**	41,664,699	39,049,979	5,200,000
Insurance	**16,294,917**	15,586,929	12,412,771	10,124,905
Professional fees	**15,456,699**	15,052,324	11,526,270	17,221,436
Advertising and promotions	**8,903,742**	13,513,453	33,105,009	26,421,786
Rentals (Note 19)	**2,566,011**	4,427,539	8,691,680	33,860,971
Representation and entertainment	**1,268,682**	4,257,054	3,696,401	4,228,042
Other operating expenses	**25,507,521**	12,459,393	28,857,284	25,524,239
	1,092,035,705	1,053,039,075	1,239,064,148	920,692,385
OTHER INCOME (EXPENSES)				
Interest income (Notes 6, 12 and 14)	**7,093,279**	10,593,913	6,753,764	8,575,737
Interest and other financing charges (Notes 14 and 19)	**(77,943,888)**	(86,971,397)	(92,008,459)	(62,683,841)
	(70,850,609)	(76,377,484)	(85,254,695)	(54,108,104)
INCOME BEFORE INCOME TAX	**1,142,844,530**	847,187,598	682,109,348	594,631,219
PROVISION FOR INCOME TAX (Note 15)	**212,353,787**	254,147,748	204,632,113	178,385,042
NET INCOME	**₱930,490,743**	₱593,039,850	₱477,477,235	₱416,246,177

(Forward)

	Years Ended December 31			
	2021	2020	2019	2018
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Assigned Properties	**₱831,103,400**	₱534,622,196	₱424,514,586	₱363,771,009
Non-controlling interest	**99,387,343**	58,417,654	52,962,649	52,475,168
NET INCOME	**₱930,490,743**	₱593,039,850	₱477,477,235	₱416,246,177
OTHER COMPREHENSIVE INCOME	–	–	–	–
TOTAL COMPREHENSIVE INCOME	**₱930,490,743**	₱593,039,850	₱477,477,235	₱416,246,177
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the Assigned Properties	**₱831,103,400**	₱534,622,196	₱424,514,586	₱363,771,009
Non-controlling interest	**99,387,343**	58,417,654	52,962,649	52,475,168
	₱930,490,743	₱593,039,850	₱477,477,235	₱416,246,177

See accompanying Notes to Combined Carve-out Financial Statements.

VISTA GROUP REIT PROPERTIES
COMBINED CARVE-OUT STATEMENTS OF CHANGES IN EQUITY

	Controlling Interest	Non-Controlling Interest	Total Equity
Invested equity as at January 1, 2021	**₱15,870,317,608**	**₱1,288,124,092**	**₱17,158,441,700**
Net income for the year	**831,103,400**	**99,387,343**	**930,490,743**
Equity transactions with VLLI (Note 13)	**(631,928,689)**	–	**(631,928,689)**
Invested equity as at December 31, 2021	**₱16,069,492,319**	**₱1,387,511,435**	**₱17,457,003,754**
Invested equity as at January 1, 2020	₱16,064,401,587	₱1,229,706,438	₱17,294,108,025
Net income for the year	534,622,196	58,417,654	593,039,850
Equity transactions with VLLI (Note 13)	(728,706,175)	–	(728,706,175)
Invested equity as at December 31, 2020	₱15,870,317,608	₱1,288,124,092	₱17,158,441,700
Invested equity at January 1, 2019	₱12,996,326,514	₱1,176,743,789	₱14,173,070,303
Net income for the year	424,514,586	52,962,649	477,477,235
Equity transactions with VLLI (Note 13)	2,643,560,487	–	2,643,560,487
Invested equity as at December 31, 2019	₱16,064,401,587	₱1,229,706,438	₱17,294,108,025
Invested equity as at January 1, 2018	₱11,014,852,502	₱1,124,268,621	₱12,139,121,123
Net income for the year	363,771,009	52,475,168	416,246,177
Equity transactions with VLLI (Note 13)	1,617,703,003	–	1,617,703,003
Invested equity as at December 31, 2018	₱12,996,326,514	₱1,176,743,789	₱14,173,070,303

See accompanying Notes to Combined Carve-out Financial Statements.

VISTA GROUP REIT PROPERTIES
COMBINED CARVE-OUT STATEMENTS OF CASH FLOWS

	Years Ended December 31			
	2021	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	**₱1,142,844,530**	₱847,187,598	₱682,109,348	₱594,631,219
Adjustments for:				
Depreciation and amortization (Note 9)	**586,927,547**	590,512,019	614,927,356	366,171,799
Interest and other financing charges (Notes 14 and 19)	**77,943,888**	86,971,397	92,008,459	62,683,841
Provision for expected credit losses	**42,853,225**	36,514,778	10,407,371	11,197,989
Interest income (Notes 6, 12 and 14)	**(7,093,279)**	(10,593,913)	(6,753,764)	(8,575,737)
Operating income before working capital changes	**1,843,475,911**	1,550,591,879	1,392,698,770	1,026,109,111
Decrease (increase) in:				
Receivables	**(864,340,374)**	(507,895,234)	(64,218,889)	744,616,170
Other assets	**(69,508,738)**	62,422,476	244,107,417	(631,557,316)
Increase (decrease) in:				
Accounts and other payables	**130,842,901**	(6,015,794)	(136,026,219)	17,234,274
Security deposits and advance rent	**2,589,404**	(101,037,326)	327,017,225	(74,552,306)
Other noncurrent liabilities	**(7,690,618)**	6,485,224	3,844,274	40,550,473
Net cash flows provided by operations	**1,035,368,486**	1,004,551,225	1,767,422,578	1,122,400,406
Interest received	**7,093,279**	10,593,913	6,753,764	8,575,737
Income taxes paid	**(92,260,634)**	(119,193,659)	(120,063,387)	(864,684)
Net cash flows provided by operating activities	**950,201,131**	895,951,479	1,654,112,955	1,130,111,459
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property and equipment (Note 20)	**(4,732,645)**	(19,152,882)	(15,980,281)	(17,147,015)
Investment properties (Note 20)	**(102,770,352)**	(99,624,745)	(3,977,838,867)	(2,575,719,257)
Net cash flows used in investing activities	**(107,502,997)**	(118,777,627)	(3,993,819,148)	(2,592,866,272)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Lease liabilities (Note 20)	**(36,818,224)**	(36,290,709)	(23,371,902)	–
Bank loan (Note 20)	**(142,857,143)**	(142,857,143)	(142,857,143)	(142,857,143)
Interest and other financing charges (Note 20)	**(32,861,745)**	(42,298,388)	(51,393,740)	(60,592,245)
Equity financing with VLLI	**(631,928,689)**	(728,706,175)	2,643,560,487	1,617,703,003
Net cash flows (used in) provided by financing activities	**(844,465,801)**	(950,152,415)	2,425,937,702	1,414,253,615
NET (DECREASE) INCREASE IN CASH	**(1,767,667)**	(172,978,563)	86,231,509	(48,501,198)
CASH AT BEGINNING OF YEAR	**20,836,203**	193,814,766	107,583,257	156,084,455
CASH AT END OF YEAR (Note 6)	**₱19,068,536**	₱20,836,203	₱193,814,766	₱107,583,257

See accompanying Notes to Combined Carve-out Financial Statements.

1. Corporate Information

Vista One, Inc. (the Company or VOI) 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.

On December 29, 2021, the SEC approved the increase in VOI's authorized capital stock from ₱40,000,0000 divided into 40,000,000 shares with par value of ₱1.00 each to ₱2,000,000,0000 divided into 2,000,000,000 shares with par value of ₱1.00 per share. Accordingly, the Company subsequently issued 500,000,000 common shares to its shareholders.

As of December 31, 2021, VOI is owned by the following: (1) Manuela Corporation (MC) (20.50%); (2) Masterpiece Asia Properties, Inc. (MAPI) (19.61%); (3) Vista Residences, Inc (VRI) (19.61%); (4) Communities Pampanga. Inc. (CPI) (19.61%); and (5) Crown Asia Properties, Inc. (CAPI) (19.61%) and the rest by individual shareholders.

MC and MAPI are 99.85% and 100% owned subsidiaries, respectively, of Vistamalls, Inc. (VMI), a publicly listed holding company in the Philippine Stock Exchange (PSE). VMI is 88.34% owned by Vista Land & Lifescapes, Inc. (VLLI) and the rest by the public while VRI, CPI and CAPI are wholly owned subsidiaries by VLLI. VLLI is a publicly listed investment holding company which is 65.00% owned by Fine Properties, Inc. (the Ultimate Parent Company) and 35.00% owned by the public.

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

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

The increase in VOI's authorized capital stock from ₱2,000,000,0000 divided into 2,000,000,000 shares of the par value of ₱1.00 per share to ₱15,000,000,000 pesos in lawful money of the Philippines, divided into 15,000,000,000 shares with the par value of ₱1.00 per share was approved by the SEC on March 14, 2022.

On March 16, 2022, at least a majority of the Board of Directors and the stockholders owning at least two-thirds (2/3) of the outstanding capital stock of VOI approved various amendments to the Articles of Incorporation of the VOI including, among others, the following: (a) change in the corporate name to "VISTAREIT, INC."; (b) change in primary purpose to engage in the business of a real estate investment trust under Republic Act No. 9856 (the REIT Law), including the Revised Implementing

Rules and Regulations of the REIT Law); (c) requirement to have independent directors in the Board; and (d) other amendments in connection with the initial public offering of the VOI as a REIT entity. Such amendments were filed with SEC and is still waiting for approval.

Execution of Property-for-Share Swap Agreement
On February 7, 2022, the Company also entered into various Deeds of Assignment and Subscription Agreements with each of Manuela Corporation (MC), Masterpiece Asia Properties, Inc. (MAPI), Vista Residences, Inc. (VRI), Crown Asia Properties, Inc. (CAPI) and Communities Pampanga Inc. (CPI), collectively referred as the Sponsors, for the assignment, transfer, and conveyance by the Sponsors to the Company of 10 (ten) community malls, one (1) office building, and 10 commercial and office units with 214 parking slots, excluding the land wherein the malls, office building, and office units are situated, with an aggregate gross lease area of 256,403.95 sqm (collectively, the Assigned Properties) in exchange for the issuance by the Company to the Sponsors out of the increase in authorized capital stock described hereinabove of an aggregate of Six Billion Nine Hundred Ninety Million (6,990,000,000) common shares at an issue price of One Peso and Fifty Centavos (₱1.50) per share, or an aggregate issue or subscription price of Ten Billion Four Hundred Eighty Five Million Pesos (₱10,485,000,000) (the Property-for-Share Swap). The difference between the issue price and the par value of ₱3,495,000,000 is accounted for as additional paid-in capital (APIC).

Accordingly, the Assigned Properties have a total fair value of Thirty-Five Billion Nine Hundred Fifty-Two Million Nine Hundred Ninety-Two Thousand Seven Hundred Thirty Pesos (₱35,952,992,730). The difference between the said fair value of the Assigned Properties and the issue price thereof to the Company (i.e., the issue price of the shares issued to the Sponsors in the Property for Share Swap) amounting to Twenty-Five Billion Four Hundred Sixty-Seven Million Nine Hundred Ninety-Two Thousand Seven Hundred Thirty Pesos (₱25,467,992,730) is accounted for as APIC.

The above transactions resulted to a total APIC of Twenty-Eight Billion Nine Hundred Sixty-Two Million Nine Hundred Ninety-Two Thousand and Seven Hundred Thirty Pesos (₱28,962,992,730).

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

The foregoing amendments to VOI Articles of Incorporation and the Property-for-Share Swap shall be subject to customary regulatory review and approvals by the SEC.

Prior to approval and effectivity of the Property-for-Share Swap, the accompanying combined carve-out financial statements have been prepared to provide the historical financial position and performance and cash flows of the Assigned Properties as at and for the years ended December 31, 2021, 2020, 2019, and 2018. They were authorized for issue by the BOD on March 16, 2022.

2. Basis of Preparation

The accompanying combined carve-out financial statements have been prepared by separating the historical financial information of the Assigned Properties that are the subject of the Property-for-Share Swap of the Sponsors' financial statements prepared in accordance with the Philippine Financial Reporting Standards (PFRSs). Furthermore, these combined carve-out financial statements provide comparative information in respect of the previous periods.

VOI also prepared statutory financial statements as of December 31, 2021 which can be obtained from its registered address. The statutory financial information of VOI, as separate legal entity, is different from the financial information of the Assigned Properties which is the subject to the accompanying combined carve-out financial statements.

Until the Property for Share Swap is approved by the SEC, said financial information shall remain to be presented as a part of the Sponsor's financial statements and not in the stand-alone financial statements of the VOI.

The combined carve-out financial statements may not be indicative of the Assigned Properties' future performance and they do not necessarily reflect what its carve-out results of operations, financial position and cash flows would have been, had the Assigned Properties been operated as an independent entity and had it presented stand-alone financial statements during the periods presented.

These combined carve-out financial statements of the Assigned Properties have been prepared on a going concern basis under the historical cost convention. The combined carve-out financial statements are presented in Philippine Peso (₱), which is also the Assigned Properties' functional and presentation currency. All amounts are rounded to the nearest Philippine Peso unless otherwise indicated.

The accompanying combined carve-out financial statements of the Assigned Properties have been prepared for inclusion in the REIT plan for submission to the SEC.

The combined carve-out financial statements of the Assigned Properties have been prepared in accordance with the recognition, measurement and presentation principles that are consistent with PFRS. PFRS do not include specific guidance for preparation of combined carve-out financial statements. The principles used in the preparation of combined carve-out financial statements of the Assigned Properties are as follows:

- The combined carve-out financial statements are based on historical income and expenses, assets, liabilities, equity and cash flows of the combining assets. Invested equity is determined by combining the initial net assets of the Assigned Properties and historical accumulated earnings, adjusted for the effects of elimination of intra-company transactions among and within the Assigned Properties. The individual financial information of each of the combining assets are prepared in accordance with PFRS.

- The historical financial information of the combined assets were carved-out from the accounting systems and records of the Sponsors given their distinct cost and profit center codes. The carved-out financial information presented herein reflects income and expenses, assets, liabilities and cash flows that have formed part of the combined assets' historical financial information. These include, among others, (i) working capital directly attributable and identifiable to the combined assets; (ii) third party debt and related expenses directly attributable to the Assigned Properties, if any; (iii) allocated common overhead costs using a single allocation method; and (iv) income taxes, which were separately computed, as if the combining assets is a separate taxpayer, in accordance with Philippine Accounting Standards (PAS) 12, *Income Taxes*.

  An external debt of VRI specifically obtained for the construction of Vista Hub was included to the combined liabilities together with its related interest expense.

Each of the income-generating investment properties has neither formed part of any separate legal entity nor presented any stand-alone financial statements and accordingly, it is not practicable to present share capital or any analysis of equity reserves. The net assets attributable to the combined assets, excluding the cumulative earnings, are represented by capital invested in VOI and shown as "Invested equity" in the combined carve-out statements of financial position.

The BOD of VOI believes that the judgments and assumptions underlying the combined carve-out financial statements of the Assigned Properties are reasonable (see Note 5).

The accounting policies and method of computation adopted in the preparation of the combined carve-out financial statements are consistent with those followed in the preparation of the Vista Land & Lifescapes, Inc. (VLLI) and Subsidiaries' annual consolidated financial statements.

Basis of Combination

The combined carve-out financial statements are prepared for the Assigned Properties of income-generating investment properties owned by the Sponsors who are under common control. Where the entities have been under common control but do not form a legal entity, the historical financial statements can be presented on a combined or aggregated basis.

The combined carve-out financial statements include the carve-out historical financial information of the following combined assets accounted for as assets acquired from Sponsors.

Properties	Classification	Location
Vista Mall Las Piñas (Main)	Building	Las Piñas City
Vista Mall Las Piñas (Annex)	Building	Las Piñas City
Starmall SJDM	Building	San Jose del Monte, Bulacan
Vista Mall Pampanga	Building	San Fernando, Pampanga
SOMO – A Vista Mall	Building	Bacoor, Cavite
Vista Mall Antipolo	Building	Antipolo City, Rizal
Vista Mall General Trias	Building	General Trias City, Cavite
Vista Mall Tanza	Building	Tanza, Cavite
Vista Mall Imus	Building	Cavite
Starmall Azienda	Building	Talisay City, Cebu
Vista Hub Molino	Building	Bacoor, Cavite
Vista Hub BGC	Condominium units and parking spaces	Bonifacio Global City

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Assigned Properties and to the noncontrolling interests (NCI) as of and for the years ended December 31, 2021, 2020, 2019 and 2018.

Non-controlling Interests

Non-controlling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by VLLI. Non-controlling interests assume the level of NCI at each profit center level.

Noncontrolling interests are presented separately in the combined carve-out statement of comprehensive income, and within equity in the combined carve-out statement of financial position, separately from equity holders of the Assigned Properties. Profit or loss and each component of OCI are attributed to the equity holders of the Assigned Properties and to the NCI, even if this results in the NCI having a deficit balance.

Statement of Compliance
The accompanying combined carve-out financial statements have been prepared in accordance with recognition, measurement and presentation principles that are consistent with PFRSs.

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

3. Changes in Accounting Policies

The accounting policies adopted in the preparation of the combined carved-out financial statements are consistent with those of the previous financial years, except for the adoption of the following amendments in PFRS and PAS which became effective beginning January 1, 2021. The Assigned Properties has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the combined carved-out financial statements of the Assigned Properties. The nature and impact of each new standard and amendment are described below:

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*
  The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:
  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

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

  The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted. The amendments have no impact on the Assigned Properties since no concessions have been granted to the Assigned Properties by its lessors.

- Amendments to PFRS 9, *Financial Instruments,* PFRS 7, *Financial Instruments: Disclosures*, PFRS 4, *Insurance Contracts* and PFRS 16, *Leases*, *Interest Rate Benchmark Reform – Phase 2*
  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Assigned Properties shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Assigned Properties is not required to restate prior periods.

- Adoption of Philippine Interpretations Committee Question and Answers (PIC Q&As) 2018-12 on Accounting for Common Usage Service Area (CUSA)

  On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some implementation issues of PFRS 15, *Revenue from Contracts with Customers* affecting the real estate industry. This includes PIC Q&A No. 2018-12-H which discussed accounting for CUSA charges wherein it was concluded that real estate developers are generally acting as principal for CUSA. On October 25, 2018, the SEC decided to provide relief to the real estate industry by deferring the application of the provisions of the PIC Q&A 2018-12-H for a period of three years or until December 31, 2020. The deferral will only be applicable for real estate transactions.

  The above guidance has no impact to the Assigned Properties because its accounting policy has been aligned with the guidance since the initial adoption of PFRS 15 in 2018.

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

  Under the simplified approach, in calculating expected credit loss (ECL), the Assigned Properties does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. The Assigned Properties has established a provision matrix for lease receivables, analyzed into mall retail tenants and BPO Office tenants, that is based on historical credit loss experience and incorporating forward-looking information (called overlays). The change in accounting policy was applied retroactively resulting in additional provision amounting to ₱36.51 million, ₱10.41 million and ₱11.20 million in 2020, 2019 and 2018, respectively. Current year provision for doubtful accounts amounted to ₱42.85 million using simplified approach.

Future Changes in Accounting Policy

The Assigned Properties will adopt the following standards and interpretations when these become effective. Except as otherwise stated, the Assigned Properties does not expect the adoption of these standards to have a significant impact on the combined carved-out financial statements.

Effective beginning on or after January 1, 2022

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

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

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

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

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

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

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

  The amendments are not expected to have a material impact on the Assigned Properties.

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

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

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Assigned Properties will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

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

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Assigned Properties.

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

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

    These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Assigned Properties will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Assigned Properties.

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

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

    An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Assigned Properties.

Effective beginning on or after January 1, 2023

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

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

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

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

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2024

- Amendments to PAS 1*, Presentation of Financial Statement for the Classification of Liabilities as Current or Non-current*

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Assigned Properties is currently assessing the impact the amendments will have on current practice.

- PFRS 17, Insurance Contracts

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

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

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

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted. The amendments are not expected to have a material impact on the Assigned Properties.

Deferred effectivity

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

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

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

4. **Summary of Significant Accounting Policies**

The following are the significant accounting and financial reporting policies applied by the Assigned Properties in the combined carve-out financial statements.

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 Assigned Properties expects to be entitled in exchange for those goods or services. The Assigned Properties 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 Assigned Properties earn revenue from acting as a lessor in operating leases which do not transfer substantially all of the risk and rewards incidental to the ownership of the investment properties. Rental income from leased properties is accounted for on a straight-line basis over the lease term and is included in the revenue in the combined carve-out 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 Assigned Properties 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 rent receivable” in the line item “Receivables” in the combined carve-out statement of financial position.

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

The contracts for commercial and office spaces leased out by the Assigned Properties 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 Assigned Properties determined that it is acting as an agent because the promise of the Assigned Properties 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 Assigned Properties, are primarily responsible for the provisioning of the utilities while the Assigned Properties 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 Assigned Properties 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 Assigned Properties 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 Assigned Properties. The Assigned Properties 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 Assigned Properties arranges for third parties to provide certain of these services to its tenants. The Assigned Properties 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 Assigned Properties records revenue on a gross basis. For more information, please refer to Note 5.

Interest income
Interest income is recognized as it accrues using the effective interest method.

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

Cost Recognition
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.

The Assigned Properties recognizes common overhead costs among the Assigned Properties' assets based on the proportion of each assets' total gross floor area (see Note 5).

Leases

The Assigned Properties assesses whether a contract is, or contains a lease, at the inception of a contract. This assessment involves the exercise of judgment about whether it depends on a specified asset, whether the Assigned Properties obtains substantially all the economic benefits from the use of the asset, whether the Assigned Properties has the right to direct the use of the asset.

The Assigned Properties as Lessee effective January 1, 2019

Lease Liabilities
At the commencement date of the lease, the Assigned Properties 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 Assigned Properties and payments of penalties for terminating the lease, if the lease term reflects the Assigned Properties 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 Assigned Properties 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 Assigned Properties 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 Assigned Properties applies the low-value assets recognition exemption to leases of underlying assets with a value, when new, of ₱0.25 million and below. Lease payments on short-term leases and low-value assets are recognized as expense on a straight-line basis over the lease term.

The Assigned Properties as a Lessee prior to January 1, 2019

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement; a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
(b) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
(c) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for any of the scenarios above, and at the date of renewal or extension period for the second scenario.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss in the carve-out statement of comprehensive income on a straight-line basis over the lease term. Indirect costs incurred in negotiating an operating lease are added to the carrying value of the leased asset and recognized over the lease term on the same bases as the lease income. Minimum lease payments are recognized on a straight-line basis while the variable rent is recognized as an expense based on the terms of the lease contract.

Assigned Properties as a Lessor under PFRS 16 and PAS 17

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.

Current and Noncurrent Classification

The Assigned Properties presents assets and liabilities in the combined carve-out statement of financial position based on current/noncurrent classification.

An asset is current when:

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

All other assets are classified as noncurrent.

A liability is current when:

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

All other liabilities are classified as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

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 by the Assigned Properties.

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 Assigned Properties 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 combined carve-out 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 combined carve-out financial statements at fair value on a recurring basis, the Assigned Properties 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.

For the purpose of fair value disclosures, the Assigned Properties has determined classes of assets and liabilities on the basis of the nature, characteristics and risk of the asset and liability and the level of the fair value hierarchy as explained above.

Cash in Banks

Cash in banks earn interest at the prevailing interest rate.

Financial Instruments

Financial assets and liabilities are recognized in the combined carve-out statement of financial position when, and only when, the Assigned Properties becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery or assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Recognition and Measurement of 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 Assigned Properties' 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 Assigned Properties' 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 marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Assigned Properties 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 Assigned Properties 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 Assigned Properties' financial assets at amortized cost include cash in banks, receivables and restricted cash under "Other current assets" and "Other noncurrent assets".

Impairment of Financial Assets
The Assigned Properties 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.

As discussed above, starting January 1, 2021, the Assigned Properties used simplified approach method in calculating its ECL for lease receivables from the previous general approach. Under the simplified approach, the Assigned Properties does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Assigned Properties has established a provision matrix for trade receivables that is based on its historical credit loss experience, adjusted for forward-looking factors 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 Assigned Properties' historical observed default rates. The Assigned Properties 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 Assigned Properties considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Assigned Properties may also consider a financial asset to be in default when internal or external information indicates that the Assigned Properties is unlikely to receive the outstanding contractual amounts in full.

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

Prior to January 1, 2021, the Assigned Properties uses general approach in calculating its ECL. Under the general approach, at each reporting date, the Assigned Properties 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. This approach was applied to the ECL calculation of cash in banks, receivables and restricted cash presented in 'Other assets'.

For cash in banks, the Assigned Properties 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 Assigned Properties' 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 Assigned Properties uses the ratings from the external credit rating agencies to determine whether the debt 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 Assigned Properties' financial liabilities include accounts and other payables, lease liabilities, bank loan and other noncurrent liabilities (except for construction bond, security deposits, advance rent and other statutory payables).

Subsequent measurement
Loans and borrowings
This is the category most relevant to the Assigned Properties.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate (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 combined carve-out statements of comprehensive income.

This category generally applies to accounts and other payables (except for deferred output VAT and other statutory payables), liabilities for purchased land, retention payable, bank loans and lease liabilities presented in the combined carve-out statements of financial position.

Derecognition of Financial Assets and Financial Liabilities

Financial asset
A financial asset (or, where applicable, a part of a Assigned Properties of financial assets) is derecognized where: (a) the rights to receive cash flows from the assets have expired; (b) the Assigned Properties 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 Assigned Properties 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 Assigned Properties 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 Assigned Properties' 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 Assigned Properties could be required to repay.

Modification of Financial Assets
The Assigned Properties 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 carve-out 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 Assigned Properties 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 is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where 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 combined carve-out 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.

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

Value-Added Tax (VAT)
Input tax represents the VAT due or paid on purchases of goods and services subjected to VAT that the Assigned Properties 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 Assigned Properties upon approval of the BIR. 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 combined carve-out 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 combined carve-out 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 combined carve-out 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.

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.

Creditable Withholding Taxes
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.

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. These deposits are necessary for the continuing construction and development of the Assigned Properties' commercial centers. The noncurrent portion of the account is expected to be realized beyond one year from reporting date.

Investment Properties
Investment properties comprise completed property and property under construction or re-development that are held to earn rentals. 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. Investment properties also include right-of-use assets involving real properties.

Effective January 1, 2019, it is the Assigned Properties' policy to classify right-of-use assets as part of investment properties. Prior to that date, all of the Assigned Properties' leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded in the combined carve-out statement of financial position. The Assigned Properties 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 Assigned Properties 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.

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

	Years
Buildings and building improvements	10 to 40 years or lease term, whichever is shorter
Right-of-use assets	19 to 23 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.

Property and Equipment
Property and equipment are carried at cost less accumulated depreciation and any impairment in value. The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation of property and equipment commences once the property and equipment are available for use and computed using the straight-line basis over the estimated useful life of property and equipment as follows:

	Years
Transportation equipment	3 to 5
Office furniture, fixtures and equipment	2 to 5
Computer equipment	2 to 5
Other fixed assets	1 to 5

The useful lives and depreciation method are reviewed annually to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Fully depreciated and amortized property and equipment are retained in the accounts until they are no longer in use. No further depreciation is charged against current operations.

Impairment of Nonfinancial Assets
The Assigned Properties 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 Assigned Properties 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 Assigned Properties' of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects

current market assessment of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

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

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

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.

Invested Equity
The Assigned Properties has neither formed a separate legal entity nor presented any stand-alone financial statements, and accordingly it is not practicable to present share capital or any analysis of equity reserves. The net assets of the Assigned Properties are represented by capital invested in the Assigned Properties and shown as "Invested equity".

Changes in net assets allocated to the Assigned Properties are presented separately in the combined carve-out statements of changes in equity under line item "Equity transactions with VLLI and in the combined carve-out statements of cash flows under line item "Equity financing with VLLI reflecting the internal financing between VLLI and the Assigned Properties during the periods presented.

Earnings Per Share (EPS)
As the combined carve-out financial statements have no legal capital and the financial information has been prepared on a combined basis, it is not possible to measure EPS. Accordingly, the requirement of PAS 33, *Earnings Per Share*, to disclose basic/diluted EPS has not been complied with in these combined carve-out financial statements.

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.

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 combined carve-out 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.

Segment Reporting
The Assigned Properties' business is primarily leasing of office and commercial centers which are all located in the Philippines and treated as one segment. The segmentation is the basis of the chief operating decision maker's internal reports allocation resources, and the evaluation of performance.

Provisions
Provisions are recognized when the Assigned Properties 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 Assigned Properties 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 combined carve-out statement of comprehensive income net of any reimbursement.

Contingencies
Contingent liabilities are not recognized in the combined carve-out 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 combined carve-out 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 Assigned Properties' position at the reporting date (adjusting events) are reflected in the combined carve-out financial statements. Any post year-end events that are not adjusting events are disclosed in the combined carve-out financial statements when material.

5. Significant Accounting Judgments and Estimates

The preparation of combined carve-out financial statements in compliance with PFRS requires management to make estimates and assumptions that affect the amounts reported in the combined carve-out financial statements and accompanying notes. The estimates and assumptions used in the combined carve-out financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date. However, uncertainty about these estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments
In the process of applying the Assigned Properties' 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 combined carve-out financial statements:

Basis for preparing combined carve-out financial statements
In preparing the combined carve-out financial statements, management considers the following factors: (a) whether the entities or profit centers to be carved-out and combined are under common control for the full or a portion of the periods covered by the combined carve-out financial statements, (b) the purpose of the combined carve-out financial statements, and (c) the intended users of the combined carve-out financial statements.

Based on management judgment, the Assigned Properties can prepare combined carve-out financial statements because the entities or profit centers to be carved-out and combined are ultimately under common control by VLLI during the periods presented and the combined carve-out financial statements will provide the historical combined financial position and performance and cash flows of the combining income-generating investment properties which are intended to be used by a wide range of users, including VOI's stockholders and the public, who cannot obtain the financial information through other means or do not have access to the internal information of the Sponsors.

Allocation of common overhead costs
The Sponsors centrally administer and incur the costs associated with certain functions on a centralized basis, which include depreciation, light and water, outside services, rentals, salaries and employee benefits, taxes and licenses, repairs and maintenance, and other operating expenses, and allocates the associated costs to the Assigned Properties. The costs incurred have been allocated to the Assigned Properties based on a single allocation method using the gross floor area of the profit centers or buildings. This allocation method was applied across profit centers of the Sponsors which was assessed to be deemed appropriate and reasonable by management.

Non-transfer of Intercompany debt
The Assigned Properties is not a legal obligor of a debt instrument for all periods presented, but the proceeds from the obligation were used to fund the historical operations of the Assigned Properties. Accordingly, this transaction with VLLI is reflected in the accompanying combined carve-out statements of changes in equity as "Equity transactions with VLLI and in the accompanying combined carve-out statements of financial position within "Invested equity". For Vista Hub BGC, the loan is directly attributable to the construction of the units included in the Assigned Properties, hence was included in the combined carved-out financial statements. This financing arrangement was agreed among the Assigned Properties, Sponsors and VLLI.

Principal versus agent considerations
The contract for the commercial center and office spaces leased out by the Assigned Properties to its tenants includes the right to charge for the electricity usage, water usage, air conditioning charges and CUSA like maintenance, janitorial and security services.

For the electricity and water usage, the Assigned Properties determined that it is acting as an agent because the promise of the Assigned Properties to the tenants is to arrange for the electricity and water supply to be provided by a utility company. The utility company, and not the real estate developer, is primary responsible for the provisioning of the utilities while the Assigned Properties, administers the leased spaces and coordinates with the utility companies to ensure that tenants have access to these utilities. The Assigned Properties does not have the discretion on the pricing of the services provided since the price is based on the actual rate charged by the utility providers.

For the connection to air conditioning system and services in the CUSA, the Assigned Properties acts as a principal. This is because it is the Assigned Properties who retains the right to direct the service provider of CUSA as it chooses and the party responsible to provide proper ventilation and air conditioning to the leased premises. The right to the services mentioned never transfers to the tenant and the Assigned Properties has the discretion on how to price the CUSA and air conditioning charges.

Operating Lease Commitments - as Lessee (Before January 1, 2019)
The Assigned Properties has entered into a lease agreement as a lessee. Management has determined that all the significant risks and benefits of ownership of this property, which the Assigned Properties lease under operating lease arrangement, remain with the lessor. Accordingly, the lease was accounted for as operating lease. Rent expense amounted to ₱33.86 million in 2018.

Determination of the lease term (On or after January 1, 2019)
The Assigned Properties 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 Assigned Properties enters into lease agreements that contain options to terminate or to extend the lease. At commencement date, the Assigned Properties determines whether the lessee is reasonably certain to extend the lease term or not to terminate the lease. To make this analysis, the Assigned Properties 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 Assigned Properties does not identify sufficient evidence to meet the required level of certainty.

As a lessee, the Sponsors have lease contracts for the land where investment properties are situated that includes an extension and a termination option. The Assigned Properties 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 Assigned Properties 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).

Property lease classification - the Assigned Properties as lessor
The Assigned Properties has entered into commercial property leases on its investment property portfolio. The Assigned Properties has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of this property and accounts for the contracts as operating leases.

Assessment on whether lease concessions granted constitute a lease modification
In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Assigned Properties waived its right to collect rent and other charges as part of various lease concessions it granted to lessees such as lease payment holidays or lease payment reductions.

The Assigned Properties applies judgment when assessing whether the rent concessions granted is considered a lease modification under PFRS 16.

In making this judgment, the Assigned Properties determines whether the rent concessions granted has changed the scope of the lease, or the consideration thereof, that was not part of the original terms and conditions of the lease. The Assigned Properties assessed that the lease concessions it granted to lessees do not qualify as lease modifications since the terms and conditions under the corresponding lease contracts have not been modified by the waiver but instead is covered by a special law or regulation issued by the Republic of the Philippines during the pandemic - Republic Act (RA) Nos. 11649 and 11494, Bayanihan to Heal as One Act and Bayanihan to Recover as One Act, respectively and Memorandum Circulars and other implementing rules and regulations were also issued by various government sectors in 2021 and 2020 to supplement the implementation of the said Republic Acts, which relates to matters affected with public policy and therefore, is not a lease modification under PFRS 16. Consequently, this is treated as a variable lease.

The rent concessions granted by the Assigned Properties for the years ended December 31, 2021 and 2020 amounted to ₱52.30 million and ₱345.08 million, respectively (see Note 19).

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 Assigned Properties has assessed whether it has any uncertain tax position. The Assigned Properties applies significant judgment in identifying uncertainties over its income tax treatments. The Assigned Properties 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 combined carve out financial statements of the Assigned Properties.

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
The Assigned Properties recognizes a loss allowance on lease receivables based on lifetime ECLs effective January 1, 2021 and applied retrospectively. The changes in the loss allowance balance are recognized in profit or loss as an impairment gain or loss.

The Assigned Properties uses external credit rating approach to calculate ECL for cash in banks 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.

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 Assigned Properties' historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

For 2020 and 2021, the Assigned Properties has considered the impact of COVID-19 pandemic in its ECL calculations. Tenants which belong to micro, small and medium enterprise and those operating under entertainment, non-essentials and food industries are also adversely affected due to temporary closure of mall operations. This increases the risk of non-collection of the remaining receivables.

As a result of the loss estimation, management recognized impairment loss for receivable from tenants in each period presented. Further details on the expected credit losses are disclosed in Note 7.

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded in the combined carve-out statement of financial position or disclosed in the notes to the combined carve-out financial statements cannot be derived from active markets, they are determined using valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation. Further details about the fair value of financial instruments are provided in Note 17.

Evaluation of impairment of nonfinancial assets
The Assigned Properties reviews property and equipment, investment properties 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 including impact of COVID-19 Pandemic.

The Assigned Properties estimates the recoverable amount as the higher of the fair value less costs to sell and value in use. Fair value less costs to sell pertain to quoted prices and for fair values determined using discounted cash flows or other valuation technique such as multiples. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Assigned Properties is required to make estimates and assumptions that may affect property and equipment, investment properties and other nonfinancial assets. Further details are provided in Note 9.

Leases - Estimating the incremental borrowing rate
The Assigned Properties cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Assigned Properties would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Assigned Properties 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Assigned Properties estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates. Further details are provided in Note 17.

Useful lives of investment properties
The Assigned Properties' estimated the useful lives of its investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. For investment properties located in parcels of land that the Assigned Properties lease, the Assigned Properties also consider the non-cancellable term of the lease in determining the useful lives of the leasehold improvements. Further details are provided in Note 2.

6. **Cash in Banks**

Cash in banks earn interest at the prevailing bank deposit rates ranging from 0.10% to 0.25% in 2021, 2020, 2019 and 2018.

Interest earned from cash in banks for the years ended December 31, 2021, 2020, 2019 and 2018 amounted to ₱1.03 million, ₱4.74 million, ₱1.89 million and ₱4.24 million, respectively (see Note 14).

7. **Receivables**

This account consists of:

	2021	2020	2019	2018
Accounts receivable from tenants (Note 16)	**₱685,813,551**	₱446,427,701	₱382,694,558	₱487,792,844
Accrued rent receivable (Note 16)	**1,937,590,647**	1,306,163,196	874,718,152	697,024,004
Others	**4,317,547**	13,401,577	2,535,009	10,911,982
	2,627,721,745	1,765,992,474	1,259,947,719	1,195,728,830
Less allowance for impairment losses	**(96,511,781)**	(56,269,659)	(21,605,360)	(11,197,989)
	2,531,209,964	1,709,722,815	1,238,342,359	1,184,530,841
Less noncurrent portion	**1,673,565,454**	1,088,294,649	639,973,999	553,792,824
	₱857,644,510	₱621,428,166	₱598,368,360	₱630,738,017

Accounts receivable from tenants
Accounts receivable from tenants represent the outstanding receivables arising from leasing activities and are collectible within 30 days from billing date. Except for lease contracts with related parties, these are covered by security deposit of tenants' equivalent to 2 to 4-month rental and 2 to 4-month advance rental paid by the lessees. This includes both the billed fixed and contingent portion of lease.

Accrued rent receivable
Accrued rent receivable pertains to the effect of straight-line calculation of rental income.
The noncurrent portion of accrued rent receivable are expected to be realized beyond one year from the reporting date.

On September 28, 2018, Fine Properties Inc. (Ultimate Parent), MAPI, MC and AllValue HOLDINGS CORP. Group of companies (AllValue Group, composed mainly of AllHome Corporation and AllDay Marts, Inc.), entered into a Deed of Assignment wherein Fine Properties assumed ₱760.86 million of AllValue Group's rental payable to MAPI and MC which reduced the Assigned Properties' "Accounts receivable from tenants" by the same amount. AllValue Group is an anchor tenant of the Assigned Properties (see Note 16).

On various dates in 2021 and 2020, certain third party and related party tenants of the Assigned Properties operating within the entertainment, food and low-priced apparel retailing have requested for the termination of their lease contracts with the Assigned Properties prior to the original end dates. The requests, as granted by the Assigned Properties, are primarily due to the impact of COVID 19 pandemic to their business. As agreed with these tenants, all billed receivables up to termination date will be collected. As a result of this, the Assigned Properties reversed the accrued rental receivable which is the effect of straight-line calculation of rental income of those tenants who pre-terminated the contracts amounting to ₱1.66 million and ₱219.75 million against rental income for the year ended December 31, 2021 and 2020, respectively. The related deferred tax liability of ₱0.42 million and ₱54.94 million for the reversed accrued rental receivable from tenants was reversed in 2021 and 2020, respectively. Of these terminated tenants in 2021 and 2020, ₱0.13 million and ₱216.70 million were related parties. The specific portion relating to the termination of related party tenants are included in the related party transactions disclosure of the Assigned Properties (see Note 16).

The rollforward analysis of allowance for impairment losses are as follow:

	2021	2020	2019	2018
Allowance for impairment losses, beginning	**₱56,269,659**	₱21,605,360	₱11,197,989	₱16,205,974
Provision during the year	**42,853,225**	36,514,778	10,407,371	11,197,989
Recoveries	**(2,611,103)**	(1,850,479)	–	–
Write-off	**–**	–	–	(16,205,974)
Allowance for impairment losses, ending	**₱96,511,781**	₱56,269,659	₱21,605,360	₱11,197,989

8. Other Assets

This account consists of:

	2021	2020	2019	2018
Input VAT - net	**₱821,149,997**	₱951,332,085	₱1,021,536,753	₱970,328,184
Advances to contractors	**378,760,615**	195,632,587	201,943,682	589,270,967
Refundable deposits	**128,043,354**	128,033,471	126,527,875	100,495,971
Restricted cash (Note 12)	**91,452,939**	117,953,403	107,844,515	107,844,515
Prepaid expenses	**49,323,061**	52,396,201	88,669,912	80,579,049
Others	**4,015,720**	3,379,360	3,186,247	3,906,062
	1,472,745,686	1,448,727,107	1,549,708,984	1,852,424,748
Less noncurrent portion:				
Input VAT	**523,054,842**	814,821,777	872,679,219	803,744,701
Advances to contractors	**378,760,615**	195,632,587	201,943,682	589,270,967
Refundable deposits	**127,904,054**	128,028,571	126,522,975	100,495,971
Restricted cash	**6,437,651**	28,210,042	13,243,188	8,645,007
	1,036,157,162	1,166,692,977	1,214,389,064	1,502,156,646
	₱436,588,524	₱282,034,130	₱335,319,920	₱350,268,102

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.

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

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 Assigned Properties.

Cash restricted for use are deposits restricted solely for payment of the principal amortization and interest of bank loan. These deposits bear prevailing interest rates and will be retained as deposits until the bank loan is fully paid. Deposit balance should be equivalent to two quarters of debt amortization.

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.

9. Investment Properties

The rollforward analysis of this account follows:

	December 31, 2021				
	Land	**Building and Building Improvements**	**Construction in Progress**	**Right-of-use Assets**	**Total**
Cost					
At beginning of year	**₱5,662,501,773**	**₱12,481,440,926**	**₱207,862,683**	**₱381,956,332**	**₱18,733,761,714**
Additions	**7,744,450**	**34,460,074**	**25,842,672**	**–**	**68,047,196**
Reclassification	**–**	**165,351,866**	**(165,351,866)**	**–**	**–**
At end of year	**5,670,246,223**	**12,681,252,866**	**68,353,489**	**381,956,332**	**18,801,808,910**
Accumulated Depreciation					
At beginning of year	**–**	**2,249,972,694**	**–**	**33,519,276**	**2,283,491,970**
Depreciation	**–**	**559,794,356**	**–**	**16,759,638**	**576,553,994**
At end of year	**–**	**2,809,767,050**	**–**	**50,278,914**	**2,860,045,964**
Net Book Value	**₱5,670,246,223**	**₱9,871,485,816**	**₱68,353,489**	**₱331,677,418**	**₱15,941,762,946**

	December 31, 2020				
	Land	Building and Building Improvements	Construction in Progress	Right-of-use Assets	Total
Cost					
At beginning of year	₱5,659,236,531	₱12,302,221,386	₱204,901,850	₱381,956,332	₱18,548,316,099
Additions	3,265,242	30,471,652	151,708,721	–	185,445,615
Reclassification	–	148,747,888	(148,747,888)	–	–
At end of year	5,662,501,773	12,481,440,926	207,862,683	381,956,332	18,733,761,714
Accumulated Depreciation					
At beginning of year	–	1,692,518,940	–	16,759,638	1,709,278,578
Depreciation	–	557,453,754	–	16,759,638	574,213,392
At end of year	–	2,249,972,694	–	33,519,276	2,283,491,970
Net Book Value	₱5,662,501,773	₱10,231,468,232	₱207,862,683	₱348,437,056	₱16,450,269,744

	December 31, 2019				
	Land	Building and Building Improvements	Construction in Progress	Right-of-use Assets	Total
Cost					
At beginning of year	₱3,020,091,252	₱10,272,562,625	₱924,340,247	₱–	₱14,216,994,124
Additions /adoption of PFRS 16	2,639,145,279	47,120,585	1,263,099,779	381,956,332	4,331,321,975
Reclassification	–	1,982,538,176	(1,982,538,176)	–	–
At end of year	5,659,236,531	12,302,221,386	204,901,850	381,956,332	18,548,316,099
Accumulated Depreciation					
Balances at beginning of year	–	1,104,806,504	–	–	1,104,806,504
Depreciation	–	587,712,436	–	16,759,638	604,472,074
At end of year	–	1,692,518,940	–	16,759,638	1,709,278,578
Net Book Value	₱5,659,236,531	₱10,609,702,446	₱204,901,850	₱365,196,694	₱16,839,037,521

	December 31, 2018			
	Land	Building and Building Improvements	Construction in Progress	Total
Cost				
At beginning of year	₱2,989,932,254	₱7,682,602,927	₱1,039,883,948	₱11,712,419,129
Additions	30,158,998	303,566,717	2,170,849,280	2,504,574,995
Reclassification	–	2,286,392,981	(2,286,392,981)	–
At end of year	3,020,091,252	10,272,562,625	924,340,247	14,216,994,124
Accumulated Depreciation				
At beginning of year	–	745,085,871	–	745,085,871
Depreciation	–	359,720,633	–	359,720,633
At end of year	–	1,104,806,504	–	1,104,806,504
Net Book Value	₱3,020,091,252	₱9,167,756,121	₱924,340,247	₱13,112,187,620

Investment properties consist of land, building and building improvements, construction in progress and right of use asset related to leasing activities as office spaces and commercial centers that are located in key cities and municipalities in the Philippines. The right-of-use asset pertains to the leased land where Vista Mall Antipolo, Starmall Talisay-Cebu, Vista Mall General Trias and Vista Mall Tanza are situated.

Total rental income earned from investment properties amounted to ₱2,200.49 million, ₱1,911.50 million, ₱1,837.86 million and ₱1,454.83 million in 2021, 2020, 2019 and 2018, respectively.

Included in rental income is variable rent earned from investment properties amounting to ₱453.26 million, ₱430.19 million, ₱429.67 million and ₱130.16 million in 2021, 2020, 2019 and 2018, respectively, and income from CUSA earned from investment properties amounting to ₱222.25 million, ₱222.61 million, ₱235.84 million and ₱212.22 million in 2021, 2020, 2019 and 2018, respectively.

Repairs and maintenance costs incurred arising from the investment properties amounted to ₱49.95 million, ₱45.46 million, ₱71.60 million and ₱64.77 million for the years ended December 31, 2021, 2020, 2019 and 2018, respectively. Direct cost of property operations amounted to ₱948.95 million, ₱946.46 million, ₱1,156.30 million and ₱888.11 million for the years ended December 31, 2021, 2020, 2019 and 2018, respectively.

The aggregate fair values of investment properties, as determined by Asian Appraisal, a third-party appraiser, as of December 31, 2021 and 2020 amounted to ₱35,952.99 million and ₱33,303.11 million, respectively. In the determination of fair values, the income approach method was used considering annual rental escalation rates ranging from 5% to 10% for the fixed payments and minimum rental guaranteed for the remaining life of the commercial centers and office buildings, discounted using 8.10% to 8.67% determined using the weighted average cost of capital.

The calculation of fair value assumed a 5-year explicit forecast and terminal value using Gordon growth model.

All fair market valuations are under Level 3 category.

The Assigned Properties has no restrictions on the realizability of its investment properties and except for awarded contracts, there are no contractual obligations to either purchase or construct or develop investment properties or for repairs, maintenance and enhancements. The total contractual obligations to either purchase or construct or develop investment properties or for repairs, maintenance and enhancement amounted to ₱223.86 million, ₱162.60 million, ₱209.34 million and ₱175.59 million as of December 31, 2021, 2020, 2019 and 2018, respectively.

Starmall San Jose Del Monte and Vista Mall Imus are used as collateral to the Sponsor's bank loans with maturity of March 2022 and these bank loans will not be transferred to the Assigned Properties.

10. **Accounts and Other Payables**

This account consists of:

	2021	2020	2019	2018
Deferred output VAT	**₱247,991,610**	₱134,388,599	₱94,209,071	₱103,773,441
Accounts payable:				
Supplier	**58,769,327**	53,367,767	57,410,121	56,587,148
Contractors	**104,667,453**	116,687,559	29,558,543	76,317,107
Accrued expenses	**58,948,095**	61,116,133	54,871,055	70,828,431
Current portion of retention payable	**31,385,204**	36,495,549	74,126,150	175,527,468
Other payables	**56,170,909**	61,723,557	72,195,819	94,991,601
	₱557,932,598	₱463,779,164	₱382,370,759	₱578,025,196

Deferred output VAT
Deferred output VAT pertains to the output VAT on receivables from the Assigned Properties' leasing operations. This amount is reclassified to output VAT upon collection of the receivables.

Accounts payable - suppliers
Accounts payable - suppliers represent payables related to construction materials, marketing collaterals, office supplies and property and equipment ordered and delivered but not yet due. These are expected to be settled within a year from reporting date.

Accounts payable - contractors
Accounts payable - contractors pertain to contractors' billings for construction services related to the development of various projects of the Assigned Properties. These are expected to be settled within a year from reporting date.

Accrued expenses
Accrued expenses represent the accrual for rentals (including straight-line recognition of rent expense) for year 2018, external contracted services and other administrative expenses which are expected to be settled within 12 months after the end of the reporting period. The accruals for rentals that were reversed upon adoption of PFRS 16 amounted to ₱27.49 million in 2019.

The details of accrued expenses are as follow:

	2021	2020	2019	2018
Security services	**₱26,448,348**	₱32,955,243	₱28,636,629	₱24,818,300
Outside services and utilities	**15,649,236**	13,534,525	12,478,669	9,728,331
Repairs and maintenance	**10,340,843**	8,039,085	9,282,354	5,898,612
Advertising	**4,808,591**	4,065,382	3,342,340	2,023,949
Rental	**–**	–	–	27,485,639
Others	**1,701,077**	2,521,898	1,131,063	873,600
	₱58,948,095	₱61,116,133	₱54,871,055	₱70,828,431

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. Retention payables that are payable beyond one year from year end date are presented as other noncurrent liabilities.

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.

11. Security Deposits and Advance Rent and Other Noncurrent Liabilities

Security deposits and advance rent consists of:

	2021	2020	2019	2018
Security deposits	**₱339,598,260**	₱339,241,437	₱303,273,912	₱235,451,840
Advance rent	**162,112,300**	159,879,719	296,884,570	37,689,417
	501,710,560	499,121,156	600,158,482	273,141,257
Less noncurrent portion:				
Security deposits	**43,031,037**	118,997,695	119,760,864	97,847,689
Advance rent	**51,874,644**	79,256,543	41,283,028	7,738,192
	94,905,681	198,254,238	161,043,892	105,585,881
	₱406,804,879	₱300,866,918	₱439,114,590	₱167,555,376

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. Current portion are for those contracts with end date within one year from balance sheet date.

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 2 to 4-month rental depending on the contract terms of the related lease contract. These also include overpayments made by lessee against its monthly billings which will applied to future billings. Current portion are those to be applied within one year from financial reporting date.

Other noncurrent liabilities consist of long-term portion of:

	2021	2020	2019	2018
Advance rent	**₱51,874,644**	₱79,256,543	₱41,283,028	₱7,738,192
Security deposits	**43,031,037**	118,997,695	119,760,864	97,847,689
Liabilities for purchased land	**34,383,795**	35,266,230	35,266,230	34,381,455
Retention payable (Note 10)	**18,223,497**	19,756,924	21,198,450	19,910,285
Construction bond	**13,253,986**	19,371,536	13,276,471	12,350,095
	₱160,766,959	₱272,648,928	₱230,785,043	₱172,227,716

12. Bank Loans

Bank loans pertain to the borrowing from a local bank to finance the construction of Vista Hub.

The rollforward analysis of this account follows:

	2021	2020	2019	2018
Balance at beginning of year	**₱571,428,571**	₱714,285,714	₱857,142,857	₱1,000,000,000
Payment	**(142,857,143)**	(142,857,143)	(142,857,143)	(142,857,143)
Balance at end of year	**428,571,428**	571,428,571	714,285,714	857,142,857
Debt issue cost:				
Balance at the beginning of the year	**2,289,965**	3,648,782	5,359,930	7,451,526
Amortization	**(1,021,092)**	(1,358,817)	(1,711,148)	(2,091,596)
Balance at end of the year	**1,268,873**	2,289,965	3,648,782	5,359,930
Carrying value	**427,302,555**	569,138,606	710,636,932	851,782,927
Less current portion	**142,147,719**	141,836,051	141,498,326	141,145,995
Noncurrent portion	**₱285,154,836**	₱427,302,555	₱569,138,606	₱710,636,932

Details of the bank loans are as follow:

Date of Availment	**Maturity**	**Interest Rate**	**Payment Terms**	**Covenants/ Collaterals**
December 2016	December 2024	6.70%	Interest payable quarterly, principal payable quarterly	Unsecured

Cash restricted for use are deposits restricted solely for payment of the principal amortization and interest of certain bank loans. These deposits bear prevailing interest rates and will be retained as deposits until the bank loans are fully paid. Deposit balance should be equivalent to two quarters of debt amortization. Interest income from cash restricted for use amounted to ₱6.06 million, ₱5.25 million, ₱2.86 million and ₱2.18 million in 2021, 2020, 2019 and 2018, respectively (see Note 14). The current and noncurrent portion of the restricted cash pertain to the two quarters of debt amortization for the bank loans maturing on or before December 31 of the following year after the reporting period, and bank loans maturing beyond one year from reporting period, respectively.

The bank loan has a covenant that requires the Assigned Properties to maintain a deposit account and authorizes the bank at its option to apply at any time to the payment of any or all outstanding obligations any amount from its deposit account to which the Assigned Properties has complied with for all years presented.

13. Invested Equity

The equity section presented in the combined carve-out balance sheets is prepared by combining the historical equity accounts of VRI, CAPI, CPAM, MAPI and MC and the ‘carved-out’ historical equity accounts related to the Assigned Properties, adjusted for the effects of elimination of inter-company investments among the combined entities.

Accordingly, the amounts of “Invested equity” shown in the combined carve-out statement of financial position do not necessarily reflect the consolidated amounts of what the Assigned Properties’ total equity would have had it been a separate stand-alone entity, during the periods presented. The combined carve-out financial statements neither represent the financial information of the Assigned Properties prepared on a basis as if the Assigned Properties was operating solely, nor do

they give an indication of the results, cash flows and financial position of the Assigned Properties in the future.

"Invested equity" pertains to the net assets attributable to the combined assets, excluding the cumulative earnings. "Invested equity" is used to capture the capital/contributions/distributions movement as well as the accumulated results of operations. This is equivalent to equity. The Assigned Properties are not legal entities and have not issued, at their level, their own shares of stock and was not able to present their own equivalent of retained earnings.

14. Interest Income, Other Operating Income and Interest Expense

Interest income consists of:

	2021	2020	2019	2018
Interest income from:				
Cash in banks (Note 6)	**₱1,028,767**	₱4,742,981	₱1,894,487	₱4,240,533
Restricted cash (Note 12)	**6,064,512**	5,249,167	2,860,850	2,180,944
Tenants	**–**	601,765	1,998,427	2,154,260
	₱7,093,279	₱10,593,913	₱6,753,764	₱8,575,737

Other operating income consists of:

	2021	2020	2019	2018
Administrative fees	**₱41,840,212**	₱20,134,432	₱92,942,019	₱52,445,437
Mall maintenance and security fees	**18,770,226**	13,472,642	34,401,998	31,339,532
Advertising fees	**16,589,606**	7,054,085	9,561,468	7,790,416
Forfeited deposits and advances	**2,450,912**	2,500	1,599,107	7,634,796
Miscellaneous	**1,953,607**	3,652,966	8,884,019	6,421,345
	₱81,604,563	₱44,316,625	₱147,388,611	₱105,631,526

Interest and other financing charges consist of:

	2021	2020	2019	2018
Interest incurred on:				
Lease liabilities (Note 19)	**₱44,061,051**	₱43,314,192	₱38,903,571	₱–
Bank loans	**32,927,987**	42,299,370	51,393,740	60,591,195
Bank charges	**954,850**	1,357,835	1,711,148	2,092,646
	₱77,943,888	₱86,971,397	₱92,008,459	₱62,683,841

15. **Income Tax**

Corporate Recovery and Tax Incentives for Enterprises Act or "CREATE"
President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

On April 8, 2021, the Secretary of Finance, with recommendation from the Commissioner of the Bureau of Internal Revenue, promulgated the Implementing Rules and Regulations for the effectivity of the approved provisions of CREATE Act and clarified how the taxable income for the period beginning July 1, 2020 will be computed.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Assigned Properties:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.
- Foreign-sourced dividends received by domestic corporations are exempt from income tax subject to the following conditions:
  - The funds from such dividends actually received or remitted into the Philippines are reinvested in the business operations of the domestic corporation in the Philippines within the next taxable year from the time the foreign-sourced dividends were received;
  - Shall be limited to funding the working capital requirements, capital expenditures, dividend payments, investment in domestic subsidiaries, and infrastructure project; and
  - The domestic corporation holds directly at least 20% of the outstanding shares of the foreign corporation and has held the shareholdings for a minimum of 2 years at the time of the dividend distribution.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Assigned Properties is subjected to lower regular corporate income tax rate of either 25% or 20% effective July 1, 2020. The rate applicable to the Assigned Properties is 25%.

As a result of reduction in RCIT rate, the provision for current income tax for the year ended December 31, 2020 and income tax payable as of December 31, 2020 decreased by ₱11.95 million. In addition, the provision for deferred tax for the year then ended December 31, 2020 and deferred tax liabilities as of December 31, 2020 decreased by ₱61.41 million. For financial reporting purposes, these changes are recognized in the 2021 financial statements in accordance with PIC Q&A 2020-07.

The total reduction in income tax expense in 2021 amounting to ₱40.67 million is composed of ₱28.72 million coming from reduction in tax rate from 30% to 25% for 2021 taxable income and ₱11.95 million coming from the 5% tax expense for 2020 taxable income recorded as reduction for financial reporting in 2021.

Provision for income tax consists of:

	2021	2020	2019	2018
Current:				
RCIT	**₱131,654,328**	₱141,589,538	₱165,042,570	₱191,223,482
Final	**1,182,124**	1,706,279	138,258	864,684
Deferred	**79,517,335**	110,851,931	39,451,285	(13,703,124)
	₱212,353,787	₱254,147,748	₱204,632,113	₱178,385,042

The components of the Assigned Properties' deferred tax assets (liabilities) are as follows:

	2021	2020	2019	2018
Deferred tax assets on:				
Lease liabilities	**₱107,046,698**	₱126,283,190	₱124,176,145	₱–
Allowance for impairment	**24,127,945**	16,880,898	6,481,608	3,359,397
Straight lining of rent expense	–	–	–	8,245,692
	131,174,643	143,164,088	130,657,753	11,605,089
Deferred tax liabilities on:				
Right-of-use assets	**(82,919,355)**	(104,531,117)	(109,559,008)	–
Straight lining of rent income	**(484,397,662)**	(391,848,959)	(262,415,446)	(209,107,201)
Capitalized interest and other expenses	**(11,808,469)**	(15,217,520)	(16,264,876)	(17,312,233)
	(579,125,486)	(511,597,596)	(388,239,330)	(226,419,434)
	(₱447,950,843)	(₱368,433,508)	(₱257,581,577)	(₱214,814,345)

The reconciliation of the provision for income tax computed at the statutory income tax rate to the provision for income tax shown in profit or loss follows:

	2021	2020	2019	2018
Statutory income tax	**₱285,711,133**	₱254,156,279	₱204,632,804	₱178,389,366
Add (deduct) tax effects of:				
Benefit from change of income tax rate	**(73,357,212)**	–	–	–
Nondeductible interest and other expense	**295,531**	844,608	68,438	428,017
Income already subject to final taxes	**(295,531)**	(853,139)	(69,129)	(432,341)
Non-taxable income	**(134)**	–	–	–
	₱212,353,787	₱254,147,748	₱204,632,113	₱178,385,042

16. **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence. Entities under common control are those entities that are related parties of Fine Properties, Inc. Related parties may be individuals or corporate entities. Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties.

The combined carve-out statements of financial position include the following amounts resulting from the foregoing transactions which represent amounts receivable (payable) with related parties as at December 31, 2021, 2020, 2019 and 2018:

December 31, 2021

	Nature of Transaction	**Volume**	**Amount**	**Terms**	**Conditions**
Accounts receivable from tenants and accrued rent receivable (Note 7)					
Entities under common control	**a) Rental of commercial spaces**	**₱1,639,416,773**	**₱2,403,926,584**	**Due and demandable; noninterest-bearing**	**Unsecured; No impairment**
Payable to related parties					
Entity under common control	**b) Management fee**	**₱33,865,979**	**₱–**	**Noninterest-bearing**	**Unsecured**
Lease Liabilities					
Entities under common control	**c) Rentals of parcels of land**	**₱6,311,423**	**₱333,153,538**	**Interest-bearing**	**Unsecured**

December 31, 2020

	Nature of Transaction	Volume	Amount	Terms	Conditions
Accounts receivable from tenants and accrued rent receivable (Note 7)					
Entities under common control	a) Rental of commercial spaces	₱1,428,293,802	₱1,505,293,304	Due and demandable; noninterest-bearing	Unsecured; No impairment
Payable to related parties					
Entity under common control	b) Management fee	₱33,865,979	₱–	Noninterest-bearing	Unsecured
Lease Liabilities					
Entities under common control	c) Rentals of parcels of land	₱5,929,357	₱326,842,125	Interest-bearing	Unsecured
Advance rent					
Entities under common control	d) Advance rentals	(₱207,996,359)	₱–	Noninterest-bearing	Unsecured

December 31, 2019

	Nature of Transaction	Volume	Amount	Terms	Conditions
Accounts receivable from tenants and accrued rent receivable (Note 7)					
Entities under common control	a) Rental of commercial spaces	₱1,170,709,938	₱1,028,648,797	Due and demandable; noninterest-bearing	Unsecured; No impairment
Payable to related parties					
Entity under common control	b) Management fee	₱33,865,979	₱–	Noninterest-bearing	Unsecured
Lease Liabilities					
Entities under common control	c) Rentals of parcels of land	₱320,912,769	₱320,912,769	Interest-bearing	Unsecured
Advance rent					
Entities under common control	d) Advance rentals	₱–	₱207,996,359	Noninterest-bearing	Unsecured

December 31, 2018

	Nature of Transaction	Volume	Amount	Terms	Conditions
Accounts receivable from tenants and accrued rent receivable (Note 7)					
Entities under common control	a) Rental of commercial spaces	₱881,883,652	₱865,903,201	Due and demandable; noninterest-bearing	Unsecured; No impairment

a) The Assigned Properties have operating lease agreements with entities under common control for the leases of commercial centers. The lease agreements are renewable annually and contains escalation clauses. Rental income and receivables including the effect of straight-line calculation from related parties amounted to ₱1,639.42 million and ₱2,403.93 million, respectively, as of December 31, 2021, ₱1,428.29 million and ₱1,505.29 million respectively, as of December 31, 2020, ₱1,170.71 million and ₱1,028.65 million, respectively, as of December 31, 2019 and ₱881.88 million and ₱865.90 million, respectively, as of December 31, 2018. These receivables from these related parties which are recognized as 'Accrued rent receivable' under 'Receivables' are not impaired (Note 7).

   Included in the related party tenants are the AllValue HOLDINGS CORP. group of companies (AllValue Group), anchor tenant, which is comprised of AllHome Corp., AllDay Marts, Inc., All Day Retail Concepts, Inc., Family Shoppers Unlimited, Inc., and CM Star Management, Inc. AllValue Group is engaged in retail businesses covering supermarkets, retail of apparel, construction materials and home/building appliances and furnishings. The lease agreements are renewable annually and contains escalation clauses.

   Rental income and receivables including the effect of straight-line calculation from AllValue Group amounted to ₱1,591.90 million and ₱2,131.97 million, respectively, as of December 31, 2021, ₱1,461.39 million and ₱1,226.11 million respectively, as of December 31, 2020, ₱954.58 million and ₱622.50 million, respectively, as of December 31, 2019 and ₱675.33 million and ₱515.33 million, respectively, as of December 31, 2018. These receivables from AllValue Group which are recognized as 'Accrued rent receivable' under 'Receivables' are not impaired (Note 7).

   Please refer to Note 7 for the terminated contracts of related parties due to the impact of the pandemic.

   In May and November 2019, the Assigned Properties amended certain lease contracts with AllValue Group. The amendments of the lease contracts are as follow:

   a. Extension of the lease term by 10-15 years commencing from the lease modification date; and
   b. From annual fixed rent to variable rent based on agreed percentage on gross sales or agreed minimum guaranteed rent (MGR) with annual escalation, whichever is higher.

   In September 2018, the Assigned Properties amended certain lease contracts with AllValue Group by increasing the fixed rental rate per square meter with annual escalation.

b) In 2019, the Assigned Properties entered into management contract with Camella Homes Inc. which charges the Assigned Properties management fees for services rendered and are lodged in the "Management fees" account in combined carve-out statements of comprehensive income.

c) MAPI entered into lease agreement with Communities Cebu, Inc. for the lease of parcel of land wherein the Vista Mall Talisay - Cebu is situated. MAPI also entered into lease agreements with Household Development Corporation pertaining to parcels of land wherein Vista Mall General Trias and Vista Mall Tanza are located. These leases have terms of 19-23 years, with rental escalation clauses ranging from 3.00% to 7.00% and renewal options. See Note 19.

d) In 2019, various entities within the AllValue Group made advance payment of rentals amounting to ₱208.00 million. These were fully applied against billings in 2020.

Key Management Personnel Compensation
The key management personnel of the Assigned Properties are employees of the Sponsors. The compensation of the said employees is paid by the Sponsors and as such, necessary disclosures required by PAS 24, *Related Party Disclosure*, are included in the Sponsors' financial statements.

17. Fair Value Determination

The Assigned Properties uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1*:* quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2*:* other valuation techniques involving inputs other than quoted prices included Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3*:* other valuation techniques involving inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash in banks, receivables, restricted cash, accounts and other payables (except for other statutory payables): Due to the short-term nature of the accounts, the fair value approximate the carrying amounts in the combined carve-out statements of financial position except for the carrying value of the noncurrent portion of restricted cash which represents its fair value as it carries interest rate that are prevailing market rates for similar type of instrument.

Bank loan: Estimated fair value are based on the discounted value of future cash flows using the prevailing interest rates for similar types of instruments as of the reporting date using the remaining terms of maturity. The discount rate used ranged from 2.67% to 4.83% in 2021, 2.70% to 3.88% in 2020, 4.78% to 5.64% in 2019 and 4.17% to 5.08% in 2018.

Lease liabilities: Estimated fair value are based on the discounted value of future cash flows using the prevailing interest rates for similar types of instruments as of the reporting date using the remaining terms of maturity. The discount rate ranged from 2.59% to 6.67% in 2021, 2.57% to 5.54% in 2020, 4.69% to 7.10% in 2019.
Retention payable and liabilities for purchased land: Estimated fair value are based on the discounted value of future cash flows using the prevailing interest rates for similar types of instruments as of the reporting date using the remaining terms of maturity. The discount rate ranged from 3.24% to 4.26% in 2021, 3.29% to 3.43% in 2020, 5.00% to 5.32% in 2019 and 7.75% to 7.86% in 2018.

The following table provides the fair value measurement hierarchy of the Assigned Properties' financial liabilities recognized as at December 31, 2021, 2020, 2019 and 2018:

	December 31, 2021				
		Fair Value			
	Carrying Value	**Quoted prices in active markets for identical assets (Level 1)**	**Significant offer observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Liabilities					
Financial liabilities for which fair values are disclosed:					
Bank loan	**₱427,302,555**	**₱–**	**₱–**	**₱456,666,701**	**₱456,666,701**
Lease liabilities	**428,186,793**	**–**	**–**	**606,559,381**	**606,559,381**
Retention payable	**49,608,701**	**–**	**–**	**47,165,835**	**47,165,835**
Liabilities for purchased land	**34,383,795**	**–**	**–**	**31,632,727**	**31,632,727**

	December 31, 2020				
		Fair Value			
	Carrying Value	Quoted prices in active markets for identical assets (Level 1)	Significant offer observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Liabilities					
Financial liabilities for which fair values are disclosed:					
Bank loan	₱569,138,606	₱–	₱–	₱626,933,640	₱626,933,640
Lease liabilities	420,943,966	–	–	698,823,512	698,823,512
Retention payable	56,252,473	–	–	53,802,312	53,802,312
Liability for purchased land	35,266,230	–	–	32,968,717	32,968,717

	December 31, 2019				
				Fair Value	
	Carrying Value	Quoted prices in active markets for identical assets (Level 1)	Significant offer observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Liabilities					
Financial liabilities for which fair values are disclosed:					
Bank loan	₱710,636,932	₱–	₱–	₱790,221,284	₱790,221,284
Lease liabilities	413,920,483	–	–	595,466,467	595,466,467
Retention payable	95,324,600	–	–	89,711,680	89,711,680
Liability for purchased land	35,266,230	–	–	31,794,811	31,794,811

	December 31, 2018				
	Carrying Value	Quoted prices in active markets for identical assets (Level 1)	Significant offer observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Liabilities					
Financial liabilities for which fair values are disclosed:					
Bank loan	₱851,782,927	₱–	₱–	₱977,683,742	₱977,683,742
Retention payable	195,437,752	–	–	180,012,031	180,012,031
Liability for purchased land	34,381,455	–	–	29,555,343	29,555,343

In 2021, 2020, 2019 and 2018, there were no transfers between levels of fair value measurements.

Significant increases (decreases) in discount rate would result in significantly (lower) higher fair value of the financial liabilities.

Description of significant unobservable inputs to valuation:

Account	Valuation Technique	Significant Unobservable Inputs
Bank loan	Discounted cash flow analysis	Discount rate
Lease liabilities	Discounted cash flow analysis	Discount rate
Retention payable	Discounted cash flow analysis	Discount rate
Liability for purchased land	Discounted cash flow analysis	Discount rate

18. **Financial Assets and Liabilities**

Financial Risk Management Objectives and Policies

Financial risk

The Assigned Properties' principal financial liabilities comprise of accounts and other payables, bank loan, lease liabilities, and other liabilities (except for security deposit, advance rent, construction bond, and deferred output VAT and other statutory payables). The main purpose of the Assigned Properties' financial liabilities is to raise financing for the Assigned Properties' operations. The Assigned Properties has various financial assets such as cash in banks, receivables and restricted cash which arise directly from its operations. The main risks arising from the use of financial instruments are interest rate risk, credit risk and liquidity risk.

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

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

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Assigned Properties is exposed to credit risk from its operating activities primarily from receivables from tenants.

Customer credit risk is managed by each business unit subject to the Assigned Properties' established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Receivables are regularly monitored.

With respect to credit risk arising from the other financial assets of the Assigned Properties, which are comprised of cash in banks and restricted cash, the Assigned Properties' exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Assigned Properties manages its cash by maintaining cash accounts with banks which have demonstrated financial soundness for several years.

The Assigned Properties evaluates the concentration of risk with respect to receivables from third party tenants as low, as its customers are located in several jurisdictions and various income brackets and operate in largely independent markets.

Credit risk arising from receivable from third party tenants is primarily managed through a screening of tenants based on credit history and financial information submitted. Tenants are required to pay security deposits equivalent to 2 to 4-month lease payment to cover any defaulting amounts and advance rentals also equivalent to 2 to 4-month rent.

Credit risk arising from receivable from related party tenants outside AllValue Group is minimal due to the guarantee provided by Fine Properties, Inc., the ultimate parent of VLLI.

Credit risk from balances with banks and financial institutions is managed by the treasury department in accordance with the Sponsor's policy. Counterparty credit limits are reviewed by the Board of Directors on an annual basis and may be updated throughout the year subject to approval of the Finance Committee. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The Assigned Properties' maximum exposure to credit risk as of December 31, 2021, 2020, 2019 and 2018 is equal to the carrying values of its financial assets.

As of December 31, 2021, 2020, 2019 and 2018, the credit quality per class of financial assets is as follows:

	2021					
	Neither Past Due nor Impaired					
	High Grade	**Standard**	**Substandard Grade**	**Past due but not Impaired**	**Impaired**	**Total**
Cash in banks	**₱19,068,536**	**₱–**	**₱–**	**₱–**	**₱–**	**₱19,068,536**
Trade and other receivables	**1,972,628,576**	**–**	**–**	**558,581,388**	**96,511,781**	**2,627,721,745**
Restricted cash	**91,452,939**	**–**	**–**	**–**	**–**	**91,452,939**
	₱2,083,150,051	**₱–**	**₱–**	**₱558,581,388**	**₱96,511,781**	**₱2,738,243,220**

	2020					
	Neither Past Due nor Impaired					
	High Grade	Standard	Substandard Grade	Past due but not Impaired	Impaired	Total
Cash in banks	₱20,836,203	₱–	₱–	₱–	₱–	₱20,836,203
Trade and other receivables	1,344,886,415	–	–	364,836,400	56,269,659	1,765,992,474
Restricted cash	117,953,403	–	–	–	–	117,953,403
	₱1,483,676,021	₱–	₱–	₱364,836,400	₱56,269,659	₱1,904,782,080

	2019					
	Neither Past Due nor Impaired					
	High Grade	Standard	Substandard Grade	Past due but not Impaired	Impaired	Total
Cash in banks	₱193,814,766	₱–	₱–	₱–	₱–	₱193,814,766
Trade and other receivables	937,567,906	–	–	300,774,453	21,605,360	1,259,947,719
Restricted cash	107,844,515	–	–	–	–	107,844,515
	₱1,239,227,187	₱–	₱–	₱300,774,453	₱21,605,360	₱1,561,607,000

	2018					
	Neither Past Due nor Impaired					
	High Grade	Standard	Substandard Grade	Past due but not Impaired	Impaired	Total
Cash in banks	₱107,583,257	₱–	₱–	₱–	₱–	₱107,583,257
Trade and other receivables	775,225,440	–	–	409,305,401	11,197,989	1,195,728,830
Restricted cash	107,844,515	–	–	–	–	107,844,515
	₱990,653,212	₱–	₱–	₱409,305,401	₱11,197,989	₱1,411,156,602

The Company's basis in grading its receivables are as follow:

High grade - these are receivables which have a high probability of collection (i.e., the counterparty has the apparent ability to satisfy its obligation and the security on receivables is readily enforceable).

Standard - these are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay but have been outstanding for a certain period of time.

Substandard - these are receivables that can be collected provided the Company makes persistent effort to collect them.

Cash in banks and cash equivalents and short-term time deposits are deposited/placed in banks that are stable as they qualify either as universal or commercial banks. Universal and commercial banks represent the largest single group, resource-wide, of financial institutions in the country the Company is operating. They offer the widest variety of banking services among financial institutions. These financial assets are classified as high grade due to the counterparties' low probability of insolvency.

As of December 31, 2021, 2020, 2019 and 2018, the aging analyses of the Company's receivables are as follow:

	2021						
		Past due but not impaired					
	Current	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**Over 90 days**	**Impaired**	**Total**
Receivables	**₱1,972,628,576**	**₱23,195,414**	**₱367,452**	**₱23,615,549**	**₱511,402,973**	**₱96,511,781**	**₱2,627,721,745**

	2020						
		Past due but not impaired					
	Current	1 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Impaired	Total
Receivables	₱1,344,886,415	₱32,241,866	₱182,454	₱28,266,533	₱304,145,547	₱56,269,659	₱1,765,992,474

	2019						
		Past due but not impaired					
	Current	1 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Impaired	Total
Receivables	₱937,567,906	₱28,329,132	₱4,400,885	₱24,176,395	₱243,868,041	₱21,605,360	₱1,259,947,719

	2018						
		Past due but not impaired					
	Current	1 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Impaired	Total
Receivables	₱775,225,440	₱59,430,587	₱195,475	₱60,640,863	₱289,038,476	₱11,197,989	₱1,195,728,830

Current receivables include billed lease receivables and accrued rent receivables which are not yet contractually collectible. Past due but not impaired include lease receivables which are aged 31 to over 90 days but collection is still probable. Impaired receivables are lease receivables from terminated tenants which are less likely to be collected.

The Assigned Properties has collaterals in the form of security deposits and advance rent with respect to billed lease receivables that have been identified as past due but not impaired.

Liquidity Risk

The Assigned Properties monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. The Assigned Properties maintains a level of cash deemed sufficient to finance its cash requirements. Operating expenses and working capital requirements are sufficiently funded through cash collections. The Assigned Properties' loan maturity profile is regularly reviewed to ensure availability of funding through adequate credit facilities with banks and other financial institutions.

The extent and nature of exposures to liquidity risk and how they arise as well as the Assigned Properties' objectives, policies and processes for managing the risk and the methods used to measure the risk are the same for 2021, 2020, 2019 and 2018.

The tables below summarize the maturity profile of the Assigned Properties' financial liabilities as at December 31, 2021, 2020, 2019 and 2018 based on undiscounted contractual payments, including interest payable.

	December 31, 2021				
	On Demand	**1 to 3 Months**	**3 to 12 Months**	**More than 1 year**	**Total**
Financial Liabilities					
Financial liabilities at amortized cost					
Bank loan	**₱–**	**₱40,516,358**	**₱125,189,991**	**₱307,271,131**	**₱472,977,480**
Lease liabilities	**–**	**9,341,918**	**28,337,839**	**1,163,424,047**	**1,201,103,804**
Accounts and other payables*	**–**	**110,257,932**	**112,126,943**	**–**	**222,384,875**
Retention payable	**–**	**30,794,384**	**590,820**	**18,223,497**	**49,608,701**
Liability for purchased land	**–**	**–**	**–**	**34,383,795**	**34,383,795**
	₱–	**₱190,910,592**	**₱266,245,593**	**₱1,523,302,470**	**₱1,980,458,655**

** Excluding other statutory payables, deferred output VAT and current portion of retention payable*

	December 31, 2020				
	On Demand	1 to 3 Months	3 to 12 Months	More than 1 year	Total
Financial Liabilities					
Financial liabilities at amortized cost					
Bank loan	₱–	₱42,117,049	₱132,406,220	₱472,977,479	₱647,500,748
Lease liabilities	–	9,080,445	27,737,779	1,201,103,803	1,237,922,027
Accounts and other payables*	–	117,203,707	113,967,752	–	231,171,459
Retention payable	–	20,715,034	15,780,515	19,756,924	56,252,473
Liability for purchased land	–	–	–	35,266,230	35,266,230
	₱–	₱189,116,235	₱289,892,266	₱1,729,104,436	₱2,208,112,937

** Excluding other statutory payables, deferred output VAT and current portion of retention payable*

	December 31, 2019				
	On Demand	1 to 3 Months	3 to 12 Months	More than 1 year	Total
Financial Liabilities					
Financial liabilities at amortized cost					
Bank loan	₱–	₱43,848,944	₱139,622,449	₱647,500,748	₱830,972,141
Lease liabilities	–	8,983,206	27,307,503	1,237,741,299	1,274,032,008
Accounts and other payables*	–	74,111,973	67,727,746	–	141,839,719
Retention payable	–	35,085,394	39,040,756	21,198,450	95,324,600
Liability for purchased land	–	–	–	35,266,230	35,266,230
	₱–	₱162,029,517	₱273,698,454	₱1,941,706,727	₱2,377,434,698

** Excluding other statutory payables, deferred output VAT and current portion of retention payable*

	December 31, 2018				
	On Demand	1 to 3 Months	3 to 12 Months	More than 1 year	Total
Financial Liabilities					
Financial liabilities at amortized cost					
Bank loan	₱–	₱45,318,431	₱146,838,678	₱830,972,141	₱1,023,129,250
Accounts and other payables*	–	125,890,215	77,842,471	–	203,732,686
Retention payable	–	94,540,574	80,986,894	19,910,285	195,437,753
Liability for purchased land	–	–	–	34,381,455	34,381,455
	₱–	₱265,749,220	₱305,668,043	₱885,263,881	₱1,456,681,144

** Excluding other statutory payables, deferred output VAT and current portion of retention payable*

19. **Leases**

The Assigned Properties as a Lessor
The Assigned Properties has entered into non-cancellable property leases on its investment property portfolio, consisting of office and commercial centers which generally provide for either (a) fixed monthly rent for office spaces, and (b) minimum rent or a certain percentage of gross revenue, whichever is higher for commercial centers and retail spaces. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Future minimum rental receivables under non-cancellable operating leases as of December 31, 2021, 2020, 2019 and 2018 follow:

	2021	2020	2019	2018
Within 1 year	**₱1,403,800,955**	₱1,417,591,783	₱1,789,351,305	₱1,519,237,886
More than 1 year to 2 years	**1,288,600,332**	1,433,181,780	1,791,759,555	1,518,154,514
More than 2 years to 3 years	**1,417,234,852**	1,369,154,058	1,869,514,256	1,528,805,199
More than 3 years to 4 years	**1,529,677,226**	1,520,623,432	1,813,580,545	1,527,454,054
More than 4 years to 5 years	**1,658,963,275**	1,672,139,266	2,036,261,349	1,392,497,862
More than 5 years	**18,411,868,518**	21,333,027,545	33,877,027,014	5,511,251,630
	₱25,710,145,158	₱28,745,717,864	₱43,177,494,024	₱12,997,401,145

Rental income included in the combined carve-out statements of comprehensive income for the years ended December 31, 2021, 2020, 2019 and 2018 amounted to ₱2,200.49 million, ₱1,911.50 million, ₱1,837.86 million and ₱1,454.83 million, respectively.

Variable rent included in rental income for the years ended December 31, 2021, 2020, 2019 and 2018 amounted to ₱453.26 million, ₱430.19 million, ₱429.67 million and ₱130.16 million, respectively.

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19 pandemic, the Assigned Properties came up with its own waiver scheme that applies to different classifications of lessees based on their respective financial position and performance before and during the community quarantine, their status as an essential vis-à-vis non-essential service, and their growth projections. The Assigned Properties waived its right to collect rent and other charges as part of various lease concessions it granted to lessees such as lease payment holidays or lease payment reductions. Granting of concessions were extended up to December 31, 2021 and beyond depending on the tenant's profile and credit. The rent concession granted by the Assigned Properties for years ended December 31, 2021 and 2020 amounted to ₱52.30 million and ₱345.08 million, respectively.

The Assigned Properties as a Lessee
The Assigned Properties, as lessee, have lease contracts for parcels of land where its malls or commercial centers are situated. MAPI entered into lease agreements with Communities Cebu, Inc., a wholly owned subsidiary of VLLI, Cebu Realty, Inc. and Cerlita M. Manigos and Vicente Manigos, Jr. for parcels of land where Vistamall Mall Talisay - Cebu is situated, with various commencement dates. These lease contracts have 19-23 remaining years from January 1, 2019. Another lease agreement was entered into by MAPI on October 23, 2017 with HDC for parcels of land where Vista Mall General Trias and Vista Mall Tanza are situated, with both having a remaining

lease term of 23 years from January 1, 2019. Lastly, CAPI entered into a lease agreement with Beatrice Realty Development Assigned Properties, Inc. for a parcel of land where Vista Mall Antipolo is situated which commenced on September 5, 2014 and with a remaining lease term of 20 years from January 1, 2019.

Rental due is based on prevailing market conditions. Generally, the Assigned Properties are not restricted from assigning and subleasing the leased assets. The Assigned Properties' lease contracts include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Assigned Properties' business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 5).

The following are the amounts recognized in the combined carve-out statement of comprehensive income in relation to the Assigned Properties as lessee:

	2021	2020	2019
Depreciation expense of right-of-use assets included in investment properties (Note 9)	**₱16,759,638**	₱16,759,638	₱16,759,638
Interest expense on lease liabilities	**44,061,051**	43,314,192	38,903,571
Expenses relating to short-term leases (included in operating expenses)	**2,566,011**	4,427,539	8,691,680
Total amount recognized in the combined carve-out statement of comprehensive income	**₱63,386,700**	₱64,501,369	₱64,354,889

The rollforward analysis of lease liabilities follows:

	2021	**2020**	2019
Balances at the beginning of the year, as previously reported	**₱420,943,966**	₱413,920,483	₱–
Effect of adoption of PFRS 16	–	–	398,388,814
Balances at the beginning of the year, as restated	**420,943,966**	413,920,483	398,388,814
Interest expense (Note 14)	**44,061,051**	43,314,192	38,903,571
Payments	**(36,818,224)**	(36,290,709)	(23,371,902)
Balances at the end of the year	**428,186,793**	420,943,966	413,920,483
Less current portion	**37,679,757**	36,818,224	36,290,709
Noncurrent portion	**₱390,507,036**	₱384,125,742	₱377,629,774

The Assigned Properties, as lessee, has no lease contract that contains variable payments. The Assigned Properties' fixed payments amounted to ₱36.82 million, ₱36.29 million and ₱23.37 million on December 31, 2021, 2020 and 2019, respectively.

Rental expense of ₱33.86 million in 2018 pertains to the operating lease agreement for parcels of land where the buildings are situated as lessee prior to the adoption of PFRS 16 effective January 1, 2019.

The Assigned Properties' lease contract includes escalation of lease rates with extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Assigned Properties' business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 5).

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

	December 31, 2021	December 31, 2020	December 31, 2019
Within 1 year	**₱37,679,757**	₱36,818,224	₱36,290,709
More than 1 year to 2 years	**38,822,406**	37,679,756	36,818,224
More than 2 years to 3 years	**40,118,263**	38,822,406	37,679,756
More than 3 years to 4 years	**41,577,935**	40,118,263	38,822,406
More than 4 years to 5 years	**43,107,929**	41,577,935	40,118,263
More than 5 years	**999,797,514**	1,042,905,443	1,084,302,650
	₱1,201,103,804	₱1,237,922,027	₱1,274,032,008

20. Notes to the Assigned Properties' Combined Carve-out Statements of Cash Flows

Details of the movement in cash flows from financing activities follow:

			Non-cash changes		
	January 1, 2021	**Cash Flows**	**Amortization of debt issue cost**	**Interest and other financing charges**	**December 31, 2021**
Lease liabilities	**₱420,943,966**	**(₱36,818,224)**	**₱–**	**₱44,061,051**	**₱428,186,793**
Bank loans	**569,138,606**	**(142,857,143)**	**1,021,092**	**–**	**427,302,555**
Interest payable	**–**	**(32,861,745)**	**(1,021,092)**	**33,882,837**	**–**
	₱990,082,572	**(212,537,112)**	**₱–**	**₱77,943,888**	**₱855,489,348**

			Non-cash changes		
	January 1, 2020	Cash Flows	Amortization of debt issue cost	Interest and other financing charges	December 31, 2020
Lease liabilities	₱413,920,483	(₱36,290,709)	₱–	₱43,314,192	₱420,943,966
Bank loans	710,636,932	(142,857,143)	1,358,817	–	569,138,606
Interest payable	–	(42,298,388)	(1,358,817)	43,657,205	–
	₱1,124,557,415	(221,446,240)	₱–	₱86,971,397	₱990,082,572

			Non-cash changes		
	January 1, 2019	Cash Flows	Amortization of debt issue cost	Interest and other financing charges	December 31, 2019
Lease liabilities	₱398,388,814	(₱23,371,902)	₱–	₱38,903,571	₱413,920,483
Bank loans	851,782,927	(142,857,143)	1,711,148	–	710,636,932
Interest payable	–	(51,393,740)	(1,711,148)	53,104,888	–
	₱1,250,171,741	(₱217,622,785)	₱–	₱92,008,459	₱1,124,557,415

			Non-cash changes		
	January 1, 2018	Cash Flows	Amortization of debt issue cost	Interest and other financing charges	December 31, 2018
Lease liabilities	₱–	₱–	₱–	₱–	₱–
Bank loans	992,548,474	(142,857,143)	2,091,596	–	851,782,927
Interest payable	–	(60,592,245)	(2,091,596)	62,683,841	–
	₱992,548,474	(₱203,449,388)	₱–	₱62,683,841	₱851,782,927

The Assigned Properties' noncash investing and financing activities pertain to the following:

a) Recognition of right-of-use assets and lease liabilities amounted to ₱381.96 million and ₱398.39 million, respectively, as at January 1, 2019 due to adoption of PFRS 16 (Note 3). Right-of-use assets amounted to ₱331.68 million and ₱348.44 million as at December 31, 2021 and 2020, respectively. Lease liabilities amounted to ₱428.19 million and ₱420.94 million as at December 31, 2021 and 2020, respectively. No additions to right-of-use assets were made as at December 31, 2021.
b) As at December 31, 2021, 2020, 2019 and 2018, unpaid investment properties amounted to ₱129.61 million, ₱164.33 million, ₱78.51 million and ₱106.99 million, respectively. These were recorded under "Accounts and other payables".

c) As at December 31, 2021, 2020, 2019 and 2018, unpaid property and equipment amounted to ₱0.75 million, ₱2.72 million, ₱1.11 million and ₱1.47 million, respectively. These were recorded under "Accounts and other payables".

21. Segment Reporting

The Assigned Properties has determined that it is currently operating as one operating segment. Based on management's assessment, no part or component of the business of the Assigned Properties meets the qualifications of an operating segment defined by PFRS 8, *Operating Segments*. The activities of the Assigned Properties' are its only income-generating activity, and such is the measure used by the Chief Operating Decision Maker in allocating resources.

There were revenue transactions with related parties, which accounted for 10% or more of the total revenue, amounting to ₱1,639.41 million, ₱1,428.29 million, ₱1,170.71 million and ₱881.88 million for the years ended December 31, 2021, 2020, 2019, and 2018 respectively.

22. Other Matters

Impact of the recent Coronavirus situation
The declaration of COVID-19 outbreak by the World Health Organization as a pandemic and declaration of nationwide state of calamity and implementation of community quarantine measures throughout the Philippines starting March 16, 2020 have caused disruptions to businesses and economic activities, and its impact on businesses continues to evolve.

The Assigned Properties has adjusted its operations in accordance with the required measures and safety protocols. In compliance with the Government's ECQ guidelines, malls, hotels, and other businesses, except those providing essential goods and services were temporarily closed. The mall buildings continued operations because these are occupied mostly by tenants providing essential services such as supermarkets, home improvement/appliance stores, drug stores, food establishments, financial services, and are located within or near Vista Land communities. The office buildings remained open during the lockdowns since BPO tenants are allowed to conduct their businesses onsite. Other office tenants, though they adopted work from home arrangements, continued to fulfill their rental payment obligations. The Assigned Properties provided rent concessions to certain tenants based on their profile and credit standing, in addition to the concessions that the Assigned Properties is required to provide pursuant to the Bayanihan Act (see Note 5).

To date, commercial spaces have opened, and construction and real estate development activities have resumed at various level of activities following safety protocols mandated by the national government.

23. Subsequent Events

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