

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **September 30, 2022**
2. Commission identification number **26986**
3. BIR Tax Identification No **000-846-618-000**
4. Exact name of issuer as specified in its charter **D.M. Wenceslao & Associates, Incorporated**
5. Province, country or other jurisdiction of incorporation or organization **Philippines**
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office and postal Code
15th Floor, Aseana 3, D. Macapagal Blvd. corner Asean Ave., Aseana City, Paranaque City
8. Issuer's telephone number, including area code: **(632) 8854-5711**
9. Former name, former address and former fiscal year, if changed since last report: **Not applicable**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

As of September 30, 2022

<u>Title of each class</u>	<u>Number of shares issued and outstanding and amount of debt outstanding</u>
Capital Stock, P1 par value	3,395,864,100

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

Yes No

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

Stock Exchange: **Philippine Stock Exchange**

Securities listed: **Common shares**

12. Indicate by check mark whether the registrant:

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

Yes No

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

Yes No

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND DECEMBER 31, 2021
(Amounts in Philippine Pesos)

	Notes	September 30, 2022 (UNAUDITED)		December 31, 2021 (AUDITED)
<u>A S S E T S</u>				
CURRENT ASSETS				
Cash and cash equivalents	7	P 5,627,963,148	P	5,665,952,194
Receivables - net	8	2,945,733,018		3,313,198,467
Contract asset		412,712,596		33,217,659
Land and land development costs	10	2,110,016,329		2,080,156,703
Property development costs	9	1,751,327,784		1,589,013,035
Other current assets	11	1,576,795,140		1,367,905,540
		14,424,548,015		14,049,443,598
TOTAL Current Assets				
NON-CURRENT ASSETS				
Receivables	8	4,215,515,455		3,925,600,540
Contract Asset		110,874,110		110,874,110
Investments in associates and joint venture	12	132,283,688		117,605,994
Property and equipment - net	13	337,179,067		322,642,051
Investment properties - net	14	18,630,140,995		17,566,285,617
Deferred tax assets		20,553,810		98,757,680
Other non-current assets	16	648,775,338		792,273,813
		24,095,322,463		22,934,039,805
TOTAL Non-current Assets				
TOTAL ASSETS				
		P 38,519,870,478	P	36,983,483,403

Notes	September 30, 2022 (UNAUDITED)	December 31, 2021 (AUDITED)
<u>LIABILITIES AND EQUITY</u>		
CURRENT LIABILITIES		
Loans and borrowings	17 P 1,069,000,000	P 1,094,850,000
Trade and other payables	18 2,151,625,750	1,994,093,513
Contract liability	213,219,668	246,577,141
Advances from related parties	23 4,036,742,498	4,034,868,945
Deposits and advances	19 834,753,208	791,435,455
Lease liabilities	15 46,763,997	46,564,508
Income tax payable	45,684,290	199,140,295
Total Current Liabilities	<u>8,397,789,411</u>	<u>8,407,529,857</u>
NON-CURRENT LIABILITIES		
Loans and borrowings	17 2,131,250,000	2,187,500,000
Contract liability	205,956,339	205,956,339
Deposits and advances	19 480,886,269	453,260,827
Deferred tax liabilities - net	1,050,956,672	989,064,015
Lease liabilities	15 478,184,779	487,471,404
Retirement benefit obligation - net	28,516,112	28,522,844
Total Non-current Liabilities	<u>4,375,750,171</u>	<u>4,351,775,429</u>
Total Liabilities	<u>12,773,539,582</u>	<u>12,759,305,286</u>
EQUITY		
Equity attributable to holders of the parent company		
Capital stock	26 3,395,864,100	3,395,864,100
Additional paid-in capital	6,964,649,807	6,964,649,807
Revaluation reserves - net	(52,292,139)	(52,292,139)
Other reserves	(275,974,845)	(275,974,845)
Retained earnings	15,095,849,288	13,590,761,227
Total equity attributable to holders of the parent company	25,128,096,211	23,623,008,150
Noncontrolling interest	618,234,685	601,169,967
Total Equity	<u>25,746,330,896</u>	<u>24,224,178,117</u>
TOTAL LIABILITIES AND EQUITY	P <u>38,519,870,478</u>	P <u>36,983,483,403</u>

See Notes to Condensed Consolidated Financial Statements.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Amounts in Philippine Pesos)
(UNAUDITED)

	Notes	July 1 to September 30, 2022	January to September 30, 2022	July 1 to September 30, 2021	January to September 30, 2021
REVENUES					
Rentals:					
Land	14	P 248,335,607	P 736,434,707	P 238,085,083	P 731,508,943
Building	14	182,073,486	580,810,712	203,857,264	592,933,562
Other revenues		<u>57,963,733</u>	<u>277,632,892</u>	<u>42,824,640</u>	<u>134,323,781</u>
		488,372,826	1,594,878,311	484,766,987	1,458,766,286
Land sales		-	787,600,000		-
Sale of condominium units	9	334,807,206	801,050,046	227,623,107	494,345,619
Construction contracts		<u>-</u>	<u>-</u>	<u>49,312,775</u>	<u>51,515,956</u>
		<u>823,180,032</u>	<u>3,183,528,357</u>	<u>761,702,869</u>	<u>2,004,627,861</u>
COSTS OF SERVICES AND SALES					
Rentals	20	105,558,700	274,917,484	71,063,881	205,246,518
Land sales	10	-	55,212,604	37,393,578	-
Sale of condominium units	9, 20	141,869,851	343,780,692	-	180,341,749
Construction contracts	20	<u>-</u>	<u>-</u>	<u>72,763,995</u>	<u>39,467,308</u>
		<u>247,428,551</u>	<u>673,910,780</u>	<u>181,221,454</u>	<u>425,055,575</u>
		<u>575,751,481</u>	<u>2,509,617,577</u>	<u>580,481,415</u>	<u>1,579,572,286</u>
GROSS PROFIT					
OTHER OPERATING INCOME (EXPENSES)					
General and administrative	22	(123,583,099)	(344,432,146)	(129,972,481)	(339,945,725)
Selling	22	(22,502,722)	(88,669,744)	(12,362,391)	(23,490,342)
Other Operating Income	21	<u>57,027,737</u>	<u>100,380,760</u>	<u>27,986,333</u>	<u>87,318,093</u>
		<u>(89,058,084)</u>	<u>(332,721,130)</u>	<u>(114,348,539)</u>	<u>(276,117,974)</u>
		<u>486,693,397</u>	<u>2,176,896,447</u>	<u>466,132,876</u>	<u>1,303,454,312</u>
OPERATING PROFIT					
OTHER INCOME (CHARGES)					
Finance costs	17, 21	(13,718,565)	(41,188,006)	(25,286,708)	(40,266,488)
Finance income	7, 21	12,728,460	23,758,657	3,284,223	11,694,847
Share in net income of associates and joint ventures		2,394,454	14,677,695	5,665,805	17,574,262
Dividend Income		<u>215,432</u>	<u>1,685,436</u>	<u>765,262</u>	<u>2,235,266</u>
		<u>1,619,781</u>	<u>(1,066,218)</u>	<u>(15,571,418)</u>	<u>(8,762,113)</u>
		<u>488,313,178</u>	<u>2,175,830,229</u>	<u>450,561,458</u>	<u>1,294,692,199</u>
PROFIT BEFORE TAX					
TAX EXPENSE					
		<u>105,469,039</u>	<u>446,716,477</u>	<u>65,557,046</u>	<u>48,754,820</u>
NET PROFIT					
		<u>P 382,844,139</u>	<u>P 1,729,113,752</u>	<u>P 385,004,412</u>	<u>P 1,245,937,379</u>
Net profit attributable to:					
Equity holders of the parent company		P 377,148,031	P 1,712,049,034	P 379,150,263	P 1,231,972,216
Noncontrolling interest		<u>5,696,108</u>	<u>17,064,718</u>	<u>5,854,149</u>	<u>13,965,163</u>
		<u>P 382,844,139</u>	<u>P 1,729,113,752</u>	<u>P 385,004,412</u>	<u>P 1,245,937,379</u>
OTHER COMPREHENSIVE INCOME					
		-	-	-	-
TOTAL COMPREHENSIVE INCOME					
		<u>P 382,844,139</u>	<u>P 1,729,113,752</u>	<u>P 385,004,412</u>	<u>P 1,245,937,379</u>
Earnings Per Share - Basic and Diluted					
	25	<u>P 0.11</u>	<u>P 0.50</u>	<u>P 0.11</u>	<u>P 0.36</u>

See Notes to Condensed Consolidated Interim Financial Statements.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED SEPTEMBER 30, 2022 AND 2021
(Amounts in Philippine Pesos)
(UNAUDITED)

Note	Attributable to Owners of the Parent Company								Noncontrolling Interest	Total Equity
	Capital Stock	Additional Paid-in Capital	Revaluation Reserves - Net	Other Reserves	Retained Earnings		Total			
					Unappropriated	Appropriated				
Balance at January 1, 2022	P 3,395,864,100	P 6,964,649,807	(P 52,292,139)	(P 275,974,845)	P 12,390,761,227	P 1,200,000,000	P 23,623,008,150	P 601,169,967	P 24,224,178,117	
Cash dividends declared	-	-	-	-	(206,960,973)	-	(206,960,973)	-	(206,960,973)	
Total comprehensive income for the period	-	-	-	-	1,712,049,034	-	1,712,049,034	17,064,718	1,729,113,752	
Balance at September 30, 2022	P 3,395,864,100	P 6,964,649,807	(P 52,292,139)	(P 275,974,845)	P 13,895,849,288	P 1,200,000,000	P 25,128,096,211	P 618,234,685	P 25,746,330,896	
Balance at January 1, 2021	3,395,864,100	6,964,649,807	(P 61,251,333)	(P 275,974,845)	P 10,481,066,379	1,200,000,000	P 21,704,354,108	P 579,930,779	P 22,284,284,887	
Cash dividends declared	-	-	-	-	(159,999,533)	-	(159,999,533)	-	(P 159,999,533)	
Total comprehensive income for the period	-	-	-	-	1,231,972,216	-	1,231,972,216	13,965,163	1,245,937,379	
Balance at September 30, 2021	P 3,395,864,100	P 6,964,649,807	(P 61,251,333)	(P 275,974,845)	P 11,553,039,062	P 1,200,000,000	P 22,776,326,791	P 593,895,942	P 23,370,222,733	

See Notes to Condensed Consolidated Financial Statements.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Amounts in Philippine Pesos)
(UNAUDITED)

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 2,175,830,229	P 1,294,692,199
Adjustments for:			
Depreciation and amortization	13,14	185,743,354	114,868,710
Finance costs	21	41,131,241	38,913,031
Interest income	21	(19,946,683)	(10,603,977)
Share in net earnings of associates and joint ventures		(14,677,695)	(17,574,262)
Unrealized foreign currency loss - net		3,811,974	1,090,870
Operating profit before working capital changes		2,371,892,420	1,421,386,571
Decrease (Increase) in receivables		43,437,619	(290,919,729)
Increase in contract asset		(379,494,937)	(25,666,430)
Decrease (Increase) in land and land development costs		(12,014,630)	5,800,711
Increase in property development costs		(162,314,749)	(235,265,158)
Increase in other assets		(356,391,125)	(12,280,274)
Decrease in trade and other payables		(41,607,965)	(383,873,774)
Decrease in contract liability		(33,357,473)	(123,149,198)
Increase (Decrease) in deposits and advances		70,943,195	(145,600,335)
Increase (Decrease) in retirement benefit obligation		3,878,573	(1,103,095)
Cash generated from operations		1,504,970,928	209,329,289
Cash paid for income taxes		(264,820,929)	(92,155,288)
Interest received		19,946,683	10,603,977
Net Cash From Operating Activities		1,260,096,682	127,777,978
CASH FLOWS FROM INVESTING ACTIVITIES			
Maturities in short-term placements	11	291,000,000	291,000,000
Construction in progress and development costs of investment properties	10, 14	(858,539,591)	(1,405,943,294)
Additional advances from (payment to) related parties	23	34,112,915	(56,376,778)
Acquisitions of property and equipment	13	(90,344,295)	(8,504,943)
Net Cash Used in Investing Activities		(623,770,971)	(1,179,825,015)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid	24	(206,960,973)	(159,999,533)
Availment (repayments) of interest-bearing loans and borrowings	17	(82,100,000)	1,414,005,000
Availment (repayments) of lease liabilities	15	(374,006,000)	422,578,800
Finance costs paid	21	(9,309,235)	(27,748,960)
Advances from related parties	23	1,873,425	19,220,623
Net Cash From (Used in) Financing Activities		(670,502,783)	1,668,055,930
Effect of Changes in Foreign Exchange Rate on Cash and Cash Equivalents	21	(3,811,974)	(1,090,870)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(37,989,046)	614,918,023
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		5,665,952,194	4,429,489,615
CASH AND CASH EQUIVALENTS AT END OF PERIOD		P 5,627,963,148	P 5,044,407,638

See Notes to Condensed Consolidated Financial Statements.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
NOTES TO CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021
(UNAUDITED)
(With Comparative Audited Figures as of December 31, 2021)
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Incorporation and Operations

D.M. Wenceslao & Associates, Incorporated (DMWAI or the Parent Company) was incorporated in the Philippines on April 7, 1965. DMWAI is presently engaged in the trade and business of general builders and contractors and related activities such as acting as specialty construction contractors, supervisors or managers in all cases of constructions, erections and works both public and private, real estate business and leasing.

On June 29, 2018, the Parent Company's shares of stock were listed at the Philippine Stock Exchange (PSE) (see Note 25).

DMWAI holds certain investments in entities that are either subsidiaries, associates or joint ventures and all are incorporated in the Philippines (see Notes 1.2 and 12).

DMWAI is a subsidiary of Wendel Holdings Co., Inc. (WHI or Ultimate Parent Company), a company incorporated and domiciled in the Philippines. WHI is presently engaged in raising investments either through borrowings, sale or lease of its capital assets. The effective percentage of ownership of WHI in DMWAI aggregates to 79.96% as of September 30, 2022 and December 31, 2021.

On April 24, 2020, the Parent Company's Board of Directors (BOD) approved the change of DMWAI's registered office address from 3rd Floor Aseana Powerstation Building, Pres. Macapagal Avenue, Aseana Business Park, Parañaque City to 15th Floor, Aseana 3, D. Macapagal Blvd. corner Asean Ave., Aseana City, Parañaque City. The change in registered office address was approved by the Securities and Exchange Commission (SEC) and Bureau of Internal Revenue (BIR) on January 4, 2021 and March 15, 2021. DMWAI's principal place of business is located at 15th and 16th Floor, Aseana 3 Bldg., D. Macapagal Blvd. cor. Asean Avenue, Aseana City, Parañaque City.

On November 5, 2020, the WHI's BOD approved the change of WHI's registered office from 306 E. Rodriguez Sr. Boulevard, Quezon City to 15th Floor Aseana 3, Asean Ave., cor Pres. Macapagal Blvd., Brgy. Tambo, Parañaque City. The change in WHI's registered office address was approved by the SEC on August 16, 2021 but remains pending with the BIR as of the date of the issuance of the consolidated interim financial statements.

1.2 Subsidiaries, Associates and Joint Ventures

The Parent Company holds effective ownership interests in certain subsidiaries (together with the Parent Company, collectively hereinafter referred to as the “Group”), associates, and joint ventures, that are currently operating or are established to engage in businesses related to the main business of the Parent Company, in these consolidated interim financial statements.

As of September 30, 2022 and December 31, 2021, the following summarizes the effective percentage of ownership or interest of DMWAI over these entities:

Name of Subsidiaries/Associates/Joint Ventures	Explanatory Notes	Effective Percentage of Ownership/Interest	
		September 30, 2022	December 31, 2021
Subsidiaries:			
<i>Direct:</i>			
Aseana Residential Holdings Corp. (ARHC)	(a)	100.00%	100.00%
Aseana Holdings, Inc. (AHI)	(b)	99.98%	99.98%
Fabricom, Inc. (FI)	(c)	99.98%	99.98%
Fabricom Realty Development Corporation (FRDC)	(d)	62.20%	62.20%
R-1 Consortium, Inc. (R-1)	(e)	55.45%	55.45%
Alphaland Bay City Corporation (ABCC)	(f)	100.00%	100.00%
<i>Direct and Indirect:</i>			
Portal Holdings, Inc. (PHI)	(g)	100.00%	100.00%
Mandaue Land Consortium, Inc. (MLCI)	(h)	81.00%	81.00%
Aseana I.T. Plaza, Inc. (AITPI)	(i)	66.97%	66.97%
SHLP BBP Realty, Inc. (SBRI)	(j)	55.96%	55.96%
Aseana Ground Floor Holdings Corp. (AGFHC)	(k)	82.50%	82.50%
<i>Indirect:</i>			
58 Jupiter Inc. (formerly Reine, Inc.) (58 Jupiter) – <i>Accounted for as Asset Acquisition</i>	(l)	100.00%	100.00%
L&B Development Corporation (LBDC) – <i>Accounted for as Asset Acquisition</i>	(m)	100.00%	100.00%
Boracay International Airport & Dev’t Corp. (BIADC)	(n)	99.98%	99.98%
U-City Technologies Philippines, Inc. (UCTPI)	(o)	99.98%	99.98%
Aseana City Transport & Travel Corp. (ACTTC)	(p)	99.98%	99.98%
Aseana Gas Energy Corp. (AGEC)	(q)	99.98%	99.98%
Aseana Real Estate Services Management Corp. (ARESM)	(r)	95.98%	95.98%
Bay Area Holdings, Inc. (BAHI)	(s)	59.98%	59.98%
Aseana Resi Rent Corp. (ARRC)	(t)	100.00%	100.00%
Associates:			
Alphaland Heavy Equipment, Corp. (AHEC)	(u)	50.00%	50.00%
European Resources and Technology, Inc. (ERTI)	(v)	42.00%	42.00%
Aseana CL, Beach and Marina Development Corporation (ACBMDC)	(w)	36.00%	36.00%
Joint venture –			
Bay Resources and Development Corporation (BRADCO)	(x)	50.00%	50.00%

Notes:

- (a) Established to purchase, acquire and own, hold, use, assign, transfer, mortgage, pledge, exchange or otherwise dispose of, subject to limitations imposed by law, real and personal property, including but not limited to, land, buildings, condominiums, shares of stock, bonds and other securities.
- (b) Established to engage in the business of owning, holding, exchanging, or otherwise disposing such items as real and personal properties, and securities such as stocks, bonds and to take part and assist in any legal matter for the purchase and sale of any securities as may be allowed by law without acting as or engaging in the business of an investment house, mutual fund or broker or dealer in securities.
- (c) Established to engage in the business of importation and marketing of heavy equipment, industrial equipment or any commercial products, which may be the object of commerce for the attainment of corporate objectives. As more fully discussed in Note 28.4, the increase in the Parent Company's effective percentage ownership in FI and BAHI is a result of a deed of exchange representing a business combination that is accounted for under pooling of interest method involving entities under common control.
- (d) Established to engage in housing and real estate development and selling and engaging in other related activities.
- (e) Established to engage in general construction and other allied businesses including constructing, enlarging, repairing, removing, developing, or otherwise engaging in any work upon building roads, highways, manufacturing plants, bridges, airfields, piers, docks, mines, masonry and earth construction, and to make, execute, bid for and take or receive any contracts or assignment of contracts in relation thereto.
- (f) ABCC was established to own, use, improve, develop, subdivide, sell, exchange, lease and hold for investment or otherwise, real estate of all kinds, including buildings, houses, apartments and other structures. As more fully discussed in Note 13.2(b), ABCC became a subsidiary of DMWAI starting in 2019.
- (g) DMWAI's effective interest is derived from its 40.00% direct ownership and 60.00% indirect holdings through ARHC. PHI was established to purchase, subscribe for, or otherwise acquire and own, hold, use, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real and personal property, including but not limited to, land, buildings, condominiums, shares of stock, bonds and other securities.
- (h) DMWAI's effective interest is derived from its 40.00% direct ownership and 41.00% indirect holdings through AHI and R-1 which own 30.00% and 20.00%, respectively. MLCI was established to engage in general realty and other allied businesses including owning, improving, subdividing, developing, reclaiming, enlarging, repairing, constructing, exchanging, leasing and holding investment or otherwise, real estate and lands of all kinds and any buildings, houses and other structures.
- (i) DMWAI's effective ownership interest is derived from its 41.98% direct ownership and 24.99% indirect holdings through PHI. AITPI was established to engage in the business of owning, using, improving, developing, selling, exchanging, leasing, and holding for investment or otherwise, real estate of all kinds, including building houses, apartments and other structures, and related activities.
- (j) DMWAI's effective ownership is derived from its 29.98% direct ownership and 25.98% indirect holdings through AHI, BAHI and PHI which each owns 9.99% of SBRI. SBRI was established to engage in real estate development and engaging in other related activities.
- (k) AGFHC was acquired in 2021. DMWAI's effective interest is derived from its 7.50% direct ownership and 75.00% indirect holdings through AHI. AGFHC has not yet started commercial operations upon initial investments of DMWAI and AHI. AGFHC was established to purchase, acquire, own, lease except financial leasing, sell and convey real properties such as lands, buildings, factories and warehouses and machineries, equipment and other personal properties as may be necessary or incidental to the conduct of the corporate business, and to pay in cash, shares of its capital stock, debentures and other evidences of indebtedness, or other securities, as may be deemed expedient, for any business or property acquired by the corporation.
- (l) 58 Jupiter was acquired in 2017 and indirectly owned through AHI [see Notes 3.1(k) and 13.4]; established to acquire by purchase, lease, donation, or otherwise, and to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop, and hold for investment or otherwise, real estate of all kinds, whether improve, manage or otherwise dispose of buildings, houses, apartments, and other structures of whatever kind, together with their appurtenances.
- (m) LBDC was acquired in 2020 and indirectly owned through ARHC [see Notes 3.1(k) and 13.4]; established to engage in real estate business; to acquire by purchase, lease, donation or otherwise, use improve, develop, subdivide, sell, mortgage, exchange, lease, develop and hold investment or otherwise, real estate of all kinds, whether improved, managed, or otherwise deal in or dispose of buildings, houses, apartments, townhouses, condominiums, and other structures of whatever kind together with the appurtenances or improvements found thereon.
- (n) Indirectly owned through AHI; established to build an international airport in Boracay, Municipality of Malay and/ or Carabao Island, San Jose, Romblon, Philippines.
- (o) Indirectly owned through AHI; established to install and provide electronic security apparatus and products to industrial, commercial and other establishments whether public or private for the purpose of securing or protecting properties and other related services. In 2016, AHI acquired through cash consideration the entire 40.00% minority interest of the other stockholder resulting in 100.00% direct ownership by AHI in UCTPI (see Note 28.4).
- (p) Indirectly owned through AHI; established to engage in the business of transportation of passengers by means of public utility vehicles for the general public and to lease out or rent its public utility vehicles for special trips.
- (q) Indirectly owned through AHI; established to engage in, conduct and carry on the business of buying, selling, distributing, marketing of liquefied petroleum gas and other fuel products at wholesale or retail

and to construct a reticulation network in strategically located tank to enable safe and sufficient distribution of piped gas to end users in Aseana Business Park.

- (r) Indirectly owned through AHI; established to acquire and manage properties such as commercial, residential, office condominium and industrial real estate.
- (s) Indirectly owned through FI; established to purchase, acquire, or otherwise own and hold, use, sell, assign, transfer, mortgage, pledge, or otherwise dispose of, real and personal property, including land, buildings, condominiums and engaging in other related activities. As more fully discussed in Note 28.4, the increase in the Parent Company's effective percentage ownership in FI and BAHI is a result of a deed of exchange representing a business combination that is accounted for under pooling of interest method involving entities under common control.
- (t) Indirectly owned through AHI; established to engage in realty business, provided that it shall not solicit, accept or take investments or placements from the public, neither shall it issue investment contracts.
- (u) Indirectly owned through FI; established to purchase, import, or otherwise acquire, lease, sell, distribute, market, convey or otherwise dispose heavy equipment, machinery and related implements. As of December 31, 2021, AHEC is currently in the process of liquidation (see Note 13.1).
- (v) Established to engage in collecting, segregating, recycling, composting, filling, disposing, treating or otherwise managing household, industrial and other kinds of garbage for local, or other government units and private persons and firms as well as extended guidance and education for proper waste management.
- (w) DMWAI's effective interest is derived from its 10.00% direct ownership and 26.00% indirect holdings through AHI. ACBMDC was established to engage in real estate business with marinas, cruise liner facilities and beach resorts in all its aspects; to acquire, rent or otherwise deal in and dispose of all kinds or real estate objects, involving commercial, industrial, urban, residential or other kinds of real property.
- (x) BRADCO was established to acquire, develop and market real estate properties [see Note 13.2(a)].

As of September 30, 2022, FRDC, R-1, MLCI, AITPI, SBRI, BIADC, AGECE and ACBMDC have not yet started commercial operations.

1.3 Approval of Condensed Consolidated Interim Financial Statements

The condensed consolidated interim financial statements of the Group as of and for the nine months ended September 30, 2022 (including the comparatives as of December 31, 2021 and for the nine months ended September 30, 2021) were approved and authorized for issue by the Parent Company's Chief Executive Officer (CEO) on November 11, 2022.

2. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(a) Statement of Compliance with Philippine Financial Reporting Standards

The condensed consolidated interim financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The financial reporting reliefs availed of by the Group are disclosed in details below and in the succeeding pages. PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy (BOA).

The consolidated financial statements have been prepared using the measurement bases specified by PFRS, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic, for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) SEC Financial Reporting Reliefs Availed by the Group

In 2020, the Group has availed of several financial reporting reliefs granted by the SEC under Memorandum Circular (MC) No. 14-2018, *Philippine Interpretation Committee Question and Answer (PIC Q&A) No. 2018-12 Implementation Issues Affecting Real Estate Industry*, MC No. 3-2019, *PIC Q&A Nos. 2018-12-H and 2018-14*, MC No. 4-2020, *Deferment of the Implementation of IFRS Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Costs) for Real Estate Industry*, and MC 34-2020, *Deferral of PIC Q&A No. 2018-12 and IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry for another period of three years or until 2023*, relating to several implementation issues of PFRS 15, *Revenue from Contracts with Customers*, affecting the real estate industry.

In 2021, MC No. 2021-08, *Amendment to SEC MC No. 2018-14, MC No. 2019-03, MC No. 2020-04, and MC No. 2020-34 to clarify transitory provision*, provides real estate companies the accounting policy option of applying either the full retrospective approach or the modified retrospective approach when they apply the provisions of the PIC and IFRIC pronouncement.

Discussed below and in the succeeding pages are the financial reporting reliefs availed of by the Group, including the descriptions of the implementation issues and their qualitative impacts to the financial statements. The Group opted to avail the reliefs until the end of the deferment period as provided under the relevant MC.

Relief	Description and Implication	Deferral Period
IFRIC Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry	<p>The IFRIC concluded that any inventory (work-in-progress) for unsold units under construction that the entity recognizes is not a qualifying asset, as the asset is ready for its intended sale in its current condition (i.e., the developer intends to sell the partially constructed units as soon as it finds suitable customers and, on signing a contract with a customer, will transfer control of any work-in-progress relating to that unit to the customer). Accordingly, no borrowing costs can be capitalized on such unsold real estate inventories.</p> <p>Generally, an entity that capitalized borrowings costs and elected not to defer the IFRIC Agenda Decision would have the following impact in its financial statements:</p> <ul style="list-style-type: none"> • interest expense would have been higher; • cost of real estate inventories would have been lower; • total net profit and total comprehensive income would have been lower; • retained earnings would have been lower; and, • the carrying amount of real estate inventories would have been lower. 	Until December 31, 2023

Relief	Description and Implication	Deferral Period
<p>PIC Q&A No. 2018-12-D, <i>Concept of the significant financing component in the contract to sell</i> and PIC Q&A No. 2020-04, <i>Addendum to PIC Q&A 2018-12-D: Significant Financing Component Arising from Mismatch between the Percentage of Completion and Schedule of Payments (continued)</i></p>	<p>PFRS 15 requires that in determining the transaction price, an entity shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component.</p> <p>There is no significant financing component if the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference. Further, the Group does not need to adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception that the timing difference of the receipt of full payment of the contract price and that of the completion of the project, are expected within one year and significant financing component is not expected to be significant.</p> <p>Had the Group elected not to defer this provision of the standard, it would have an impact in the consolidated financial statements as there would have been a significant financing component when there is a difference between the POC of the real estate project and the right to the consideration based on the payment schedule stated in the contract. The Group would have recognized an interest income when the POC of the real estate project is greater than the right to the consideration and interest expense when lesser. Both interest income and expense will be calculated using the effective interest rate method. This will impact the retained earnings, real estate sales, and profit or loss in 2021 and prior years.</p>	<p>Until December 31, 2023</p>

Relief	Description and Implication	Deferral Period
PIC Q&A No. 2018-12-E, <i>Treatment of land in the determination of POC</i>	<p>Land on which the real estate development will be constructed shall also be excluded in the assessment of POC.</p> <p>Had the Company elected not to defer this provision of the standard, it would have the following impact on the consolidated financial statements:</p> <ul style="list-style-type: none"> • real estate sales and cost of real estate sales would have been higher; • total comprehensive income would have been higher; and, • retained earnings would have been higher. 	Exclusion of land in the assessment of progress is deferred until December 31, 2023

(c) *Presentation of Consolidated Financial Statements*

The consolidated financial statements are presented in accordance with PAS 1, *Presentation of Financial Statements*. The Group presents the consolidated statements of comprehensive income separate from the consolidated statements of profit or loss.

The Group presents a consolidated third statement of financial position as at the beginning of the preceding period when it applies an accounting policy, retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to the consolidated third statement of financial position are not required to be disclosed.

(d) *Functional and Presentation Currency*

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The Group's consolidated interim financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in the Group's last annual consolidated financial statements as of and for the year ended December 31, 2021.

4. SEGMENT REPORTING

4.1 Business Segments

The Group's operating businesses are recognized and managed separately according to the nature of services provided (primary segments) and the different markets served (secondary segments) with a segment representing a strategic business unit. The Group's business segments follow:

- (a) *Rentals* – refers to leasing of real estate properties, including land and building and other structures.
- (b) *Construction* – principally refers to general construction business which involves site development, earthworks, structural and civil works, masonry works, architectural finishes, electrical works, plumbing and sanitary works, fire protection works and mechanical works.
- (c) *Sale of Land and Condominium Units* – involve the development and sale of industrial and other parcels of land and residential condominium units.

The Group has not identified any segment based on geographical location (see Note 4.4).

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash, receivables, contract asset, land and land development cost, property development costs, property and equipment, and investment properties. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of loans and borrowings, trade and other payables, contract liability and deposits and advances. Segment assets and liabilities do not include deferred taxes.

4.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

4.4 Analysis of Segment Information

Segment information is analyzed as follows for the nine months ended September 30, 2022 and 2021 (in thousands):

	<u>Rentals</u>		<u>Construction</u>		<u>Sale of Land and Condominium Units</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
REVENUES								
Sales to external customers	P 1,594,878	P 1,458,766	P -	P 51,516	P 1,588,650	P 494,346	P 3,183,528	P 2,004,628
Intersegment sales	<u>117,378</u>	<u>139,232</u>	<u>183,277</u>	<u>308,967</u>	<u>124,995</u>	<u>-</u>	<u>425,650</u>	<u>448,199</u>
Total revenues	<u>1,712,256</u>	<u>1,597,998</u>	<u>183,277</u>	<u>360,483</u>	<u>1,713,645</u>	<u>494,346</u>	<u>3,609,178</u>	<u>2,452,827</u>
COSTS AND OTHER OPERATING EXPENSES								
Cost of sales and services excluding depreciation and amortization	137,143	120,818	-	39,467	398,993	180,342	536,136	340,627
Depreciation and amortization	136,948	84,429	-	-	-	-	136,948	84,429
Other expenses (income) – net	<u>86,239</u>	<u>98,501</u>	<u>5,013</u>	<u>10,958</u>	<u>53,159</u>	<u>(8,378)</u>	<u>144,411</u>	<u>101,081</u>
	<u>360,330</u>	<u>303,748</u>	<u>5,013</u>	<u>50,425</u>	<u>452,152</u>	<u>171,964</u>	<u>817,945</u>	<u>526,137</u>
SEGMENT OPERATING PROFIT	<u>P 1,351,926</u>	<u>P 1,294,250</u>	<u>P 178,264</u>	<u>P 310,058</u>	<u>P 1,261,493</u>	<u>P 322,382</u>	<u>P 2,791,683</u>	<u>P 1,926,690</u>

Segment assets and liabilities are allocated to each segment as follows (in thousands):

	<u>Rentals</u>		<u>Construction</u>		<u>Sale of Land and Condominium Units</u>		<u>Total</u>	
	<u>Total Assets</u>	<u>Total Liabilities</u>	<u>Total Assets</u>	<u>Total Liabilities</u>	<u>Total Assets</u>	<u>Total Liabilities</u>	<u>Total Assets</u>	<u>Total Liabilities</u>
September 30, 2022	P 30,803,584	P 12,628,157	P 5,090,781	P 606,309	P 8,498,921	P 2,993,742	P 44,393,286	P 16,228,207
December 31, 2021	29,819,979	11,716,312	3,995,652	668,323	8,333,505	3,304,785	38,177,324	14,364,729

Currently, the Group's operation is concentrated in one location; hence, it has no geographical segment (see Note 4.1).

Rental revenues from a single lessee account for 17.30% and 27.47% of the consolidated revenues for the nine months ended September 30, 2022 and 2021, respectively. In 2022, land sale from a single buyer accounted for 24.74% of the total interim consolidated revenue.

Rentals segment assets include certain real estate assets (i.e., parcels of land) held as investment properties for capital appreciation or future lease.

4.5 Reconciliations

The total segment balances presented for the Group's operating segments reconciled to the Group's consolidated balances as presented in the condensed interim consolidated financial statements are as follows (in thousands):

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Revenues		
Total segment revenues	P 3,609,179	P 2,452,827
Elimination of intersegment revenues	(425,651)	(448,199)
Revenues as reported in the condensed consolidated statements of comprehensive income	<u>P 3,183,528</u>	<u>P 2,004,628</u>
Profit or loss		
Segment operating profit	P 2,791,683	P 1,927,616
Elimination of intersegment revenues	(425,651)	(448,199)
Other unallocated expenses	(189,136)	(175,963)
Operating profit as reported in the condensed consolidated statements of comprehensive income	P 2,176,896	P 1,303,454
Finance costs	(41,188)	(40,266)
Finance income	23,759	11,695
Share in net income of associates and joint ventures	14,678	17,574
Dividend income	<u>1,685</u>	<u>2,235</u>
Profit before tax as reported in the condensed consolidated statements of comprehensive income	<u>P 2,175,830</u>	<u>P 1,294,692</u>

	September 30, 2022 <u>(Unaudited)</u>	December 31, 2021 <u>(Audited)</u>
Assets		
Segment assets	P 44,393,286	P 42,154,316
Deferred tax assets – net	20,846	98,758
Other unallocated assets**	6,337,686	6,353,570
Elimination of intercompany accounts	(12,231,948)	(11,623,161)
 Total assets reported in the condensed consolidated statements of financial position	 <u>P 38,519,870</u>	 <u>P 36,983,483</u>
Liabilities		
Segment liabilities	P 16,228,207	P 15,705,393
Deferred tax liabilities – net	1,022,991	989,064
Other unallocated liabilities**	608,637	540,334
Elimination of intercompany accounts	(5,086,296)	(4,475,486)
 Total liabilities as reported in the condensed consolidated statements of financial position	 <u>P 12,773,539</u>	 <u>P 12,759,305</u>

***Other unallocated assets and liabilities mostly pertain to intercompany advances to and/or from related parties not eliminated in the consolidation.*

5. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to risk in relation to its operating, investing, and financial activities, and the business environment in which it operates. Generally, the Group's objectives in risk management are to ensure that it identifies, measures, monitors, and controls the various risks that arise from its business activities and that it adheres strictly to the policies, procedures, and control systems which are established to address these risks. In managing financial instruments, the Group is exposed to financial risk such as market risk (including foreign currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), liquidity risk and credit risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements; hence, they should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2021.

There have been no significant changes in the risk management structure of the Group or in any risk management policies since the previous annual period.

6. FAIR VALUE MEASUREMENT AND DISCLOSURES

6.1 *Fair Value Hierarchy*

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which an asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

6.2 *Financial Instruments Measurement at Fair Value*

The Group's financial assets at fair value through other comprehensive income (FVOCI) include proprietary golf club shares, which are categorized within Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period. Moreover, equity security held in a private company is included in Level 3 since its market value is not quoted in an active market, hence, measured using the market approach by reference to the fair value of a comparable instrument adjusted for inputs (i.e., financial forecast of cash flows or profit or loss) internally developed by management to consider the differences in corporate profile and historical performance of the entity. As of September 30, 2022 and December 31, 2021, the Group's financial assets measured at FVOCI amounted to P42.2 million (see Note 16).

The Group has no financial liabilities measured at fair value as of September 30, 2022 and December 31, 2021.

There were no transfers between Levels 1, 2 and 3 instruments in both periods.

6.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The tables below summarize the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the condensed consolidated statements of financial position but for which fair value is required to be disclosed.

	Notes	September 30, 2022 (Unaudited)			
		Level 1	Level 2	Level 3	Total
Financial Assets					
Cash and cash equivalents	7	P 5,627,963,148	P -	P -	P 5,627,963,148
Receivables – net	8	-	-	6,726,365,195	6,726,365,195
Refundable deposits (presented as part of Other Non-current Assets)	16	-	-	34,454,475	34,454,475
		<u>P 5,627,963,148</u>	<u>P -</u>	<u>P 6,760,819,670</u>	<u>P 12,388,782,818</u>
Financial Liabilities					
Loans and borrowings	17	P -	P -	P 3,187,191,590	P 3,187,191,590
Trade and other payables	18	-	-	1,340,768,515	1,340,768,515
Advances from and due to related parties	23.2	-	-	4,036,742,498	4,036,742,498
Rental deposits	19	-	-	288,819,358	288,819,358
Construction bond	19	-	-	27,075,389	27,075,389
Lease liability	15.2	-	-	524,948,776	524,948,776
		<u>P -</u>	<u>P -</u>	<u>P 9,405,546,126</u>	<u>P 9,405,546,126</u>
December 31, 2021 (Audited)					
		Level 1	Level 2	Level 3	Total
Financial Assets					
Cash and cash equivalents	7	P 5,665,952,194	P -	P -	P 5,665,952,194
Receivables – net		-	-	6,589,860,151	6,589,860,151
Refundable deposits (presented as part of Other Non-current Assets)	9 16	-	-	32,340,519	32,340,519
		<u>P 5,665,952,194</u>	<u>P -</u>	<u>P 6,622,200,670</u>	<u>P 12,288,152,864</u>
Financial Liabilities					
Loans and borrowings	17	P -	P -	P 3,254,904,746	P 3,254,904,746
Trade and other payables	18	-	-	1,258,145,248	1,258,145,248
Advances from and due to related parties	23.2	-	-	4,034,868,945	4,034,868,945
Rental deposits	19	-	-	288,530,361	288,530,361
Construction bond	19	-	-	36,825,167	36,825,167
Lease liabilities	15.2	-	-	534,035,912	534,035,912
		<u>P -</u>	<u>P -</u>	<u>P 9,407,310,379</u>	<u>P 9,407,310,379</u>

The fair values of financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability base of the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data.

6.4 Fair Value Disclosures for Investment Properties Carried at Cost

The table below shows the levels within the hierarchy of non-financial assets that are not measured at fair value but for which fair values are disclosed as of September 30, 2022 and December 31, 2021.

	Note	Level 1	Level 2	Level 3	Total
September 30, 2022 and December 31, 2021					
Land	P	-	P127,451,168,524	P -	P127,451,168,524
Buildings and improvements		-	-	10,349,934,514	10,349,934,514
Construction in progress		-	-	4,791,919,186	4,791,919,186
	15	P -	P127,451,168,524	P 15,141,853,700	P142,593,022,224

The above fair value information is determined on the basis of the appraisals performed by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's investment properties is their current use.

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Cash on hand and in banks	P 3,698,001,507	P 4,750,990,553
Short-term placements	1,929,961,641	914,961,641
	P 5,627,963,148	P 5,665,952,194

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements are made for varying periods of between 30 to 90 days and earn effective interest ranging from 0.5% to 4.875% during the nine months ended September 30, 2022 and 0.5% to 2.3% during the nine months ended September 30, 2021. Interest income from cash in banks and short-term placements amounting to P19.9 million and P10.6 million in 2022 and 2021, respectively, are included as part of Finance Income in the consolidated statements of comprehensive income (see Note 21.3).

8. RECEIVABLES

This account is composed of the following:

	Note	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Current:			
Rental receivables		P 797,173,204	P 778,904,739
Advances to:			
Related parties	23.1	774,245,932	808,358,847
Suppliers		434,883,278	504,311,073
Officers and employees		10,838,919	11,878,006
Contracts receivables		641,375,918	659,179,521
Land sale receivable		344,575,000	590,700,000
Retention receivables		6,140,175	11,809,620
Others		<u>1,247,239</u>	<u>3,544,286</u>
		3,010,479,665	3,368,686,092
Allowance for impairment		<u>(64,746,647)</u>	<u>(55,487,625)</u>
		<u>2,945,733,018</u>	<u>3,313,198,467</u>
Non-current:			
Rental receivables		<u>4,215,515,455</u>	<u>3,925,600,540</u>
		<u>P 7,161,248,473</u>	<u>P 7,238,799,007</u>

Receivables that are past due but not impaired as at the end of the nine months reporting period are shown below:

	September 30, 2022	December 31, 2021
Not more than three months	P 201,128,183	P 112,092,119
More than three months but not more than one year	202,922,906	188,694,600
More than one year	<u>650,644,653</u>	<u>1,028,165,731</u>
	<u>P 1,054,695,742</u>	<u>P 1,328,952,451</u>

9. PROPERTY DEVELOPMENT COSTS AND REAL ESTATE TRANSACTIONS

The Group capitalized certain costs as property development costs representing properties under development and construction. Costs incurred comprise of actual costs of land, construction and related engineering, architectural and other consultancy fees related to the development of its residential condominium projects, “Pixel Residences”, “MidPark Towers” and “One Parq Suites”, all of which are located in Aseana City, 1702 Parañaque City, Metro Manila. It also includes certain parcels of land which will be developed for the Group’s other residential projects.

The accumulated balance of Property Development Costs as presented in the condensed consolidated statements of financial position as follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
MidPark Residences	P 1,236,644,423	P 1,149,570,083
Raw Land	397,831,294	397,831,294
Pixel	63,135,699	26,136,740
One Parq Suites	53,716,368	15,474,918
	<u>P 1,751,327,784</u>	<u>P 1,589,013,035</u>

Cost of condominium units sold amounted to P343.8 million and P180.3 million for the nine months ended September 30, 2022 and 2021, respectively (see Note 20.3).

Percentage of completion of Pixel Residences as at September 30, 2022 and 2021 is 100% and 97.5%, respectively. Percentage of completion of MidPark Residences as at September 30, 2022 and 2021 is 44.8% and 24.9%, respectively.

10. LAND AND LAND DEVELOPMENT COSTS

This account pertains to the cost of land available for sale located in Aseana Business Park, Parañaque City; Ciudad Nuevo Park, Cavite City; and Lunzuran Heights Subdivision, Zamboanga City with a total lot area of 236,219 square meters and 238,009 square meters as of September 30, 2022 and December 31, 2021.

The analysis of the movements of the balance of Land and Land Development Costs is as follows:

	Note	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of year		P 2,080,156,703	P 2,112,536,724
Development costs during the year		85,072,230	22,832,583
Sales during the period	22	(55,212,604)	(55,212,604)
Balance at end of period		<u>P 2,110,016,329</u>	<u>P 2,080,156,703</u>

Management has estimated that the net realizable value of Land and Land Development Costs is higher than its carrying value as of September 30, 2022 and December 31, 2021. As of September 30, 2022 and December 31, 2021, certain portion of the parcels of land owned by the Group with a total lot area of 2,777 and carrying amounts of P56.6 million and P51.4 million, respectively, is used as collateral to secure certain peso denominated interest-bearing loans (see Note 17). The loans do not contain any restriction on the sale of the land except that the mortgage is annotated in the titles of the said properties.

11. OTHER CURRENT ASSETS

This account consists of the following:

	September 30, 2022 <u>(Unaudited)</u>	December 31, 2021 <u>(Audited)</u>
Input VAT	P 682,681,302	P 531,937,236
Deferred input value added tax (VAT)	654,505,681	595,350,899
Contract acquisition costs	64,015,467	46,458,285
Prepayments	63,366,110	107,397,891
Financial assets at FVTPL	58,888,288	58,888,290
Creditable withholding tax	<u>53,338,292</u>	<u>27,782,939</u>
	<u>P 1,576,795,140</u>	<u>P 1,367,905,540</u>

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

This account consists of the following:

	Notes	September 30, 2022 <u>(Unaudited)</u>	December 31, 2021 <u>(Audited)</u>
Investments in:			
Associates	12.1	P 48,844,284	P 48,890,928
Joint ventures	12.2	<u>83,439,404</u>	<u>68,715,066</u>
		<u>132,283,688</u>	<u>P 117,605,994</u>

12.1 Investments in Associates

The movements in the carrying amount of investments in associates, which is accounted for under the equity method in the condensed consolidated financial statements of the Group, are shown below.

	September 30, 2022 <u>(Unaudited)</u>	December 31, 2021 <u>(Audited)</u>
Acquisition costs	<u>P 56,913,213</u>	<u>P 56,913,213</u>
Accumulated share in net losses:		
Balance at beginning of period	(8,022,285)	(7,946,102)
Share in net losses	<u>(46,644)</u>	<u>(76,183)</u>
Balance at end of period	<u>(8,068,929)</u>	<u>(8,022,285)</u>
	<u>P 48,844,284</u>	<u>P 48,890,928</u>

12.2 Investments in Joint Venture

The movements in the carrying amount of investments in BRADCO, which is accounted for under the equity method in the condensed consolidated financial statements of the Group, are shown below.

	September 30, 2022 <u>(Unaudited)</u>	December 31, 2021 <u>(Audited)</u>
Acquisition costs	P 2,000,000	P 2,000,000
Accumulated share in net gains:		
Balance at beginning of period	66,715,066	36,917,570
Share in net gains	<u>14,724,338</u>	<u>29,797,496</u>
 Balance at end of period	 <u>81,439,404</u>	 <u>66,715,066</u>
	<u>P 83,439,404</u>	P <u>68,715,066</u>

13. PROPERTY AND EQUIPMENT

The gross carrying amounts and the accumulated depreciation and amortization of property and equipment at the beginning and end of the nine months ended September 30, 2022 and the year ended December 31, 2021 are shown below.

	<u>Land</u>	<u>Land Improvements</u>	<u>Leasehold Improvements</u>	<u>Machinery and Construction Equipment</u>	<u>Transportation Equipment</u>	<u>Furniture and Office Equipment</u>	<u>Other Equipment</u>	<u>Building and Improvements</u>	<u>Total</u>
September 30, 2022									
Cost	P 9,291,800	P 4,034,354	P 38,370,564	P 535,650,781	P 63,633,647	P 167,162,941	P 16,177,538	P 239,649,209	P1,073,970,834
Accumulated depreciation and amortization	<u>-</u>	<u>(3,634,418)</u>	<u>(34,106,611)</u>	<u>(477,188,218)</u>	<u>(49,005,821)</u>	<u>(122,732,409)</u>	<u>(14,176,911)</u>	<u>(35,947,381)</u>	<u>(736,791,769)</u>
Net carrying amount	<u>P 9,291,800</u>	<u>P 399,936</u>	<u>P 4,263,953</u>	<u>P 58,462,563</u>	<u>P 14,627,826</u>	<u>P 44,430,532</u>	<u>P 2,000,627</u>	<u>P 203,701,828</u>	<u>P 337,179,065</u>
December 31, 2021									
Cost	P 9,291,800	P 4,034,354	P 38,370,564	P 473,492,206	P 60,284,558	P 161,761,337	P 14,587,506	P 239,649,209	P1,001,471,534
Accumulated depreciation and amortization	<u>-</u>	<u>(3,435,845)</u>	<u>(32,957,309)</u>	<u>(449,863,681)</u>	<u>(44,815,376)</u>	<u>(103,738,934)</u>	<u>(14,062,186)</u>	<u>(29,956,151)</u>	<u>(678,829,483)</u>
Net carrying amount	<u>P 9,291,800</u>	<u>P 598,509</u>	<u>P 5,413,255</u>	<u>P 23,628,525</u>	<u>P 15,469,182</u>	<u>P 58,022,402</u>	<u>P 525,320</u>	<u>P 209,693,058</u>	<u>P 322,642,051</u>
January 1, 2021									
Cost	P 9,291,800	P 4,034,354	P 37,831,686	P 473,082,079	P 52,052,629	P 159,260,525	P 14,244,402	P 239,649,209	P 989,446,684
Accumulated depreciation and amortization	<u>-</u>	<u>(3,171,083)</u>	<u>(30,853,552)</u>	<u>(428,654,198)</u>	<u>(40,766,854)</u>	<u>(77,808,868)</u>	<u>(14,060,405)</u>	<u>(23,964,921)</u>	<u>(619,279,881)</u>
Net carrying amount	<u>P 9,291,800</u>	<u>P 863,271</u>	<u>P 6,978,134</u>	<u>P 44,427,881</u>	<u>P 11,285,775</u>	<u>P 81,451,657</u>	<u>P 183,997</u>	<u>P 215,684,288</u>	<u>P 370,166,803</u>

A reconciliation of the carrying amounts at the beginning and end of the nine months ended September 30, 2022 and the year ended December 31, 2021 of property and equipment is shown below.

	<u>Land</u>	<u>Land Improvements</u>	<u>Leasehold Improvements</u>	<u>Machinery and Construction Equipment</u>	<u>Transportation Equipment</u>	<u>Furniture and Office Equipment</u>	<u>Other Equipment</u>	<u>Building and Improvements</u>	<u>Total</u>
Balance at January 1, 2022, net of accumulated depreciation and amortization	P 9,291,800	P 598,509	P 5,413,255	P 23,628,525	P 15,469,182	P 58,022,402	P 525,320	P 209,693,058	P 322,642,051
Additions	-	-	-	62,158,575	3,349,089	5,401,603	1,590,032	-	72,499,299
Depreciation and amortization charges for the period	-	(198,572)	(1,149,302)	(27,324,536)	(4,190,445)	(18,993,474)	(114,726)	(5,991,230)	(57,962,286)
Balance at September 30, 2022, net of accumulated depreciation and amortization	<u>P 9,291,800</u>	<u>P 399,936</u>	<u>P 4,263,953</u>	<u>P 58,462,563</u>	<u>P 14,627,825</u>	<u>P 44,430,533</u>	<u>P 2,000,627</u>	<u>P 203,701,828</u>	<u>P 337,179,065</u>
Balance at January 1, 2021, net of accumulated depreciation and amortization	P 9,291,800	P 863,271	P 6,978,134	P 44,427,881	P 11,285,775	P 81,451,657	P 183,997	P 215,684,288	P 370,166,803
Additions	-	-	538,878	410,127	8,231,929	2,500,812	343,104	-	12,024,850
Depreciation and amortization charges for the year	-	(264,762)	(2,103,757)	(21,209,483)	(4,048,522)	(25,930,067)	(1,781)	(5,991,230)	(59,549,602)
Balance at December 31, 2021, net of accumulated depreciation and amortization	<u>P 9,291,800</u>	<u>P 598,509</u>	<u>P 5,413,255</u>	<u>P 23,628,525</u>	<u>P 15,469,182</u>	<u>P 58,022,402</u>	<u>P 525,320</u>	<u>P 209,693,058</u>	<u>P 322,642,051</u>

The amount of depreciation and amortization is allocated as follows:

	Note	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
General and administrative expense	22	P 48,038,010	P 36,926,175
Capitalized as part of land and land development costs		<u>9,924,273</u>	<u>22,623,427</u>
		<u>P 57,962,283</u>	<u>P 59,549,602</u>

14. INVESTMENT PROPERTIES

The carrying amount of this account is composed of the following:

	Note	2022	2021
Investment properties – net		P 18,145,854,966	P 17,056,908,137
Right-of-use asset – net	15.1	<u>484,286,026</u>	<u>509,377,480</u>
		<u>P 18,630,140,992</u>	<u>17,566,285,617</u>

The gross amounts and the accumulated depreciation of investment properties at the beginning and end of the nine months ended September 30, 2022 and the year ended December 31, 2021 are shown below.

	Land	Building and Improvements	Condominium Units	Construction in Progress	Total
September 30, 2022					
Cost	P 10,107,429,898	P 5,692,713,617	P 25,228,650	P 3,204,291,624	P 19,029,663,789
Accumulated depreciation	-	(876,517,087)	(7,291,736)	-	(883,808,823)
Net carrying amount	<u>P 10,107,429,898</u>	<u>P 4,816,196,530</u>	<u>P 17,936,914</u>	<u>P 3,204,291,624</u>	<u>P 18,145,854,966</u>
December 31, 2021					
Cost	P 10,001,795,507	P 2,995,351,909	P 25,228,650	P 4,791,919,186	P 17,814,295,252
Accumulated depreciation	-	(750,852,239)	(6,534,876)	-	(757,387,115)
Net carrying amount	<u>P 10,001,795,507</u>	<u>P 2,244,499,670</u>	<u>P 18,693,774</u>	<u>P 4,791,919,186</u>	<u>P 17,056,908,137</u>
January 1, 2021					
Cost	P 9,904,289,891	P 2,797,681,966	P 25,228,650	P 3,309,920,402	P 16,037,120,909
Accumulated depreciation	-	(644,663,943)	(5,525,730)	-	(650,189,673)
Net carrying amount	<u>P 9,904,289,891</u>	<u>P 2,153,018,023</u>	<u>P 19,702,920</u>	<u>P 3,309,920,402</u>	<u>P 15,386,931,236</u>

The reconciliation of the carrying amounts of investment properties at the beginning and end of the nine months ended September 30, 2022 and the year ended December 31, 2021 is shown below.

	<u>Land</u>	<u>Building and Improvements</u>	<u>Condominium Units</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at January 1, 2022, net of accumulated depreciation	P 10,001,795,507	P 2,244,499,670	P 18,693,774	P 4,791,919,186	P 17,056,908,137
Additions	141,544,391	2,697,361,708	-	1,163,277,465	4,002,183,564
Reclass	(35,910,000)			(2,750,905,028)	(2,786,815,028)
Depreciation charges for the period	-	(125,664,8487)	(756,860)	-	(126,421,707)
Balance at September 30, 2022, net of accumulated depreciation	<u>P 10,107,429,898</u>	<u>P 4,816,196,530</u>	<u>P 17,936,914</u>	<u>P 3,204,291,624</u>	<u>P 18,145,854,966</u>
Balance at January 1, 2021, net of accumulated depreciation	P 9,904,289,891	P 2,153,018,023	P 19,702,920	P 3,309,920,402	P 15,386,931,236
Additions	97,505,616	197,669,943	-	1,481,998,784	1,777,174,343
Depreciation charges for the year	-	(106,188,296)	(1,009,146)	-	(107,197,442)
Balance at December 31, 2021, net of accumulated depreciation	<u>P 10,001,795,507</u>	<u>P 2,244,499,670</u>	<u>P 18,693,774</u>	<u>P 4,791,919,186</u>	<u>P 17,056,908,137</u>

The amount of depreciation is allocated as follows:

	<u>Notes</u>	<u>September 30, 2022 (Unaudited)</u>	<u>December 31, 2021 (Audited)</u>
Cost of rentals	20.2	P 125,664,849	P 105,678,139
General and administrative expense	22	<u>756,858</u>	<u>1,519,303</u>
		<u>P 126,421,707</u>	<u>P 107,197,442</u>

Land and building rental revenues recognized from investment properties amounted to P1,317.2 million and P1,324.4 million for the nine months ended September 30, 2022 and 2021, respectively, and are shown as Rentals under Revenues account in the condensed consolidated statements of comprehensive income. Costs incurred related to investment properties, including the depreciation, are presented as Rentals under Costs of Services and Sales account in the condensed consolidated statements of comprehensive income (see Note 20.2).

Management believes that the carrying amounts of investment properties are recoverable in full; hence, no impairment loss is recognized in 2022 and 2021.

Certain investment properties with carrying amount of P1,579.6 million as of September 30, 2022 and December 31, 2021, are used as collateral for certain loans with local banks (see Note 17).

The fair value of investment properties amounted to P142,593.0 million as of September 30, 2022 and December 31, 2021 (see Note 6.4).

15. LEASES

The Group leases certain parcels of land from WHI where the Group's certain investment properties are situated. Such leases have original term up to 30 years, and subject to escalation rate of 3% and enforceable renewal or extension options. The leases with WHI are reflected in the 2022 condensed consolidated statement of financial position as a right-of-use asset under Investment Properties (see Note 14) and lease liability.

15.1 Right-of-use Asset

The carrying amount of the Group's right-of-use asset as at September 30, 2022 and December 31, 2021 and the movements during the period are shown below.

	<u>Note</u>	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of period		P 509,377,480	P 152,548,532
Additions		-	379,332,201
Depreciation and amortization	20.2	(25,091,454)	(22,503,253)
Balance at end of period		<u>P 484,286,026</u>	<u>P 509,377,480</u>

The amount of depreciation is allocated as follows:

	<u>Notes</u>	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Capitalized as part of property development cost		P 13,807,817	P 10,355,861
Cost of rentals	20.2	<u>11,283,637</u>	<u>12,147,392</u>
		<u>P 25,091,454</u>	<u>P 22,503,253</u>

15.2 Lease Liabilities

Lease liabilities are secured by the related underlying assets. Such liabilities are presented in the condensed consolidated statement of financial position as at September 30, 2022 and December 31, 2021 as follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Current	P 46,763,997	P 46,564,508
Non-Current	<u>478,184,779</u>	<u>487,471,404</u>
	<u>P 524,948,776</u>	<u>P 534,035,912</u>

Interest expense in relation to lease liabilities amounted to P31.8 and P11.2 million as of September 30, 2022 and 2021, respectively, and is presented as part of Finance Costs in the condensed consolidated statements of comprehensive income (see Note 21.2).

As of September 30, 2022, the Group has no commitments for leases (as lessee) entered into but which had not commenced.

16. OTHER NON-CURRENT ASSETS

This account includes the following:

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Advances to suppliers	P 387,353,941	P 535,847,581
Project advances	119,065,474	118,771,204
Deposits for future investment	54,026,935	54,026,935
Financial assets at FVOCI	42,178,662	42,178,662
Refundable deposits	34,454,475	32,340,519
Others	11,695,851	9,108,912
	<u>P 648,775,338</u>	<u>P 792,273,813</u>

The reconciliation of the carrying amounts of financial assets at FVOCI is as follows:

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Balance at beginning of period	P 42,178,662	P 49,670,827
Unrealized fair value loss	<u>-</u>	(7,492,165)
Balance at end of period	<u>P 42,178,662</u>	<u>P 42,178,662</u>

Financial assets at FVOCI consist of investment in golf club shares and certain unquoted equity securities. The Group used Level 2 and 3 in determining the fair value of financial assets at FVOCI.

17. LOANS AND BORROWINGS

The Group's short-term and long-term loans and borrowings are classified in the condensed consolidated statements of financial position as follows:

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Current	P 1,069,000,000	P 1,094,850,000
Non-current	<u>2,131,250,000</u>	<u>2,187,500,000</u>
	<u>P 3,200,250,000</u>	<u>P 3,282,350,000</u>

Bank loans represent partially secured and unsecured loans from local commercial banks. These loans bear annual interest rates ranging from 2.25% to 4.75% per annum in 2022 and 2021 and are subject to monthly repricing based on prevailing market rate.

In 2022 and 2021, interest costs related to bank loans amounted to P9.3 million and P27.7 million, respectively, and were recognized as part of Finance costs account in the condensed consolidated statements of comprehensive income (see Note 21.2).

Certain bank loans are partially secured by investment properties amounting to P1,579.6 million as of September 30, 2022 and December 31, 2021, respectively, and land and land development costs amounting to P56.6 million and P51.4 million as of September 30, 2022 and December 31, 2021 (see Notes 10 and 14).

18. TRADE AND OTHER PAYABLES

This account consists of the following:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Deferred output VAT payable	P 810,857,130	P 714,707,155
Trade payables	447,747,718	360,109,777
Accrued expenses	427,094,157	524,849,484
Retention payable	331,086,251	258,658,222
Other payables	134,840,494	135,768,875
	<u>P 2,151,625,750</u>	<u>P 1,994,093,513</u>

19. DEPOSITS AND ADVANCES

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Current:		
Reservation deposits	P 526,032,811	P 490,596,454
Advance rentals	205,016,604	219,114,647
Rental deposits	32,226,114	32,307,530
Construction bond	27,075,389	36,825,167
Unearned rent income	23,226,482	8,240,491
Buyers' deposits	1,009,196	1,009,196
Others	20,166,612	3,341,970
	<u>834,753,208</u>	<u>791,435,455</u>

Non-current:		
Rental deposits	256,593,244	256,222,831
Retention payable	110,765,630	83,510,600
Unearned rent income	59,321,324	59,321,324
Advance rentals	48,378,238	48,378,239
Buyers' deposits	<u>5,827,833</u>	<u>5,827,833</u>
	<u>480,886,269</u>	<u>453,260,827</u>
	<u>P 1,315,639,477</u>	<u>P 1,244,696,282</u>

20. COSTS OF SERVICES

20.1 Cost of Construction Contracts

The cost of construction contracts pertains to cost of subcontract amounting to nil and P39.5 million in 2022 and 2021, respectively.

20.2 Cost of Rentals

The following are the details of direct costs and expenses of rentals, including common usage and service area charges:

	Notes	2022	2021
Depreciation	14, 15.1	P 136,948,486	P 84,428,542
Outside services		32,231,959	30,375,251
Taxes and licenses		31,848,201	32,257,436
Utilities		31,185,592	20,919,542
Repairs and maintenance		11,707,108	9,559,490
Professional fees		10,922,168	9,119,072
Office supplies		8,830,452	5,561,455
Others		<u>11,243,518</u>	<u>13,025,730</u>
	22	<u>P 274,917,484</u>	<u>P 205,246,518</u>

Others include cost of janitorial services, garbage fees, and other incidental fees.

20.3 Cost of Sale of Condominium Units

The following are the details of direct costs and expenses of condominium units sold:

	2022	2021
Development costs	P 270,376,630	P 143,385,438
Land cost	34,207,420	18,642,646
Capitalized interest cost	19,436,616	8,157,310
Others	<u>19,760,026</u>	<u>10,156,355</u>
	<u>P 343,780,692</u>	<u>P 180,341,749</u>

Development costs pertain to work done by third party contractors relating to planning, design, architectural, and general construction of the condominium units.

Others include permits and licenses, development changes, surveying, monumenting, titling fees, project management, contingencies and interest cost.

21. OTHER OPERATING AND NON-OPERATING INCOME (CHARGES)

21.1 Other Operating Income

	<u>2022</u>	<u>2021</u>
Income from rendering of administrative and other services	P 29,439,587	P 30,435,923
Penalty Income	34,591,943	42,080,369
Others	<u>36,349,230</u>	<u>14,801,801</u>
	<u>P 100,380,760</u>	<u>P 87,318,093</u>

Others include parking fee income, vetting fee, and signage rental.

21.2 Finance Costs

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Interest expense on:			
Lease liabilities	15.2	P 31,822,006	P 11,164,071
Bank loans	17	9,309,235	27,748,960
Others		<u>56,765</u>	<u>1,353,457</u>
		<u>P 41,188,006</u>	<u>P 40,266,488</u>

21.3 Finance Income

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Interest income	7	P 19,946,683	P 10,603,977
Foreign currency gains		<u>3,811,974</u>	<u>1,090,870</u>
		<u>P 23,758,657</u>	<u>P 11,694,847</u>

22. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Development costs		P 270,376,630	P 143,385,438
Depreciation and amortization	13, 14	185,743,354	114,868,710
Salaries and employee benefits		113,368,853	114,583,892
Taxes and licenses		102,033,443	113,645,983
Commission		85,503,890	21,064,859
Cost of sale of land		55,212,604	-
Outside services		37,712,166	37,432,787
Land cost		34,207,420	18,642,646
Utilities		33,724,096	22,502,684
Association dues		30,057,950	28,189,667
Professional fees		24,003,307	22,550,480
Bond and insurance		16,379,343	16,785,544
Office supplies		13,922,244	11,588,686
Repairs and maintenance		13,615,300	11,553,704
Impairment Loss		9,259,021	3,312,464
Representation and entertainment		8,237,333	17,102,277
Others		73,655,715	91,281,821
		<u>P 1,107,012,669</u>	<u>P 788,491,642</u>

Others include gasoline and oil, postage and communication, bid documents, subsistence, low value leases and other incidental expenses under the ordinary course of business.

These expenses are classified in the condensed consolidated statements of comprehensive income as follows:

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Cost of rentals	20.2	P 274,917,484	P 205,246,518
Cost of sale of land	10	55,212,604	-
Cost of sale of condominium units	20.3	343,780,692	180,341,749
Cost of construction contracts	20.1	-	39,467,308
General and administrative expenses		344,432,146	339,945,725
Selling expenses		88,669,744	23,490,342
		<u>P 1,107,012,669</u>	<u>P 788,491,642</u>

The details of general and administrative expenses are shown below.

	Notes	2022	2021
Salaries and employee benefits		P 113,368,853	P 114,583,892
Taxes and licenses		70,185,242	81,388,547
Depreciation and amortization	13, 14	48,794,868	30,440,168
Association dues		30,057,950	28,189,667
Professional fees		13,081,139	13,431,408
Impairment loss		9,259,021	3,312,464
Representation and entertainment		8,237,333	17,102,277
Outside services		5,480,207	7,057,536
Bond and insurance		5,135,825	3,759,814
Office supplies		5,091,792	6,027,231
Utilities		2,538,504	1,583,142
Repairs and maintenance		1,908,192	1,994,214
Others		31,293,220	31,075,365
		<u>P 344,432,146</u>	<u>P 339,945,725</u>

23. RELATED PARTY TRANSACTIONS

The Group's related parties include its Ultimate Parent Company, associates, joint ventures, related parties under common ownership and management, stockholders and key management personnel as described below.

The summary of the Group's significant transactions in 2022 and 2021 with its related parties and the outstanding balances as of September 30, 2022 and December 31, 2021 are presented below:

Related Party Category	Notes	Outstanding Balances		Amount of Transactions	
		September 30, 2022 (Unaudited)	December 31, 2021 (Audited)	2022	2021
Ultimate parent company:					
Cash advances granted	23.1	P 485,006,512	P 473,211,213	P 11,795,299	P 32,359,682
Advances from purchase of land	23.2	(3,990,125,076)	(3,990,125,076)	-	-
Cash advances paid (obtained)	23.2	(944,716)	(44,743,876)	(43,799,160)	(1,750,791)
Right-of-use assets		484,286,026	509,377,480	(25,091,454)	356,828,948
Lease liability		(524,948,776)	(534,035,912)	9,087,136	(368,508,998)
Management Fee		14,562,704	3,640,676	10,922,028	(3,640,676)
Depreciation		-	-	11,283,637	22,503,253
Interest expense		-	-	31,822,224	22,181,383
Associates:					
Cash advances granted	23.1	7,579,525	7,555,729	21,796	2,300
Joint ventures:					
Cash advances granted	23.1	37,583,941	37,583,941	-	-
Construction contracts		-	45,128,657	-	17,454,899
Related parties under common ownership and management:					
Cash advances granted (collected)	23.1	144,437,491	192,892,494	(48,455,003)	24,647,617
Association dues		62,098,065	45,817,770	39,137,699	35,214,358
Contracts of services		-	-	-	15,724,500
Other income		-	-	28,484,476	39,160,904
Stockholders:					
Cash advances granted (collected)	23.1	99,638,463	97,113,470	2,524,993	58,370
Key management personnel –					
Compensation		-	-	44,314,403	46,058,460
Retirement Fund		-	-	-	-

23.1 Advances to Related Parties

In the normal course of business, the Group grants unsecured and noninterest-bearing cash advances to related parties for working capital requirements and other purposes. The advances have no fixed repayment terms and collectible upon demand.

Certain advances to related parties are secured by an undertaking of another related party to pay in case of default. These advances are presented as Advances to related parties under Receivables account in the condensed consolidated statements of financial position (see Note 8).

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Ultimate parent company	P 485,006,512	P 473,211,213
Related parties under common ownership and management	144,437,491	192,892,494
Stockholders	99,638,463	97,113,470
Joint ventures	37,583,941	37,583,941
Associates	<u>7,579,525</u>	<u>7,555,729</u>
	<u>P 774,245,932</u>	<u>P 808,358,847</u>

23.2 Advances from Related Parties and Due to Ultimate Parent Company

The Group has outstanding amount due to the Ultimate Parent Company representing a payable for certain land acquired in prior years. The Group also obtains cash advances from other related parties to assist its daily operational and other requirements.

24. EARNINGS PER SHARE

Basic and diluted earnings per share were computed as follows:

	2022 (Unaudited)	2021 (Unaudited)
Net profit attributable to the equity holders of the Parent Company	P 1,712,049,034	P 1,231,972,216
Divided by weighted average number of outstanding common shares*	<u>3,395,864,100</u>	<u>3,395,864,100</u>
Basic and diluted earnings per share	<u>P 0.50</u>	<u>P 0.36</u>

*The Group has no potential dilutive common shares as of September 30, 2022 and 2021.

25. CAPITAL STOCK

The Parent Company has an authorized capital stock of P4,000,000,000 divided into 4,000,000,000 shares with a par value of P1 per share, of which 3,395,864,100 shares or P3,395,864,100 are issued and outstanding as of September 30, 2022 and December 31, 2021.

On March 6, 2018, the Parent Company filed its application with the PSE for the listing of its common shares, which was approved by the PSE on May 23, 2018. Also on March 6, 2018, the Parent Company filed a Registration Statement covering the Initial Public Offering (IPO) of its common shares with the PSE, in accordance with the provisions of the SEC's Securities Regulation Code. Pursuant to its filing with the PSE, on June 29, 2018, the Parent Company issued through the IPO the additional 679,172,800 common shares at P12.00 price per share generating offering proceeds of P8,150.1 million. The related additional paid-in capital arising from the IPO, after deducting transaction costs associated with the issuance of shares, amounted to P6,964.6 million. The common share price closed at P6.80 per share and P6.78 per share as of September 30, 2022 and December 31, 2021, respectively.

In 2015, the Parent Company issued 3,216,910 common shares at par value of P100.00 per share to a certain individual stockholder pursuant to a deed of exchange.

On May 14, 2020, the Parent Company's BOD unanimously approved a P1,000.0 million buyback program of the Parent Company's shares through the open market on the PSE subject to applicable SEC and PSE rules, for a period of two years or upon full utilization of the appropriated amount, whichever comes first. The Parent Company acknowledges that the share buyback program shall have an effect on the Parent Company's Minimum Public Ownership (MPO), and that it commits to bringing the MPO to the required percentage within a period of twelve months. As of the date of issuance of the 2021 consolidated financial statements, the SEC is yet to approve the Parent Company's buyback program and management has projected that the approved amount may only reach to P300.0 million.

As of September 30, 2022 and December 31, 2021, there are 24 and 22 holders, respectively, of the listed common shares owning at least one board lot of 100 shares. The public float lodged with PCD Nominee is counted as one stockholder only.

26. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

26.1 Operating Leases – Group as a Lessor

The Group is a lessor under operating leases covering certain real estate properties presented in the consolidated statements of financial position as Investment Properties. Lease agreements with large tenants have terms ranging from five to 45 years with monthly rental payment on certain rate per square meter of leased area subject to annual escalation rates of 5.00% to 10.00% per annum. Some lease agreements have a term of one year, subject to annual renewal and monthly payment of minimum rental plus additional rental based on certain percentage of the lessee's gross sales.

The future minimum lease collections under these operating leases as of the end of the reporting period is as follows:

	September 30, 2022	December 31, 2021
	<u>(Unaudited)</u>	<u>(Audited)</u>
Within one year	P 1,163,337,270	P 1,012,135,869
After one year but not more than two years	1,038,375,116	827,493,840
After one year but not more than three years	934,385,878	681,549,765
After one year but not more than four years	839,828,394	599,984,911
After one year but not more than five years	724,284,864	570,284,221
More than five years	<u>37,031,820,910</u>	<u>31,381,180,770</u>
	<u>P 41,732,032,432</u>	<u>P 35,072,629,378</u>

26.2 Legal Claims

There are pending claims and legal actions filed by the Group or against the Group arising from the normal course of its business. Management believes that the ultimate liability, if any, with respect to such litigations, claims and disputes will not materially affect the financial position and results of operations of the Group.

26.3 Deficiency Tax Assessments

The Group has certain final deficiency tax assessment and has received letters of authority from the BIR, pursuant to which the BIR has sought to investigate certain tax periods of the Group and consequently examine certain books, records and accounts that relate to transactions in the ordinary course of business. There are final deficiency tax assessments in the ordinary course of business against the Parent Company that are pending with the BIR covering taxable years 2013 and 2009. Pursuant to the Group's policy of addressing such actions in line with prudent business practice, the Group has engaged tax counsels and advisors in relation to these matters.

As of September 30, 2022, the final deficiency tax assessments are still under protest. Management believes that the Group has enough legal basis under the law, Supreme Court and Court of Tax Appeals decisions and evidence to support their claim; hence, no provisions were recognized in the consolidated financial statements.

26.4 Reclaimed Land and Others

The Group's existing land holdings in Aseana City, which were obtained pursuant to certain series of agreements involving reclamation and related projects with the Philippine Government, are entirely located on reclaimed foreshore land. Although the Group holds registered titles to these land holdings, Philippine law provides that issuance of titles does not create or vest title, but only constitutes evidence of ownership over such properties. In view of this, the Group's ownership, registration, and possession of titles and actual possession of

these land holdings do not negate the possibility that the Philippine Government or third parties may at any time, file lawsuits to challenge the Group's rights to these land holdings. While the PRA and the Philippine Office of the Government Corporate Counsel (OGCC) are of the opinion that the Group's titles can no longer be invalidated, there is no assurance that the Philippine Government or third parties will not challenge the Group's rights to such reclaimed lands in the future. Notwithstanding the foregoing, the Group is not aware of the validity of the Group's titles being questioned, impugned, challenged or invalidated by the Philippine Government or any other third party since the time the Group acquired ownership over these land holdings in Aseana City and up to the audit report date. In addition to the opinions of the PRA and OGCC, management believes that the Group has enough basis in law and in the decisions of the relevant courts, to support the validity of its titles and ownership over these subject properties.

There are other commitments, litigations and contingencies that arise in the normal course of the Group's operations which are not reflected in the consolidated financial statements. As of September 30, 2022, management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Group's consolidated financial statements.

27. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure that the Group maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions primarily those current and expected future events that affect or likely to affect the real estate and leasing sector. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group monitors its capital gearing by measuring the ratio of loans and borrowings to total capital and net loans and borrowings to total capital. Loans include all short-term and long-term borrowings while net interest-bearing loans include all short-term and long-term loans net of cash and cash equivalents.

As of September 30, 2022 and December 31, 2021, the Group's ratios of net interest-bearing loans to total capital are as follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Total loans and borrowings	P 3,200,250,000	P 3,282,350,000
Less: Cash and cash equivalents and short-term placements	(5,627,963,148)	(5,665,952,194)
Net loans and borrowings (a)	(2,427,713,148)	(2,383,602,194)
Total equity	<u>25,746,330,896</u>	<u>24,224,178,117</u>
Net loans and borrowings and equity (b)	<u>P 23,318,617,748</u>	<u>P21,840,575,923</u>
Gearing ratio (a/b)	<u>-10%</u>	<u>-11%</u>

28. CASH DIVIDENDS

On March 22, 2022, the Parent Company's BOD in the special meeting held approved the declaration of dividends amounting to P 0.060945 per share to shareholders as of the record dated March 25, 2022. The dividends were made payable on April 8, 2022.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
Schedule of Financial Indicators
As required under SRC Rule 68, as amended
For the Period Ended September 30, 2022 and 2021
(Amounts in Philippine Pesos)

		<u>September 30, 2022</u>	<u>December 31, 2021</u>
I.	Current/liquidity ratios		
a.	Current Ratio		
	$\frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$	1.72	1.67
b.	Quick Ratio		
	$\frac{\text{[Cash and Cash Equivalents + Receivables - net]}}{\text{Total Current Liabilities}}$	1.02	1.07
II.	Solvency ratios		
a.	Solvency Ratio		
	$\frac{\text{Total Assets}}{\text{Total Liabilities}}$	3.02	2.90
b.	Debt Ratio		
	$\frac{\text{Total Loans and Borrowings}}{\text{Total Assets}}$	8%	9%
c.	Debt-to-Equity Ratio		
	$\frac{\text{Total Loans and Borrowings}}{\text{Total Equity Attributable to Owners of Parent Company}}$	13%	14%
III.	Asset-to-equity ratio		
	$\frac{\text{Total Assets}}{\text{Total Equity Attributable to Owners of Parent Company}}$	1.53	1.57
IV.	Interest Coverage Ratio	<u>September 30, 2022</u>	<u>September 30, 2021</u>
	$\frac{\text{Earnings Before Interest and Taxes}}{\text{Interest Costs}}$	25.6	47.7
V.	Profitability Ratios		
a.	Net Profit Margin		
	$\frac{\text{Net profit Attributable to Owners of the Parent Company}}{\text{Revenues}}$	53.8%	61.5%
b.	Gross Profit Margin		
	$\frac{\text{Gross Profit}}{\text{Revenues}}$	78.8%	78.8%
c.	Return on Equity (Annualized)		
	$\frac{\text{Net profit Attributable to Owners of the Parent Company}}{\text{Average Equity Attributable to Owners of the Parent Company}}$	9.4%	8.1%

d.	Return on Assets (Annualized)		
	Net profit Attributable to Owners of the Parent Company		
	<hr/>	6.7%	5.4%
	Average Total Assets		
e.	Recurring income		
	Rental revenue		
	<hr/>	50.1%	72.8%
	Total revenue		

D. M. WENCESLAO & ASSOCIATES, INCORPORATED
15th Floor Aseana 3, D. Macapagal Blvd.
corner Asean Ave., Aseana City, Paranaque City

Reconciliation of Retained Earnings Available for Dividend Declaration
As of September 30, 2022

Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year	<u>P 9,831,329,104</u>
Prior Year's Outstanding Reconciling Items	
Rent income based on	
Philippine Accounting Standard (PAS) 17, <i>Leases</i>	(4,412,362,805)
Deferred tax income from deferred tax assets	(120,391,051)
Remeasurement of deferred tax assets	
as an effect of change in income tax rate	17,665,749
Revaluation increment on land	<u>(19,047,893)</u>
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted	<u>5,297,193,104</u>
Net Profit Realized During the Year	
Net profit per audited financial statements	1,086,429,684
Non-actual/unrealized income	
Accrued rent income based on PFRS 16, <i>Leases</i>	(370,442,028)
Deferred tax expense from deferred tax assets	<u>75,159,019</u>
	<u>791,146,675</u>
Other Transactions During the Year	
Cash dividends declared	<u>(206,960,938)</u>
Unappropriated Retained Earnings Available for Dividend Declaration at End of Period	<u>P 5,881,378,841</u>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS

DMW's 9M 2022 Net Income Rises 39% YoY to P1.7 Billion

Financial and Operational Highlights

(In Millions Pesos, except for financial ratios and percentages)

	Nine months ended September 30 (UNAUDITED)				
	2022	% to Revenues	2021	% to Revenues	% Change
Profit & Loss Data					
Revenues	3,184	100%	2,005	100%	59%
Cost of services and sales	674	21%	425	21%	59%
Gross profit	2,510	79%	1,580	79%	59%
Other operating expenses – net	323	10%	276	14%	17%
Net income	1,729	54%	1,246	62%	39%
Core net income	1,729	54%	1,044	52%	66%
	Sep 30, 2022		Dec 31, 2021		% Change
	Amount	% to Total Assets	Amount	% to Total Assets	
	(UNAUDITED)		(AUDITED)		
Balance Sheet Data					
Total Assets	38,520	100%	36,983	100%	4%
Total Liabilities	12,774	33%	12,759	34%	0%
Total Equity attributable to owners of the Parent company	25,128	65%	23,623	64%	6%
	As of the period ended				
Other Key Financial Ratios	September 30, 2022	December 31, 2021			
Current Ratio	1.72	1.67			
Debt to Equity	13%	14%			
	September 30, 2022	December 31, 2021			
Return on Equity	9%	8%			
*Net income ratio	54%	61%			
Recurring Income Contribution	50%	58%			

**Attributable to parent*

Revenue

Total consolidated revenue increased by P1,178.9 million or 59%, from P2,004.6 million for the nine months ended September 30, 2021 to P3,183.5 million for the same period in 2022, primarily due to the following:

Land sales

The parent Company sold a certain parcel of land amounting to P787.6 million in January 2022 with a land area of 1,790 sqm. No sale was recorded for the same period in 2021.

Sale of Condominium Units

The revenue from sale of condominium units increased by P306.8 million or 62.0%, from P494.3 million for the nine months ended September 30, 2021 to P801.1 million on same period in 2022. This increase was primarily attributable to the increase in incremental percentage of completion for Midpark in 2022 compared to the incremental percentage of completion for the same period in 2021. Also, higher number of units of Midpark was qualified for revenue recognition as it reaches the revenue threshold.

Rentals

The total rental revenue increased by P136.1 million or 9.3%, from P1,458.8 million for the nine months ended September 30, 2021 to P1,594.9 million on the same period in 2022. The increase was attributable to the improved covid condition, increase in parking income and income from forfeitures of advance rental and deposits from pre-termination of a lease. In addition, the Company has secured new tenants for the newly opened commercial building.

Cost of Services and Sales

Total consolidated cost of services and sales increased by P248.8 million or 58.5%, from P425.1 million for the nine months ended September 30, 2021 to P673.9 million for the same period in 2022 primarily due to the following:

Sale of Condominium Units

Cost of sale of condominium units increased by P163.5 million or 90.7%, from P180.3 million for the nine months ended September 30, 2021 to P343.8 million for the same period in 2022. As discussed above, increase was primarily attributable to the increase in incremental percentage of completion for Midpark in 2022 compared to the incremental percentage of completion on the same period in 2021. Also, higher number of units of Midpark was qualified for revenue recognition.

Land Sales

Cost of land sales increased by P55.2 million or 100% from 2021. As discussed above, there is no land sale for the same period in 2021.

Operating expenses – net

Operating expenses – net increased by P56.6 million or 20.5% from P276.1 million for the period ended September 30, 2021 to P332.7 million for the same period in 2022 primarily due to increase in selling expense related to land and condominium sale and decrease in recognized penalty income from forfeited payments of buyers.

Tax Expense

Tax expense increased by P397.9 million or 815.4%, from P48.8 million in 2021 to P446.7 million expense in 2022. On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprise Act (CREATE Act) was passed resulting to the decrease in corporate tax rate from 30% to 25%. The effect of which is a reversal of deferred tax liability and a tax credit from the previous year's adjustment for overpayment of income tax. Further, increase in current tax expense is due to transacted land sale during the first quarter of 2022.

Net Profit Attributable to Parent

Net profit attributable to parent company increased by P480.0 million or 38.9%, from P1,232.0 million in 2021 to P1,712.0 million in 2022.

Core Net Income

Core net income increased by P 685.0 million or 65.6%, from P1,044.0 million in 2021 to P1,729.0 million in 2022. Core net income excludes the adjustment of tax expense in 2021 due to effectivity of CREATE Law. The increase is primarily due to the transacted land sale; and the increase in percentage of completion and increase in number of units recognized from sale of condominium units.

Balance Sheet Accounts***Total Assets***

The Company's total assets increased by P1,536.4 million or 4.2%, from P36,983.5 million as of December 31, 2021 to P38,519.9 million as of September, 2022 due to the following:

- Contract Asset increased by P379.5 million or 1,142.4%, from P33.2 million to P412.7 million as of December 31, 2021 and September 30, 2022, respectively, primarily due to the increase in number of units that qualified for revenue recognition.
- Investment properties - net increased by P1,063.8 million or 6.1%, from P17,566.3 million to P18,630.1 million as of December 31, 2021 and September 30, 2022, respectively, primarily due to the cost incurred for the construction of 8912 Asean Ave. and Parqal.

- Other current asset increased by P208.9 million or 15.3%, from P1,367.9 million to P1,576.8 million as of December 31, 2021 and September 30, 2022, respectively, primarily due to input VAT related to supplier's and subcontractor's billings.

Total Liabilities

Total liabilities increased by P14.2 million or 0.1%, from P12,759.3 million to P12,773.5 million from December 31, 2021 and September 30, 2022, respectively, due to the following:

- Deferred tax liabilities increased by P61.9 million or 6.3%, from P989.1 million to P1,051.0 million as of December 31, 2021 and September 30, 2022, respectively, mainly due to PAS 17 adjustments.
- Income Tax Payable decreased by P153.4 million or 77.0%, from P199.1 million to P45.7 million as of December 31, 2021 and September 30, 2022, respectively, primarily due to the tax payment made on the first quarter of 2022.
- Trade and other payables increased by P157.5 million or 7.9%, from P1,994.1 million to P2,151.6 million as of December 31, 2021 and September 30, 2022, respectively, primarily due to the dividend declared and billings received from subcontractors of pipeline projects.
- Contract liability decreased by P33.4 million or 13.5%, from P246.6 million to P213.2 million as of December 31, 2021 and September 30, 2022, respectively, primarily due to the decrease in the amount received from real estate customers in excess of the amount that the Group has rights to receive based on the progress of the real estate development.
- Lease liability decreased by P9.1 million or 1.7%, from P534.0 million to P524.9 million as of December 31, 2021 and September 30, 2022, respectively, primarily due to the amortization.
- Deposit and advances increased by P70.9 million or 5.7%, from P1,244.7 million to P1,315.6 million as of December 31, 2021 and September 30, 2022, mainly due to additional deposits received.
- Loans and Borrowings decreased by P82.1 million or 2.5%, from P3,282.4 million to P3,200.3 million as of December 30, 2021 and September 30, 2022, respectively, primarily due to payment of maturing loans.

Total Equity

Total equity increased by P1,522.1 million or 6.3%, from P24,224.2 million to P25,746.3 million as of December 31, 2021 and September 30, 2022, respectively, primarily due to the results of operation for the nine months ended September 30, 2022, net of declaration of cash dividends of P206.0 million.

Other Key Financial Ratios

The Company's key performance indicators are measured in terms of the following: (a) Current ratio which determines the liquidity of the Company (b) Debt to equity which determines the Company's financial leverage (c) Return on equity which measures the profitability to capital provided by stockholders (d) net income ratio which measures the ratio of net profit to total gross revenue (e) recurring income contribution.

Current ratio increased to 1.72 from 1.67 as of September 30, 2022 and December 31, 2021, respectively, mainly due to the increase in contract asset as a result of increase in number of units that qualified for revenue recognition.

Debt to equity ratio decreased to 13% from 14% as of September 30, 2022 and December 31, 2021, mainly due to payments of loans and borrowings.

Return on equity increased to 9% from 8% as of September 30, 2022 and December 31, 2021, mainly due to land sale transacted during the period.

Net income margin decreased to 54% from 61% as of September 30, 2022 and 2021, mainly due to adjustment of tax expense in 2021 due to effectivity of CREATE Law.

Recurring income ratio decreased to 50% from 73% as of September 30, 2022 and 2021 mainly due to increase in revenue from sale of condominium units and revenue from land sale.

The Company has no known direct or contingent financial obligation that is material to the Company, including any default acceleration of an obligation. There were no contingent liabilities or assets in the Company's statements of financial position. The Company has no off-balance sheet transactions, arrangements, obligations during the reporting year as of balance sheet date.

There are no known trends, events, material changes, seasonal aspects or uncertainties that are expected to affect the Company's continuing operations.

Key Operating Data

As of end-9M2022, DMW's total leasable commercial space stood at 162,351sq.m., 79% higher than 90,712sq.m. in 9M2021. The year-on-year jump in leasable space resulted from the addition of the over 69,000sq.m. of 8912 Asean Ave in Aseana City and the over 2,000sq.m. of 58 Jupiter in Makati City during the 4Q2021.

Meanwhile, DMW's flagship project – the over 70,000 sq.m. Parqal – is already 84% completed as of September 2022. Parqal is a mixed-use project that stretches from Diokno Ave. to Macapagal Ave.; it features a climate protected and walkable development composed of nine independent 4-storey buildings. Around 60% of Parqal's lot area is dedicated to lush green landscapes and recreational facilities.

On the residential segment, MidPark Towers' percentage of completion reached 44% as of end-9M2022. DMW's wholly-owned subsidiary Aseana Residential Holdings already topped off the fourth and final tower of MidPark Towers last September.

On land leasing, the 1.4-hectare land lease of St. Luke's Medical Center has already commenced in 3Q2022.

Earlier this year, DMW completed a 1,790sq.m. land sale for Php787.6 million. As of September 30, 2022, DMW still has ~4,200sq.m. of land available for sale.

The National Capital Region and most of the country transitioned to the loosest form of COVID-related restrictions since March. This allowed for higher-than-pre pandemic mobility and an improvement in construction pace. We expect our recently completed and upcoming developments to continue benefiting from the less-restrictive measures and the much-improved COVID situation in the country.

Impact of COVID-19 Pandemic on the Group's Business

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020. The measures taken by the government to contain the virus have affected economic conditions and the Group's business operations. The following are the impact of the COVID-19 pandemic to the Group's business:

In 2021 and 2020, the Group has taken the following measures to mitigate the adverse effects of the COVID-19 pandemic to the Company's business:

- re-evaluated schedules and completion of projects under construction;
- launched digital platform and collection portal towards the end of the third quarter to provide convenient payment access to the customers;
- granted discount and/or waiver of penalties to certain tenants and deferment of payments for lessees and residential buyers on a case to case basis;
- activated digital marketing initiatives to reach existing and potential residential buyers; and,
- organized vaccination programs and implemented stringent health protocols within the Group's offices and project sites.

As a result of the actions taken by management, the Group's operations improved in 2021 as discussed below:

- Revenues relatively increased as compared to that of 2021, as a result of retaining tenants through negotiating terms which conformed with the ongoing impact of the pandemic and continuance of construction projects as more manpower are able to work on-site after the roll-out of vaccines;
- mitigated temporary setbacks in pre-selling of residential units encountered in 2021; and,
- recognition of impairment losses on financial assets is lower as compared to 2021.

Based on the actions and measures taken by management to mitigate the adverse effect of the pandemic, it projects that the Group would continue to report positive results of operations and would remain liquid to meet current obligation as it falls due. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

Project and Capital Expenditure

As of the period ended September 30, 2022, the Company already spent P7,111.8 million from the IPO proceeds. The Group expects to incur capital expenditures of approximately P3.7 billion which will be funded through internally generated funds or external borrowings.

SIGNATURES

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

Issuer: **D.M. WENCESLAO & ASSOCIATES, INC.**

By:



DELFIN ANGELO C. WENCESLAO
Chief Executive Officer



BENIGNO A. TATUNAY
Chief Finance Officer

Date: November 11, 2022